

BANK INDONESIA

REPORT FOR THE YEAR 1960 - 1965

Printed by
P.N. Pertjetakan GITA KARYA

R E P O R T

OF

BANK INDONESIA^{*)}

FOR THE FINANCIAL YEARS 1960 — 1965

*) The name “Bank Indonesia” became “Bank Negara Indonesia Unit I” by Presidential Decision No. 17/1965 and Decision of the Minister for Central Bank Affairs No. Kep. 65/UBS/65.

BANK INDONESIA

Head Office:

DJAKARTA

Representatives:

LONDON

NEW YORK

TOKYO

Agencies:

AMBON, AMPENAN, BANDA ,ATJEH,

BANDJARMASIN, BANDUNG, BIAK,

DJEMBER, JOGJAKARTA, KEDIRI, KUPANG, MAKASSAR,

MALANG, MANOKWARI, MEDAN, MENADO, MERAUKE, PADANG,

PAKANBARU, PALEMBANG, PONTIANAK, SABANG, SAMARINDA,

SEMARANG,

SOLO, SORONG, SUKARNAPURA, SURABAJA, TELUKBETUNG,

TJIREBON.

The above represents the number of offices as per the end of 1965.

INTRODUCTORY

The last Bank Indonesia Annual Report issued covered the book-year 1959-1960.

The next Annual Report covering the year 1960—1961 was not published because of the Decision of the Minister of Finance No. 1/M/61 of January 6, 1961 which prohibited the Bank Indonesia from publishing any monetary/banking statistics or annual reports.

The above prohibition to publish or issue data and reports was effective during the following years and only at the end of 1966 it was revoked by the Decision of the Minister of Finance No. D. 15. 1. 1. 37 of December 28, 1966.

Now the time has come to resume publication of the Annual Reports with the aim of furnishing the public with the necessary data in order to enable it to follow developments and activities in the economic and monetary field.

Besides, by the publication of the Reports the public will have a source of valuable information in considering and judging the economic and monetary policy of the Government.

This report in full, covering the period of 6 bookyears (1960 — 1965) has been published in order to enable a continual observance of the Indonesian economic and monetary situation during those years at once. Other Reports will follow hereafter, covering subsequent years.

The period of 1960— 1965 was one in which the country was governed according to the principle of the Political Manifesto, laid down in Presidential Decision No. 1/1960 of January 29, 1960. During this time the economic

was purposefully handled to implement the principles of guided economy and guided democracy, which finally resulted in “etatism” by gradually permeating the entire economic activity by the maxim of state enterprise and state control. In relation to the above the years 1960 — 1965 may be seen as the period of the guided economy, thus giving rise to covering all of those six years by one Report.

It should also be noted that the former book-year of Bank Indonesia was from April 1st to March 31st (Act No. 11/1953) while since August 19, 1965 the book-year has been altered as to conform with the calendar year.

In relation to the above the present Report on the years 1960— 1965 covers the period from April 1, 1960 to December 31, 1965, this being the reason for the use of the name “Bank Indonesia Report”, although on August 19, 1965 the name Bank Indonesia was changed into Bank Negara Indonesia.

During the years under review many changes occurred in the political, economic, social and cultural field. As for the banking sector many structural alterations were effected as well as changes in names and in the division of duties among the state banks in consequence of Presidential Decision No. 17/ 1965 concerning the establishment of one single Bank, i.e. Bank Negara Indonesia into which all state banks including Bank Indonesia had been integrated. On account of the many changes no data on the staff of the Central Bank have been included. A report on its operations is under preparation and will be published in the near future.

Although the present Report covers only the period 1960—1965, efforts have been made to supply information on certain developments in 1966.

Reports on subsequent years are to follow after the publication of this one, while the Report reviewing the year 1966 — 1967 is in a preparatory state.

Finally, I must express my sincere gratitude to the Departments, banking circles as well as individuals for their cooperation with the Central Bank in the preparation of this Report.

Djakarta, 1 May 1968.

GOVERNOR BANK NEGARA INDONESIA

RADIUS PRAWIRO

REPORT

I. NATIONAL INCOME

Based on figures compiled by the Central Bureau of Statistics cooperation with the National Income Committee and provisional estimates of the Bappenas (National Planning Council) of the 1963 - 1965 period, net national product In 1958 - 1965 was as follows :

	at prices of the year concerned (Rp billion)	at 1960 prices (Rp billion)
1958	220.0	386.5
1959	295.9	387.9
1960	390.5	390.5
1961	548.0	406.5
1962	1,461.2	403.4
1963	...	396.0
1964	...	406.6
1965	...	429.7

Although national income figures at prices of the years concerned for 1963, 1964 and 1965 have not as yet been produced—based on rising index figures of the cost of living—it can nevertheless be concluded that developments indicate a swift rising trend. On the other hand, national income at 1960 prices, or real national income, showed a slow development. This means that the nominal increase in national income was primarily caused by the rise of prices or inflation in practically all sectors, as can be seen in the above table where nominal national income in 1962 noted an increase if compared with the foregoing year. Real national income, however, marked a drop. Under these circumstances, those most hard hit were groups having fixed salaries, such as civil servants, and the majority of workers. Disparity between income and soaring prices among other things affect productivity. Census figures in 1961 said Indonesia's total population was about 96.4 million people. On the assumption that the rise of population goes by 2.3% annually, real national income per capita at 1960 prices is as follows :

1958 - Rp 4,289	1962 - Rp 4,091
1959 - Rp 4,212	1963 - Rp 3,929
1960 - Rp 4,145	1964 - Rp 3,940
1961 - Rp 4,217	1965 - Rp 4,065

The above figures showed that there was a declining trend in the real income per capita during the 1958—1965 period. This was attributed to the fact that the rise of national income composed at 1960 prices could not balance the rise of population.

Specification of national product at 1960 prices in the various sectors of operation were as follows (in percentage).

<i>Sector of Operation</i>	<i>1958</i>	<i>1959</i>	<i>1960</i>	<i>1961</i>	<i>1962</i>	<i>1963</i>	<i>1964</i>	<i>1965</i>
1. Agriculture, Forestry, etc.	50.4	52.1	52.3	50.1	53.3	51.1	51.9	52.8
2. Mining and Minerals	2.5	2.8	3.1	3.0	3.2	3.4	3.5	3.2
3. Industry	13.3	12.6	12.3	13.0	12.8	12.8	12.0	11.9
4. Buildings	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.8
5. Electricity and Gas	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
6. Transport & Communications	3.0	3.2	3.4	3.3	3.4	3.7	3.9	3.5
7. Wholesale & Retail Trade	14.9	14.5	15.2	16.8	15.5	16.8	16.7	17.0
8. Banks & other financial agencies	0.7	0.8	0.8	1.0	0.8	0.8	0.8	0.8
9. House rent	1.9	1.9	1.9	1.9	2.0	2.0	1.9	1.8
10. Government & Defence	6.6	5.3	4.1	4.4	2.2	2.2	2.2	2.1
11. Services	5.5	5.7	5.7	5.5	5.8	6.1	6.0	5.8
12. Net Domestic Product	100.8	100.9	100.8	101.0	101.1	101.1	101.1	101.0
13. Net Investment Income	-0.8	-0.9	-0.8	-1.0	-1.1	-1.1	-1.1	-1.0
14. Net National Product	100	100	100	100	100	100	100	100

From the above figures it is evident that during the 1958—1965 period agricultural proceeds yielded an average 51.8%, industries 12.6%, trade (wholesale and retail) 15.9%, services 5.8%, transport and communications 3.4% and other sectors about 10%. Agricultural operations indicated an up—and—down development, industries a slight decline, trade a slight increase caused by the process of inflation, where there was a redistribution of income profitable for the trade sector. Although the volume of merchandise did not increase and even showed a decline,

the profit margin was invariably going up. Income obtained through the Government during the 8 years concerned experienced a fall from 6.6% to 2.1%. As is known, contributions made by the Government to national income only comprise services of civil servants. Other fields did not undergo significant changes. In the period of inflation the trade sector drew the income of that of the other sectors. Sectors with seriously affected income were those whose percentage calculated from the total national production experienced a decline, especially, the Government.

If a review was made of the development of all sectors during the period concerned made on the basis of 1960 prices, agricultural production recorded a real increase of about 17% in 1965 against that in 1958, mining sector a rise of about 40%, industries a fall of about 1%, buildings a rise of about 15%, electricity and gas a rise of about 75%, transport and communications a rise of about 52%, trade a rise of above 26%, banks and other financial agencies a rise of about 25% house rent an increase of about 9%, government activities a fall of about 65%, and services a rise of about 17%.

In its entirety the 8-year period under report presented a picture where net national product only indicated a rise of only about 11%.

II. MONETARY DEVELOPMENT

Introduction

The monetary analysis in this report, as in the report for the financial year 1959 — 1960, was drawn up on the basis of figures obtained from institutions considered as money creating bodies such as the Central Government, the Bank Negara Indonesia Units I - IV, the Bank Dagang Negara, and Private Foreign-Exchange Banks.

On account of technical difficulties, the activities of private commercial non-foreign exchange banks have not yet been included in the monetary analysis contained in this report.

TABLE 1 — VOLUME OF MONEY IN CIRCULATION (Rp million)						
End of :	Total Money	Movements	Currency	%	Deposit Money	%
1955 December	12,240	+ 1,118	8,647	71	3,593	29
1956 December	13,399	+ 1,159	9,372	70	4,027	30
1957 December	18,919	+ 5,520	14,091	74	4,828	26
1958 December	29,372	+ 10,453	19,872	68	9,500	32
1959 December	34,889	+ 5,517	26,383	76	8,506	24
1960 December	47,842	+ 12,953	34,079	71	13,763	29
1961 December	67,648	+ 19,806	48,540	72	19,108	28
1962 December	135,898	+ 68,250	102,851	76	33,047	24
1963 December	263,361	+ 127,463	175,460	67	87,901	33
1964 December	675,105	+ 411,744	452,748	67	222,357	33
1965 March *)	823,024	+ 147,919	629,498	76	193,526	24
June *)	1,116,886	+ 293,862	812,893	73	303,993	27
September *)	1,627,777	+ 510,891	1,188,948	73	438,829	27
December *)	2,713,688	+ 1,085,911	1,966,605	72	747,083	28
1965		+ 2,038,583				
1966 January*)	3,291,963	+ 578,275	2,515,822	76	776,141	24
February*)	4,214,005	+ 922,042	3,391,816	80	822,189	20
March*)	5,164,552	+ 950,547	4,221,771	82	942,781	18
1966		+ 2,450,864				
*) Provisional figures						

Table I shows the movements in the volume of money in circulation specified into currency and deposit money, and their percentages with regard to the total money volume.

The causes which explain the increase in money supply are to be found in the movements in the economic sectors as mentioned in table 2, i.e. the Public Sector, the Private Sector, the Foreign Sector and Miscellaneous.

In addition, table 3 set out the movements in the volume of money in circulation in the form of a balance sheet; the factors which caused the money volume to change are listed under the economic sectors as on the assets side, which almost resembles the sectorization of the causes leading to the movements in the volume of money mentioned in table 2.

Causes of the movements in money supply.

The supply of money in circulation since 1960 up to the end of the first quarter of 1966 showed a continuous upward trend. But the rate of increase was not the same for every year.

A spectacular rise began in 1962, namely 101%; 1963 followed with 94% ; 1964 with 156% ; 1965 with 302% and the first quarter of 1966 with 90%, respectively compared with the supply of money in circulation at the end of the preceding year. At the end of the first quarter of 1966, the supply of money in circulation was Rp 5,164,552 million.

Technically speaking, the movements in money circulation were the result of internal activities through the state budget, bank credits, and transactions with foreign countries via the balance of payments.

Summarizing, the movements in the supply of money in circulation since 1960 up to the end of the first quarter of 1966 were brought about by the movements in the four following sectors :

	1st quarter						
	1960	1961	1962	1963	1964	1965	1966
A. Public Sector	+ 2,519	+ 26,543	+ 66,285	+ 146,323	+ 427,567	+ 1,843,252	+ 1,854,650
B. Private Sector	- 1,224	+ 7,081	+ 5,122	+ 10,021	+ 32,454	+ 237,316	+ 20,472
C. Foreign Sector	+ 4,472	- 6,812	- 9,242	- 10,968	- 10,185	- 3,856	+ 5,958
D. Miscellaneous	+ 7,186	- 7,006	+ 6,085	- 17,913	- 38,092	- 38,130	+ 569,784
	+ 12,953	+ 19,806	+ 68,250	+ 127,463	+ 411,744	+ 2,038,582	+ 2,450,864

The above figures show very clearly that the Public Sector was the main cause of the increase in money volume since 1960 up to the first quarter of 1966.

In point of fact, it is not true that in 1960 the Public Sector should be a relatively small money creating source if compared with the other sectors.

This was the result of the monetary measures taken by the Government on August 25, 1959 (P.P.P.U.U. No. 2/1959) decreasing the value of bank notes of Rp 1000 and Rp 500 denominations to respectively Rp 100 and Rp 50, and the blocking of part of bank savings.

The amount of blocked balance deposited as Government profit at the time totalled Rp 8.264 million, and the Government used it to redeem advances from the Bank Negara Indonesia Unit I, so that in 1960 the amount of the "Government net debt" with the Bank Negara Indonesia Unit I went down by Rp 221 million.

If this deposit of the blocked balance is not taken into account, the Government net debt (see item A Ia, table 2) would show a rise of Rp 8,043 million, and the inflationary effect in the Public Sector would increase by that same amount. This would run parallel with the deficit on the Government budget amounting to Rp 10,237 million over the same period, which for the greater part was covered by the blocked balance as mentioned above. The main causes of this deficit were the increase in Government expenditure on restorations of what had been damaged during the P.R.R.I. and Permesta rebellions, and on the nationalization of foreign enterprises.

Credit grants to Government enterprises and foundations in 1960 increased by Rp 3,327 million in an effort to help them overcome cash difficulties arising from the monetary steps taken in August 1959.

The Public Sector had, on balance, caused an inflationary effect to the order of Rp 2,519 million

In the following years this inflationary effect in the Public Sector continued to rise, i.e. to the amount of Rp 26,543 million in 1961, Rp 66,285 million in 1962, Rp 146,323 million in 1963, Rp 427,567 million in 1964, Rp 1,843,252 million in 1965 and Rp 1,854,650 million in the first quarter of 1966.

Table 2 clearly indicates that the main items in the Public Sector which caused the volume of money in circulation to increase were "Government" and "Government enterprises and foundations".

The above item "Government" includes the granting of advances by the Bank Negara Indonesia Unit I, which continued rising from year to year to the amount of Rp 28,579 million at the end of 1960, Rp 55,268 million at the end of 1961, Rp 115,884 million at the end of 1962, Rp 248,451 million at the end of 1963, Rp 622,680 million at the end of 1964, Rp 2,194,567 million at the end of 1965 and Rp 3,750,417 million at the end of the first quarter of 1966.

In order to cover the over-mounting budget deficit, the Government was forced to increase the Bank Negara Indonesia advances. The deficit for every year amounted to about 46% of the whole expenditure for the year in question.

This deficit was caused by the continuous lack of balance between annual receipts and expenditures as the result of the attempts on the part of the part of the Government to realize its programme both in the political and the economic field.

TABLE 2—CAUSES OF CHANGES IN THE MONEY SUPPLY
(Rp million)

	1960	1961	1962	1963	1964	1965	1st Qr. 1965	2nd Qr. 1965	3rd Qr. 1965	4th Qr. 1965	1st Qr. 1966
A. Money creation for account of the public sector :											
I. Government :											
a. Net debt with Bank Negara Indonesia Unit I (increase = +)	- 221	+ 25,296	+ 56,456	+ 128,088	+ 349,049	+ 1,486,623	+ 144,173	+ 189,274	+ 428,476	+ 724,700	+ 1,555,156
b. Credit granted by other banks (increase = +)	- 764	- 1,882	- 3,112	- 5,714	- 2,891	- 38,670	+ 4,814	- 5,987	- 58,041	+ 20,544	-
c. Government notes and coins (increase = +)	+ 71	+ 108	+ 200	+ 93	+ 75	- 89	- 124	+ 28	+ 9	- 2	- 24
d. Net transfers from the counterpart accounts to the Treasury's account (increase = +) 1)	+ 82	- 113	- 165	-	-	-	-	-	-	-	-
Total	- 832	+ 23,409	+ 53,379	+ 122,467	+ 346,233	+ 1,447,864	+ 148,863	+ 183,315	+ 370,444	+ 745,222	+ 1,555,132
II. Autonomous resorts (increase = +)	+ 24	- 21	+ 75	+ 296	- 481	+ 72	- 1,475	+ 369	+ 1,178	-	-
III. Government enterprises and foundations (increase = +)	+ 3,327	+ 3,155	+ 12,831	+ 23,560	+ 81,815	+ 395,316	- 12,168	+ 119,536	+ 123,230	+ 164,718	+ 299,518
Total A	+ 2,519	+ 26,543	+ 66,285	+ 146,323	+ 427,567	+ 1,843,252	+ 135,220	+ 303,220	+ 494,852	+ 909,960	+ 1,854,650
B. Money creation for account of the private sector :											
I. Other private enterprises and individuals (increase = +)	+ 3,419	+ 5,626	+ 2,333	+ 16,001	+ 45,281	+ 243,282	+ 32,274	+ 33,645	+ 92,272	+ 85,091	+ 21,666
II. Prepayments by importers (increase = -)	- 2,226	+ 1,842	+ 2,575	- 1,601	- 4,565	+ 832	+ 791	+ 2,612	- 1,137	- 1,434	- 1,194
III. Guarantee deposits (increase = -)	- 2,244	- 222	+ 604	- 4,362	- 6,623	+ 11,434	+ 11,664	- 5,437	+ 6,392	+ 1,135	-
IV. Time deposits (increase = -)	- 173	- 165	- 391	- 17	- 1,639	- 18,232	+ 259	- 332	- 6,394	- 11,765	-
Total B	- 1,224	+ 7,081	+ 5,122	+ 10,021	+ 32,454	+ 237,316	+ 44,988	+ 30,438	+ 91,133	+ 70,757	+ 20,472
C. Money creation originating from changes in regard to relationship with other countries :											
I. Gold, claims in gold and foreign exchange holdings with Bank Negara Indonesia Unit I and Foreign Exchange Fund (increase = +)	+ 2,805	- 9,409	- 32	- 5,526	- 15,800	+ 11,251	- 5,345	- 2,251	+ 10,026	+ 8,821	+ 6,197
II. Foreign Exchange holdings with other banks (increase = +)	+ 1,400	+ 3,141	- 5,454	- 3,062	+ 12,764	- 14,610	- 14,886	+ 1,249	+ 680	- 1,653	-
Movements in gold and foreign exchange holdings	+ 4,205	+ 6,268	- 5,777	- 2,464	- 3,036	- 3,359	- 20,231	- 1,002	+ 10,706	+ 7,168	+ 6,197
III. Amounts credited to counterpart accounts 1) (increase = -)	- 1,050	+ 185	- 2,403	- 7,273	- 3,942	- 2,307	+ 696	+ 362	- 10	- 3,355	- 1,540
IV. I.M.F. 2)	+ 214	- 900	- 956	- 901	- 147	- 327	- 156	- 170	-	-	-
V. Rumi balances (increase = -)	+ 19	- 144	- 151	- 333	- 3,060	+ 2,137	+ 729	+ 570	- 568	+ 270	- 1,301
VI. Unrealized B.E.	+ 1,084	+ 315	+ 45	+ 3	-	-	-	-	-	-	-
Total C	+ 4,472	- 6,812	- 9,242	- 10,968	- 10,185	- 3,856	- 18,962	- 240	+ 11,264	+ 4,083	+ 5,958
D. Miscellaneous causes :											
I. Capital, reserves and profit and loss accounts (increase = -)	- 1,814	- 1,644	- 3,092	- 5,603	- 18,727	- 21,874	- 3,463	- 1,268	- 7,570	- 5,573	- 12,996
II. Inter-bank transitory account	- 233	- 5,487	+ 3,496	- 3,926	- 8,998	- 17,768	+ 22,104	+ 39,138	+ 64,605	- 14,405	+ 484,533
III. Deposit of frozen balances	+ 8,264	+ 1,719	+ 244	- 96	+ 66	+ 112	+ 33	+ 31	+ 23	+ 23	+ 4
IV. Other	+ 969	- 1,594	+ 5,437	- 8,480	- 10,433	+ 1,400	- 32,001	- 77,457	- 14,206	+ 125,064	+ 98,243
Total D	+ 7,186	- 7,906	+ 6,085	- 17,913	- 38,092	- 38,130	- 13,327	- 39,536	- 86,358	+ 101,111	+ 569,784
E. Net change in money supply = A+B+C+D (increase = +)	+ 12,953	+ 19,806	+ 68,28	+ 127,463	+ 411,744	+ 2,038,582	+ 147,919	+ 293,862	+ 510,891	+ 1,085,911	+ 2,450,864
a. Currency	+ 7,696	+ 14,461	+ 54,310	+ 72,610	+ 277,288	+ 1,513,857	+ 176,750	+ 183,395	+ 376,055	+ 777,657	+ 2,255,166
b. Deposit money	+ 5,257	+ 5,345	+ 13,946	+ 54,853	+ 134,456	+ 524,725	+ 28,831	+ 110,467	+ 134,836	+ 308,254	+ 195,698

1) Counterpart accounts regarding I.C.A. — aid, purchase of "Surplus Commodities" and textiles from
2) Decreased by claims in rupiah on the Government in relation with gold deposited with I.M.F.

Peoples' Republic of China.

In 1961 the Government started with the realization of its Planned National Development 1961 — 1968. In addition it had in that every year to carry out its triple Programme, which included :

1. the provision of the people with adequate food and clothing ;
2. the restoration of internal law and order;
3. the continuance of the struggle against economic and political imperialism and the return of West-Irian to the fold of the Republic.

In 1961 routine expenditures were very great due to the efforts to restore law and order, which had been disturbed by the P.R.R.I./Permesta/D.I./T.I.I. uprisings. The expenditures for the Armed Forces for that year amounted to about 35% of the overall expenditures.

The difficulties with which the Government was confronted in its budget increased in 1962, as is clear from the Government cash deficit. This ever increasing deficit was almost entirely covered by advances from the Bank Negara Indonesia Unit I, which is apparent from the movement in the item “Government Net Debt” to the amount of Rp 56,456 million for that year.

That years considerable deficit was mainly caused by a greater Government expenditure—when compared with that of 1961—both routine and for development purposes.

In carrying out point 3 of the Government’s Triple Programme, i.e. the struggle against imperialism and colonialism, and the liberation of West Irian, the stress was put on the realization of Trikora (Peoples Triple Command). This third point of the Triple Programme was even given top priority.

The total real expenditures for the Triple Command during 1962 amounted to Rp 11,751 million, which meant 24% of the whole Government expenditures for that year.

In addition, the expenditures for the Asian Games in Indonesia (1962) caused the deficit on the Government budget to soar.

In 1963, the item “Government Net Debt with the Bank Negara Indonesia Unit I” went up by Rp 128,088 million whereas this increase was only Rp 56,456 million in 1962.

The Government debt increase in this year was used to cover the deficit on the Government budget caused by the rise in routine spending and the spending on development projects, each amounting to about 23% of the expenditures for 1962.

The amount used for Trikora also shows a rise to Rp 17,521 million; in 1962 this was Rp 11,751 million.

Intensification of the confrontation with Malaysia helped to increase expenditures. Another factor which caused the deficit on the Government budget for that year to increase was the organization of the “Games of the New Emerging Forces” (Ganefo) in Djakarta in 1963.

On the other hand there was also some rise in Government receipts but this was relatively small and did not help to prevent the “Government Net Debt with the Bank Negara Indonesia Unit I” from rising to twice the amount of 1962.

In 1964 the item “Government Net Debt with the Bank Negara Indonesia Unit I” increased to Rp 349,049 million against Rp 128,088 million in 1963.

The Government could not but carry out this increase in debt because the deficit on the Government budget went up from Rp 123,375 million in 1963 to Rp 397,942 million in 1964.

Estimated receipts meant to finance certain projects fell short of expectations so that this deficit also added to the deficit on the total budget. All these were the

main factors leading to the deficit which had always to be covered by additional Government debt with the Bank Negara Indonesia Unit I.

In 1965 the “Government Net Debt with the Bank Negara Indonesia Unit I” rose more than three times when compared with the increase in 1964. The increase in “Government Net Debt” in 1965 amounted to Rp 1,486,623 million.

This increase in Net Debt was meant to cover the budget deficit of 1965, which was five times the 1964 deficit.

The main causes of the 1965 budget deficit were, inter alia, the expenditures for the confrontation with Malaysia, for the Conefo project, the addition to the Government Servants Budget on account of the rise in the salaries of Government Servant to five times P.G.P.N. 1961.

The efforts on the part of the Government to put down the P.K.I. instigated 30 September Movement to overthrow the legitimate Government resulted in an increase in Government expenditures.

Government receipts did not rise perceptibly: the deficit on the budget had again to be covered by advances from the Bank Negara Indonesia Unit I.

During the first quarter of 1966 the item “Government Net Debt with the Bank Negara Indonesia Unit I” rose by Rp 1,555,156 million.

This Government Net Debt as mentioned above included Government receipts in the form of Contributions to the Revolution during the first quarter of 1966 to the amount of Rp 215,526 million, which was of the deflationary character (Presidential Decree no. 27, 1965). If the deposit of these contributions had not been balanced by advances from the Bank Negara Indonesia Unit I to the Government, the item “Government Net Debt” for the first quarter of 1966 would have risen by Rp 1,770,682 million.

The Government Net Debt for the first quarter of 1966 underwent conspicuous rise by an amount far greater than the increase in 1965.

The execution of the Government Programme of putting down the Gestapu/P.K.I. movement and restoring political stability was the main cause of the deficit during the first quarter of 1966.

Another item in the Public Sector which always produces inflationary effect is the item "Government Enterprises and Foundations". Table 2 shows that striking inflationary effect were felt in 1964 and 1965 due to the increase of credit allotments in those years.

The factors causing this increase in the case of Government enterprises and foundations are the following :

- 1) The rise in the prices of goods and services as the result of the rampant inflation caused expenditures of enterprises to increase steadily. This automatically raised the nominal value of credits granted to these enterprises by banks.
- 2) The transfer of financing and investment from the Government budget to banking. This transfer directly increased the amount of credit grants. This procedure began in 1964.
- 3) Besides the above transfer, also the building of new projects had to be paid for by banks. These projects were in general ,directly supervised by the M.P.R.S. mandatory.
- 4) The deterioration infra-structurally of transportation and communications resulted in a gradual slowing down of all financial wheels. Goods, accordingly, were held up for a longer period, and credits which had been granted to pay for them had to wait longer to be realized. This caused credit balances to increase considerably.

In 1960 the Private Sector brought about deflationary effect and from 1961 until the end of the first quarter of 1966 this effect was permanent, viz. Rp 7,061 million in 1961, Rp 5,122 million in 1962, Rp 10,021 million in 1963, Rp 32,454 million in 1964, Rp 237,316 million in 1965, and Rp 20,472 million during the first quarter of 1966.

From table 2 it is evident that the increase in the volume of money in circulation in this sector was caused by the item "Private Enterprises and Individuals". The effect was inflationary, which was particularly striking in 1964 and 1965, with respectively Rp 45,281 million and Rp 243,282 million.

The rise in the amount of credits to private enterprises and individuals was caused by the ever worsening of inflationary tendencies at home so that prices of goods and services kept going up.

This could not but seriously affect the exploitation and investment costs of enterprises, and the rise of this costs directly made the need for more credits from banks necessary. Another factor to be mentioned was the granting of credits to alleviate the adverse effects—in the field of trade and production—of the cutting off of trade relations with Malaysia as part of the Confrontation policy.

Unlike the Public Sector and the Private Sector, the Foreign Sector showed a deflationary monetary effect as from 1961 up to and including 1965, viz. Rp 6,812 million in 1961, Rp 9,242 million in 1962, Rp 10,168 million in 1963, Rp 10,185 million in 1964 and Rp 3,856 million in 1965.

In 1961 gold and foreign exchange holdings decreased by Rp 6,812 million. The Foreign Exchange Fund suffered a decrease in gold and foreign exchange holdings to the amount of Rp 9,409 million. The balance of foreign exchange banks abroad increased by Rp 3,141 million, so that, on balance, there was a decrease of Rp 6,812 million.

The main cause of the decrease in gold and foreign exchange holdings in 1961 was the dwindling of export proceeds, viz. Rp 39,656 million in 1960 to Rp 34,474 million in 1961. In the years thereafter up to and including 1965, this tendency of the foreign exchange holdings to diminish continued steadily, running parallel with the decrease of export proceeds.

The factors which caused export proceeds to decrease were two-fold, viz. internal factors and developments of prices abroad.

Internal factors affecting export proceeds were, inter alia :

- a. the rise of prices at home increased production costs while the counter-value in foreign currency, which the enterprises gained for their foreign exchange, did not keep pace with the rise;
- b. production tools were in general old but efforts to replace them met with little enthusiasm since nor sufficient foreign exchange was made available to import equipment/spare parts from abroad;
- c. the mines in exploitation were old, which made the opening of new mines a necessity.

Apart from the above internal factors, development of prices abroad had a very great influence, in particular in the case of rubber as the main foreign exchange earner.

In the last few years the price of R.S.S. I. rubber kept going down.

Although the prices of tin and copra in the world market went up, the production capacity of tin mines could not be raised due to the old equipment so that this price rise did not contribute to a rise in the amount of foreign exchange proceeds.

At a result of the diminishing export proceeds during the past few years, the import volume of necessity had to be reduced.

None the less the current account in the Balance of Payments continued to suffer a deficit because contributions and reparation payments from abroad dwindled.

Apart from the fact that the balance in the services balance sheet proved to be always negative, which stowed a structural weakness of our economy, the paying off of foreign debts in annual instalments involved ever growing amounts of money so that the deficit in the balance of payment as a whole grew steadily.

The item “Counter-part Accounts” concerning aids received from the I.C.A. and S.A.C./P.L. 480 Fund of the U.S.A. was growing steadily from 1962 until the end of the first quarter of 1966, which meant a decrease in the volume of money in circulation.

The movement as mentioned above had in essence a neutralizing monetary effect and acted as a corrective item toward part of the movements in the Public Sector—A.I.a, because the above amount was included in the advances of the Bank Negara Indonesia Unit I to the Government.

The item “I.M.F. and I.B.R.D.” increased by Rp 900 million in 1961, Rp 956 million in 1962 and Rp 901 million in 1963, which meant a reduction of the volume of money in circulation by the amounts mentioned.

The above item increased due to the receipt of credits from the I.M.F. as a stand-by arrangement. The drawing took place in 1961, involving an amount of U.S.\$ 20,000,000, in 1962 the amount was U.S.\$ 21,250,000, and In 1963 it was U.S.\$ 20,000,000.

The R.R.B.P. (Non-resident Rp account) balance grew by Rp 3,060 million in 1964 but dropped to Rp 2,137 million in 1965.

The item “Miscellaneous causes”, on balance, had a deflationary effect to the amount of Rp 17,913 million in 1963, Rp 38,092 million in 1964, Rp 38,130 million in 1965 and Rp 569,784 million in the first quarter of 1966.

One of the causes of the above deflationary movement was the item “Capital, reserves and profit and loss accounts” of banks, which grew by Rp 5,603 million in 1963, by Rp 18,727 million in 1964 and by Rp 21,874 million in 1965.

The item “Inter-bank transitory accounts” mentions current account balances between banks, which for 1964 shows a deflationary effect of Rp 8,598 million, for 1965 of Rp 17,768 million and for the first quarter of 1966 an inflationary effect to the amount of Rp 484,533 million.

The inflationary effect to the amount of Rp 484,533 million was among others due to the rise in credits granted by the Bank Negara Indonesia Unit I to foreign-exchange banks and in particular to the Bank Negara Indonesia Unit IV, which at the end of the first quarter of 1966 amounted to Rp 341,434 million.

The item “Others” (item D IV) includes an account for buildings and other immovables, and one for various debts and credits of foreign-exchange banks.

Although the value of buildings and other immovables continued rising due to the inflationary effect, this item, on balance, brought about a deflationary effect to the amount of Rp 8,480 million in 1963 and Rp 10,433 million in 1964 because the item “Various credits” of foreign-exchange banks rose to Rp 19,082 million in 1963 and to Rp 87,027 million in 1964.

Viewed as a whole, the volume of money in circulation continued to increase steadily from 1960 until the end of the first quarter of 1966, with conspicuous rises of 101% in 1962, 94% in 1963, 156% in 1964, 302% in 1965, and 90% in the first quarter of 1966, each compared with the volume of money in circulation at the end of the years before.

At the end of the first quarter of 1966 the volume of money in circulation was Rp 5,164,552 million.

The cause of the increase of money must be found in particular in the granting of advances by the Bank Negara Indonesia Unit I to the Government which were used to cover the deficit on the budget.

Besides that, the allowance of credits by banks to Government and private enterprises increased the volume of money in circulation while the deflationary effect in the foreign sector as the result of the deficit on the balance of payments was relatively very small.

Monetary Balance Sheet

In order to provide a picture of monetary developments in the form of a balance sheet, table 3 shows the monetary balance sheet for each year from 1960 up to the end of the first quarter of 1966.

The above monetary balance sheet has been drawn up on the basis of figures from the combined balance sheet of foreign-exchange banks and of figures from the Department of Finance.

The debit side of this monetary balance sheet is divided into 4 headings corresponding with the classification of the sectors in table 2, which deals with causes of changes in the money supply.

As the counter-entries of the so-called non-monetary liabilities (liabilities that cannot immediately be met and for this reason are not considered money) are also included on the debit side of the monetary balance sheet, the grand total on the debit side does not represent the volume of money in circulation.

The amount of these non-monetary liabilities is shown on the credit side (item III in table 3), which must be deducted from the debit side to know the volume of money in circulation.

Non-monetary liabilities include the items capital, reserves and profit and loss accounts, time deposits, Non-resident Rp account, guarantee deposits, I.C.A. counter-part account, S.A.C./P.L. 480 Fund counter-part account, current account balances of I.M.F. and I.B.R.D. and other transitory items in the respective balance sheets of banks.

The credit side shows the development of the volume of money in circulation, specified into currency and deposit money.

The amount of money in circulation at the end of 1960 was Rp 47,842 million, at the end of 1961 Rp 67,648 million, at the end of 1962 Rp 135,898 million, at the end of 1963 Rp 263,361 million, at the end of 1964 Rp 675,105 million, at the end of 1965 Rp 2,713,688 million and at the end of the first quarter of 1966 Rp 5,164,552 million.

Money Supply

As shown above, the supply of money in circulation rose continuously since the end of 1960 until the end of the first quarter of 1966.

Both currency and deposits showed an absolute trend to increase in volume though the rate of increase was not the same for every year. The considerable increases began in 1962, which is shown by the figures below :

	1960	1961	1962	1963	1964	1965	1st quarter 1966
Currency	+ 7,696	+ 14,461	+ 54,310	+ 72,610	+277,288	+ 1,513,857	+ 2,255,166
Deposit money	+ 5,257	+ 5,345	+ 13,940	+ 54,853	+134,456	+ 524,725	+ 195,698
	+ 12,953	+ 19,806	+ 68,250	+ 127,463	+ 411,744	+ 2,038,582	+ 2,450,864

TABLE 3 — MONETARY BALANCE SHEET
(Rp million)

	1960	1961	1962	1963	1964	1965				1966
	December	December	December	December	December	March	June	September	December	March
ASSETS :										
I. Net Credits to Government :										
a. Credits from banks to Government (including prepayment by importers)	29,792	53,768	106,859	231,797	576,899	724,890	910,223	1,280,638	2,025,977	3,581,827
b. Government notes and coins	1,475	1,583	1,783	1,876	1,951	1,827	1,855	1,864	1,862	1,838
c. Treasury notes and bills and Government securities with banks	810	734	764	1,124	1,419	3,180	1,134	1,154	1,059	1,032
	32,077	56,085	109,406	234,797	580,269	729,897	913,212	1,283,656	2,028,898	3,584,697
Minus :										
d. Currency with Government	1,311	1,797	1,572	4,500	3,735	4,500	4,500	4,500	4,500	5,167
Total :	30,766	54,288	107,834	230,297	576,534	725,397	908,712	1,279,156	2,024,398	3,579,530
II. Credits from Banks to :	19,956	28,716	43,956	83,814	210,428	229,060	382,609	599,239	849,098	1,170,282
a. Autonomous resorts	59	38	113	409	C 72	C 1,547	C 1,178	—	—	—
b. Government enterprises and foundations	10,429	13,583	26,415	49,976	131,790	119,622	239,158	362,388	527,106	826,624
c. Private enterprises	9,468	15,095	17,428	33,429	78,710	110,98	144,629	236,901	321,992	343,658
III. Gold and foreign exchange holdings	19,059	12,789	7,014	4,549	1,513	C 18,718	C 19,720	C 9,014	C 1,846	4,351
IV. Sundry items	—	—	—	15,785	—	—	—	—	—	562,908
Total :	69,781	95,793	158,804	334,445	788,475	935,739	1,271,601	1,869,431	2,871,650	5,317,071
LIABILITIES :										
I. Currency :										
Total issued										
a. Bank notes	35,311	50,768	106,963	187,767	477,821	661,450	850,814	1,248,318	2,235,376	4,495,233
b. Government notes	1,163	1,263	1,444	1,539	1,610	1,752	1,780	1,789	1,787	1,716
c. Coins	311	320	339	337	341	75	75	75	75	122
	36,785	52,351	108,746	189,643	479,772	663,277	852,669	1,250,182	2,241,238	4,497,071
Minus :										
d. Currency with Government	1,311	1,797	1,572	4,500	3,735	4,500	4,500	4,500	4,500	5,167
e. Currency with Banks	1,395	2,014	4,323	9,683	23,289	29,279	35,276	56,734	270,133	270,133
Total issued :	34,079	48,540	102,851	175,460	452,748	629,498	812,893	1,188,948	1,960,605	4,221,771
II. Deposit money	13,763	19,108	33,047	87,901	222,357	193,526	303,993	438,829	747,083	942,781
Total money supply :	47,842	67,648	135,898	263,361	675,105	823,024	1,116,886	1,627,777	2,713,688	5,164,552
III. Non-monetary liabilities	21,939	28,145	22,906	71,084	113,370	112,715	154,715	241,654	157,962	152,519
Total :	69,781	95,793	158,804	334,445	788,475	935,739	1,271,601	1,869,431	2,871,650	5,317,071

The expansion in the volume of money in circulation was caused by the deficit in the Government budget, which grew larger every year.

This deficit was almost entirely covered by advances from the Bank Negara Indonesia Unit I to the Government through the creation of new money while supply from other sources was in significant.

The decrease in the Government net debt by Rp 221 million in 1960 did not mean that there was an improvement in the Government budget. The decrease was due to the monetary measures taken in August 1959 when part of the balances with banks was deposited with the State Treasury. The Government receipts in the form of blocked balances were used to square advances from the Bank Negara Indonesia Unit I, resulting in a drop of the Government net debt by Rp 221 million.

In the following years the Government budget deficit was the main cause of the expansion of the volume of money in circulation. Another was the granting of credits by banks, whereas the foreign sector always tended to have a deflationary effect due to the deficit on the balance of payments.

Deposits constituted 29 % of the overall money supply at the end of 1960, 28% at the end of 1961, 24% at the end of 1962, 33% at the end of 1963, 33% at the end of 1964, and 28% at the end of 1965.

At the end of 1963 and 1964 the percentages of deposit money were highest but fell off again at the end of 1965 and at the end of the first quarter of 1966.

Compared with developed countries the percentage of money in deposit was yet relatively small and Presidential Decree No. 470 of 1964 served to stimulate transfer transactions.

With a view to carrying out this Presidential Decree, the Finance Minister, by Decree of December 27, 1964 decided that all state and/or semi-state institutions

and enterprises (civil or military) were to have accounts with and to carry out payments through Government banks.

Only in those cases where payments could in no way be done through transfers was money allowed to be drawn from banks.

In order to avoid misuse of cheques as means of payment, the Government issued Law No. 17, 1964, forbidding the drawing of bad cheques.

Despite all efforts on the part of the Government to stimulate transfer transactions by issuing the above regulation, these kinds of transactions remained of no significance at all for the last five years.

III. PUBLIC FINANCE

General

The formation of main budgets in the 1960-1965 period was stressed the materialization of:

- a) program in the sector of food and clothing;
- b) implementation of the Overall Development Plan which started in 1961;
- c) restoration of internal security (in 1961);
- d) the return of West Irian to the Republic of Indonesia (1962);
- e) confrontation with Malaysia which started in 1963.

Based on efforts at finding a settlement to these problems, the main and additional budgets in the course of the period under review recorded the following figures :

<i>(in millions of Rp)</i>			
<i>Year</i>	<i>Main Budget</i>	<i>Additional Budget</i>	<i>Total</i>
1960	45,961	+ 16,195	62,156
1961	82,651	+ 15,147	97,798
1962	97,996	+ 18,823	116,819
1963	305,625	+ 28,842	334,467
1964	392,212	+ 277,783	669,995
1965	964,910	+ 784,902	1,749,812

On the other hand the main and additional budgets of revenues were greatly influenced by the rise of prices and the intensification of duties in the sector of foreign trade, so that they recorded the following figures :

(in millions of Rp)

Year	Main Budget	Additional Budget	Total
1960	44,039	+ 5,838	49,877
1961	47,000	+ 19,000	66,000
1962	61,010	+ 16,195	77,205
1963	272,030	— 118,727	153,303
1964	391,007	— 191,020	199,987
1965	671,250	+ 150,000	821,250

Thus the budgets of expenditures in the 1960-1965 period provide following picture :

(in millions of Rp)

	1960	1961	1962	1963	1964	1965
Expenditures (—)	62,156	97,798	116,819	334,467	669,995	1,749,812
Revenues (+)	49,877	66,000	77,205	153,303	199,987	821,250
Deficit (—)	12,279	31,798	39,614	181,164	470,008	928,562

Though efforts were made to increase revenues, the overgrowing estimates of expenditures were responsible for the over-larger deficit from year to year, so that the inflatory effect also grew bigger.

According to realization figures, the implementation of the budget of expenditures and revenues in the 1960-1965 period noted the following development :

(in millions of Rp)

	1960	1961	1962	1963	1964	1965
Expenditures (—)	60,544	88,522	122,078	329,800	681,330	2,526,320
Revenues (+)	50,307	62,218	74,870	162,130	283,386	923,444
Deficit (—)	10,237	26,304	47,208	167,670	397,944	1,602,876

TABLE 4 — THE BUDGET AND ITS REALIZATION
1960, 1961, 1962, 1963, 1964, 1965,
(Rp million)

	Net Expenditure (—)						Net Revenue (+)						Balance					
	1960	1961	1962	1963	1964	1965	1960	1961	1962	1963	1964	1965	1960	1961	1962	1963	1964	1965
Main Budget	45,961	82,651	97,996	305,625	392,212	564,910	44,039	47,000	61,010	272,030	391,007	671,250	— 1,922	—35,651	—36,986	— 33,595	— 1,205	— 293,660
Supplementary Budget	16,195	15,147	18,823	28,842	277,783	784,902	5,838	19,000	16,195	— 118,727	— 191,020	150,600	—14,357	+ 3,853	— 2,628	—147,569	—468,803	— 634,902
Budget	62,156	97,798	116,819	334,467	669,995	1,745,812	49,877	66,000	77,205	153,303	199,987	821,250	—12,297	—31,798	—39,614	—181,164	—470,008	— 928,562
Realization	60,544	88,522	122,078	329,800	681,330	2,526,320	50,307	62,218	74,870	162,130	283,386	923,444	—10,237	—26,304	—47,208	—167,670	—397,944	—1,602,876
Difference	—1,612	—9,276	+ 5,259	—4,667	+ 11,335	+ 776,508	+ 430	—3,782	—2,335	— 8,827	+ 83,399	+ 102,194	— 2,042	— 5,494	+ 7,594	+ 13,494	— 72,064	+ 674,314

Source : Department for State Budgetary Affairs.

These figures clearly show us that the development of both expenditure realization and deficits marked a continued increase, notably in the years between 1963 and 1965. Meanwhile, realization of revenues likewise showed an increase, although this was not as large as in the case of expenditures.

In the implementation of the Overall National Development Plan, the system of state expenditures since 1961 has undergone some changes.

The system of the 1960 state budget, as forwarded in the yearly report was as follows:

1. Current Sub Budget
2. Development Sub Budget
3. Commercial Sub Budget
4. Computative Sub Budget

Each of which embraced expenditures which were of similar nature to the names of the budget concerned, while according to the new system routine expenditures budgets were as follows:

1. Current Budget
2. Reconstruction Budget
3. Commercial Budget
4. Computative Budget

With the understanding that the reconstruction budget in number 2 only concerned no-development projects as the construction of buildings and so on, while all development projects were to be included in the Budget for the Overall National Development Plan.

Meanwhile, since 1965, based on Act No. 22/1965 the Budget of Expenditures and Revenues was made part of the Monetary Budget the components of which were :

1. Budget of Routine Expenditures and Revenues
2. Budget of Reconstruction Expenditures and Revenues
3. Credit Budget
4. Foreign Exchange Budget
5. Budget for Special Expenditures and Revenues

However, in this discussion we only take into consideration the components regarding the Finance Budget of the State, not including the Credit and Foreign Exchange Budgets.

It should be noted that the Budget of Special Expenditures and Revenues constituted a budget the implementation of which was fully entrusted to the President of the Republic of Indonesia in connection with expenditures adapted to the growth and development of the revolution.

The budget of the state expenditures and revenues since 1961 comprised the following :

I. Budget of Expenditures, which is made up of :

	<i>(in millions of Rp)</i>					
	<i>1960</i>	<i>1961</i>	<i>1962</i>	<i>1963</i>	<i>1964</i>	<i>1965</i>
Routine Expenditures	62,156	67,798	87,186	249,221	563,128	1,375,590
Expenditures for Overall						
Development	—	30,000	29,633	85,246	106,867	374,222
Total I	62,156	97,798	116,819	334,467	669,995	1,749,812

II. Total of budget of revenues is as follows :

	<i>1960</i>	<i>1961</i>	<i>1962</i>	<i>1963</i>	<i>1964</i>	<i>1965</i>
Regular Income	49,877	47,000	63,267	151,054	186,105	622,750
Extraordinary Income	—	19,000	13,938	2,249	13,882	48,500
Total II	49,877	66,000	77,205	153,303	199,987	671,250*)
	<i>1960</i>	<i>1961</i>	<i>1962</i>	<i>1963</i>	<i>1964</i>	<i>1965</i>
Total I	62,156	97,798	116,819	334,467	669,995	1,749,812
Total II	49,877	66,000	77,205	153,303	199,987	671,250
Difference	12,279	31,798	39,614	181,164	470,008	1,078,562

*) Because no details of the Additional Budget are as yet available the figures of the original budget are given.

Since the implementation of the Overall National Development Plan in 1961, funds made available for this purpose were as follows :

(in millions of Rp)

<i>Year</i>	<i>Through Bapindo</i>	<i>Through Budget Dept.</i>	<i>Total</i>
1961	3,401	22,592	25,993
1962	18,370	16,096	34,466
1963	68,351	10,603	78,954
1964	134,354	7,850	142,204
1965	387,893	58,285	446,178

Part of investment financing was channelled through Bapindo (Indonesian Development Bank) and another part was directly made available by the Budget Department (from 1961 through 1963 by the Department for Revenues, Financing, and Supervision) made to bear on the Treasury Credit.

Expenditures for the financing of investment from 1961 to 1965 constituted roughly an average of 24% of the total realization of state expenditures.

Government Cash Deficit

Government cash deficit between 1960 and 1965 indicated a continued upward trend as can be observed in the figures below:

(in millions of Rp)

<i>Year</i>	<i>Cash Deficit</i> (surplus = + ; deficit = —)
1960	— 2,569
1961	— 27,522
1962	— 65,853
1963	— 155,481
1964	— 426,477
1965	— 1,763,958

The cash deficit of 1960 was strikingly lower than in preceding and following years. The 1959 cash deficit reached a total of Rp 11,324 million. The decline of cash deficit in 1960 was primarily caused by monetary steps effected on August 25, 1959, notably government regulation in lieu of law No. 26/1959 on the 1959 consolidation loan, which gave rise to frozen balances in banks. These balances were later utilized by the Government (in the form of long-term credits) to cover the greater part of its 1960 cash deficit. It can be noted that in the course of the year concerned the frozen balances were utilized to cover the Rp 8,264 million cash deficit.

Since 1961 the cash deficit kept on increasing and reached culminating points in 1964 and 1965.

The increase of cash deficit in 1961 was attributed to the huge expenditures in the sector of security, particularly because of government priorities to restore security within the country and the start of the Overall National Development Plan implementation.

The campaign to recover West Irian province reached its climax in 1962. This was a major factor for the rise of the cash deficit in that year. The following year, 1963, was characterized by the stepped-up confrontation with Malaysia. This was added by increased reconstruction and routine expenditures as a result of sky-rocketing prices. This was responsible for the rise of state expenditures which also enlarged cash deficit in 1963 and 1964.

Towards the end of the following year, 1965, which was marked by the crushing of the Gestapu (September 30 Movement)/PKI coup attempt, the improvement of salaries of civil servants and members of the armed forces coupled with the continuation of work on the CONEFO (Conference of the New Emerging Forces) venues further enlarged state expenditures and deficit so that cash deficit in 1965 rose to about 300% in comparison to 1964.

TABLE 5 — GOVERNMENT CASH DEFICIT AND ITS FINANCING
(Rp million)

	1960	1961	1962	1963	1964	1965
Computation of the Cash Deficit :						
Net balance of budgetary revenue and expenditure (deficit = -)	- 10,592	- 28,288	- 67,742	- 159,009	- 425,931	- 1,761,506
Net borrowing on capital market (increase = +)						
a. internal origin	+ 6,975	+ 307	+ 981	+ 338	- 182	- 105
b. external origin	+ 505	+ 537	+ 519	+ 3,837	+ 304	- 2,573
Movements in treasury notes and bills with private sector (increase = +)	+ 543	- 78	+ 389	- 647	- 668	+ 226
Cash deficit (-)	- 2,569	- 27,522	- 65,853	- 155,481	- 426,477	- 1,763,958
Financing of the cash deficit .						
a. Advances from B.N.I. Unit I (increase = +)	+ 701	+ 26,031	+ 60,522	+ 132,473	+ 374,136	+ 1,571,753
b. Prepayments from importers (increase = +)	- 19	- 5	+ 88	- 84	- 2	+ 17
c. Net transfer from counterpart-accounts (increase = +)	+ 83	- 113	- 165	-	-	-
d. Movements in treasury notes and bills with banks (increase = +)	- 306	- 149	+ 18	+ 368	+ 310	- 358
e. Movements in bank-notes balances with Government payment-offices (increase = +)	- 578	+ 486	- 225	+ 2,928	- 765	+ 765
f. Movements in currency issued by the Government (increase = +)	+ 71	+ 108	+ 200	+ 93	+ 75	- 89
g. Movements in other debts of the Government to banks (increase = +)	- 784	- 1,980	- 7,506	- 4,179	- 28,611	- 203,558
h. Balance movements of regional Gov. with banks (increase = +)	+ 24	- 21	+ 75	+ 296	- 481	+ 72
i. Balance movements of state enterprises with banks (increase = +)	+ 3,377	+ 3,165	+ 12,846	+ 23,586	+ 81,815	+ 395,316
Total :	+ 2,569	+ 27,522	+ 65,853	+ 155,481	+ 426,477	+ 1,763,958

Source: Bank Negara Indonesia, U. S. I.

It is to be noted that what is meant by Government Cash Deficit is the negative balance between revenues and expenditures of the state budget for expenditures and revenues after calculation has been made of movements in the total net credits of the Government obtained at home and abroad and of movements of treasury notes owned by private companies. Domestic loans in 1960 were bigger than in previous years. The rise of the total of credits in 1960 was closely related to the issuance of the "1959 consolidation loan". Movement of its figures indicate that in 1960 there was a boost of Rp 6,975 million, whereas for the years 1961 through 1963 respective increases were as follows: Rp 307 million, Rp 981 million, and Rp 338 million. In 1964 there was a fall of Rp 182 million and in 1965 there was a similar decrease of Rp 105 million.

On the other hand, foreign loans showed a significant rise in 1963. This was attributed to the boost of loans from Eximbank. In 1965, however, there was a fall of foreign loans, notably because of the decrease in the total of loans from the People's Republic of China.

In the 1960-1964 period foreign loans increased as follows Rp 505 million, Rp 537 million, Rp 519 million, Rp 3,837 million, and Rp 304 million. In 1965 there was a drop of Rp 2,573 million. Movements of treasury notes in general did not show significant changes. In the 1960-1962 period an increase was reported of Rp 543 million (1960), then a decline of Rp 78 trillion (1961), and a rise of Rp 389 million (1962). In 1963 and 1964 there were decreases of Rp 647 million and Rp 668 million, whereas in 1965 there was again a boost of Rp 226 million.

Financing of the cash deficit during the last 6 years was made as in preceding years by advances of Bank Negara Indonesia (Indonesia State Bank). Unit I, except in 1960 when the cash deficit was partly covered by frozen balances with banks. The development of advances in the years concerned recorded the following figures :

(in millions of Rp)

<i>Year</i>	<i>Advances</i> (+ = surplus, — = deficit)
1960	+ 701
1961	+ 26,031
1962	+ 60,522
1963	+ 132,473
1964	+ 374,136
1965	+ 1,571,793

The continued rise of advances was also responsible for the increase of State Cash Deficit as can be observed above. Other components in the financing of cash deficit constituted relatively small amounts compared with Government advances and underwent but slight changes (table 5).

“Setoran Uang Muka Importir” (prepayments of importers) underwent rather significant changes in 1962 and 1963, amounting to Rp 88 million (1962), and Rp 84 million (1963).

Net transfer of counterpart accounts first rose in 1960 with Rp 83 million, whereas in 1961 and 1962 respectively suffered a decline of Rp 113 million and Rp 165 million. Movements in the following years constituted amounts too small to be considered. It is noteworthy that this item as a corrective one for transfers in government loans from Bank Negara Indonesia Unit I.

The total of Treasury Notes with Banks faced a decline in 1960 and 1961, respectively Rp 306 million and Rp 149 million. On the other hand, in the years 1962, 1963 and 1964 there were increases of Rp 18 million, Rp 368 million and Rp 310 million respectively. It may also be noted that in 1965 this item suffered a fall of Rp 358 million.

Movement of banknote currency at State Cash offices indicated a rise-fall tendency during the last six months. In 1960, 1961 and 1962 it recorded a rise of

Rp 578 million, a fall of Rp 486 million, and again a rise of Rp 225 million. In 1963 a bigger decline of Rp 2,928 million was recorded, whereas in 1964 and 1965 there was a rise of Rp 765 million and a drop of Rp 765 million.

The rise of bank-notes at the state treasury means that checked bank-notes which did not circulate similarly rose, whereas a fall means the opposite.

Currency issued by the Government in this period indicated a steady fall except in 1965. Development showed a drop of Rp 71 million, Rp108 million and Rp 200 million respectively in 1960, 1961 and 1962, while in 1963 and 1964 it again dropped by Rp 93 million and Rp 75 million. In 1965 there was a rise of Rp 89 million.

Other government debts to banks during this period under review indicated a rising trend. In 1960 up to 1962 these debts rose to Rp 784 million, Rp 1,980 million and Rp7,506 million. In 1963 the rise only recorded Rp 4,179 million. In 1964 and 1965 figures went up again to Rp 28,611 million and Rp 203,558 respectively.

The development of balances of regional governments with banks did not record significant changes. In the years 1960 up to 1962 there was a rise of Rp 24 million, then a drop of Rp 21 million, and another rise of Rp 75 million. In 1963 there was an increase of Rp 296 million. In 1964 this balance recorded a drop of Rp 481 million and in 1965 again an increase of Rp 72 million.

Movements in balances of government enterprises with banks indicated rather big amounts against other components (in financing cash deficit) except with the sector of "Advances of the BNI Unit I". This sector showed a steady upward trend. In 1960 and 1961 respective rises were Rp 3,377 million and Rp 3,165 million. In 1962, 1963 and 1964 bigger rises occurred, namely Rp 12,846 million, Rp 23,586 million and Rp 81,815 million. The biggest increase was observable in 1965 with a total of Rp 395,316 million.

It should be noted that in describing cash deficit in this report figures of foreign loans forwarded here are based on statistics of the Finance Department. These amounts were far more smaller in comparison to those collected by Bank Negara Indonesia, Unit I.

Based on the abovementioned developments, the conclusion may be drawn that financing of the 1960 government Cash Deficit for the larger part came from payments of "Frozen Balances" while in the following years this deficit was covered by Advances to the Government of Bank Negara Indonesia Unit I.

Government Expenditures

Table 6 and 6a show that annual government expenditures for the last six years were gradually increasing from year to year.

Roughly calculated, expenditures in 1961 and 1962 increased by approximately so per cent as compared with the previous year, while in 1963 the increase was around 170 per cent. Marked rises can be observed in 1964 and 1965, respectively amounting to approximately 200 and 250 per cent.

Complete figures follow : (in millions of Rp).

1960	60,544	1963	329,800
1961	88,522	1964	681,330
1962	122,078	1965	2,526,320

The main reasons for the increases in annual government expenditures were :

- efforts by the Government in 1961 to restore internal security which had been disturbed by the P.R.R.I./PERMESTA and D.I. /T.I.I. rebellion, and the implementation of the "Overall National Development Plan";

TABLE 6 – GOVERNMENT NET EXPENDITURES 1960 – 1962
(Rp million)

Sector	1960		Difference between 1960–1959 outturn	1 9 6 1		Difference between 1961 – 1960 outturn	1962		Difference between 1962 – 1961 outturn
	Budget	Outturn		Budget	Out turn		Budget	Outturn	
Special	2,234	1,990	– 1,990	3,405	3,752	+ 1,762	5,476	4,211	+ 459
Foreign	514	446	+ 8	628	799	+ 353	937	941	+ 142
Domestic	5,720	5,352	– 217	5,622	5,640	+ 288	10,079	8,189	+ 2,549
Defence/Security	25,368	25,269	+ 10,987	41,480	40,624	+ 15,355	41,665	63,750	+ 25,126
Production	6,313	5,161	+ 1,909	10,643	10,919	+ 5,758	18,825	15,500	+ 4,581
Distribution	2,661	2,045	+ 148	4,989	3,492	+ 1,447	6,815	3,427	– 65
Monetary	14,771	16,146	+ 4,138	24,374	16,952	+ 806	22,466	16,512	– 440
Public welfare	4,575	4,135	+ 272	6,657	6,344	+ 2,209	10,556	7,458	+ 1,204
Total :	62,156	60,544	+ 16,194	97,798	88,522	+ 27,978	116,819	122,078	+ 33,556

Source : Department for State Budgetary Affairs.

- 1962 was marked by the stepping up of the struggle for the return of West Irian and the holding of the Fourth Asian Games in Djakarta;
- in 1963 the policy of confrontation against Malaysia was started and also the holding of the GANEFO (Games of the New Emerging Forces) sports festivities;
- in 1964 the confrontation was stepped up, and bigger expenditures were made for the “Overall National Development Plan”, while higher wages had to be paid;
- in 1965 the confrontation continued. Also the Overall National Development Plan was still being carried out. In addition, expenditures were made for the construction of the CONEFO (Conference of the New Emerging Forces) buildings.

At the end of the year, expenditures for restoration of security inflated when operations had to be carried out against the September 30 Movement and also bigger expenditures had to be made for the workers due to a salary increase amounting to 5 times those determined in the 1961 Civil Servants Salaries Regulations (PGPN).

Despite the upward trend in the income sector, it could not offset the increases in the expenditures sector.

This situation grew into an accumulating deficit in the State Budget as can be seen in the following table :

(in millions of Rp)

<i>Year</i>	<i>Deficit</i>	<i>Percentage of Deficit in Comparison with Expenditures</i>
1960	10,237	16.9
1961	26,304	29.7
1962	47,208	38.7
1963	167,670	50.8
1964	397,944	58.4
1965	1,602,876	63.4

The increasing percentage in the deficit indicates also an amounting decrease in Government income if compared with expenditures.

Table 6 and 6a show that the most important expenditures sectors were ‘Defence/Security’, ‘Production’, ‘Finance’, and in 1965 a big expenditures column emerged under “Dwikora”.

Expenditures for “Defence/Security” showed big increases in the years 1962, 1963, 1964 and 1965, respectively Rp 65,750 million, Rp 92,357 million Rp 144,701 million and Rp 521,911 million. The amount of expenditures in 1962 was mainly marked by the struggle for bringing back West Irian into the Indonesian Republic, which reached its culmination point that year. In 1963 the confrontation against Malaysia very much influenced expenditures in this sector. Due to the rebellion of the GESTAPU/PKI at the end of 1965 expenditures for restoration of security increased further by Rp 377.210 million as compared with 1964. This was increase of 260 per cent.

Since the implementation of the “Overall National Development Plan “ started in 1961, increases were observed in the expenditure for production , although these expenditures decreased somewhat in 1964.

Figures for expenditures in the period 1960-1965 are as follows :

	<i>(in million of Rp.)</i>
1960	5,161
1961	10,919
1962	15,500
1963	97,372
1964	86,455
1965	285,267

Although in 1965 a priority system was introduced for projects, which among others contained the following kinds of projects :

TABLE 6a -- GOVERNMENT NET EXPENDITURES 1963-1965
(Rp million)

Sector	1963		Difference between 1963-1962 outturn	1964		Difference between 1964-1963 outturn	1965		Difference between 1965-1964 outturn
	Budget	Outturn		Budget	Outturn		Budget	Outturn	
Special	8,416	18,961	+ 14,750	24,714	26,886	+ 7,925	28,027	111,940	+ 85,054
Foreign	878	942	+ 1	1,669	1,548	+ 606	1,310	2,200	+ 652
Domestic	15,318	27,043	+ 18,854	35,566	50,102	+ 23,059	67,110	240,482	+ 190,380
Defence/Security	69,316	92,357	+ 26,607	99,160	144,701	+ 52,344	324,633	521,911	+ 377,210
Production	41,654	97,372	+ 81,872	77,709	87,455	+ 9,917	146,900	285,267	+ 197,812
Distribution	16,873	30,176	+ 26,749	31,592	35,984	+ 5,808	72,320	170,102	+ 134,118
Monetary	125,349	34,374	+ 17,862	315,481	212,843	+ 178,469	223,823	598,613	+ 385,770
Public Welfare	17,321	22,994	+ 15,446	44,517	41,357	+ 18,363	100,787	108,628	+ 67,271
Confrontation with Malaysia	10,500	5,581	- 5,581	57,653	80,454	+ 74,873	...	487,177	+ 406,723
Total	305,625 *)	329,800	+ 207,722	688,061	681,330	+ 351,530	964,910	2,526,320	+ 1,844,990
*) Because no details of this Additional Budget are as yet available the figures of the original Budget are given.									

Source : Department for State Budgetary Affairs

- food and clothing producing projects;
- projects which would be producing at the end of 1965 or at the beginning of 1966;
- quick yielding projects which increase state income in a short period;
- very important infrastructure projects;

but due to increasing costs, big increases in expenditures could be seen in 1965.

Expenditures made for the Overall National Development Plan not only included the production sector, but also the sectors of “distribution” and “people’s welfare”, so that the two latter columns also showed annual increases (table 6).

The column for “Finance” also showed increases, the biggest being in 1964 and 1965. These expenditures included subsidies for the Regions, Interests on Government’s Advance Payments, Imports by State Agencies and other Routine Expenditures.

The expenditures made for the construction of the CONEFO buildings, totalling Rp 119,987 million also resulted in big increases in this column in 1965.

Expenditures for “Dwikora” had been started since the confrontation against Malaysia (1963). Intensification of the confrontation had caused these expenditures to increase considerably and continuously, totalling Rp 5,581 million and Rp 80,454 million for the years 1963 and 1964 respectively, and increased further in 1965 to Rp 487,177 million.

It should be noted that expenditures - in accordance with table 6a include :

1. Special Sector, consisting of the following expenditures: for the High Colleges of State, Information Department, Minister Coordinator of the Compartment of Relations with the People, the Minister in Charge of Liaison with Parliament/Congress/Supreme Advisory Council, Minister in Charge of Liaison with Religious Leaders and the Minister Secretary General of the National Front, Minister for National Development Planning Affairs.

2. The Foreign Relations Sector, consisting of expenditures for the Minister Coordinator of the Compartment for External Affairs, Department for Foreign Affairs.
3. The Internal Affairs Sector, consisting of expenditures for the Minister Coordinator of the Compartment of Justice/Internal Affairs, Department for Internal Affairs, Department of Justice.
4. The Defence/Security Sector, consisting of expenditures for the Departments of Veteran Affairs, Prosecution Affairs, Army, Navy, Air Force, State Police Force, and the Minister Coordinator of the Defence/Security Compartment.
5. Expenditures in the Production Sector, Consisting of those for the Departments of Public Works and Energy, Heavy Industries and Mining, People's Industries, National Research Affairs, Agriculture, Plantations, Forestry, Fishery, Agrarian Affairs, Minister Coordinator for the Compartment of Agrarian Affairs, Department of Basic Industries, Mining, Oil and Natural Gas Affairs, Electricity and Energy, Basic Irrigation, Road Construction, Town Planning, Sumatera Highway, Minister Coordinator for the Compartment of Maritime Affairs, Department of Maritime Industries, Minister Coordinator for Compartment of People's Industries and Self-Reliance, Department of Textile Industries, Department of Light Industries, Department of Handicraft Industries, Minister Coordinator for the Compartment of Development.
6. Expenditures in the Distribution Sector, consisting of those for : the Minister Coordinator for the Compartment of Distribution, Department of Trade, Land Communications, Sea Communications, Air Communications and Transmigration, Cooperative and Rural Community Development.
7. Expenditures in the Financial Sector, consisting of those for : the Minister Coordinator of the Compartment of Financial Affairs, Departments of Contributions to the State, State Budget Affairs, Insurance Affairs in charge of Financial Matters.

8. Expenditures in the People's Welfare Sector, consisting of those for: the Minister Coordinator for the Compartment of Welfare, Department of Health, Minister Coordinator for the Compartment of Education/Culture, Departments of Basic Education and Culture, Higher Learning and Sciences, Sports, Minister Coordinator for the Compartment of Religious Affairs, Department of Religious Affairs, Haj Affairs, Minister for Liaison between Government and Religious Leaders, Department of Rural Community Development.
9. Expenditures for Dwikora (Two-Fold People's Command), consisting of those for: confrontation against Malaysia and for a minor part for West Irian.

Government Income

Realization of net income of the Government during the last six years showed a constantly upward trend, and in the years 1960, 1964 and 1965 this income even surpassed the budgetary targets. Complete statistics comparing realization of income and its budgetary targets are as follows :

(in millions of Rp)

<i>Year</i>	<i>Budgetary Target</i>	<i>Realization</i>	<i>Balance</i>
1960	49,877	50,307	+ 430
1961	66,000	62,218	— 3,782
1962	77,205	74,870	— 2,335
1963	172,030	162,130	— 9,900
1964	199,987	283,386	+ 83,399
1965	821,250	923,444	+ 102,194

Despite a constant increase in the amount of realized income of the Government during the last six years, the Government's expenditures during that period increased far more, resulting in accumulating inflationary pressure. In connection with the implementation of the Overall National Development Plan in 1961 a division was made since that year between the Routine Income Budget and In-

TABLE 7 — GOVERNMENT REVENUES 1960—1963
(Rp million)

	1960			1961			1962			1963		
	Budget	Realiza- tion	Diffe- rence '59 & '60	Budget	Realiza- tion	Diffe- rence '60 & '61	Budget	Realiza- tion	Diffe- rence '61 & '62	Budget	Realiza- tion	Diffe- rence '62 & '63
I. Routine Budget												
a Taxes												
1. Direct taxes :												
— income taxes	2,250	2,614	+ 657	3,000	2,912	+ 298	4,250	6,044	+ 3,132	6,791	12,794	+ 6,750
— wage taxes	330	506	+ 146	—	273	— 233	—	74	— 199	—	—	— 74
— corporate taxes	4,700	5,205	+ 2,272	5,000	8,371	+ 3,166	10,750	11,368	+ 3,017	22,000	20,078	+ 8,690
— tax on aliens	200	206	+ 30	150	97	— 109	74	149	+ 52	150	174	+ 25
— other direct taxes	241	217	+ 108	226	225	+ 8	131	147	— 78	150	232	+ 85
Total :	7,741	8,748	+ 3,213	8,376	11,878	+ 3,130	15,205	17,802	+ 5,924	29,091	33,278	+ 15,476
2 Indirect taxes:												
— sales taxes	2,600	3,308	+ 2,198	2,000	3,068	+ 240	2,800	4,994	+ 1,926	11,000	9,624	+ 4,630
— import duties	2,460	2,848	+ 992	5,130	5,092	+ 2,244	2,300	4,228	+ 864	45,420	12,498	+ 8,270
— export duties	450	1,459	+ 1,144	4,050	3,188	+ 1,729	2,650	2,478	— 710	938	1,769	— 709
— stamp duties	200	254	+ 158	250	438	+ 184	450	332	— 106	450	1,371	+ 1,039
— excises	5,100	6,779	+ 2,926	6,130	7,512	+ 733	8,341	10,836	+ 3,324	17,580	27,164	+ 16,328
— other indirect taxes	274	565	+ 331	971	1,295	+ 730	3,002	6,832	+ 5,537	450	4,209	+ 2,623
Total :	11,084	15,213	+ 7,749	18,551	20,593	+ 5,380	19,743	29,700	+ 9,107			
Grand total :	18,825	23,961	+ 10,926	26,927	32,471	+ 8,510	34,948	47,502	+ 15,031	104,929	89,913	+ 42,411
b Tax on Agricultural Commodities	—	—	—	—	—	—	—	—	—	750	696	+ 696
c Various Revenues												
— puim	5,600	6,644	+ 898	—	1,625	— 5,019	180	609	— 1,016	—	655	+ 46
— pueks	5,800	5,228	+ 26	—	159	— 5,069	2,650	2,472	+ 2,313	—	37	— 2,435
— price component	2,000	3,364	+ 3,364	—	—	— 3,364	2,968	4,936	+ 4,936	6,666	12,845	+ 7,909
— excise profits on oil and other goods	3,900	3,121	+ 3,121	6,430	3,418	+ 297	4,700	4,770	+ 1,352	46,978	22,654	+ 17,884
— state trade revenues	—	—	—	—	—	—	—	—	—	—	—	—
— S.P.P and Special HPN yield	—	—	—	—	—	—	—	—	—	—	—	—
— special compulsory contribution	—	—	—	—	—	—	—	380	+ 380	1,720	1,192	+ 812
— compulsory levies	—	—	—	—	—	—	—	—	—	—	—	—
— contribution on luxury goods	—	—	—	—	—	—	—	—	—	—	—	—
— stamp duties & contributions on credits	—	—	—	—	—	—	—	—	—	—	—	—
— other revenues	13,741	7,311	+ 1,589	13,643	14,317	+ 7,006	19,823	11,698	— 2,619	51,815	32,174	+ 18,004
Total :	31,041	25,668	+ 8,998	20,073	19,519	+ 6,149	30,321	24,865	+ 5,346	107,179	69,557	+ 44,692
Routine budget total :	49,866	49,629	+ 19,960	47,000	51,990	+ 2,361	65,269	72,367	+ 20,377	212,858	160,166	+ 87,799
II. Development Budget												
— state corporation profits	—	10	—	4,000	538	+ 528	3,000	928	+ 390	1,500	1,452	+ 524
— guided savings	—	—	—	—	—	—	1,750	—	—	—	—	—
— bonds	—	—	—	1,000	255	+ 255	1,000	926	+ 671	—	255	— 671
— foreign credit	—	668	—	6,000	1,650	+ 982	6,186	649	— 1,001	24,133	257	— 329
— free list	—	—	—	5,000	7,784	+ 7,784	—	—	— 7,784	—	—	—
— levies from trade sector	—	—	—	2,000	—	—	—	—	—	143	—	—
— use of private company profits	—	—	—	1,000	—	—	—	—	—	—	—	—
— other revenues	—	—	—	—	—	—	—	—	—	33,390	—	—
Total Development Budget	—	678	—	19,000	10,227	+ 9,549	11,936	2,503	— 7,724	59,166	1,964	— 476
Total of State Revenue	49,866	50,307	+ 19,960	66,000	62,218	+ 11,910	77,205	74,870	+ 12,653	272,030*	162,130	+ 87,323

*) Because no details of this Additional Budget are as yet available the figures of the original Budget are given.

Source : Department of State Revenues.

come Budget for Development (Presidential Decree No. 108 of 1960), the latter containing columns which became financial resources and consisting of revenues from profits of state corporations, bonds, foreign credits, free lists, etc.

The constant increase in income during the last six years was caused by an increase in income from direct and indirect taxes (table 7 and 7a). In addition new levies were created, especially in the foreign trade sector, such as : Obligatory Duties and Obligatory Contributions for luxury goods, while the measures on Tax Pardon caused a considerable increase in income in 1965, from Rp 283,386 million in 1964 to Rp 923,444 million in 1965, or an increase of about 226 per cent.

The main reasons for the increase in direct as well as indirect taxes were the general increase in prices followed by increases in wages and also changes in income tax, import duties and excise, and also the intensification of tax collection by the Directorate of Taxes and Excise Duties. The increase in direct taxes was caused by an increase in Corporate Taxes (table 7 and 7a).

The increase in 1960 was Rp 2,272 million, and Rp 3,166 million and Rp 3,017 million respectively for 1961 and 1962, while an extraordinary increase was registered since 1963, that is, Rp 8,690 for 1963 and Rp 20,935 million and Rp 44,151 million respectively for 1964 and 1965.

The cause of an increase in Corporate Taxes was mainly the bigger profits made by the Importers, due to the tendency of shortage in imported goods, so that prices of these goods went up considerably.

In addition, an increase in income for the years 1964 and 1965 was also caused by a change in Corporate Taxes under which the “pay as you go” system was introduced and also by a change in tariffs (Law No. 22 of 1964).

Income Taxes also increased in 1964 and 1965, respectively by Rp 15,596 million and Rp 14,874 million.

The main reason for this increase was the change in Income Tax Tariffs brought about by Law No. 23 of 1964, which made it possible to intensify collection.

As mentioned earlier, indirect taxes went up during the last six years. This was mainly caused by increases in Sales Taxes, Import Duties and Excise Duties in 1964 and 1965.

Income from Sales Taxes in 1960 increased by Rp 2,198 million, but in 1961 a decrease of Rp 240 million was suffered. But from 1962 on, increases were registered: for 1962 totalling Rp 1,926 million, and for 1963 until 1965 increases were respectively Rp 4,630 million, Rp 14,941 million and Rp 76,612 million. These increases were caused by the general increase in prices of goods, and also by the coming into effect of Regulation of the Minister of Revenues, Financing and Control No. 2, 8 and 9 of 1964 concerning the increase in percentage of Sales Taxes and Excise Duties. Due to these causes big increases were noticeable in income from this sector in 1964 and 1965.

Import Duties in 1961 increased by Rp 2.244 million compared with Rp 992 million only in 1960. This was mainly caused by the Import-Export Regulations of August 1960.

In 1962, on the other hand, the income from Import Duties went down to Rp 864 million compared with 1961. This was caused by the S.I.I.C. system introduced in September 1961 until November 1962, which resulted in a decrease in the inflow of imported goods with high Import Duties. In the following years, the SIVA (Foreign Exchange Licence) regulation of March 1962 opened the way for an inflow of high-tariff import goods, resulting in an increase in income from Import Duties in 1963 totalling Rp 8,270 million. This increase was also caused by a change in the Import Duty tariffs introduced by the regulations implementing the DEKON (Economic Declaration) of May 26, 1963, which was contained in Presidential Regulation No. 6 of 1963.

In the years 1964 and 1965 big increases were noticeable, respectively Rp 21,424 million and Rp 51,682 million, due to the Import Regulations of April 17, 1964, which changed Presidential Regulation No. 6, 1963.

Income from excise duties also showed a rise since 1960. These rises were as follows :

1960	Rp	2,926 million
1961	Rp	733 million
1962	Rp	3,324 million
1963	Rp	16,328 million
1964	Rp	13,346 million
1965	Rp	92,664 million

A big increase can be noticed in 1965 if compared to 1964, as a result of a rise in tobacco prices and the coming into effect of new regulations concerning increases in excise tariff (Regulation of Minister of Revenues, Financing and Control No. 2, 8 and 9 of 1964). The amount of income from the column "Miscellaneous Incomes" showed an irregular trend from 1960 to 1962, while increases could be observed from 1963 to 1965. with the biggest rise in 1965 (table 7 and 7a).

In 1961 and 1962 PUEKS (Export Levies) dropped from Rp 5,228 million in 1960 to Rp 159 million in 1961 and increased again to Rp 2,472 million in 1963. The drop was caused by a drop in exports. Though a rise was registered in 1962, but the 1960 total could not be equalled.

In the meantime, the PUIM (Import Levies) showed a sharp drop from Rp 6,644 million in 1960 to Rp 1,625 million in 1961 and again to Rp 609 million in 1962.

These were the reasons for the drop in the column "Miscellaneous Incomes" in the years 1961 and 1962 if compared to 1960. Meanwhile, the Price Component Income showed an upward tendency from 1962 until 1963. In 1961 a very

TABLE 7a — GOVERNMENT REVENUE : 1964-1965

(Rp million)

	1964		Difference 1963-1964	1965		Difference 1963-1964
	Budget	Realization		Budget	Realization	
I. Routine Budget						
a. Taxes						
1. Direct taxes:						
— income taxes	15,000	28,390	+ 15,596	15,000	43,264	+ 14,874
— wage taxes	—	—	—	—	—	—
— corporate taxes	48,300	41,013	+ 20,935	100,000	85,164	+ 44,151
— tax on aliens	775	236	+ 62	—	—	— 236
— tax pardon	—	—	—	50,000	121,563	+ 121,563
— other direct taxes	500	683	+ 451	10,750	15,826	+ 15,143
Total :	64,575	70,322	+ 37,044	175,750	265,817	+ 195,495
2. Indirect taxes:						
— sales taxes	18,600	24,565	+ 14,941	100,000	101,177	+ 76,612
— import duties	21,209	33,922	+ 21,424	56,000	51,682	+ 17,760
— export duties	—	827	— 942	—	—	—
— stamp duties	2,320	2,849	+ 1,478	—	—	— 2,849
— excises	31,580	40,510	+ 13,346	87,000	133,174	+ 92,664
— other indirect taxes	1,730	9,149	+ 4,940	12,000	22,798	+ 13,649
Total	75,439	111,822	+ 55,187	255,000	308,831	+ 197,009
Grand total	140,014	182,144	+ 92,231	430,750	574,648	+ 392,504
b. Tax on Agricultural Commodities	750	758	+ 62	750	2,794	+ 2,036
c. Various Revenues:						
— puim	—	—	— 655	—	—	—
— pucks	—	—	— 37	—	—	—
— price component	—	1,790	— 11,055	—	—	— 1,790
— excess profits on oil and other goods	18,203	21,423	— 1,231	32,500	29,750	+ 8,327
— state trade revenues	10,500	36,817	—	—	—	+ 36,817
— SPP and special HPN yield	—	—	—	p.m.	10,266	+ 10,266
— special compulsory contribution	1,500	1,115	— 77	—	—	— 1,115
— contribution for the Revolution	—	—	—	—	—	—
— compulsory levies	—	—	—	102,250	162,589	+ 162,589
— dwikora special compulsory contribution	—	—	—	10,000	57,228	+ 57,228
— contribution on luxury goods	—	—	—	4,000	16,075	+ 16,075
— stamp duties & contribution on credits	—	—	—	12,500	19,758	+ 19,758
— other revenues	15,138	35,711	+ 40,354	30,000	45,233	+ 9,522
Total	45,341	96,856	+ 27,299	191,250	340,899	+ 244,043
Total of Routine Budget	186,105	279,758	+ 119,592	622,750	918,341	+ 638,853
II. Development Budget						
— state corporation profits	5,000	1,477	+ 25	10,000	5,103	+ 3,626
— bonds	—	40	— 215	20,000	—	— 40
— foreign credit	—	1,222	+ 965	—	—	— 1,222
— free list	—	—	—	—	—	—
— other revenues	8,882	889	+ 889	18,500	—	— 889
Total of Development Budget	13,882	3,628	+ 1,664	48,500	5,103	+ 1,475
Total of State Revenues	199,987	283,386	+ 121,256	671,250*)	923,444	+ 640,058

*) Because no details of the Additional Budget are as yet availat the figures of the original Budget are given

Source : Department for State Revenues.

big drop was registered, making income from this sector negligible. This could have been caused by import restriction measures during that year.

The new regulations concerning a re-categorization of Importable Goods since October 1962, aimed at widening the range of levies and raising the Price Component, resulted in an increase of income in this column in 1962 to Rp 4,936 million and to Rp 12,845 million in 1963. The revocation of the regulation concerning Price Component in 1963 (May 26, 1963, Regulations) made the revenues from this source during the following years negligible. Continuous inflationary pressure resulted in the steady increase of excess profits for oil and other goods since 1960 until 1965.

The Economic Declaration Implementation Regulations of May 26, 1963, on the other hand, which replaced the Price Component with State Trade Revenues Levies (H.P.N.) and Special H.P.N., resulted in increases in the column "Miscellaneous Incomes" in 1964. These increases had also been caused by revenues from S.P.P. which were introduced by Presidential Regulation No. 13 of 1964 (April 17, 1964, Regulations) which replaced the Economic Declaration Implementation Regulations of May 26, 1963. In 1965 these columns registered a rise of Rp 198,810 million bigger than that of 1964, especially due to the existence of revenues from Obligatory Levies totalling Rp 162,589 million, which were in essence levies on allocations of state foreign exchange and foreign exchange originating from Deferred Payments.

Several kinds of new levies, such as the Contributions for Luxury Goods, Special Compulsory Contributions for Dwikora and contributions levied on Credits, also increased the revenues in the column „Miscellaneous Incomes" for the year 1965, respectively totalling Rp 16,075 million, Rp 57,228 million and Rp 19,758 million.

Revenues from the Income Budget for Development during these last six years did not come up to expectations. The main source which had originally been expected to provide this income had been Profits from State Corporations and

Foreign Credits. But these expectations were not fulfilled. Proof of this was that realizations of income were always lower than budgetary income targets, as the figures hereunder show :

<i>(in millions of Rp)</i>						
	1960		1961		1962	
	Budget.	Realiz.	Budget.	Realiz.	Budget.	Realiz.
Profits from State Corporations	—	10	4,000	538	3,000	928
Foreign Credits	—	668	6,000	1,650	6,186	649
	1963		1964		1965	
	Budget.	Realiz.	Budget.	Realiz.	Budget.	Realiz.
Profits from State Corporations	1,500	1,452	5,000	1,477	10,000	5,103
Foreign Credits	24,033	257	—	1,222	—	—

In the same way revenues from Bonds during the period was an unimportant amount (table 7 and 7a).

Government Liabilities

When the Government liabilities between 1960 and 1965 are taken under review it may be seen that liabilities were ever increasing as shown in the following table: (in millions of Rp).

End of 1960	Rp	56,523
End of 1961	Rp	83,274
End of 1962	Rp	145,991
End of 1963	Rp	282,369
End of 1964	Rp	656,342
End of 1965	Rp	2,225,253

It may be noticed that a big rise occurred, in 1964 and 1965. The main reasons for the increase in the Government liabilities during the last six years were the following :

- In 1960 the long-term domestic debts were the main reason, with an increase of Rp 6,973 million, which was among others caused by the frozen deposits resulting from the monetary measures of 1959 and the issuance of prized bonds in 1959.

TABLE 8 – GOVERNMENT DEBT POSITION (Rp million)					
End of :	Consolidated Debt		Floating debt	Total debt	Movements
	Foreign	Domestic	domestic		
1960	9,367	11,508	35,648	56,523	+ 11,930
1961	9,904	11,815	61,555	83,274	+ 26,752
1962	10,423	12,796	122,772	145,991	+ 62,717
1963	14,260	13,134	254,975	282,369	+ 136,378
1964	14,564	12,952	628,826	656,342	+ 373,973
1965	11,991	12,847	2,200,415	2,225,253	+ 1,568,911

Source : Department of Finance

- In 1961 and 1962 the domestic short-term debts showed increases of respectively Rp 25,907 million and Rp 61,219 million. These increases were caused by urgent expenditures by the Government in the framework of restoring domestic security and bringing back West Irian into the Indonesian Republic.
- in the period 1963 to 1965 the total of domestic short-term debts reached a bigger amount, especially in 1965. These debts were respectively Rp 132,203 million, Rp 373,851 million and Rp 1,571,589 million for 1963, 1964 and 1965. These rises were also caused by the existence of new foreign debts since 1963 and new domestic long-term debts since 1965 in the form of 1964 Confrontation Loans, 1965 Development Loans and 1972 and 1974 ex Bank Industri Negara Bonds.

Developments in every of the government debts can be seen in table 9 and 10.

In table 9 it may be seen that the increase in short-term Government debts during the last six years were mainly caused by increases in the amount of Government Advance Payments which showed the following increases :

<i>Year</i>	<i>(in millions of Rp)</i> <i>Increase in advance payments</i>
1960	+ 701
1961	+ 26,031
1962	+ 60,522
1963	+ 132,473
1964	+ 374,136
1965	+ 1,571,793

The rise in Government debt to the Bank Negara Indonesia Unit 1 during those years were mainly due to efforts towards closing the deficit in the State Expenditures and Income Budget. This deficit had become gradually bigger as a consequence of security-restoring operations in the country, the implementation of the Overall Development Plan, the West Irian struggle, confrontation against Malaysia, elimination of the counter-revolutionary movement of September 30/ PKI, increase in civil servants wages and construction of the CONEFO complex.

TABLE 9 – FLOATING DEBT (Rp million)						
	End of :					
	1960	1961	1962	1963	1964	1965
1. Debt to B.I.	32,512	58,543	119,065	251,538	625,674	1,197,467
2. Currency issued by Government	1,475	1,583	1,783	1,876	1,951	1,862
3. Debt to importers (pre-payments to Foreign Exchange Fund)	18	13	101	17	15	32
4. Treasury Bills and Notes	1,643	1,416	1,823	1,544	1,186	1,054
Total :	35,648	61,555	122,772	254,975	628,826	1,200,415

Source : B.N.I. Unit I

TABLE 10 – CONSOLIDATED DEBT (Rp million)						
	1960	1961	1962	1963	1964	1965
<i>A. Foreign.</i>						
Post – War Loans :						
1. A.I.D.	—	—	—	410	665	624
2. U.S.A. (surplus credit)	1,869	1,775	1,682	1,589	1,491	1,087
3. E.C.A.	560	518	478	432	389	436
4. Eximbank	3,066	2,809	2,522	2,210	1,898	1,561
5. People's Republic of China	—	—	—	2,460	2,250	1,050
6. Netherlands	2,338	2,338	2,338	—	—	—
7. U.S.S.R.	1,141	1,894	2,511	2,886	3,482	3,606
8. Eximbank (ICAX 87 – 3)	168	261	615	594	595	—
9. Eximbank (Semen Gresik)	225	309	277	227	176	126
Sub Total	9,367	9,904	10,423	10,808	10,946	8,490
10. D.L.F. Loan (No. 42 + 80)	—	—	—	154	201	214
11. Eximbank (SAC I, II, III)	—	—	—	1,229	1,317	1,313
12. Eximbank (P.L.N.) (State Electricity Enterprise)	—	—	—	580	528	512
13. Eximbank (PUSRI) (Sriwidjaja Urea Fertilizer Plant)	—	—	—	1,323	1,423	1,343
14. Eximbank (Sundries)	—	—	—	166	149	119
Total Foreign Debts. .	9,367	9,904	10,423	14,260	14,564	11,991
<i>B. Domestic.</i>						
1. 3% R.I. 1950 Loans	1,042	998	998	998	916	916
2. 6% 1959 Prized Bonds	115	483	1,571	2,000	1,702	1,596
3. Bank Indonesia	3,368	3,274	3,181	3,090	2,994	2,900
4. 4½% 1959 Consolidated Loan	6,983	7,060	7,046	7,046	7,100	6,923
5. 15% 1964 Confrontation	—	—	—	—	—	80
6. 6% 1965 Development Loan	—	—	—	—	—	217
7. Bonds ex B.I.N :						
1972	—	—	—	—	90	80
1974	—	—	—	—	150	135
Total Domestic Debts	11,508	11,815	12,796	13,134	12,952	12,847
Total of Loans :	20,875	21,719	23,219	27,394	27,516	24,838

Source: B.N.I. Unit I

The Government's other short-term debts were insignificant if compared with its Advance Payments, since the total was relatively small (table 9).

Chartal money circulated by the Government increased in volume until 1964, and decreased somewhat in 1965. Advance Payments by Importers showed an irregular tendency from year to year and did not exceed the percentage of 0.1 per cent of all of the Government's short-term debts.

In the same way Treasury Notes and Bills did not show a regular trend, going up and down slightly during these years (table 9).

The Government's long-term debts during the last six years showed a constant increase up to 1964, and went down slightly in 1965.

Figures for these developments are as follows :

(in millions of Rp).

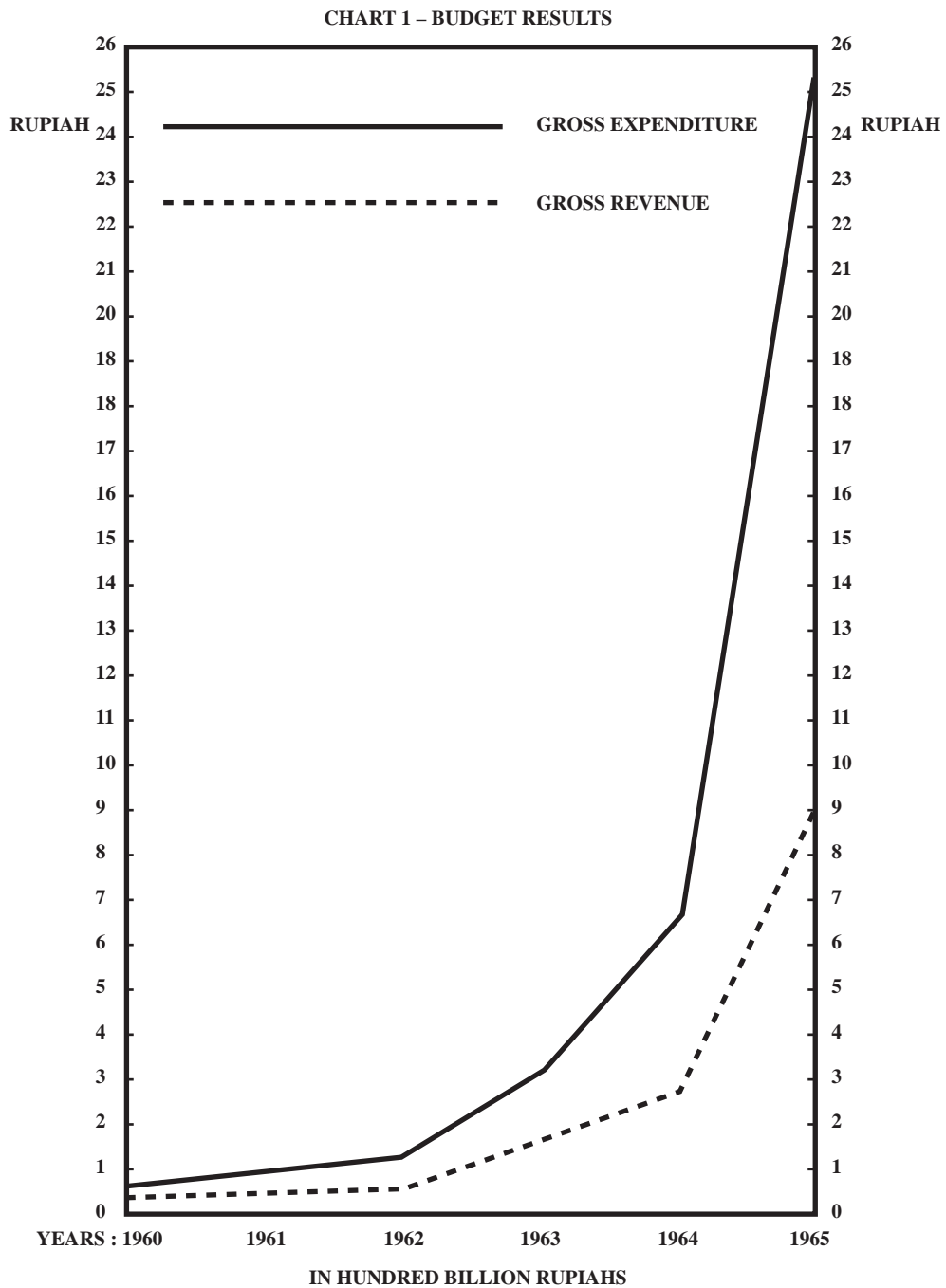
<i>Year</i>	<i>Position</i>	<i>Mutation</i>
1960	20,875	+ 7,217
1961	21,719	+ 844
1962	23,219	+ 1,500
1963	27,394	+ 4,175
1964	27,516	+ 122
1965	24,838	— 2,678

The increase in 1960 of Rp 7,217 million was caused by new domestic long-term debts in the form of 1959 Consolidation Loans amounting to Rp 6,983 million.

In 1961 and 1962 there were no big changes. Minor increases were experienced. Some big rises were seen in debts to the U.S.S.R. in 1961 and 1962, totaling Rp 617 and Rp 753 million respectively. Prized Bonds of 1959 showed an increase in 1962 of Rp 1,088 million.

In 1963 new foreign debts were made, respectively to the People's Republic of China, the U.S. Exim Bank, and D.L.F. Loan amounting to Rp 2,460 million, Rp 3,298 million and Rp 154 million each. The loans from the EximBank comprised surplus Agricultural Commodities and equipment for P.L.N. and PUSRI.

In 1964, 1964-Confrontation Bonds were issued at a nominal value of Rp 10,000 million, but it was not realized that year. In addition, 1972 and 1974 Ex



Bank Industri Negara Bonds were floated, respectively totalling Rp 90 and Rp 150 million. In the meantime debts to the U.S.S.R. had further increased with Rp 596 million.

Unlike during the preceding years, in 1965 long-term debts decreased with Rp 2,678 million. This had mainly been caused by a decrease in debts to the People's Republic of China' totalling Rp 1,200 million and also in debts to the U.S. Exim Bank. In the meantime 1965 Development Bonds were floated, having a nominal value of Rp 10,000 million, but realization only reached the total of Rp 217 million. The 1964-Confrontation Bonds had only been realized for the total of Rp 80 million up to 1965.

IV. BANKING AND CREDIT

Introduction

In the Bank Indonesia Act of 1953 it is stipulated that the Management of Bank Indonesia (now Bank Negara Indonesia Unit I) shall consist of a Monetary Board, a Managing Board and an Advisory Board. The Monetary Board deals with the Bank's general monetary policy, provides the Managing Board with advice on the bank's policy in other matters as the public interest requires, and also fixes the bank's rate of interest. Members of the Monetary Board are certain ministers and the Governor of Bank Indonesia. The Minister of Finance acts as Chairman of the Monetary Board. In accordance with the above regulation, it has been decided upon by Government Ordinance No. 1/1955 that Bank Indonesia shall in the name of the Monetary Board exercise supervision on existing credit institutions and on those to be established in Indonesia for the sake of the solvency and liquidity of these credit institutions and to facilitate the issue of credits in a sound manner and in conformity with proper banking principles.

In 1962 structural changes took place in the field of finance following the issue of Presidential Decision No. 94/1962 concerning the regrouping of the Cabinet. Finance was to be headed by a Deputy First Minister managing three departments, viz. the Department of Income, Expenditure and Control, the Department for the State Budget and the Department for Central Bank (Bank Indonesia) Affairs. The Governor of Bank Indonesia was accordingly made Minister of Central Bank Affairs. This minister did not head a department but operated through Bank Indonesia. By these structural changes the Monetary Board was rendered inoperative and all its authority transferred to the Cabinet.

In 1963 by Presidential Decision No. 232,/ 1963 a new minister was appointed in the field of Finance to deal with the supervision of private banks and capital. In regulating private banks, this minister made use of Bank Indonesia facilities. His work of supervision was of an institutional character and did not affect the economic monetary aspects of the Bank.

After functioning for about nine months, the supervision of private banks and capital was transferred—on August 27, 1964 with the formation of the Dwikora Cabinet—from the Finance Compartment to the Compartment of Development and Reconstruction. The main job of the Minister for the Supervision of Private Banks and Capital in realizing Guided Economy was to switch the movements and activities of private capital from areas difficult to control to the fields of development and reconstruction in the widest sense of the word. In this connection private banks should be persuaded to perform those activities which led to the creation of private funds to be used for development and reconstruction purposes.

Development of Banking Institutions

General

Considered from the viewpoint of ownership, there are three kinds of banks in Indonesia, viz. state banks, fully owned by the Government, private banks, entirely owned by private bodies, and banks jointly owned by the Government (read: Regional Government) and private institutions, viz. the regional development banks (Bank2 Pembangunan Daerah).

By Presidential Decision No. 17/1965 the Bank Tunggal Bank Negara Indonesia (the Sole Indonesia State Bank) was established. Into this were integrated various state banks. From the legal point of view only three state banks are in existence at present: Bank Negara Indonesia (Indonesian State Bank), Bank Dagang Negara (Commercial State Bank) and Bank Pembangunan Indonesia (Indonesian Development Bank). In reality, however, Bank Negara Indonesia remains divided into the component units, i.e. the integrated State banks, which still remain functioning as before. As a matter of fact, there are as many state banks as before the integration. The Head Office of B.N.I. Unit I, the former Bank Indonesia, is for the time being to be the Head Office of “Bank Tunggal B.N.I.” but continues functioning as central and circulation bank.

By Decision of the Dwikora Cabinet Presidium No. Aa/D/27/1966 of February 15, 1966, Bapindo (Indonesian Development Bank) was authorized to operate in the field of commercial banking for the State sector and allowed to accept savings in the form of demand liabilities and deposits; it was authorized to encourage transfer payments and to grant production credits to enterprises in the Government sector.

There are four kinds of private banks, viz. commercial banks, savings banks, development banks, and small local banks. Private development banks were established by Law No. 12/1962, while other kinds of private banks were established by Government Regulation No. 1/1955. Law No. 13/1962 regulates the activities of regional development banks but as a number of these were established before the Law in question was effective, two kinds of regional development banks are now still in existence, namely those established by Law No. 13/1962 and those based on Government Regulation No. 1/1955, which also perform commercial banking activities. According to provisions in Law No. 13/1962 the latter should as soon as possible adjust themselves to Law No. 13/1962.

The regional development banks are local in character because their activities are limited to the 1st level Autonomous Region concerned.

All head offices of state banks are situated in Djakarta; those of private banks and of regional development banks are also found in areas outside Djakarta. Branch offices of State banks are distributed throughout the country and their total number far exceeds that of private banks and regional development banks together. Potentially also, state banks play a most important part in the world of banking in Indonesia. Further particulars on various banks will be found hereunder.

In order to meet the need for capable banking personnel in connection with the rapid development of banks, a Jajasan Akademi Bank (Banking Academy Foundation) was established in 1958, sponsored by a number of state and national private banks.

The aim of the Foundation is the establishment of a centre of study, research and education in the field of banking with a view to enhancing the knowledge and encouraging the understanding of banking in Indonesia.

In the year 1961-1962 a Managing Director of Bank Indonesia and the Acting Governor of Bank Indonesia were appointed respectively permanent Secretary and Chairman of the Jajasan Akademi Bank. In 1962 the Secretariat of the Academy was installed in the new building in Kampung Kemang Kebajoran Baru Timur, Djakarta.

When in 1962 the Kerdja Cabinet was regrouped, the Governor of Bank Indonesia was appointed Minister of Central Bank Affairs. This brought about an increase in interest in the education of banking cadres, which was also caused by the conviction that the function of the bank in this period of development was quite different in character from that in the days of liberalism.

In 1963 this Banking Academy was officially established after which it was renamed P.T.I.K.P. (Higher Institute for Financial and Banking Sciences) on the occasion of the opening of the 4th academic year. On the first Bank Day, July 5, 1963, the President of the Republic of Indonesia, officially recognized the Institute. At the end of 1963 this Institute of Higher Education was made part of Central Bank Affairs as a service institute of higher education.

In the years under review courses were opened for the training of bank inspectors who will become more necessary in view of the growing number of banks.

State Banks

In the beginning of the financial year 1959 - 1960 there were seven state banks :

1. Central Bank : Bank Indonesia
2. Commercial Banks:
 - a. Bank Negara Indonesia
 - b. Bank Rakjat Indonesia
 - c. Bank Tani dan Nelajan, and
 - d. Bank Umum Negara
3. Development Bank: Bank Industri Negara
4. Savings Bank: Bank Tabungan Pos

Within the framework of the nationalization of Dutch banks, the Escompto Bank Ltd. was nationalized by Government Regulation no. 13/1960 and its activities taken over by the Bank Dagang Negara (State Commercial Bank) by Government Regulation in Lieu of an Act No. 13/1960 of April 2, 1960.

A new state-owned bank, the Bank Koperasi, Tani dan Nelajan (Cooperatives Bank and Bank for Smallholders and Fishermen), was established by Government Regulation in Lieu of an Act No. 41/1960. This Government Regulation in Lieu of an Act was issued on October 26, 1960, with a view to promoting activities in the field of co-operatives leading to the development of the people's economy based on the family idea or the idea of togetherness, and to raising the standard of living among smallholders and fishermen. For that purpose it was deemed necessary to establish a state bank which provides credit to the people, especially co-operatives, smallholders and fishermen, in the widest sense of the word.

Simultaneously Government Regulation in Lieu of an Act No. 42 and No. 43/1960 were issued dealing with the merging of the Bank Rakjat Indonesia and the Bank Tani dan Nelajan into the above Bank Koperasi, Tani dan Nelajan.

Decree of the Minister of Finance No. 246037, B.U.M. II of November. 8, 1960 dealt with the transfer of the management of the Nederlandsche Handelmaatschappij N.V. in Indonesia. This transfer took place on November 21, 1960 and was performed by the Central Office for the Supervision of Dutch Banks.

By Government Regulation No. 44/1960 (Government Gazette 1960 No. 142) the nationalization of the *Nederlandsche Handelmaatschappij N.V.* was decided upon. The Finance Minister in his Decree No. 261206/B.U.M. II of November 30, 1960 provided the directives concerning the transfer of the rights and duties, assets and liabilities, and the activities of the *Ned. Handelmaatschappij* in Indonesia to Bank Koperasi, Tani dan Nelajan. This became effective on December 5, 1960.

With the transfer of all its rights and duties, its assets and liabilities, all the activities of the N.H.M. in Indonesia in the field of foreign payments traffic were continued by the Bank Koperasi, Tani dan Nelajan.

In this period of transition it was considered necessary to distinguish between the branches of the Bank Koperasi, Tani dan Nelajan originating from the Bank Rakjat Indonesia and the Bank Tani dan Nelajan, and those arising from the N.H.M. This distinction implied distinctions of duties and activities between the two branches. Those originating from the former Bank Rakjat Indonesia and the Bank Tani dan Nelajan were mainly assigned to grant credit facilities to the common people, in particular to co-operatives, smallholders and fishermen; the ex-N.H.M. branches were to deal with other groups as they had always done. The consequence was that the branches under their new name still retained their old customers of before the integration.

In order to avoid misunderstanding on the part of the public as the result of the temporary maintenance of this division of duties between the two branches, the branches originating from the N.H.M. were given the additional name "Exim Affairs" to distinguish them from those resulting from the integration of the Bank Rakjat Indonesia and the Bank Tani dan Nelajan.

In 1962 total integration of the two different branches was started, which was completed in 1964.

By Government Regulation in Lieu of an Act No. 21/1960 the Bank Pembangunan Indonesia was established, the main function of which was to help

the Government finance its Planned Overall National Development. The Bank Pembangunan Indonesia being created, the Bank Industri Negara ceased to exist and was merged into the Bank Pembangunan Indonesia.

As mentioned before, in 1965 the Bapindo was also assigned to move in the field of commercial banking in the state sector.

The Post Office Savings Bank, which had been within the province of the Department of Communication, was renamed State Savings Bank by Government Regulation in Lieu of an Act No. 4/1963 dated June 22, 1963 and moved to finance under the supervision of the Minister of Central Bank Affairs.

In 1965 the supervision and management of British enterprises in Indonesia were taken over and by Decree No. 15/UBS/65 of the Minister of Central Bank Affairs, dated February 17, 1965, it was decided that the Chartered Bank, a branch of a British owned bank, should cede its rights, assets, liabilities and activities in Djakarta to the Bank Umum Negara while the buildings and equipment belonging to the Chartered Bank in Surabaya and Medan were transferred to Bank Negara Indonesia.

In 1965 further structural changes in the organization of State Banks took place, to wit :

- the integration of State Commercial Banks and State Savings Banks into the Central Bank by Presidential Decree No. 8 /1965;
- the integration of the Bank Koperasi, Tani dan Nelayan into Bank Indonesia by Presidential Decree No. 9/1965;
- the integration of the State Commercial Bank into Bank Indonesia by Presidential Decree No. 10/1965;
- the integration of the State Savings Bank into Bank Indonesia by Presidential Decree No. 11/1965;

- the integration of Bank Negara Indonesia into Bank Indonesia by Presidential Decree No. 13/1965;
- the establishment of “Bank Tunggal B.N.I.” by Presidential Decree No. 17/1965 and the merger of all the above State Banks into this “Bank Tunggal” (Sole Bank).

After the merger of all state banks into the “Bank Tunggal”, these banks became one body under the law, but in practice they continue as individual units performing their duties of state banks as before the integration. Though after the integration there should legally only be three state banks, in reality seven state banks were operating :

1. Bank Negara Indonesia Unit I (ex. Bank Indonesia)
2. Bank Negara Indonesia Unit II (ex B.K.T.N.)
3. Bank Negara Indonesia Unit III (ex. B.N.I.)
4. Bank Negara Indonesia Unit IV (ex. BUNEG)
5. Bank Negara Indonesia Unit V (ex. B.T.N.)
6. Bank Dagang Negara (State Commercial Bank)
7. Bank Pembangunan Indonesia (Indonesian Development Bank).

In the years under review (1960 - 1965) many changes took place, changes in structure, in name and in division of duties among state banks. Apart from that, the activities of the above state banks kept developing in such a way that in 1965 the number of offices was twice that of 1960, as can be seen from the list of offices of Bank Indonesia (B.N.I. Unit I) and Bank Umum Pemerintah.

The increase in the number of offices of B.N.I. Unit I (ex. Bank Indonesia) functioning as a Central Bank, was stimulated by the transfer of the activities/purchases of the N.H.M. N.V. in West Irian and by the need for extending the number of Central Bank offices in first level regions where there were no Central Bank branches, and in the Free Port town of Sabang.

The development and distribution of the branch offices of this state bank can be seen from table 11, the list mentioning the number of offices of Bank Indonesia (B.N.I. Unit I) and the Bank Umum Pemerintah.

Private Banks

In conformity to Announcement No. 28 of the Finance Minister, dated September 19, 1959, till August 1964 new private commercial or savings banks could not be established.

In order to enable private circles to establish banks in the provinces, in particular in those areas where the service rendered by the existing provincial banks was inadequate, the Minister for the Supervision of Private Banks and Capital issued Announcement No. 4, dated August 29, 1964. Opportunity was given to establish banks in the provinces but the big towns Djakarta, Bandung, Semarang, Surabaya, Medan, Palembang and Makassar remained closed to private banking enterprise: no opening of either a head office or a new branch was allowed.

In the period 1963 - 1964 working licences were withdrawn from eight private commercial banks comprising four foreign banks, viz. O.C.B.C., Bank of China, Hongkong and Shanghai Banking Corporation and the Chartered Bank (all foreign exchange banks) and four national banks.

Apart from that, five branch offices were closed down in the period 1963 - 1965.

With the closure of the above four foreign banks, no foreign banks have been operating in Indonesia since the end of 1964

When the opportunity was given to establish new banks, a licence was issued at the end of 1964 to a new private national commercial bank to open its offices, and in 1965 permits were issued to four other private national banks. Until the end

TABLE 12 – DEVELOPMENT AND NUMBER OF PRIVATE COMMERCIAL BANKS (Head-offices and Branch-offices).													
No.	Daswati I (Province)	1960		1961		1962		1963		1964		1965	
		H	B	H	B	H	B	H	B	H	B	H	B
1.	Djakarta Raya	53	25	50	25	47	25	47	23	44	20	45	21
2.	West Djawa	8	5	7	5	6	5	6	5	6	6	7	8
3.	Central Djawa	8	14	5	14	5	14	4	14	5	15	6	22
4.	East Djawa	4	19	3	18	3	18	3	18	3	18	3	25
5.	Jogjakarta	2	2	1	2	1	2	1	2	1	2	1	3
6.	Arjeh	—	3	—	3	—	3	—	3	—	3	—	4
7.	North Sumatera	8	7	8	7	8	7	8	7	8	7	8	9
8.	West Sumatera	1	1	1	1	1	1	1	1	1	1	1	1
9.	Riau	—	1	—	1	—	1	—	1	—	1	—	1
10.	South Sumatera	1	5	2	5	2	5	2	5	2	4	2	4
11.	Djambi	—	1	—	1	—	1	—	1	—	1	—	1
12.	Lampung	—	3	—	3	—	3	—	3	—	3	1	3
13.	West Kalimantan	—	2	—	2	—	2	—	2	—	2	—	2
14.	Central Kalimantan	—	—	—	—	—	—	—	—	—	—	—	—
15.	South Kalimantan	4	6	4	6	4	6	4	6	4	5	4	5
16.	East Kalimantan	1	—	1	—	1	—	1	—	1	—	1	—
17.	North Sulawesi	3	3	3	3	3	3	3	3	—	4	3	5
18.	Central Sulawesi	—	2	—	2	—	2	—	2	—	2	—	2
19.	South Sulawesi	4	3	4	3	4	3	4	3	4	4	4	6
20.	South-east Sulawesi	—	—	—	—	—	1	—	1	—	1	—	1
21.	Bali	1	1	1	1	1	1	1	1	1	1	1	2
22.	West Nusatenggara	—	—	—	—	—	—	—	—	—	—	—	—
23.	East Nusatenggara	—	—	—	—	—	—	—	—	—	—	—	—
24.	Maluku	—	—	—	—	—	—	—	—	—	—	—	1
25.	West Irian	—	—	—	—	—	—	—	—	—	—	—	—
		98	103	90	102	86	103	85	101	83	100	87	126

Source: Bank Negara Indonesia Unit I.

of 1965 permits were granted to 22 remaining private national commercial banks to raise the status of their agencies to be branch offices and to open new branches.

The list of offices of private commercial banks shows the development and the distribution of private commercial banks in the period under review. (table 12).

Decree No. 35/64/Kep./MUPBMS of the Minister for the Supervision of Private Banks and Capital, dated December 15, 1964 rendered void the Announcement of the Finance Minister No. 28/1960 which stipulated that no new private savings banks were to be established. Though the opportunity was there, the monetary situation did not allow savings banks to flourish. Accordingly only one new

savings bank was opened whereas two were closed down in 1963 and one (a foreign bank) nationalized and integrated into the Bank Karya Pembangunan Djawa Barat. As various difficulties were being faced by savings banks in their efforts to develop their business, most of the banks in Existence remained working on a temporary licence; only two out of fourteen private savings banks had adjusted themselves to the regulations in force and had licences of a permanent nature.

The Private Development Bank was established in 1963 by Law No. 12/1962 and it began work on March 1, 1964. Its head office is in Djakarta; there are no branches to date.

Small private banks of a local character, such as market banks and village banks did not show developments of any consequence. The reason was difficulties similar to those facing savings banks. Out of 19 small local banks, 11 were operating in 1965.

Regional Development Banks

In order to ensure a wide and even execution of development activities throughout the country, whereby the expenditures could be managed by one special banking institution, the so-called Regional Development Banks (Bank2 Pembangunan Daerah) were called into being in the 1st level regional capitals to work beside the existing Development Bank of Indonesia, which was the institution to finance overall development projects. These Regional Development Banks were to be joint enterprises of regional governments and private parties. These banks were assigned the task of financing regional development projects to supplement the overall ones: this was to be done by raising state and regional community funds. Structurally these banks were the responsibility of the Home Department, while as far as their banking and business activities were concerned, they came under the supervision of respectively the Bank Negara Indonesia Unit I and the Bank Pembangunan Indonesia.

The legal basis for all the activities of the above banks was provided by Law No. 13 of 1962 concerning Basic Regulations for the Regional Development Bank (Government Gazette 1962 No. 59), which became effective on August 16, 1962.

Up to the end of 1959 no more than two Regional Development Banks had been established, respectively in South Sumatra and Djambi. This number rose to 22 in the period 1960 - 1965, an increase of 20 banks in six years.

Because of the urgent need, 16 of the 22 banks had been established before the specific law was proclaimed. Consequently, these sixteen banks had to be legally based on Government Ordinance No. 1/1955 concerning Supervision of Credit Affairs (Government Gazette 1955, No. 2) which clears with commercial banks, on the condition that as soon as the specific law on Regional Development Banks came into effect, they had to conform to it.

In this connection, the Regional Development Banks established by Government Ordinance No. 1/1955 were allowed to exercise commercial banking activities on the condition that they concentrate on expenditures in sectors closely related to provincial development.

Six other Pembangunan Daerah Banks were established after Law No.13/1962 had come into being and were therefore permitted to carry out activities provided by this law.

Since there are 25 first level regions in Indonesia, three more banks are planned to be established in the future, namely in the First Level Regions of Central and South-East Sulawesi and Irian Barat, where preparations to that effect are being made.

In order that these Regional Development Banks be able to attend to the needs of the First level Regions in the best possible way, they were, with a view to stimulating their activities, allowed to open branches/agencies in their areas. Dur-

ing the financial years 1960 - 1965, 17 branches were established: 2 in West Sumatra, 7 in West Djawa and 8 in South Sulawesi.

The table below shows the number of Regional Development Banks up to and including the financial year 1965 :

No.	Area	Number of 1st level regions	REGIONAL DEVELOPMENT BANK								Number	Number
			HEAD OFFICES				BRANCH OFFICES					
			1960-1965				1960-1965					
			1959	+	-	1965	1959	+	-	1965		
1.	Sumatera	7	2	5	—	7	1	2	1*)	2	2	9
2.	Djawa	5	—	5	—	5	—	7	—	7	—	12
3.	Nusa Tenggara	3	—	3	—	3	—	—	—	—	—	3
4.	Kalimantan	4	—	4	—	4	—	—	—	—	—	4
5.	Sulawesi	4	—	2	—	2	—	8	—	8	—	10
6.	Maluku	1	—	1	—	1	—	—	—	—	—	1
7.	Irian Barat	1	—	—	—	—	—	—	—	—	—	—
	Total	25	2	20	—	22	1	17	1	17	2	39

*) Turned into a branch of Commercial Bank

Supervision of Banks/Credits

Supervision of Banks

By Presidential Decision No. 232/1963 another minister was appointed in the field of finance, viz. the Minister for the Supervision of Private Banks and Capital. In 1964 this functionary was assigned to the Compartment of Development. His job was to exercise control over private banks. This control was more institutional in character and did not affect the monetary economic aspects of banking. The minister concerned did not head a Department but made use of Bank Indonesia (B.N.I. unit 1). For that reason, and because the problem of the control of banks cannot in fact be separated from the duties of B.N.I. Unit I in its capacity of Central Bank, the regulations issued by the Minister for the Supervision of Private Banks and Capital are also included in this report.

In The report for the period 1959 - 1960, it was mentioned that on account of the Announcement of the Finance Minister No. 28/1960, the Government would

not deal with any request for the establishment of new private savings banks submitted after August 25, 1959.

The regulation was issued with a view to the number of private banks, which had at the time grown very large and because of indications of unsound competition, impeding their natural development.

In 1964 a new regulation was issued, which introduced changes in and additions to Government Regulation the paid-up capital required for the establishment of bank was raised to Rp 25,000,000. Permanent licences to carry on banking activities already issued to the existing commercial banks were declared to be no longer permanent but temporary, and these banks were obliged to increase their paid-up capital to Rp 25 million within one year.

The execution of Government Regulation No. 19/1964 was further regulated by Decree No. 11/64/Kep/ MUPBMS of the Minister for the Supervision of Private Banks and Capital of May 10, 1964. This decree mentioned the general requirements to be fulfilled in order to obtain a licence to establish a branch or an agency of a commercial bank. The above decree, among others, contained the following stipulations :

1. For the establishment of a branch or agency of a commercial bank, additional paid-up capital and/or free reserves had to be provided for to the following amounts :
 - a. for Djakarta Rp 25,000,000.
 - b. for Semarang, Surabaya, Medan, Palembang, and Makassar Rp 15,000,000.
 - c. for other towns Rp 5,000,000.
2. 30 per cent of the Additional paid-up capital or/and free reserves mentioned above had to be invested According to regulations drawn up by Bank Indonesia.

3. Structurally, neither the ownership nor the management of branch/agency of a commercial bank could be an organization detached from the Head Office.
4. The branches or agencies of a commercial bank which existed at the moment this decree became effective had to conform to it within one year.

In the Decree of the Minister Coordinator of the Compartment Finance No. 0254/MK3/64, dated May 18, 1964 the following general requirements were decided upon to be fulfilled before a branch or an agency of a foreign commercial bank could be opened :

- a. a licence to establish a branch/agency of a foreign bank could only be given for a certain period of time, i.e. 35 long as it was considered essential in view of the economic and financial co-operation between the Government and the foreign country concerned;
- b. branches of foreign banks could only be established when paid-up capital to the amount of at least U.S. \$ 300,000 had been deposited through transfer. This stipulation did not apply to agencies;
- c. branches/agencies of foreign banks could only be established in Djakarta;
- d. branches of foreign banks were not permitted to draw money from the public on transfer or deposit account, and were only allowed to perform activities of commercial banks by making use of their own financial resources through transfer from their head office and of part of profits laid up as reserves;
- e. branches of foreign banks in possession of a licence to carry on business in Indonesia had to conform to the requirements contained in the Decree within one year after its coming into effect.

Branch offices outside Djakarta had to cease all activities within 6 months after the decree became effective.

In order to look after the possibility of foreigners possessing shares and organizing banks, the Decree of the Minister for the Supervision of Private Banks and Capital No. 12/64/ Kep/MUPBMS, dated May 20, 1964, among others, stipulated that :

- a. all shares of commercial banks should within 6 months of the coming into effect of Government Regulation No. 19/1964 have been issued in the name of and owned by Indonesian citizens, or by a corporate body which was established on the basis of Indonesian laws and whose owners were Indonesian citizens;
- b. a private commercial bank which failed to conform to the regulations on ownership of shares as mentioned above should be considered as a foreign bank. It had then to submit to the regulations contained in the Decree of the Minister Coordinator of the compartment of Finance No. 0254/MK3/64, dated May 18, 1964 as mentioned above;
- c. members of the Board of Directors, Managing Directors and all personnel of private commercial banks should be Indonesian citizens. Exceptions to this would only be allowed with a written statement from Bank Indonesia.

By joint Decree No. 28. Kep MUPBMS/65-Na. J.A. 5/119 /15 of October 23, 1965, the Minister of Justice and the Minister for the Supervision of Private Banks and Capital decided upon the following additional regulations for private banking enterprises :

- a. neither existing private banks nor those to be established should include in their statutes regulations which in essence might give rise to the domination of one individual or a group of individuals over the bank (the so-called “oligarchic clause”);

- b. alterations in the statutes with a view to conforming them to the above stipulation should be made within six months after this decree became effective.

To carry out the above decree, the Minister for the Supervision of Private Banks and Capital issued Decree No. 31 Kep/MUPBMS/65 of November 11, 1965, containing the following :

- a. private banks, both commercial and savings banks, were allowed to issue only two kinds of shares, founder's and ordinary shares;
- b. shareholders, both founder's and ordinary, should total at least fifty persons;
- c. neither a founder's nor an ordinary shareholder should possess shares exceeding 2 per cent of the total statutory capital;
- d. no relationship as between husband and wife, parent and child, sisters or brothers, should exist between members of the management;
- e. except in the division of profits. each share, irrespective of its nominal value, should provide an equal vote in any matter concerning the bank;
- f. every change of ownership of shares should be carried out with the consent of the Minister for the Supervision of Private Banks and Capital according to the usual procedure.

It was hoped that the body of regulations mentioned above would prevent private banks from being dominated by certain groups of people.

In order to control private savings banks, decrees of the Minister for the Supervision of Private Banks and Capital No. 35 and No. 36/64/Kep/MUPBMS, dated December 15, 1964 were issued. Decree No. 35 contained requirements to be met before a licence could be obtained to establish and run a new private savings bank. The following were some of the requirements :

- a. a bank should possess a paid-up capital of at least Rp 10,000,000 and meet general requirements laid down in Government Regulation No. 1 /1955;
- b. shares to be issued should be nominal shares;
- c. the founders and shareholders of the bank should be Indonesian citizens or corporate bodies established under Indonesian laws.

Decree No. 36 provided stipulations for private savings banks which had obtained licences before Decree No. 35 was issued. The following were some of the stipulations :

- a. savings banks which had in their statute included the amount of paid-up capital mentioned in Decree No. 35 but had failed to realize it should add to their capital to make up the required total;
- b. savings banks which had in their statutes not stipulated the amount of paid-up capital should conform their capital to at least the amount mentioned in Decree No. 35 by the addition of reserves and savings;
- c. deposit of additional capital and /or compliance as mentioned above should be carried out within one year after the Decree became effective.

In the introductory part of this article, mention has been made of Laws No, 12 and 13, 1962 respectively concerning private development banks and Regional ones. These laws prohibited the banks from performing commercial banking activities. Private development banks were allowed to establish branches throughout Indonesia, regional development banks, however, were restricted to first level areas. Law No. 13/1962 concerning regional development banks further stipulated the following :

- a. the paid-up capital of every regional development bank to be established was fixed at Rp 2,000,000, which should be supplied jointly by the 1st level region concerned and private circles;
- b. every regional development bank which was established and had obtained a licence from the Finance Minister on the basis of Government Regulation No. 1/1955 should comply with the regulations contained in Law No. 13/1962.

In order to exert control on the above banks, the Minister of Central Bank Affairs in his Decree No. 6/63/Kep/MUBS of April 17, 1963 provided the requirements to be met when establishing agencies and branches. These were, among others :

- a. in particular for the establishment of branch offices, paid-up capital or reserves to the amount of at least Rp 20,000,000 should be provided for;
- b. the bank concerned should provide Bank Indonesia with the necessary information required before a licence could be issued.

It is necessary to point out that in practice regional development banks were not able to operate by only abiding by the rules contained in Law No. 13/1962.

Consequently, attempts were made to bring about changes in the regulations preventing regional development banks from carrying out commercial banking activities. Propositions to this effect were submitted to Parliament.

It is worth mentioning that more effective inspections of banks were carried out in the period under review, 1960 - 1965. To obtain well qualified and capable bank inspectors, efforts were continuously made to improve the training of these functionaries.

Supervision of the Credit System.

As has been mentioned in the report for the financial year 1959 - 1960, various steps were taken by the Government as regards the supervision; limitations of credit facilities. The supervision was both quantitative and qualitative in character. Quantitatively this was mainly carried out by restricting the amount of credits granted to certain levels. Qualitatively by limiting credits granted to certain sectors and seeing that these credits were used to stimulate production and exports. This policy was considered essential by the Government in view of the rampant inflation at the time. This policy was followed by an even more drastic step in the field of monetary operation, namely the issuance of Government Regulation in Lieu of an Act No. 2/1959 (Government Gazette 1959 - 89) and Government Regulation in Lieu of an Act No. 3/1959 (Government Gazette 1959 - 90).

The financial operation undertaken by the Government on August 25, 1959 brought liquidity troubles to the banks so that the latter had to turn to a third party, viz. Bank Indonesia, in order to be able to meet their most urgent obligations. Bank Indonesia was able to help temporarily in the matter of liquidity and consequently the credit ceiling which the Monetary Board had fixed for these credit institutions on August 3, 1959 could not properly be realized.

The experience of one year after the monetary measure had become effective on August 25, 1959 showed the Government that the policy of quantitatively limiting credits by fixing the credit ceiling for every bank had in practice to be reviewed every time as to keep step with the changing circumstances.

Limitation of credit facilities in such a way could, besides, stand in the way of the development of banks.

On account of the above, the Government on October 15, 1960 issued Regulation No.5/1960 of the Finance Minister stipulating "the minimum ratio between the amount of liquid resources available and the amount of demand liabilities of all credit institutions, and the minimum amount of the liquid resources at their

disposal to be deposited as demand liabilities with Bank Indonesia” . (Cash ratio regulation) .

As from the date of its issuance, this regulation No. 5/1960 rendered void paragraph 3 of the Regulation of the Finance Minister No. 3 of April 12, 1960 by which credit institutions were to limit their credits to the total amount of credits granted at the end of February 1960. The minimum ratio was temporarily fixed at 30 per cent. Aside from that, commercial banks were also obliged to keep the minimum amount of the liquid resources at their disposal as demand liabilities - a minimum of 10 per cent - with Bank Indonesia (B.N.I. Unit I). Banks not meeting the requirements were fined to pay interest : this stipulation became valid three months after the Finance Minister’s Regulation had become effective.

Regulation PMK No. 5/1960 of the Finance Minister, later altered by Decision S.K. MUBS No. 41/65, stipulated the interest/the fine as follows :

- the amount of the fine for any infringement lasting no more than three calendar months at a stretch was 1% per year, later changed into 4% :
- the amount of the fine for any infringement lasting longer than three months at a stretch was 9% per year, later changed into 12% per year.

Aside from these quantitative restrictions, a few regulations concerning the qualitative limitation of credit were issued.

Since September 1959 banks had been prohibited from granting credits either for the prepayment or for the payment afterwards of all import transactions, except for good which could only be imported by/through the PDN’s (state commercial enterprises) and for rice and cambrics, which could only be imported respectively by the J. U.B.M. (Food Board) and G.K.B.I. (Federation of Indonesia Batik Co- operatives). This prohibition implied that importers were obliged to deposit on a special guarantee account with the bank the entire counter-value in rupiahs of every import transaction, such as :

- price component;
- SIVA retribution;
- contribution for the National Monument;
- L.A.A.P.L.N. retribution;
- certain bank expenses,

which at the conclusion of a foreign exchange contract, in this case the issuance of a letter of credit, had to be paid by the importers concerned from their own finances.

In case imports by PN's were paid by state foreign exchange banks with the help of liquidity from Bank Indonesia, not the entire 100% of the counter-value in rupiahs of the L/C amount would be imposed on the credit accounts of the PN's concerned, but only up to the rupiah value of the amount of foreign currency to be bought by the bank as a cover for every L/C issued plus other expenses such as price component and other items mentioned above. On this account, import guarantee accounts for PN imports were disposed of.

To finance imports by PN's, the purchase of the remainder of foreign currency was done gradually as the need required but taking into account the period of validity of the L/C concerned.

It should be noted that prohibition of import payments by banks was declared not to apply to :

- a. Industrial enterprises which were recognized as importers, for the import of raw/auxiliary materials to be used in their own factories receiving Government allocations of foreign exchange.
- b. Industrial enterprises which were not recognized as importers but which received allocations of raw/auxiliary materials to be used in their own factories.

In the above cases banks were allowed to grant import credits directly to the industrial enterprises concerned. These credits were to be given the character of exploitation credits. They could be used to pay the importers for the import of the goods allocated.

In connection with SIVA regulations, which were effective up to March 1963, banks were prohibited:

- a. to provide credits to purchase SIVA;
- b. to finance deposits required for every order to buy SIVA. According to the prevailing regulation these deposits could amount to 100 per cent of the rate of exchange mentioned in the orders and be paid to the banks concerned.

This meant that banks were not allowed to pay for imports based on SIVA. In 1963 new regulations were issued on qualitative restrictions of credits granted by banks. These regulations were meant to aid efforts at monetary stabilization so as to keep within normal proportions the inflationary effects which had been brought about by bank credits.

The main regulations concerning these qualitative restrictions of bank credits were, among others, the following:

1. Concerning State Banks:

- a. State banks had to allocate at least 60 per cent of their credit volume derived from their own liquid resources to the state sector. In particular in the case of B.K.T.N. (B.N.I. Unit II), this 60 per cent credit volume included credits allocated to the co-operatives sector.
- b. Of the credit volume provided by state banks, at least 50 per cent had to be allocated to the production sector and at least 20 per cent to the export sector.

- c. In principle state banks had to base their credit grants on their own liquid resources, i.e. public savings. Application to Bank Indonesia (B.N.I Unit I) for aid could only be carried out by the latter in its quality of “Lender of last resort” and of “banker’s bank”. Various requirements had to be met among which the stipulation that aid in the form of liquid resources should be provided only for the production and export sectors of State enterprises and co-operatives. The state banks had to comply with the requirements mentioned above under a and b.
- d. Credit sectors which could be supplied by state banks from their own liquid resources were:
 - d1 the production sector, usually called exploitation sector;
 - d2. the export sector, and
 - d3. the home trade sector,
 whereas the import sector could not be supplied except in the case of the import of spare parts meant for the production sector.
- e. State banks should not grant credits/overdrafts to private banks or other state banks.
- f. In order to prevent undesirable competition, the above credits should only be given to a maximum amount of 70 per cent of the market value of goods (merchandise) deposited as a guarantee.

2. *Private Banks*

- a. Of the credit volume extended by private banks, at least 50 percent should be allocated to the production and at least 20 percent to the export sector.
- b. credit granting by private banks should be based on the same commercial and objective considerations as those adhered to by state banks (see under 1 sub a).

- c. Private banks should refrain from mutually granting credits/over-drafts.
- d. Private banks should only apply for liquidity aid to Bank Indonesia (B.N.I. Unit I) in case of force majeure arising from circumstances beyond their control.

In connection with the execution of the economic and financial policy of the Government for the year 1966, several changes were made in the above stipulations. The Decree of the Minister of Central Bank Affairs No. 6/UBS/66, dated January 17, 1966 mentioned the following :

- 1. In matters of credit granting, banks should be self-reliant and use funds they have formed themselves.
- 2. Of credits granted by state banks from their own liquidity resources :
 - a. at least 85 per cent should be allocated to the production sector, the production of export commodities and the import sector;
 - b. the remainder should be allocated to foreign trade and import.
- 3. Of the total credit granted by state banks from their own liquidity resources, at least 60 per cent should be allocated to the State sector including co-operatives while 40 per cent should be allocated to the private sector, specified as follows :
 - a. of the amount allocated to the production sector, at least 55% should be given to the State, and the remainder to the private sector :
 - b. of the amount allocated to the trade sector, at least 90 percent should be given to the State, and the remainder to the private sector.

4. Of the credits provided by private banks, at least 50% should be allocated to the production sector, the production of export and import materials, and the remainder chiefly to home trade and import.

Transfer Transactions

In its efforts to promote transfer transactions in accounts, the Government, on August 23, 1961, issued Presidential Decision No. 470/1961. This decision was followed by the issue of Decree No. BUM 18-143-9/II of the Minister of Finance, dated December 27, 1961, according to which all Government/semi-Government institutions, state enterprises and other institutions in charge of the management of state finances were to have an account at a state bank. In addition, they were to conduct payments through account transfers with banks, including payments between the above institutions and other state enterprises, and their creditors. With a view to implementing the Government aims, Bank Indonesia issued to private banks circular letter No. 10/721 UM/PU Rahasia, dated November 10, 1962, prohibiting those banks to accept deposits from Government institutions. Government officials possessing current account in the name of Government institutions with private banks, were to be notified to immediately transfer the entire current account balance in question to one of the state banks. In order to maintain public confidence, particularly in payments traffic with cheques or transfer slips, and to increase public confidence in banking in general, the Government decided upon certain security regulations concerning payments traffic in the form of transfer transactions.

Decree No. 53 of the Monetary Board, dated February 23, 1962, in essence, prohibited the drawing of cheques or transfer slips if no sufficient funds were available.

Further, banks were not allowed to draw cheques or transfer slips on other banks to an amount exceeding the funds available with the latter.

Infringement of these Monetary Board regulations by current account holders (either individuals or enterprises) would result in the latter being entered in a “black list” to be circulated by Bank Indonesia to all banks. Individuals or enterprises entered in this “black list” were to be removed from the list of customers or not allowed to become one. Any bank not heeding this Monetary Board regulation ran the risk of losing its working licence.

The above regulations, however, turned out to be unable to effectively prevent the drawing of bad cheques so that Law No. 17/1964 on the prohibition of the drawing of bad cheques was approved of by Parliament. This law stated that whoever drew a cheque on a bank, while he knew or was supposed to know that no sufficient fund was available, was liable to punishment with death, a sentence for life or temporary imprisonment to a maximum of twenty years and an additional fine of at most four times the amount mentioned on the bad cheques.

In addition to efforts at preventing the drawing of bad cheques as a means to safeguard transfer transactions mentioned above, other efforts were made to facilitate and develop sound transfer transactions.

Presidential Instruction No. 09/Instr. of 1964 stipulated various ways of payment to be made by Government institutions, among others :

1. Ministers and officials in charge of the management of state finances, both military and non-military, should adhere to the regulation which states that payments should be made by transfers through state banks in compliance with the Finance Minister’s decision.
2. The management of Government institutions, both military and non military, state enterprises and Government foundations should settle their debts and credits by account transfers through banks.
3. The General Treasury should not approve of cheques presented by treasurers, when it cannot be proved beyond any doubt that the amount of cash drawn

from a bank is absolutely necessary to perform payments that cannot be made by account transfers.

4. Bank Indonesia and other state banks should refuse any order involving non-transfer payments, which deviate from the prevailing regulations.

To implement Presidential Instruction No. 9/1964, the Dwikora Cabinet Presidium issued circular letter No. 8/S.E./1964, dated August 21, 1964 which, in essence, requested all ministers to instruct all institutions in their charge to restrict the use of cheques and to make use of account transfers in their payments. Banks were entitled to refuse payments by cheque deviating from the above regulations.

In Decree No. 54/UBS/64 of August 28, 1964, the Minister of Central Bank Affairs instructed state banks to make considered and planned efforts to popularize and spread among the population the habit of making payments through transfer transactions. All state banks should as much as possible carry out payments for their own purposes through transfer transactions and refrain from the use of currency if this did not meet the prevailing requirements.

In this letter No. 261/UPBMS/64, dated Dec. 24, 1964, the Minister for the Supervision of Private Banks and Capital also instructed private banks to carry out payments, in particular those among enterprises, as much as possible through account transfers.

The Development of Banking Activities

Bank Indonesia (Bank Negara Indonesia Unit I) and State Commercial Banks.

The combined balance sheet of Bank Indonesia (B.N.I. Unit 1) and state commercial banks showed constantly increasing amounts. For the years 1960 up to 1965 (August) inclusive, these amounts were respectively Rp 92,414.9 million,

Rp 126,480.0 million, Rp 217,856.2 million, Rp 464,223.4 million, Rp 1,116,724.3 million and Rp 2,279,351.9 million. The increase was mainly due to the rapid inflation, the increase in banknotes in circulation and the growing number of state commercial banks as the result of the nationalization of foreign banks. (see table 13 in the Appendix)

As for the credit side, the increase in the balance sheet amounts was mainly due to the increase in the amounts of banknotes in circulation, which for the years 1960 up to and including 1965 (August) were respectively Rp 34,540.5 million, Rp 45,492.6 million, Rp 103,744.1 million, Rp 183,067.0 million, Rp 470,079.0 million and Rp 1,066,532.0 million.

The second item showing considerable increases were current account balances and bills payable. For the years 1960 up to 1965 (August) inclusive, they were respectively Rp 18,063.4 million, Rp 26,401.1 million, Rp 53,281.8 million, Rp 147,274.0 million, Rp 306,069.2 million and Rp 505,646.6 million.

The balances of foreign exchange banks with other foreign exchange banks also showed sufficiently great amounts, viz. respectively Rp 6,270.4 million, Rp 10,947.8 million, Rp 20,075.3 million, Rp 34,305.2 million, Rp 80,896.3 million and Rp 147,903.3 million.

IMF and IBRD accounts, also those of ECA and SAC showed almost constant figures since the end of 1963. For the years 1960 up to 1965 (August) inclusive, IMF and IBRD accounts showed the following amounts: Rp 1,320.6 million, Rp 2,839.2 million, Rp 3,795.4 million, Rp 32,868.0 million, Rp 33,015.0 million and Rp 33,342.0 million; for ECA and SAC accounts the amounts were Rp 2,932.2 million, Rp 2,804.0 million, Rp 5,016.0 million, Rp 12,618.0 million, Rp 16,560.0 million and Rp 15,515.0 million. Capital, Reserves, Profit and Loss accounts also indicated increases though relatively small if compared with the other items, viz. for the years 1960 up to and including 1965 (August) respectively Rp 3,207.9 million, Rp 5,136.5 million, Rp 6,399.3 million, Rp 9,591.3 million, Rp 19,667.9 million and Rp 34,094.6 million.

On the debit side, the biggest item both as to amounts and increases was the item “Advances to the Government”. This item showed for the end of the years 1960 up to 1965 (August) inclusive respectively the following amounts. Rp 28,579.0 million, Rp 51,672.8 million, Rp 114,042.4 million, Rp 253,027.0 million, Rp 608,926.0 million and Rp 1,210,987.0 million. A comparison of these figures with figures of banknotes in circulation showed that the increase of banknotes in circulation was used to provide advances to the Government. The second big item of assets is the item “Advances and Domestic Bills”, which for the end of the years 1960 up to 1965 (August) inclusive showed the following amounts: Rp 24,304.4 million, Rp 36,527.3 million, Rp 62,530.1 million, Rp 106,926.3 million, Rp 282.710.3 million and Rp 679,808.9 million.

The liquidity resources maintained by state banks showed an increase in the amount of rupiahs but did not compare with the increase in demand liabilities and debts on demand. Consequently the percentage of liquidity resources decreased visibly. In rupiahs the figures for the end of the years 1960 up to 1965 (August) inclusive were Rp 7,014.0 million, Rp 11,343.7 million, Rp 16,037.8 million, Rp 44,563.6 million, Rp 67,243.4 million and Rp 110,427.0 million, while the percentages of liquidity resources were respectively 28.82%, 30.37%, 21.86%, 24.54%, 17.41%, and 16.89%.

The item “Foreign Exchange Fund: Foreign Currency Account” of the balance sheet showed a downward trend during the years 1960 up to 1965 (August) inclusive, respectively Rp 11,509.3 million, Rp 4,044.2 million, Rp 2,757.4 million, Rp 1,725.0 million, Rp 2,731.0 million and Rp 3,161.0 million.

Private Banks

The amount on the combined balance sheet of private banks showed a steady rise so that at the end of 1960, 1961, 1962, 1963, 1964 and 1965, they were respectively Rp 10,385.6 million, Rp 12,010.4 million, Rp 16,720 million, Rp

42,528.2 million, Rp 69,576.2 million and Rp 311,206.5 million. (see table 14 in the Appendix).

Considered from the point of view of financial resources obtained from third parties, the increase was chiefly caused by the increase in the amount of giro-deposits, which for the end of the years 1960 up to and including 1965 respectively showed the following figures: Rp 3,276 million, Rp 4,818.8 million, Rp 8,203.1 million, Rp 22,635 million, Rp 37,825.3 million and Rp 176,056.7 million. Other deposits also showed an increase, though this did not become significant until 1964 and 1965 and not as large as the amount of giro-deposits.

The figures for the end of the years 1960 up to 1965 inclusive were respectively Rp 323.1 million, Rp 750.2 million, Rp 1,164.2 million, Rp 3,792.4 million, Rp 9,236.7 million and Rp 33,370.2 million.

The item "Bills payable" rose fairly considerably at the end of 1965, namely to Rp 10,021.3 million but showed relatively small figures in the years previously.

The items "Paid-up Capital, Reserves and Profit and Loss Account" as specific capital items also showed rises mainly for the years 1964 and 1965, so that the figures for the above items for the years 1960, 1961, 1962, 1963, 1964 and 1965 were respectively Rp 824.1 million, Rp 785.3 million, Rp 955.4 million, Rp 1,366.3 million, Rp 2,519.0 million and Rp 6,556.1 million. In addition, the item "Sundry Credit Accounts" for the end of 1965 showed a considerable figure, viz. Rp 76,874.2 million. This was, among others, because expenses, contribution to the revolution and intermediate items to the amount of respectively Rp 15,944.3 million, Rp 9,093.5 million and Rp 5,170.7 million had not been deducted. The rise in paid-up capital in 1964 and 1965 was mainly due to the fact that a definite decision had been reached as to the minimum increase in capital for private banks. This was laid down in Government Regulation No. 19/1964.

With the increase in financial resources, there was also an increase in the size of the loans granted, as the debit side showed. The end of the years 1960 up to

1965 inclusive showed respectively the following amounts: Rp 3,505.4 million, Rp 4,618.9 million, Rp 6,651.1 million, Rp 15,795.1 million, Rp 27,965.5 million and Rp 126,931.4 million. Aside from that, the amount of liquid resource, i.e. cash and balances with banks also showed a rise which was adjusted to the amount of demand liabilities so that the percentage of liquidity possessed by private banks in general showed fairly stable figures. These were for the end of the years 1960 up to and including 1965 respectively 57.1%, 56.8%, 53.11%, 57.4%, 56.0% and 57.5%.

Another debit item which showed an increase was “Building and other Im-movables”. The figures for the end of 1960 up to and including 1965 were respec-tively Rp 261.4 million, Rp 363.4 million, Rp 614.6 million, Rp 2,217.2 million, Rp 4,059.0 million and Rp 8,205.0 million. The item “Sundry Debit Accounts” further showed a big figure for the end of 1965, i.e. Rp 59,047.9 million because this amount included the item “Loss Accounts (Cost)”, which had not been squared with the item “Profit Accounts” and transitory items. The three latter items showed respectively the following figures: Rp 9,901.5 million, Rp 2,063.7 million and Rp 1,803.3 million.

The rise in the above balance sheet figures were primarily caused by the in-creasing inflation besides the operation of several more private banks. As indi-cated in the footnote to the combined balance sheet, the number of banks included in the combined balance sheet at the end of the years 1960 up to 1965 inclusive were respectively 79, 84, 76, 87, 82 and 85.

From the balance sheet figures it is evident that increases in the amounts were chiefly to be found with non-foreign exchange banks: foreign exchange banks did show rises but to a less extent. This was not due to the fact the foreign exchange banks individually experienced some recession when compared with non-foreign exchange banks but because their number had diminished. Foreign banks were closed down so that there were then only three private foreign exchange banks in operation.

Development Banks

As mentioned elsewhere before, according to Law No. 13/1962, Regional Development Banks were not allowed to accept giro-deposits. But in practice it was difficult for these development banks to find financial resources in some other form. For this reason the activities of these banks are now being observed so that only data concerning their activities in 1965 can be submitted.

In the combined balance sheet of Regional Development Banks, the following amounts were mentioned respectively for the 1st, 2nd, 3rd and 4th quarter of 1965: Rp 7,452 million, Rp 10,733 million, Rp 22,655 million and Rp 29,014 million. The biggest financial resources experiencing a steady growth proved to be in the form giro-deposits, which for the respective quarters showed the following figures: Rp 2,832.5 million, Rp 5,780.3 million, Rp 16,409.4 million and Rp 18,290.4 million.

Time deposits showed fairly stable figures, viz. respectively Rp 2,737 million, Rp 2,558 million, Rp 3,156 million and Rp 4,237 million. Those two financial resources indicated a total amount close to 75 per cent of the overall balance sheet, which meant that the contribution of the other financial resources was relatively small.

Capital and reserves showed the following respective amounts for the 1st, 2nd, 3rd and 4th quarter of 1965: Rp 741.8 million, Rp 939.5 million, Rp 1,077.9 million and Rp 1,570.5 million.

Investments of the above financial resources was in the form of credit grants. For the successive quarters of 1965, the following amounts were involved: Rp 4,563.7 million, Rp 5,555.4 million, Rp 8,835.8 million and Rp 13,175.1 million.

TABLE 15 – COMBINED FIGURES FOR REGIONAL DEVELOPMENT BANKS (Quarterly Balance Sheet)				
Account	1965			
	March	June	September	December
Assets:				
1. Cash	692,707	1,531,743	1,554,189	3,801,481
2. Bank Negara Indonesia Unit I	1,067,146	1,639,430	5,613,843	3,768,535
3. Other Banks	205,105	844,183	2,327,642	2,655,008
4. Bills and Cheques collectable	32,159	29,360	11,250	23,600
5. Loans extended	4,563,791	5,555,460	8,835,884	13,175,133
6. Securities	411	1,410	410	410
7. Treasury Notes and Bills	—	—	—	—
8. Participation in Enterprises	6,190	6,190	6,190	6,190
9. Fixed assets	131,244	166,588	486,710	702,776
10. Sundry	753,988	959,306	3,819,134	4,881,288
	7,452,741	10,733,670	22,655,252	29,014,421
Liabilities:				
1. Paid up Capital	299,326	374,892	361,267	717,722
2. Foreign Capital	40,000	134,050	137,015	522,122
3. Reserves	442,537	564,706	716,715	853,553
4. Current Accounts Customers	2,832,505	5,780,332	16,409,453	18,290,483
5. Time Deposits	2,737,059	2,558,146	3,156,381	4,237,841
6. Bills and Cheques payable	34,922	32,522	32,522	29,022
7. Current Accounts Banks	10,489	19,852	73,222	690,647
8. Debtors	339,079	334,393	297,641	867,172
9. Sundry	716,824	934,776	1,470,935	2,805,860
	7,452,741	10,733,669	22,655,151	29,014,422

Source : Bank Negara Indonesia Unit I.

From the figures of the last quarter of 1965, it was apparent that those credits were extended more to the private than to the Government sector, viz. respectively Rp 7,035.3 million and Rp 5,919.9 million.

Investment in liquidity resources also involved fairly large amounts, viz. Rp 1,759 million, Rp 3,171 million, Rp 7,168 million, and Rp 7,570 million for the respective quarters so that the liquidity percentages became 61.1%, 54.3%, 43.4% and 39.8%.

The items “Bills and Cheques” and “Sundry Accounts” also mention fairly large figures, viz. respectively Rp 2,327 million and Rp 2,655 million for the 3rd, and respectively Rp 3,819 million and Rp 4,881 million for the 4th quarter.

Savings Banks

At state and private savings banks funds were obtained by accepting time deposits and ordinary savings. In the years 1963, 1964 and 1965 (end of June) total savings at state and private savings banks amounted to respectively Rp 2,447,920,000.—,Rp3,130,429,000.—and Rp3,931,179,000. - The figures for 1960, 1961 and 1962 were respectively Rp 1,061,088 thousand, Rp 1,315,306 thousand and Rp 1,891,534 thousand. The average annual increase was 31% for state savings banks, 27% for private savings banks and 30% for both.

The number of customers of the Bank Tabungan Negara kept growing so that in 1963, 1964 and in 1965 (until the end of June) there were respectively 2,628,680; 2,660,413 and 2,709,589 customers. The figures for the private savings banks for 1964 and the first semester of 1965 were 155,493 and 152,357. Average savings with the B.T.N. amounted to respectively Rp 502, Rp 609, Rp 757 and Rp 945 for the years 1962, 1963, 1964 and the first semester of 1965. Average savings at private savings banks showed larger amounts, viz. Rp 7,176 and Rp 8,997 for 1964 and the first semester of 1965. Average overall savings, therefore, amounted to Rp 1,118 and Rp 1,443 for 1964 and the first semester of 1965.

Of capital and savings, the following amounts were successively invested in the years 1962, 1963, 1964 and the first semester of 1965: Rp 1,039,950 thousand, Rp 1,243,354 thousand, Rp 921.479 thousand and Rp 651,128 thousand.

The investments of the Bank Tabungan Negara, as a means of creating funds, mainly comprised securities and deposits (an average of 53.8%), treasury notes and bills (an average of 30%), credits from autonomous regions (an average of 22.5%) and other loans.

Private savings banks, on the other hand, mainly invested capital in the form of short-term loans (an average of 53%). These plus other loans made up 77.7%. Another 22.2% was made up by treasury notes and bills plus securities. The total

amounts for 1963, 1964 and the first semester of 1965 were respectively Rp 595,519,000, Rp 838,703,000 and Rp 951,321,000.

From the above figures it was evident that investments with the State Savings Bank (B.N.I. Unit V) showed a rather unsatisfactory development during the last few years. Compared with the situation in the previous years, investments in 1964 and the first semester of 1965 went down by respectively 26% and 29%.

This decline in investments with B.N.I. Unit V could not be compensated by the rise in investments with private savings banks, viz. 35% and 11% in the years mentioned. Taking these rises into consideration, the decline in investments was respectively 2% and 8%.

Savings in Irian Barat

Since the liberation, Irian Barat has known two kinds of savings :

- a. savings at the former Dutch Post Office Savings Banks, and
- b. savings after the liberation.

Savings at the former Post Office Savings Bank at the end of 1963, 1964 and 1965 (June) amounted to respectively IB Rp 83,523.05, IB Rp 71,732.48 and IB Rp 66,776.91. These savings were returned to the depositors — 2,762 persons in all—at the end of June 1965, each of them receiving IB Rp 24.25 on the average.

Savings balances after the liberation amounted to the following :

end 1963	IB Rp 89,347.96
end 1964	IB Rp 770,218.59
end June 1965	IB Rp 1,507,450.46

The number of depositors was respectively 297,683 and 2,416, so that the average savings was respectively IB Rp 300.83, IB Rp 1,127.70 and IB Rp 624.

The rate of exchange being Rp 69.06 to one IB Rupiah, the per capita savings was respectively Rp 20,775.32, Rp 77,878.96 and Rp 40,680. This was proof of a saving capacity far higher than any other region owing to a higher standard of living.

Pawnshop State Enterprise (P.N. Pegadaian).

By Government Regulation No. 178/1961 of May 3, 1961 on the establishment of Pawnshop State Enterprises, the State Pawnshop Service, appointed as an enterprise in the sense of Article 2 of the “Indische Bedrijvenwet” and legally established in Djakarta, was merged into the Pawnshop State Enterprise, which was situated and had its Head Office in Djakarta.

TABLE 16 – STATE PAWNSHOP ENTERPRISE						
	Pawning			Redemption		
End of :	Number of pawnshops	Number of pawns (million)	Amounts loaned (million Rp.)	Number of articles (million)	Amounts repaid (million Rp.)	Outstanding loans (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	440	40	3,928	40	3,231	1,486
1960	443	45	8,955	39	6,045	4,393
1961	443	49	12,156	47	10,968	5,578
1962	442	47	24,695	52	20,252	10,017
1963	443	49	33,802	45	30,567	13,254
1964	445	47	54,009	54	48,740	18,524*)
Sept. 1965	444	30	106,621	33	91,331	33,812
*) Provisional figures						

Source : State Pawnshop Enterprise

In order to strengthen the economic structure of finance in general and of banking and credit institutions in particular, the P.N. Pegadaian was entirely placed under the supervision of the Minister of Central Bank Affairs on the strength of Presidential Decree No. 8/1965. The P.N. Pegadaian had in this case the status of an institution which, together with other institutions like the P.N. Arta Yasa, the P.N. Pertjetakan Kebajoran, the Kas Negara and B.L.L.D., was both technically and legally put in the charge of and managed by the Minister of Central Bank Affairs. The practical execution was in its beginning stage.

The following deals with the development of this state enterprise :

1. *Number of pawnshops*

Since 1964 the number of pawnshops has continued growing, so that during the last three years (1963, 1964 and end September 1965) it has reached the following figures: 443, 445 and 444. These figures are, however, still a great deal below the pre-war figure of 468.

2. *Pawns*

1. The number of pawns fluctuated. In 1965 the lowest figure was reached. i.e 30 million pieces. The highest number of pawns was reached in 1961 and 1963, i.e. 49 million pieces, which was still below the prewar (before 1940) figure of 50 million.

2. Pawn loans tended to become bigger and bigger though the number of goods pawned fluctuated.

Since 1960 this increase has become more rapid than in the years before; viz. Rp 5,027,000,000; Rp 3,201,000,000; Rp 5,384,000,000; Rp 16,262,000,000; Rp 20,207,000,000 and Rp 52,612,000,000. This meant rises of respectively 128%, 36%, 44%, 93%, 60% and 97%. The average rise was 54%.

Pawn loans tended to increase, from an average of less than Rp 100 (before 1960) to Rp 199 in 1960. They kept on increasing.

Average figures for 1963, 1964 and the end of September 1965 were Rp 689.84 ; Rp 1,149.13 and Rp 3,554.03.

3. Every article pawned was pawned for the following average periode of time :

1957	article A was pawned for an average of								95 days
1958	„	„	„	„	„	„	„	„	92 „
1959	„	„	„	„	„	„	„	„	91 „
1960	„	„	„	„	„	„	„	„	104 „
1961	„	„	„	„	„	„	„	„	109 „
1962	„	„	„	„	„	„	„	„	115 „
1963	„	„	„	„	„	„	„	„	129 „
1964	„	„	„	„	„	„	„	„	132 „

3. *Pawns redeemed*

1. The number of pawns redeemed fluctuated as was the case with the number of goods pawned. In the years 1962, 1963, 1964 and 1965 (until the end of September) respectively 52 million, 45 million, 54 million and 33 million pieces were redeemed. The figures for 1962 and 1964 far exceed pre-war (before 1940) figures.

2. The amount of redemption money increased steadily. At the end of the years 1960, 1961, 1962, 1963, 1964 and September 1965 the following figures were reached: Rp 6,045,000,000; Rp 10,968,000,000; Rp 20,252,000,000; Rp 30,567,000,000; Rp 48,740,000,000, and Rp 91,331,000,000. This means increases of respectively 87%, 81%, 84%, 51%, 59%, and 87%. The average

amount of redemption money for an article was in the period 1960 up to and including September 1965 respectively:

Rp 155, Rp 233.36, Rp 389.46, Rp 679, Rp 919.62 and Rp 2,767.61. These figures were on the average far higher than those before 1960, which were less than Rp 80.78.

4. *Outstanding Loans*

The credit balance figures of P.N. Pegadaian always showed increases except for 1957, which showed a decline of 5%. From table 16 it is evident that the balance did not indicate a stable development though there was a steady rise after 1958.

Taking the period from 1954 up to and including 1965 into consideration, the biggest development happened in 1960 when there was a rise of 196%. After that there was a decline though the development remained progressive. In 1963 the credit balance amounted to Rp 13,254,000,000,—, in 1964 to Rp 18,524,000,000.—, which means an increase of Rp 5,270,000,000.—or 40%. At the end of September 1965 the amount became Rp 33,812,000,000.—. This was a rise of Rp 15,288,000,000 or 83%.

5. The total amounts of loans granted during the last few years were as follows:

1962	Rp	30,273,000,000.—
1963	Rp	43,819,000,000.—
1964	Rp	67,263,000,000.—
end September 1965	Rp	125.145,000,000.—

The conclusion can be drawn from figures at our disposal that the steepest increases took place after 1960. This was due to the growth in the number of goods pawned but mainly to the increasing inflation.

Stock Exchange

Conditions on the Djakarta stock exchange showed a lack of activity during the 1959 — 1965 period. Indicative of this inactivity were the ever decreasing dealings in domestic and foreign securities and the lowest and highest quotations recorded.

The volume of trade in Rupiah securities from 1960 up to 1965 inclusive amounted respectively to Rp 153,484,000.—; Rp 110,829,000.—; Rp 64,434,000.—; Rp 59,791,000.—; Rp 121,524,000.—and Rp 165,048,000.—. In 1959 and 1960 business was still done in Dutch and Indonesian securities, but in 1961 and 1962 dealings in Dutch and nationalized foreign companies securities were prohibited. In 1963, 1964 and 1965 two issues of Dutch shares and one issue of Indonesian shares were traded. As from 1961 the existing trade revolved only around 3% R.I. Bonds 1950, Bank Industri Negara Bonds, Ned. Indie Bonds, Dutch Certificates of American Stocks, and other bonds of American companies.

From table 17 and 17a (see Appendix E and F) the conclusion may be drawn that only dealings in 3% R.I. Bonds were effected, being the only marketable shares, while other securities were effected only sporadically. The volume of trade in Dutch certificates of American Stocks showed fluctuations, and during the 1959—1965 period the number of shares in circulation was respectively 215, 185, 16, 58, 156, 152 and 44. As regards original US securities, transactions were effected only in 4% Canadian Pacific Railways Co. Bonds; this was due to the fact that holder, were reluctant to dispose of their shares for reasons of security and expected profit.

Bond emissions, which was hoped to enlarge the volume of trade in securities, thus reviving the activities on the Djakarta Stock Exchange, gave the following results :

The emission of 5 1/2% Bank Industri Negara Bonds 1974, worth Rp 250 million, and made available as from 1959, could not be placed entirely due to the

fact that the Government floated a new loan of 6% Prized Debentures which resulted in a new development in rates of interest.

The emission of 6% Prized Debentures 1959, worth Rp 2,000 million, and made available since the beginning of 1960 until the close of 1962, was placed entirely.

Factors conducive to the improvement of dealings in securities at the Djakarta Stock Exchange were lacking during the years from 1959 up to 1965 inclusive due to unfavourable economic life and conditions in the monetary field, and also due to the way how the Government, Government and privately owned enterprises procured long term capital to carry on their business.

On November 1st, 1966, the B.N.I. issued the first emission of 12% B.N.I. Bonds 1962, totalling Rp 250 million, which were all placed within a short period. In 1964 the Bank Indonesia floated a loan of 12% B.I. Bonds 1964 1969, worth Rp 5 billion (Old Rupiah), which could be placed entirely; in 1965 the Government floated a loan of 6% R.I. Construction Bonds 1964 worth Rp 10 billion and a loan of 155 Pindjaman Obligasi Kontan R.I. 1964 worth Rp 10 billion, but only Rp 213.7 million and Rp 57.3 million of the loans could be placed.

In 1965 the Bank Indonesia issued development Funds Promissory notes payable after 1 year- worth Rp 5 billion ; of this loan, the part that could be placed amounted only to Rp 200 million.

V. FOREIGN TRANSACTIONS AND ARRANGEMENTS.

Balance of Payments.

For practical reasons a rather different system was followed when drawing up the Balance of Payments Table in this report from the one used in composing the tables occurring in the Bank Indonesia Reports for 1959 and before.

Indonesia's Balance of Payments of 1959 up to and including 1965 as pictured in table 18, showing the receipts and expenditures in foreign exchange occurring between Indonesia and other countries, is based on the rupiah (rate of exchange US \$ 1 = Rp 45,—). The export and import figures are based on f.o.b.; in previous reports the import figures were based on c.i.f.

Indonesia's Balance of Payments, which for 1959 and 1960 showed a surplus, directly causing an increase in gold and foreign exchange holdings to the value of respectively Rp 5,372 million and Rp 3,066 million, indicated in the years 1961 up to and including 1965 a deficit of successively Rp 6,507 million, Rp 5,842 million, Rp 4,398 million, Rp 1,739 million and Rp 565 million (end 1965). Developments in gold and foreign exchange reserves can be followed from table 19. Due to this untoward development, the surplus on the 1959 and 1960 Balance of Payments could not be maintained.

A comparison of the main divisions in the yearly balance of payments of 1959 up to and including 1965 provides the following picture :

	1959	1960	1961	1962	1963	1964	1965
	(in millions of Rp)						
Balance of goods	+ 10,566	+ 5,951	- 13,046	- 1,143	+ 2,446	+ 1,879	+ 1,080
Balance of services	- 9,434	- 9,708	- 10,511	- 10,033	- 12,699	- 12,219	- 12,220
Balance of donations	+ 750	+ 1,103	+ 2,700	+ 1,642	+ 1,185	+ 1,080	+ 1,113
Balance of goods and services (including donations)	+ 1,882	- 2,654	- 20,857	- 9,534	- 9,067	- 9,260	- 10,027
Balance of capital (including transitory items)	+ 3,490	+ 5,720	+ 14,800	+ 3,692	+ 4,669	+ 7,521	+ 9,462
Total Balance of Payments :	+ 5,372	+ 3,066	- 6,057	- 5,842	- 4,398	- 1,739	- 565

The decrease in foreign exchange earnings from 1961 to 1965 was mainly caused by the development of prices abroad, which unfavourably affected Indonesia's export commodities. Additional factors like the transportation capacity of the Indonesian merchant fleet and the rampant inflation had a very adverse influence on the situation. Not to be neglected were the influences of the struggle for Irian Barat and the confrontation with Malaysia.

The surplus in the balance of goods in 1959 dropped in 1960 and further changed into a deficit in 1961 and 1962. This was, among others, due to sudden increases in the import sector in the years 1960, 1961 and 1962, respectively Rp 7,509 million in 1960 and Rp 21,324 million in 1961, while in 1962 the amount was Rp 6,935 million higher than in 1959. However, the balances of goods of the years 1963, 1964 and 1965 again showed surpluses due to the Government efforts to keep down to a minimum the import of luxuries as motorcars; the Government also stopped imports of rice. Nevertheless, the development of foreign exchange in the export sector also showed a down-ward trend so that all the Government efforts did not help to produce a favourable balance of payments.

TABLE 18 – INDONESIA'S BALANCE OF PAYMENTS							
(Rp. million)							
U.S \$. = Rp45,-							
	1959	1960	1961	1962	1963	1964	1965
CURRENT TRANSACTIONS.							
A. <i>Goods and Services:</i>							
1. Exports (f.o.b.)	+ 36,762	+ 39,656	+ 34,474	+ 31,988	+ 27,736	+ 28,419	+ 28,530
2. Imports (f.o.b.)	-26,196	-33,705	-47,520	-33,131	-25,290	-26,540	- 27,450
Balance of trade	+ 10,566	+ 5,951	-13,046	- 1,143	+ 2,446	+ 1,879	+ 1,080
3. Foreign travel	- 450	- 341	- 337	- 136	- 250	- 294	- 360
4. Transportation	- 2,416	- 2,282	- 2,953	- 2,331	- 1,785	- 1,984	- 1,824
5. Insurance	- 146	- 146	- 155	- 104	- 145	- 56	- 37
6. Investment income	- 3,489	- 3,015	- 3,882	- 4,534	- 4,386	- 4,166	- 4,269
7. Government, not included elsewhere	- 679	- 463	- 699	- 1,073	- 2,288	- 2,373	- 2,763
8. Miscellaneous :							
8.1 Foreign workers	- 991	- 1,097	- 889	- 582	- 562	- 16	- 21
8.2 Other	- 1,263	- 2,364	- 1,596	- 1,273	- 3,283	- 3,330	- 2,946
Total goods and services	+ 1,132	- 3,757	-23,557	-11,176	-10,253	-10,340	- 11,140
B. <i>Donations:</i>							
9. Private	+ 8	+ 34	+ 12	+ 10	+ 20	+ 16	+ 1
10. Government	+ 742	+ 1,069	+ 2,688	+ 1,632	+ 1,166	+ 1,064	+ 1,112
Total current transactions	+ 1,882	- 2,654	-20,857	- 9,534	- 9,067	- 9,260	- 10,027
MOVEMENTS OF CAPITAL, FOREIGN EXCHANGE AND GOLD HOLDINGS :							
C. <i>Private, excluding Banks:</i>							
11. Long-term loans :							
11.1 Oil Companies investment	-	+ 845	- 564	+ 518	+ 438	+ 1,125	+ 810
11.2 Other long-term loan movements	+ 64	- 20	+ 35	+ 44	+ 16	+ 5	-
12. Short-term loans	-	-	-	-	-	-	-
13. Long-term claims	- 12	+ 1	-	-	-	-	-
14. Short-term claims	-	+ 81	+ 30	-	-	-	-
D. <i>Government and Banks:</i>							
15. Middle and long-term debts	+ 5,443	+ 5,376	+ 15,735	+ 2,059	+ 3,840	+ 3,550	+ 262
16. Short term debts :							
16.1 Liabilities to I.M.F. and I.B.R.D	- 407	- 855	+ 1,530	+ 956	+ 900	-	-
16.2 Other short term debts movements	+ 391	+ 1,735	- 1,890	+ 1,960	+ 1,138	+ 2,252	+ 10,023
17. Short term claims	- 959	- 998	- 125	+ 138	+ 34	+ 6	- 36
18. Foreign exchange and gold holdings :							
18.1 Foreign exchange holdings	- 5,589	- 1,919	+ 5,382	+ 5,875	+ 4,010	+ 245	+ 565
18.2 Monetary gold holdings	+ 217	- 1,147	+ 675	- 33	+ 388	+ 1,494	-
Movements of capital, foreign exchange and gold holdings	- 852	+ 3,099	+ 20,808	+ 11,517	+ 10,764	+ 8,677	+ 11,624
Items not included elsewhere	- 1,030	- 445	+ 49	- 1,983	- 1,697	+ 583	- 1,597

Source : Bank Indonesia.

TABLE 19 -- GOLD AND FOREIGN EXCHANGE HOLDINGS (Rp. million. US \$ 1 = Rp 45,-)								
End of :	Gold holdings of Central Bank and Foreign Exchange Fund	Ready foreign exchange position of the Foreign Exchange Fund		Sub Total	Banks Balances abroad	Other foreign exchange holdings	Total	Total movement within Year periode
		Assets	Liabilities					
1953	6,663	682	- 4,330	3,015	4,986	39	8,041	-6,000
1954	4,164	5,763	- 6,860	3,067	3,579	119	6,565	-1,476
1955	3,762	8,044	- 6,138	5,668	4,879	24	10,571	+ 4,066
1956	2,100	7,571	- 7,843	1,828	4,330	24	6,182	-4,382
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
1960	2,713	11,395	- 538	13,570	4,773	58	18,401	+ 3,066
1961	2,038	4,067	- 481	5,564	6,736	44	12,344	-6,057
1962	2,071	2,870	- 636	4,305	2,063	134	6,502	-5,842
1963	1,684	992	- 3,324	- 648	2,529	222	2,103	-4,390
1964	190	935	- 3,328	-2,203	2,316	251	364	-1,730
1965	190	755	- 4,230	-3,285	2,885	199	- 201	- 565
1964 :								
March	661	1,409	- 4,065	-1,935	2,730	191	986	-1,117)
June	194	2,011	- 4,770	-2,565	2,555	321	311	- 675)
Sept.	192	483	- 4,455	-3,780	3,635	202	57	- 254)
Dec.	190	935	- 3,328	-2,203	2,316	251	364	+ 307)
1965 :								
March	190	665	- 3,465	-2,610	3,167	249	806	+ 442)
June	190	890	- 3,555	-2,475	3,266	285	1,076	+ 270)
Sept.	190	980	- 3,825	-2,655	3,427	169	941	- 135)
Dec.	190	755	- 4,230	-3,285	2,885	199	- 201	-1,142)

Source : Bank Indonesia.

Aside from that, the balance of goods and services including donations, which for reasons mentioned above showed a surplus of Rp 1,882 million in 1959, experienced the following deficits in the years thereafter :

1960	Rp	2,654	million
1961	Rp	20,857	million
1962	Rp	9,534	million
1963	Rp	9,067	million
1964	Rp	9,260	million
1965	Rp	10,027	million

The increase in the import values of 1960, 1961 and 1962 to amounts far above the 1959 import level was caused by demands of both consumers and pro-

ducers at home for foodstuffs, clothing, raw materials, and spare parts, the import of which had been kept down since 1958, 1959, and which were successively met in 1960. The import value of those commodities increased steadily as from 1961. To this was added the amount of goods imported for the armed forces. This development put a stress on Indonesia's balance of payments. In order to meet these stresses, the Government turned to the IMF, making use of its right to effect the following drawings :

1961	Rp	2,756	million
1962	Rp	956	million
1963	Rp	900	million

(In the beginning of 1961, the Government effected a repurchase, amounting to Rp 1,226 million of a 1955 drawing amounting to Rp 2,475 million equalling US \$ 55 million). Aside from that, various measures were taken, which remained effective up to 1965: expenditure on foreign travels, insurances and foreign personnel decreased steadily. The same measures applied to imports from 1963 to 1965.

On the other hand, various items in the services sector showed considerable increases for the year 1961 up to 1965, particularly the expenditure for the item "Investment income" and for the item "Government, not included elsewhere". The rise in the expenditure for the item "Investment income" was due to the ever increasing debt service to foreign countries and the increasing transfers of profits by oil enterprises working in Indonesia. The increase in expenditure for the item "Government, not included elsewhere" was directly due to the struggle for Irian Barat, which was approaching its crucial stage in 1962. Up to the present moment the expenditure has the form of a subsidy for the development of that region and its population.

The balance of services for the years 1959 up to 1965 showed a development of deficits as follows :

1959	Rp	9,434	million
1960	Rp	9,708	million
1961	Rp	10,511	million
1962	Rp	10,033	million
1963	Rp	12,699	million
1964	Rp	12,219	million
1965	Rp	12,220	million

Donations received in the form of goods and services from 1959 up to and including 1965 showed the following picture :

1959	Rp	750	million	including war reparations of	Rp	675	million
1960	Rp	1,103	million	including war reparations of	Rp	360	million
1961	Rp	2,700	million	including war reparations of	Rp	1,350	million
1962	Rp	1,642	million	including war reparations of	Rp	900	million
1963	Rp	1,186	million	including war reparations of	Rp	725	million
1964	Rp	1,080	million	including war reparations of	Rp	990	million
1965	Rp	1,113	million	including war reparations of	Rp	1,112	million

The execution of the Japanese war reparation projects started in 1958. The agreement on war reparations between the Governments of the Republic of Indonesia and Japan involved a total amount of US \$ 400 million, i.e. US \$ 223 million to be paid out and US \$ 177 million to square Indonesia's trade debts to Japan.

Aid received from the Government of the U.S.S.R. amounted to Rp 58 million in 1962, the counter-value of commodities imported from that country. The rupiah funds obtained from the purchase of those Russian goods were used for the building of a hospital.

Credits were granted for the purchase of Surplus Agriculture Commodities (S.A.C.). The sales agreements concluded since 1956 involved the sum of US \$ 303.2 million, specified as follows :

1956	S.A.C. I	US \$	96.7	million
1959	S.A.C II	US \$	51.6	million
1960	S.A.C III	US \$	25.1	million
1961	S.A.C, IV	US \$	13.4	million
1962	A.C.A. I	US \$	116.3	million

From the Surplus Agriculture Commodities (Pl. 480) obtained through the U.S.A. Government, Indonesia received rice, crude cotton, wheat flour and tobacco.

The imports carried out since 1956 up to the end of 1964 amounted to US \$ 270.4 million, specified as follows :

1956	US \$	38.7	million
1957	US \$	49.8	million
1958	US \$	7.8	million
1959	US \$	9.8	million
1960	US \$	29.5	million
1961	US \$	25.3	million
1962	US \$	52.2	million
1963	US \$	35.0	million
1964	US \$	22.3	million

The greater part of the rupiah currency obtained as the result of the sale of these PL. 480 commodities was given as a rupiah loan to the Government of the Republic of Indonesia. This involved the following amounts :

1960	Rp	200	million
1961	Rp	1,424	million
1962	Rp	710	million
1963	Rp	360	million
1964	Rp	1,350	million

The inflow and outflow of capital in the private sector for the greater part consisted of capital entries of oil companies and the import of books by the U.S. Government within the framework of the “International Media Guarantee Programs”.

As to the receipts and discharges of medium term and long term loans in the sector “Government and Banks”, the biggest net loan ever received was in 1961 amounting to Rp 15,735 million. Meanwhile efforts were made by the Government in 1965 to prevent new credit agreements from being concluded; this was evident from the fact that in 1965 a net loan of only Rp 218 million was received. Since 1960 the loans received were meant to pay for the import of capital goods for development purposes and for the purchase of equipment for the armed forces.

The following figures provide a picture of the receipts and discharges of medium term and long term loans from 1960 up to the end of 1965 :

	<i>Receipts</i>	<i>Discharges</i>
1960	Rp 6,750 million	Rp 1,350 million
1961	Rp 18,990 million	Rp 3,255 million
1962	Rp 9,261 million	Rp 7,202 million
1963	Rp 6,338 million	Rp 4,073 million
1964	Rp 7,210 million	Rp 4,663 million
1965	Rp 2,887 million	Rp 2,669 million

Apart from the receipts and discharges of medium term and long term loans, receipts and discharges were made since 1962 of short term loans— except S.A.C.—namely “Acceptance Credit” and “Deferred Payment”. The development was as follows :

		<i>Acceptance Credit</i>		<i>Deferred Payment</i>	
		<i>Receipts</i>	<i>Discharges</i>	<i>Receipts</i>	<i>Discharges</i>
1962	Rp 2,106 million		Rp 1,281 million	—	—
1963	Rp 54 „		Rp 839 „	Rp 2,225 million	Rp 302 million
1964	Rp 301 „		Rp 300 „	Rp 4,185 „	Rp 1,934 „
1965	Rp — „		Rp —	Rp 12,656 „	Rp 2,633 „

The balance of capital showed fluctuations from 1959 until 1965; unlike the balance of services, which pictured continuous deficits, its development was more favourable.

The following figures give a picture of Indonesia's payments traffic with some important monetary areas (excl. international transactions of oil companies) :

	1959	1960	1961	1962	1963	1964	1965
1. <i>U S A :</i>							
Balance of goods and services (incl. donations)	+ 3,264	+ 4,058	+ 2,735	— 372	— 5,979	+ 2,122	+ 2,623
Balance of capital	+ 2,226	+ 2,224	+ 2,092	+ 205	+ 5,319	+ 2,064	+ 1,185
	+ 5,490	+ 6,282	+ 4,827	— 167	— 660	+ 4,186	+ 3,808
2. <i>O.E.C.D. area *</i> :							
Balance of goods and services (incl. donations)	— 2,510	— 4,049	— 6,479	— 3,716	— 2,120	— 1,904	— 94
Balance of capital	— 146	+ 578	+ 68	+ 158	+ 664	— 476	+ 2,009
	— 2,656	— 3,471	— 6,411	— 3,558	— 1,456	— 2,380	+ 1,915
3. <i>Sterling Area (incl. the United Kingdom) :</i>							
Balance of goods and services (incl. donations)	+ 7,184	+ 4,150	— 760	+ 1,027	+ 3,845	— 1,598	— 359
Balance of capital	— 482	+ 631	+ 249	+ 759	+ 158	+ 451	+ 822
	+ 6,702	+ 4,781	— 511	+ 1,786	+ 3,687	— 1,147	+ 423
4. <i>Other areas :</i>							
Balance of goods and services (incl. donations)	— 9,075	— 10,634	— 20,246	— 9,533	— 5,013	— 9,327	— 13,721
Balance of capital	3,945	+ 1,825	+ 11,105	+ 1,035	+ 194	+ 3,774	+ 6,229
	— 5,127	— 8,809	— 9,141	— 8,503	— 4,819	— 5,553	— 7,492
5. <i>Items not included elsewhere</i>	+ 963	+ 4,332	+ 3,378	+ 1,750	— 1,050	+ 3,155	+ 781
Total	+ 5,372	+ 3,000	— 6,057	— 5,842	— 4,338	— 1,739	— 565

*) European Payments Union countries

The balance of the monetary areas as shown in table 20 (see Appendix) depicts the situation as follows :

Indonesia's balance of goods and services including donations (A+B) within the framework of payments between Indonesia and the U.S.A. including Canada was positive, showing a surplus of Rp 3,264 million in 1959, Rp 4,058 million in 1960 and Rp 2,735 million in 1961.

The same item for 1962 and 1963 showed negative balance of respectively Rp 372 million and Rp 5,979 million, but showed surpluses of Rp 2,122 million for 1964 and Rp 2,623 million for 1965.

The above development of the balance of goods and services affected the development of the balance of payments in the following way :

1959	a surplus of	Rp 5,940	million
1960	a surplus of	Rp 6,282	million
1961	a surplus of	Rp 4,827	million
1962	a deficit of	Rp 167	million
1963	a deficit of	Rp 660	million
1964	a surplus of	Rp 4,186	million
1965	a deficit of	Rp 3,808	million

The balance of goods and services including donations between Indonesia and the O.E.C.D. countries (European Payments Union) and other areas showed a deficit. This applied also to the balance of payments. The so-called socialist countries were included in the "other areas".

The deficit in the balance with the socialist countries was due to the fact that the value of imports from those countries far exceeded export proceeds. From the capital items, the conclusion can be drawn that the above deficit was paid by

Indonesia out of the medium and long term credits obtained from the countries concerned.

The payments relations between Indonesia and the sterling area (including the United Kingdom) are pictured as follows :

Balance of goods and services

1959	a surplus of	Rp 7,184	million
1960	a surplus of	Rp 4,150	million
1961	a deficit of	Rp 760	million
1962	a surplus of	Rp 1,027	million
1963	a surplus of	Rp 3,845	million
1964	a deficit of	Rp 1,598	million
1965	a deficit of	Rp 399	million

Balance of Payments

1959	a surplus of	Rp 6,702	million
1960	a surplus of	Rp 4,781	million
1961	a deficit of	Rp 511	million
1962	a surplus of	Rp 1,786	million
1963	a surplus of	Rp 3,687	million
1964	a deficit of	Rp 1,147	million
1965	a surplus of	Rp 423	million

It may be observed that exports to the sterling area (including the United Kingdom) since 1961 has been proportionally smaller than those in 1959, unlike the exports to the European Payments Union area (O.E.C.D.), which proved to be stable. Indonesian exports to the U.S.A. rose in 1960 and 1961 when compared with the situation in 1959; in the years 1962, 1963, 1964 and 1965, however, the export counter-value went down conspicuously.

Balance of Trade

Indonesia's balance of trade (including oil) for the year 1959 up to and including 1964 shows a favourable picture with the exception of 1961, with a deficit of Rp 366 million. This balance of trade is based on Central Bureau of Statistics data, which are calculated on a transaction and not on a cash basis, as is usual in the balance of payments. But if oil companies were excluded, Indonesia's balance of trade over the period would show a deficit. The years 1959 and 1960 excepted. In these years there was a surplus of respectively Rp 2,379 million and Rp 3,058 million (table 21).

The main factor causing the regression in the balance of trade during this period under review was the tendency of the export value to fall and of the import value to rise. The export value, excluding oil companies, was Rp 27,900 million in 1960, a figure never to be reached again in the following years. In 1964 the export value was not more than Rp 20,000 million, which meant a fall of about 26% when compared with the value in 1960. In the same period, the import value, on the other hand, experienced a rise of about 11%, viz. from Rp 24,842 million in 1960 to Rp 27,601 million in 1964. All this had an adverse effect on the balance of trade: in 1960 there was a surplus of Rp 3,058 million, in the years thereafter only successive deficits. A deficit of Rp 7,043 million occurred in 1964.

The worsening inflation, reflected in the steady rise in the prices of goods at home, considerably influenced the development of exports and imports.

In the period under review the prices of Indonesia's export commodities in foreign markets tended in general to go down. On the other hand, the prices of the same export commodities in home markets rose rapidly.

The export, consequently, experienced a constant disparity in prices. In connection with the Government's plans and other construction projects, however, there was a rising demand for imported commodities. The *Rentjana Impor Barang* (Import Schedule for Commodities), R.I.B. for short, included an amount of about

US \$ 82 million in 1962 but rose to US \$ 130 million (about 50%) in 1963 and to US \$ 250 million in 1964.

The figures of imports realized in the period under review indicate that there was a great desire to import. In 1960 the import value (excluding oil companies) was Rp 24,842 million, which rose to Rp 33,380 million in the following year, mainly caused by Trikora activities. Though in 1962 the import value went down by about Rp 6,056 million to Rp 27,324 million, the latter figure was still high when compared with the export for that year, i.e. no more than Rp 21,000 million.

TABLE 21 – INDONESIA'S BALANCE OF TRADE ¹⁾ (Rp million)						
	Total			Excluding oil Company		
	Exports	Imports	Balance	Exports	Imports	Balance
1959	10,613	5,494	+ 5,119	7,356	4,977	+ 2,379
1960	37,835	26,001	+ 11,834	27,900	24,842	+ 3,058
1961	35,467	35,833	– 366	23,726	33,380	– 9,654
1962 ²⁾	30,676	29,120	+ 1,556	20,965	27,324	– 6,359
1963 ²⁾	31,337	22,606	+ 8,731	19,244	21,185	– 1,941
1964 ²⁾	32,589	27,973	+ 4,616	20,558	27,601	– 7,043
Jan/March '65 ²⁾	8,366	8,133	+ 233	4,746	7,976	– 3,230
¹⁾ Exports f.o.b. ; imports c.i.f. 1959 US.\$1,— = Rp. 11,40 1960–1965 US.\$1,— = Rp. 45,— ²⁾ Provisional figures.						

Source : Central Bureau of Statistics.

It is obvious that in the period under review Indonesia's balance of trade constantly developed unfavourably. This was due to the downward trend of its exports and the constantly rising imports. Consequently, the balance of trade remained disturbed.

It deserves to be mentioned that the Government, in its attempts to preserve a favourable balance of trade, exerted itself to stimulate exports and to bridle imports. Further developments in the fields of export and import. Further devel-

opments in the fields of export and import during the period under review are described hereafter.

Exports

The volume of exports provides a picture slightly different from export proceeds. In the course of the years 1959 up to and including 1964 (oil companies excluded) the export volume underwent a fairly stable development with inconspicuous ups and downs. The export volume for 1959 was 2,244 thousand tons, which increased to 2,250 thousand tons in 1964, a slight rise of 6 thousand tons.

TABLE 22 — VOLUME OF EXPORTS *) ('000 gross tons)						
	1959	1960	1961	1962	1963	1964
Rubber	720	578	681	632	582	659
<i>of which :</i>						
<i>estate rubber</i>	233	190	237	210	202	241
<i>smallholders rubber</i>	487	388	444	422	379	418
Petroleum and petroleum products	12,425	13,931	15,490	12,033	15,219	17,555
Tin (tin and tin ore)	26	35	24	23	22	20
Copra					103	175
Copra cakes }	261	280	333	185	93	153
Coffee	39	42	67	59	81	62
Tea	33	39	36	33	32	35
Sugar	40	35	—	33	106	105
Tobacco	16	23	18	12	13	20
Palm oil }					110	133
Palm kernels }	135	143	151	132	31	33
Pepper	42	27	32	26	28	23
Hard rope fibres	20	16	13	8	3	2
Rattan	33	35	29	30	30	38
Total	13,790	15,184	16,139	13,322	15,453	19,019
Other export products	879	800	993	874	1,125	786
Total exports *)	14,669	16,074	17,137	14,196	17,534	19,805
Total exports excluding petroleum and petroleum products	2,244	2,143	2,447	2,113	2,365	2,250

*) Excluding postal parcels, passengers goods, ships' stores, gold and silver.

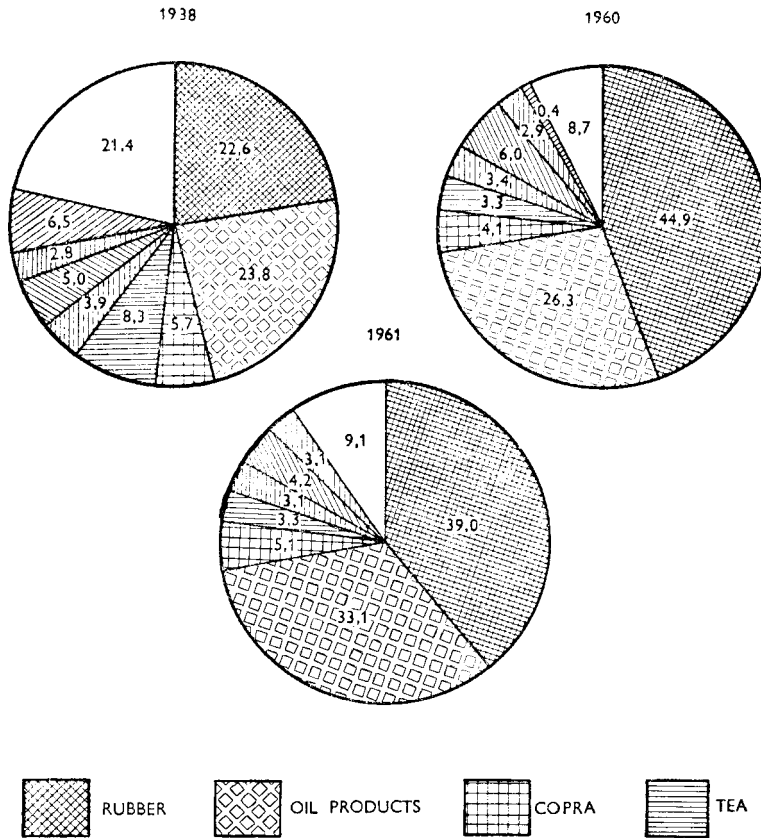
Source : Central Bureau of Statistics.

TABLE 23 — VALUE OF EXPORTS*) (Rp. million)						
	1959	1960	1961	1962	1963	1964
Rubber	4,780	16,971	13,817	13,433	11,022	10,612
<i>of which : estate rubber</i>	1,635	6,028	5,511	4,572	4,233	4,438
<i>smallholders rubber</i>	3,145	10,943	8,306	8,861	6,789	6,174
Petroleum and petroleum products	3,257	9,935	11,741	9,711	12,093	12,031
Tin (tin and tin ore)	412	2,275	1,499	1,571	851	1,424
Copra	382	1,535	1,801	816	612	1,059
Copra cakes }					184	197
Coffee	217	616	619	563	893	1,195
Tea	231	1,248	1,156	928	800	765
Sugar	34	136	—	85	986	677
Tobacco	278	1,300	1,107	727	852	982
Palm oil }	273	1,092	1,111	944	858	1,211
Palm kernels }					163	175
Pepper	248	915	968	561	619	568
Hard rope fibres	37	151	115	72	40	22
Rattan	33	137	95	73	60	81
Total	10,182	39,311	34,029	29,484	29,873	30,999
Other export products	431	1,524	1,438	1,192	1,464	1,590
Total Exports*)	10,613	37,835	35,467	30,676	31,337	32,589
Total exports excluding petroleum and petroleum products	7,356	27,900	23,726	20,965	19,244	20,558
*) 1959, U.S. \$ 1 = Rp. 11,40 1960 — 1964 U.S. \$ 1 = Rp. 45,— excluding postal parcels, passengers goods, ships chandlery, gold and silver.						

Source : Central Bureau of Statistics.

The rises in 1961 and 1963 were not very striking either; they were respectively from 2,143 thousand tons (1960) to 2,447 thousand tons (1961) and from 2,113 thousand tons (1962) to 2,365 thousand tons (1963). This picture of developments in export volumes would be slightly different if the export volumes of oil companies were taken into account. In the matter of oil exports there was a rising tendency. The export volume for 1964 was 19,805 thousand tons against 14,669 thousand tons in 1959, a rise of 5,136 thousand tons. In the period 1959 up to and including 1964 there was a steady increase in the yearly export volumes, except in 1962. In this year the export fell by 3,741 thousand tons (from 17,937 thousand tons in 1961 to 14,196 thousand tons in 1962). This fairly great drop was particu-

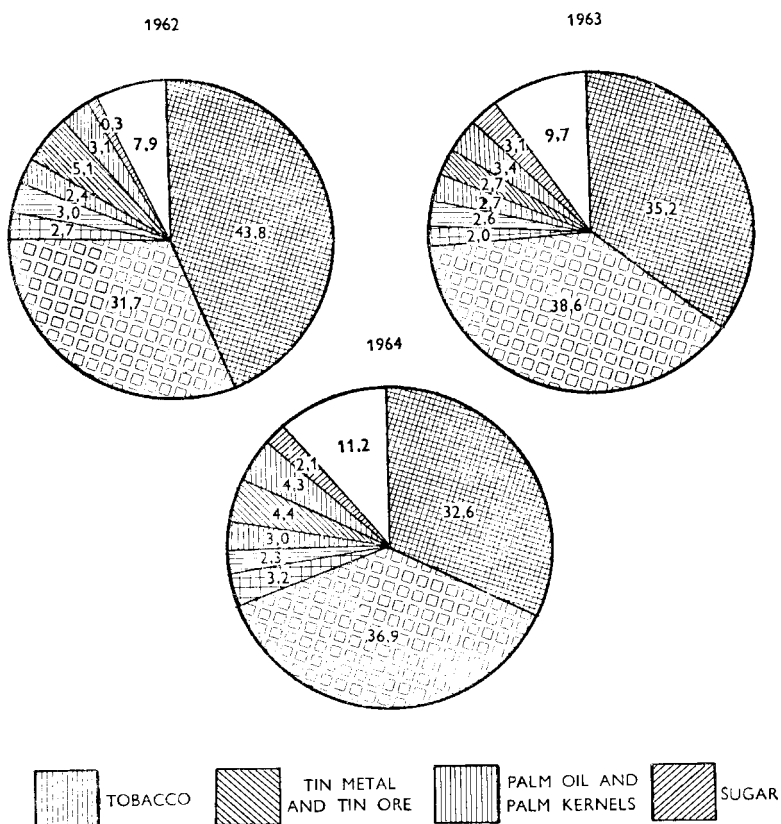
CHART IIa — PROPORTIONAL SHARES OF THE PRINCIPAL PRODUCTS IN THE VALUE OF EXPORT



larly due to the decrease in the oil export volume, which fell by 3,407 thousand tons in that year. If oil exports were taken into account, export volumes tended to show a rise; without oil, they were practically stable .

If oil exports were excluded, the export proceeds for 1960 would be Rp 27,900 million, which successively fell to Rp 23,726 million in 1961 to Rp 20,965 million in 1962 and Rp 19,244 million in 1963. Though in 1964 there was a slight rise from Rp 19,244 in 1963 to Rp 20,558, this figure was still far below that of 1960. In the period 1960 up to and including 1963 exports value fell on the average by 12% annually. Compared with the 1963 figure, the export value in

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



1964 rose by about 7% but compared by the 1960 figure, there was a fall of about 26%.

From the above figures it is evident that in the period under review Indonesia's export proceeds showed a downward trend.

This was due to both external and internal factors. Aside from transportation difficulties, competition, etc., an external factor of great influence on the development of Indonesia's exports was the problem of prices of export commodities abroad.

In the period under review rubber turned out to be the most important export commodity, constituting 60% of the total export value. The “International Financial Statistics” quoted the following prices of natural rubber (R.S.S.I.) in the New York market.

1959 : US \$ cent 36.4/lb.

1960 : US \$ cent 38.5/lb.

1961 : US \$ cent 29.6/lb.

1962 : US \$ cent 28.7/lb.

1963 : US \$ cent 26.3/lb.

1964 : US \$ cent 25.2/lb.

1965 : US \$ cent 25.7/lb.

The above figures show that R.S.S.I. prices in New York were unstable with a tendency to go down. The same applied to R.S.S. IV, which at the end of 1960 was quoted at US \$ cent 26/lb and at the end of 1965 at only US \$ cent 22.75/lb. The price of remilled brown crepe went down from US \$ cent 22/lb (1963) to US \$ 21/lb at the end of 1965.

The export values of rubber showed the following picture. The rubber export value of 1960 was about 10% less than of 1959. Compared with that of 1960, the rubber export values in the years 1961, 1962, 1963, 1964 and 1965 were successively Rp 3,154 million (18.6%), Rp 3,538 million (20.8%) Rp 5,949 million (35%), Rp 6,359 million (37.5%) and Rp 6,935 million (40.9%) less.

Indonesia's rubber export volume was apparently not capable of adjusting itself to developments abroad. The export figure of 720 thousand tons in 1959 was never again reached in the years following. In 1960 the export even dropped considerably by 142 thousand tons. In 1961 and 1962 rubber exports rose again to respectively 681 thousand tons and 692 thousand tons. But this 1962 figure could not be maintained in the following years.

The export volumes of 1963 and 1964 were respectively 582 thousand ton and 659 thousand tons, both still far below the 1959 figure.

From the above it is clear that price fluctuations abroad adversely affected foreign exchange earnings derived from rubber exports, the most important of all Indonesia's exports.

A part from the fact that in the period under review the price of natural rubber was anything but favourable, natural rubber had to face keen competition with synthetic rubber.

Other important export commodities as tobacco, coffee, tea and pepper also experienced a setback as a result of the establishment of the European Common Market. Nonetheless, coffee export proceeds went up. In the period 1959 up to and including 1964 its export values were successively Rp 217 million (1959), Rp 616 million (1960), Rp 619 million (1961), Rp 563 million (1962), Rp 893 million (1963) and Rp 1,195 million (1964). The 1964 value was 133.8% of 1963. Tea exports developed in a different way. In 1960 the export value of tea was Rp 1,248 million. In the years following the export value went steadily down: Rp 1,156 million in 1961, Rp 928 million in 1962, Rp 800 million in 1963 and Rp 765 million in 1964. Other agricultural export products did not experience developments of any consequence. Oil and tin excluded, the composition and structure of Indonesian exports in the period under review did not undergo many alterations.

An average 60% of the total export value was derived from rubber. The estate rubber export value and that of smallholders rubber were in the proportion of 1: 2 on the average. About 90% of the total export value was derived from the export of only 5 or 6 commodities, viz. rubber, coffee, tobacco, tea, palm- oil and copra.

Besides external factors as described above, internal factors were not less important in that they were also of influence on the development of export. The most important of the internal factors was inflation, which caused the rise in prices

at home and thus bringing about disparity in the prices of various Indonesian export products. The following gives a picture of this rapid upward spiraling of prices.

R.S.S.I. rubber, which at the end of 1959 was quoted at Rp 54/kg rose to Rp 241/kg at the end of 1963, rose further to Rp 890/kg at the end of 1964 and at the end of December 1965 was quoted at Rp 5,250/kg. Coffee was Rp 20.20/kg at the end of 1959, jumped to Rp 1,300 (end 1964) and to Rp 4,750 (end 1965). The prices of other export products behave similarly. In the foreign market, on the other hand, the same export commodities did not experience striking price rises; on the contrary, of several products such as rubber, copra and tea the prices went down. The prices of other products were fairly stable.

Since the rise in prices in the home market was so rapid as not to be balanced by an equal development of prices in the foreign market, Indonesia's export could not but continuously suffer from this disparity in prices in the period under review.

The exporter could not cover his expenditure from his earnings so that the Government was obliged to look for serious means to stimulate exports. In addition, the stagnation in the economic sector due to the rampant inflation did not help to boost production. Consequently, the production of export commodities practically failed to adjust itself quickly to the development of prices abroad. To provide an idea of how great the disparity in prices was, the case of R.S.S.I. rubber may serve as an example. In 1963 that disparity was in this case 19.54%, which rose to 25.45% the next year. In order to encourage exports, various means were tried by the Government to induce exporters such as providing SIVA (Foreign Exchange Licences), premiums and the like.

These means were aimed at holding down or removing this disparity but since the inflation grew worse from year to year, the problem of disparity could but be overcome temporarily. The export drive instigated by the Government did not produce the expected results. From the Conclusion of Foreign Currency Contracts

as contained in the following figures, the downward tendency is clear, though steps were taken to boost exports.

*Conclusion of Foreign Currency Contracts for Exports
(tin excluded)*

<i>Year</i>	<i>Rp million</i>
1959	30,974
1960	30,974
1961	27,538
1962	21,910
1963	24,916
1964	26,679
1965	18,957

Source : Export Service

The figures concerning the realization of exports indicate that every year an average 17% of the foreign currency contracts for the export remained unrealized, the lowest figure being 4.5% (1961) and the highest 24% (1962).

Aside from the internal causes described above, there were various other factors which to no less extent affected exports. These factors were, among others, the bad infrastructural condition in some places, the lack of spareparts so that production tools could not be used to the full, the lack of boats, the lack of co-ordination in the field of organization and administration, ect. As for rubber in particular, the replanting of rubber trees in Indonesia, especially in estates, was started rather late.

Planned replanting was not started until 1961 so that a rise in rubber production can not be expected before 1970.

In general, rubber plantations in Indonesia are said to consist of more-than-25-years-old-trees. They occupy 70% of the area now under cultivation. For this reason, Indonesia as an important rubber producing country has been pushed aside by Malaysia, which has started replanting on a large scale since 1951/1955.

From what has been said it is clear that beside external factors as consumers, export prices abroad, transportation, etc., which were of very great influence on the development of Indonesia's exports, internal factors arising from the inflation also affected exports in the period under review, both as to the volume and the value.

The following figures provide data on the exports of oil and of oil-products :

<i>Year</i>	<i>Value</i>	<i>Weight</i>
1959	Rp 3,257 million	12,425 thousand tons
1960	„ 9,935 „	13,931 „ „
1961	„ 11,741 „	15,490 „ „
1962	„ 9,711 „	12,083 „ „
1963	„ 12,093 „	15,219 „ „
1964	„ 12,031 „	17,555 „ „
1965	...	...

Source : Central Bureau of Statistics

The exports of oil (i.e. value and volume) were apparently not subject to marked fluctuations, except of 1962, showing a fairly great drop. This drop in the export of oil and oil products in 1962 was due to the increase in the sale of oil products at home. The PANAM (Pan American Oil Company), which started activities only by the middle of 1962 was but in a state of exploration.

Besides oil, tin as another export commodity deserves our attention in this report. In general, mining production in the period under review does not provide

a very encouraging picture. Since the transfer of mining enterprises from Dutch hands in the crucial period of the struggle for Irian Barat, production went steadily down on account of the following factors: the lack of investments on a big scale in this field, the use of obsolete equipment, the lack of spareparts, the absence of large scale exploration activities. The following figures concern tin exports.

<i>Year</i>	<i>Value</i>	<i>Weight</i>
1959	Rp 412 million	26 thousand tons
1960	„ 2,275 „	35 „ „
1961	„ 1,499 „	24 „ „
1962	„ 1,571 „	28 „ „
1963	„ 851 „	22 „ „
1964	„ 1,424 „	20 „ „
1965	...	...

Source : Central Bureau of Statistics

The above figures on the export values of tin do not present a favourable, picture though the prices of tin in the foreign market were rising during the period under review.

In the period 1960 — 1965, Indonesia's exports steadily went down, particularly as to the value, whereas the volumes did undergo ups and downs though the changes were not very marked. The causes of this regression were the following:

a. Internal factors :

- the inflation caused the prices of export materials/commodities at home to go up steadily, which resulted in an ever bigger disparity;
- the numerous unofficial contributions (both in the capital and in the provinces) imposed on the export commodities, which was felt as a burden by the exporters;

TABLE 24—EXPORTS BY DESTINATION (Rs. million)						
	1959	1960	1951	1952	1953	1964
EUROPE						
United Kingdom and Irish Republic	2,208	4,118	2,305	4,879	5,357	977
Germany	539	2,339	2,088	1,512	1,859	2,089
France	35	111	135	94	82	302
Belgium and Luxemburg	237	1,279	1,104	797	845	631
Netherlands	110	109	103	—	335	3,364
Italy	75	234	183	192	264	352
Denmark	9	42	46	40	49	106
Norway	18	50	65	62	64	46
Sweden	34	20	34	25	25	54
Other Countries	293	1,611	2,002	2,288	1,939	1,936
Total exports to Europe	3,558	9,883	8,066	9,889	10,869	9,857
<i>Percentage of total exports value</i>	33.5	26.2	22.7	32.2	34.7	30.2
AMERICA						
Canada	1	12	7	5	1	5
United States	1,646	8,729	8,294	4,195	3,845	7,640
Other Countries	32	184	102	94	231	69
Total exports to America	1,679	8,925	8,403	4,294	4,077	7,714
<i>Percentage of total exports value</i>	15.8	23.5	23.7	14.6	13.0	23.7
AFRICA						
Egypt	—	1	—	—	4	12
Portugese East Africa	2	16	8	15	11	16
Union of South Africa	22	34	31	33	21	49
Other Countries	3	6	15	6	15	30
Total exports to Africa	27	57	54	60	51	107
<i>Percentage of total exports value</i>	0.3	0.2	0.2	0.2	0.2	0.3
ASIA						
Iraq	—	—	—	—	—	26
India	41	254	148	68	166	246
Pakistan	23	101	47	—	16	25
Burma	4	75	—	1	24	92
Thailand	120	342	387	430	418	308
Malayan Union	95	429	303	371	160	—
Penang	313	2,181	2,018	2,316	1,061	—
Singapore	2,581	8,735	7,447	6,576	4,650	128
Vietnam	62	225	216	243	470	191
Hongkong	143	413	440	117	136	307
China	611	1,595	1,649	1,549	1,990	2,348
Japan	335	1,543	2,515	1,845	3,021	5,494
Philippines	348	870	884	473	662	1,140
Other Countries	169	685	546	831	1,243	1,552
Total exports to Asia	4,999	17,449	16,600	14,820	13,927	11,857
<i>Percentage of total exports value</i>	46.2	46.1	46.8	48.3	44.4	36.4
AUSTRALIA						
Australia	300	1,429	2,093	1,378	2,047	2,563
New Zealand	34	17	57	36	162	73
Oceania	25	76	194	199	204	418
Total exports to Australia	449	1,522	2,344	1,613	2,413	3,054
<i>Percentage of total exports value</i>	4.2	4.0	6.6	5.3	7.7	9.4
<i>Via free ports</i>						
Sabang, Tg. Uban and unknown	—	—	—	—	—	—
Grand total	10,613	37,835	35,467	30,676	31,337	32,589

Source : Central Bureau of Statistics.

- the decline in production due to the lack of the tools of production and rehabilitation, both in the agricultural and the mining sector;
- the decline in the quality of export products due to lack of expertise and capital;
- the bad infrastructural conditions impeding the transportation of export commodities from the interior to the harbours;
- the lack of necessary facilities (warehouses, land transportation, capital, etc.);
- export regulations and procedures which were not only intricate but subject to frequent changes, every application for export having to go through various kinds of bodies :
- the effects of the Trikora activities and the confrontation with Malaysia.

b. *External factors:*

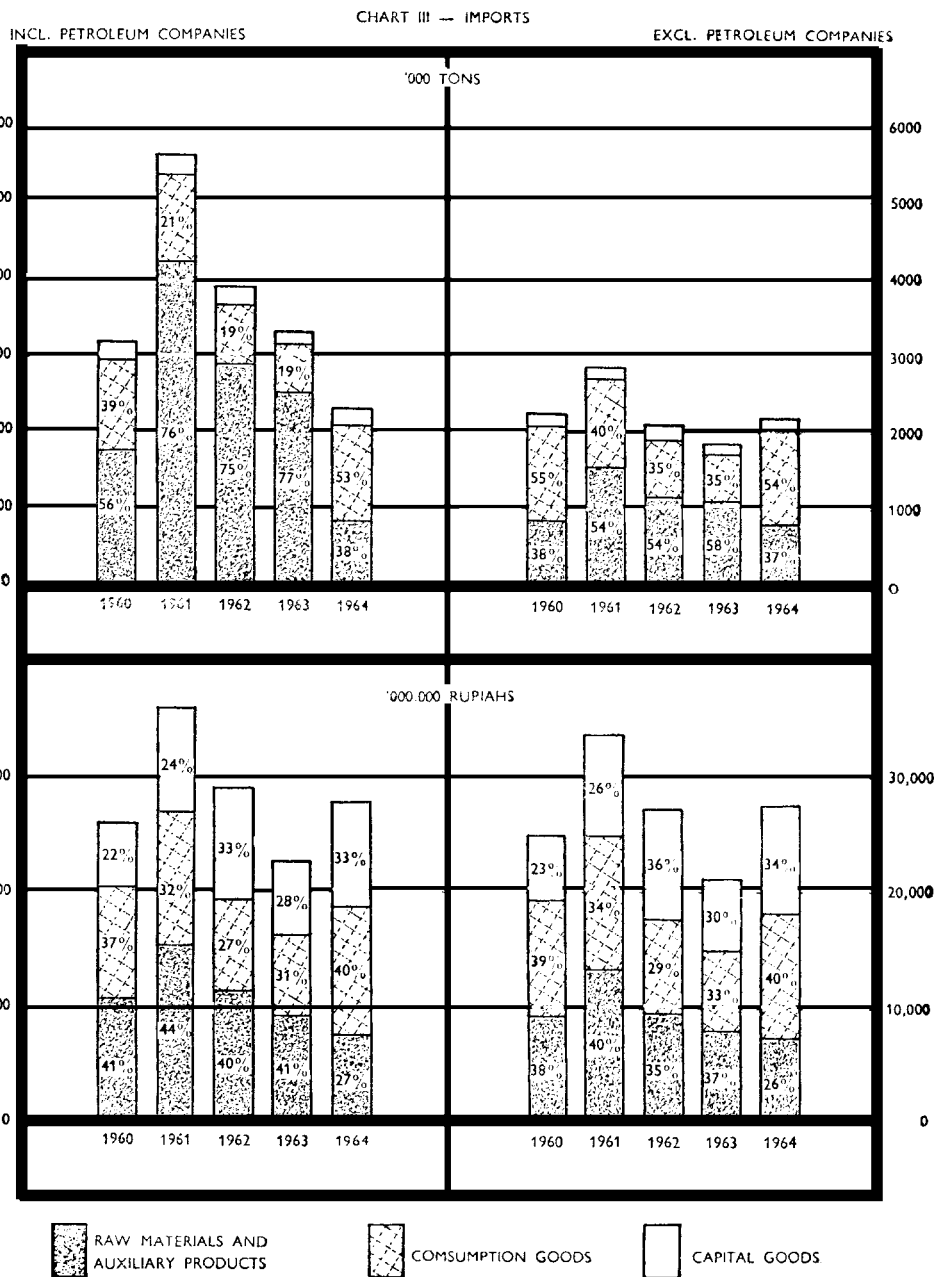
- prices of Indonesia's exported commodities tended to go down steadily in foreign markets due to competition with other countries;
- the establishment of common markets, which were harmful to non-member countries;
- the tendency for several commodities to be ousted from certain countries.

Imports

The figures of import values (Table 21) indicate that developments in the years under review were far from stable. Nevertheless, the average annual value

TABLE 25 – IMPORTS BY ORIGIN (Rp million)						
	1960	1961	1962	1963*)	1964	1965**)
<i>EUROPE</i>						
United Kingdom and Irish Republic	2,117	2,264	2,484	...	2,611	1,230
West Germany	2,468	4,755	3,356	...	3,872	2,796
East Germany	23	47	57	...	32	142
France	455	660	748	...	595	473
Belgium and Luxemburg	596	593	294	...	154	151
Netherlands	798	323	68	...	317	103
Italy	225	819	549	...	473	1,405
Czechoslovakia	92	715	344	...	413	663
Switzerland	138	215	122	...	104	131
Sweden	190	184	82	...	81	86
Spain	1	24	66	...	1	1
Other countries	1,072	1,749	1,125	...	1,850	2,659
Total imports from Europe	8,175	12,348	9,295	...	10,503	9,840
<i>Percentage of total imports value</i>	31.4	34.5	31.9	...	37.4	18.5
<i>AMERICA</i>						
Canada	53	93	100	...	37	23
United States	4,021	6,132	5,253	...	468	2,953
Other Countries	165	491	676	...	68	35
Total imports from America	4,239	6,716	6,029	...	573	3,011
<i>Percentage of total imports value</i>	16.3	18.8	20.7	...	2.0	5.7
<i>AFRICA</i>						
Egypt	10	27	1	...	363	111
British East Africa	216	202	75	...	173	111
Union of South Africa	19	34	17	...	1	...
Other Countries	39	110	99	...	68	71
Total imports from Africa	284	373	192	...	605	293
<i>Percentage of total imports value</i>	1.1	1.0	0.7	...	2.6	0.6
<i>ASIA</i>						
Serawak, Brunai, British Kalimantan	268	275	202	...	...	1
India	350	620	695	...	535	167
Pakistan	69	20	1	...	66	1
Burma	2,453	1,187	1,055	...	2,601	18,042
Thailand	753	1,211	977	...	2,614	2,334
Malayan Union	79	62	55	...	1	8
Penang	10	22	16	...	...	...
Singapore	610	750	591	...	9	1
Indo-China	302	135	22	...	302	113
Hongkong	900	1,842	512	...	683	6,339
China	2,565	1,794	2,174	...	2,743	4,445
Japan	4,151	6,405	6,082	...	6,424	8,221
Philippines	8	6	5	...	18	9
Other Countries	379	1,429	1,080	...	95	40
Total imports from Asia	12,897	15,758	13,467	...	16,091	39,721
<i>Percentage of total imports value</i>	49.6	43.9	46.2	...	57.4	74.9
<i>AUSTRALIA</i>						
Australia	403	623	133	...	200	170
New Zealand and Oceania	2	15	4	...	1	11
Total imports from Australasia	405	638	137	...	201	181
<i>Percentage of total imports value</i>	1.6	1.8	0.5	...	0.6	0.3
<i>Via free ports</i>						
Sabang, Tandjung Uban and unknown	1	...	...	...	...	...
<i>Percentage of total imports value</i>	0	0	0	...	...	...
Grand Total	26,001	35,833	29,120	22,606	27,973	53,046
*) No detailed figures						
**) Provisional figures						

Source : Central Bureau of Statistics.



exceeded Rp 22,000 million. The highest import figure (not including oil companies) was reached in 1961, i.e. more than Rp 33,000 million. This was mainly caused by activities related to the Trikora struggle, which necessitated the Government to import more goods than in the years before. This resulted in a deficit in the 1961 balance of trade, the greatest deficit of the period under report, viz. Rp 9,654 million. The smallest deficit (Rp 1,941 million) occurred in 1963 when the import value dropped to Rp smallest import figure in the period under review.

Compared with the yearly export value figures, the import value in the period under review was on the high side. This is understandable, considering that the Government's programme of development and the undeveloped state of industries at home made imports necessary to meet existing needs. This tendency of imports to rise may be seen from figures of the Rentjana Impor Barang or R.I.B. (Programme for the import of goods) as mentioned in the appendix to Decision No. Aa/E/104/1966 of the Dwikora Cabinet Presidium, dated July 22, 1966.

<i>Year</i>	<i>P.I.G.</i>
1962	US \$ 82 million
1963	US \$ 130 million
1964	US \$ 250 million
1965	US \$ 250 million

TABLE 26—IMPORTS TO INDONESIA (Including oil Companies)										
	Value (Rp million)					Per cent share (in total value oil imports)				
	1960	1961	1962	1963	1964	1960	1961	1962	1963	1964
Consumer goods	9,645	11,547	7,952	6,938	11,120	37.1	32.2	27.3	30.7	39.8
Raw materials and auxiliary goods	10,642	15,553	11,462	9,367	7,647	40.9	43.4	39.4	41.4	27.3
Capital goods	5,714	8,733	9,706	6,301	9,206	22.0	24.4	33.3	27.9	32.9
Total	26,001	35,833	29,120	22,606	27,973	100	100	100	100	100

Source : Central Bureau of Statistics

TABLE 27-IMPORTS OF CONSUMERS GOODS INTO INDONESIA										
	Gross weight ('000 tons)					Value (Rp million)				
	1960	1961	1962	1963	1964	1960	1961	1962	1963	1964
Meat and Canned meat products	—	1	—	1	—	16	34	22	17	16
Milk and related products	10	15	9	13	10	243	326	130	349	158
Butter and margarine	—	—	—	—	—	2	7	1	3	—
Cheese	—	—	—	—	—	4	7	4	2	—
Fish, dried and salted, Asiatic varieties	15	9	1	—	—	99	66	9	12	—
Rice	962	694	536	487	1,086	4,679	3,252	2,771	3,155	7,376
Wheat flour	141	110	62	73	30	614	456	297	355	84
Fruits find: marmalades, jams, etc)	4	5	2	4	2	22	35	14	19	856
Vegetables	1	1	2	1	—	24	31	52	61	14
Spirits, distilled and undistilled	1	3	3	1	1	23	59	46	30	34
Tobacco and tobacco products	—	—	—	—	—	2	3	4	11	14
Sugar and related products	—	—	2	—	—	7	8	12	4	6
Coffee, tea, cocoa	—	—	—	—	—	2	2	1	1	—
Kerosene	27	186	31	—	—	33	222	41	—	—
Sewing cottons	2	2	1	—	—	152	188	85	43	91
Unbleached	1	2	1	—	—	42	148	47	11	—
Bleached	2	6	7	3	—	162	422	578	196	—
Colored woven	18	33	17	15	—	1,444	2,901	1,436	881	746
Cotton singlets and mesh shirts	—	—	—	—	—	—	—	—	—	—
Other clothing	—	1	1	1	—	36	103	37	34	36
Table and kitchen ware of earthenware and china	5	5	4	5	2	41	48	35	43	18
Sundry household articles of glass	2	6	2	1	1	11	46	17	12	16
Sundry household articles of metal	—	1	2	2	—	24	49	42	34	21
Marches	—	—	—	—	—	—	6	—	3	—
Wireless sets and sewing	1	2	2	1	2	35	87	124	55	51
Bicycles	3	3	3	3	2	105	101	80	83	62
Bicycles tyres	1	1	—	3	—	24	50	4	96	38
Other consumer goods	31	52	47	31	78	1,801	2,890	2,063	1,428	1,483
Total:	1,227	1,138	735	645	1,214	9,645	11,547	7,952	6,938	1,120

Source : Central Bureau of Statistics

Although these figures do not present an exact and detailed picture of the imports that have in fact been carried out every year—considering that this R.I.B. could often not be fully realized within the fixed year—yet it is clear that there existed a growing propensity to import. In the meantime the Government through a variety of regulations did its utmost to restrict imports to those commodities which were necessary for development purposes such as raw materials and capital goods. The import of consumer goods was also limited, in particular luxuries. Table 26 provide a clear picture of the composition of imported goods.

The figures show that the import of consumer goods in the period 1960 up to and including 1964 was still considerable, i.e. more than Rp 6.000 million a year or an average of 30% of the total import value. In Indonesia's import structure raw materials in general constituted the biggest share, followed by capital and consumer goods. In the years 1960, 1961, 1963 and 1964 the imports of consumer goods were bigger than those of capital goods, which was, among others, due to the increased imports of food and clothing, in particular rice and textiles, as shown by the following figures :

	<i>Rice</i>		<i>Textiles</i>		<i>Import value of consumer goods</i>		<i>Total import value</i>
1960	Rp 4,679 million	Rp	1,444 million	Rp	9,645 million	Rp	26,001 million
1961	Rp 3,252 „	Rp	2,901 „	Rp	11,547 „	Rp	35,833 „
1962	Rp 2,771 „	Rp	1,436 „	Rp	7,952 „	Rp	29,120 „
1963	Rp 3,155 „	Rp	881 „	Rp	6,938 „	Rp	22,606 „
1964	Rp 7,376 „	Rp	746 „	Rp	11,120 „	Rp	27,973 „

Source : Central Bureau of Statistics

The import of rice and textiles in 1960 amounted to Rp 6,123 million (about 63% of the total consumer goods import or about 24% of the total import value). In 1961 the import of the above two commodities amounted to about 53% of the consumer goods import or about 17% of the total import value. In 1964 the import of rice rose conspicuously, from Rp 3,155 million (1963) to Rp 7,376 million, which constituted about 26% of the total import value for that year.

The overall import of consumer goods was far from stable. in 1960 the import value of consumer goods was Rp 9,645 million, which rose by Rp 1,902 million (or about 20%) to Rp 11,547 million in 1961. In 1962, however, the amount dropped by Rp 3,595 million (or about 31%) to Rp 7,952 million, In 1964 import of consumer goods again increased by Rp 4,182 million (+ 60%) to Rp 11,120 million.

The import of raw materials and spare-parts amounted to Rp 10,642 million in 1960 (41% of the total import value), to decrease in 1964 to Rp 7,647 million

TABLE 28 – IMPORTS OF RAW MATERIALS AND AUXILIARY GOODS INTO INDONESIA										
	Gross weight ('000 tons)					value (Rp million)				
	1960	1961	1962	1963	1964	1960	1961	1962	1963	1964
Dyestuff prepared from coaltar	2	4	4	6	—	173	374	282	169	208
Fertilizers	228	348	447	376	165	527	938	1,219	980	445
Cloves and clove stems	7	9	5	5	8	218	279	169	125	235
Cases	5	5	2	4	1	66	77	25	39	24
Gunny bags	16	21	29	13	13	183	345	291	145	183
Cotton yarns	49	50	30	23	26	2,465	2,564	1,615	1,149	1,378
Cotton piece goods :										
Unbleached	3	3	2	1	—	153	165	106	72	67
Bleached	9	12	10	6	—	675	901	719	421	—
Paper and manufactures there of	78	107	49	64	—	783	1,068	625	639	—
Building Cement	75	344	128	193	166	82	297	128	187	587
Iron and steel rolled products	115	240	125	113	—	791	1,404	875	782	—
Iron roofing materials and accesones	1	—	—	1	—	9	5	4	6	—
Tin plates and sheets	19	37	20	11	13	157	327	173	89	108
Nails, tacks and spikes	1	2	4	4	—	9	24	27	30	20
Mineral fuels (other than petroleum products)	35	26	18	11	—	37	28	20	13	3
Kerosene, gasoline and lubricating oils	—	—	—	—	—	—	—	—	—	—
Oil and other oil products *)	903	2,636	1,790	1,462	66	1,117	2,231	1,756	1,421	374
Other raw and auxiliary materials	210	349	269	250	425	3,197	4,526	3,428	3,100	4,015
Total *)	1,756	4,193	2,932	2,543	883	10,642	15,533	11,462	9,367	7,647
*) Including petroleum for re-exports										

Source : Central Bureau of Statistics.

(27% of the total import value). The largest figure was reached in 1961, i.e. Rp 15,553 million or 43% of the total import value of that year. During the period

TABLE 29 – IMPORTS OF CAPITAL GOODS INTO INDONESIA										
	Gross weight ('000 tons)					Value (Rp million)				
	1960	1961	1962	1963	1964	1960	1961	1962	1963	1964
Iron and Steel structures	5	4	12	4	6	74	76	272	115	140
Electric cables	6	5	7	6	5	151	136	247	182	196
Office machines	—	1	1	—	—	63	266	99	83	115
Motor vehicles	15	42	33	16	32	975	2,693	2,081	1,090	2,563
Motor vehicle tyres and tubes	2	1	1	8	8	110	103	73	417	404
Stationary internal combustion engines	5	9	5	4	33	595	832	561	390	531
Textile machinery	4	4	28	3	2	142	189	1,402	115	97
Mining machinery	2	3	4	2	1	112	157	216	135	110
Other industrial machinery	25	23	52	34	27	1,263	1,461	3,009	1,710	1,685
Other capital goods	85	72	80	57	87	2,229	2,820	1,746	2,064	3,365
Total	149	164	223	134	201	5,714	8,733	9,706	6,301	9,206

Source : Central Bureau of Statistics.

under report the import of raw materials constituted the biggest part of overall imports with an average of 38% of the total import value, except in 1964 when the import of raw materials constituted the smallest part of Indonesian import, i.e. 27%, while import of consumer goods amounted to 40% and capital goods to 33%.

The smallest import of capital goods occurred in 1960, i.e. to the amount of Rp 5,714 million (22% of the total import value), while the biggest was in 1962 to the amount of Rp 9,706 million (33%).

From the above it is clear that import values of consumer goods as well as raw materials and capital goods were not stable during the period under review.

Also the volume of imports showed ups-and-downs as can be seen from the following figures :

	<i>Import volume</i> (in '000 tons)
1960	3,132
1961	5,495
1962	3,890
1963	3,322
1964	2,298

Source : Central Bureau of Statistics

The above figures show that the import volume rose in 1961 to decline steadily in the years following. The highest figure in 1961 was due to the increased requirements for the Trikora struggle. In general the ups-and-downs in the import volume also depicted the same occurrences in the import value, although not in the same percentages.

The volume of imports rose by 75% in 1961 if compared with the previous year but the value increased by only 38%. For the following years these figures were as follows: for 1962 a decrease of volume by 29%, of value by 18%, for 1963 a decrease of volume by 15%, of value by 22%, for 1964 a decrease of volume by 31%, and an increase of value by 24%.

During the period under report the Government issued various regulations in the import field, all with the same objective, i.e. the regulation and control of the use of scarce foreign exchange and to direct its use to purposes of production and development.

The Government on the one hand was confronted by the very restricted supply of foreign exchange while on the other hand it was faced with the ever increasing requirements of development and the need for a steady flow of goods, necessitating a high level of imports. The import of consumer goods, mainly of rice and textiles, constituted an important part of the overall import structure, though raw materials ranked first.

Terms of trade

The terms of trade used in this report have been computed according to the Paasche method based on the amount of exported and imported goods in the years under review. This method is better than others in that it makes use of recent data. The export and import values of a certain year, for instance, are compared with those of a basic year. The year 1950 was chosen as the basic year because 1950 was considered a fairly normal year after the Second World War.

This calculation of exports covered 31 export products including the item "Other export products". The import was divided into three groups: consumer goods, raw and auxiliary materials, and capital goods. Each group included an item called "Sundries".

TABLE 30 — TERMS OF TRADE (1950 = 100)				
	Price index numbers		Terms of trade	
	Exports (f.o.b.)	Imports (c.i.f.)		
1959	283	297	95	
1960	1,039	1,314	79	
1961	860	1,130	76	
1962	852	1,310	65	
1963	846	1,493	57	
1964	790	1,614	49	
			Monthly average	5 months moving average
1964.				
January	994	1,426	70	65
February	1,035	1,457	71	64
March	999	1,558	64	62
April	1,034	1,692	61	56
M a y	700	1,672	42	53
June	718	1,739	41	48
July	976	1,721	57	47
August	725	1,801	40	48
September	908	1,654	55	48
October	695	1,401	49	46
November	635	1,608	39	...
December	780	1,641	47	...

This report presents the development of the terms of trade up to and including 1964 as specified data on exports and imports during the year 1965 were not yet available. Accordingly the terms of trade for that year could not yet be computed.

About 1960 (to be accurate: on August 25, 1959, Government Ordinance No. 43/1959) the rupiah was devaluated from Rp 11,40 to Rp 45,— to one U.S. dollar so that the export and import index figures for 1960 and thereafter are high.

Our terms of trade continued decreasing. On the one hand this was caused by the continuous decline of the index number of export prices, i.e. from 1,039 in 1960 to 790 in 1964. On the other hand the index number of import prices went down only in 1961, from 1,314 to 1,130 but went steadily up after that year until it was 1,614 in 1964.

Within a period of one year index figures of export and import prices also underwent fluctuations. In 1964 the index number of export prices reached its highest peak in February, i.e. 1,035 The lowest point, 635, was reached in November.

The highest peak of 1,035 was due to the rise in the index number of export prices of estate and mining products and smallholders products, respectively 1,206 and 862.

The lowest figure of 635 was due to the low index number of the export prices of estate, smallholders and other products, viz. respectively 656, 782 and 926.

(On the average the index numbers of the export prices of estate, smallholders products and other products in 1964 were respectively 830, 786 and 1,501).

The highest index number of export prices for 1964 was reached in August, viz 1,801 and the lowest in October, viz. 1,401.

TABLE 31 -- PRICE INDEX NUMBERS OF SOME MAIN IMPORT AND EXPORT COMMODITIES (1950 = 100)													
Exports (f.o.b.)	1959	1960	1961	1962	1963	1964	Imports (c.i.f.)	1959	1960	1961	1962	1963	1964
Rubber	343	1,521	1,049	1,008	977	830	Consumer goods	293	1,036	743	1,181	1,277	1,318
Copra	191	730	578	585	531	516	of which :						
Petroleum and petroleum products	271	774	820	873	863	780	Rice	280	947	917	1,011	1,267	1,331
							Wheat flour	251	1,053	1,006	1,155	1,112	1,406
							Cotton piece goods	199	1,026	1,129	1,089	753	952
Tin and tin ore	377	1,602	1,573	1,351	969	1,809	Raw and auxiliary materials	319	1,567	1,342	1,350	1,626	1,617
							Capital goods	325	1,369	1,675	1,509	1,623	1,793

The high figure of 1,801 was due to the high index number of the import prices of consumer goods, and of raw and auxiliary materials, respectively 1,584 and 1,781.

The low figure of 1,401 was caused by the low index number of the import prices of consumer goods, and of raw and auxiliary materials, respectively 1,123 and 1,444.

(On the average the index number of the import prices of consumer goods, raw and auxiliary materials, and capital goods for 1964 were respectively 1,318, 1,617 and 1,793).

Table 31 shows price index numbers of a few of the most important export and import products.

The export price index number of rubber and copra decreased steadily. This was in particular the case with rubber. Petroleum and petroleum products rose in price from 1960 up to and including 1962 but then went down again. Tin and tin ore experienced a drop in price up to and including 1963 but prices rose again in 1964. The import price index number of consumer goods, in particular rice and wheat flour, however, continued rising after a drop in 1961. The same happened to raw materials and auxiliary goods. Prices of cotton piece goods and capital goods fluctuated.

Foreign Exchange System and Measures

In the period under report (1960— 1965) various changes were effected In the Foreign Exchange System :

On August 24, 1960 Government Ordinance in Substitute of a Law No. 32, No. 33 and No. 34 on the Use of the Rupiah Currency in the Foreign Payments Traffic was issued dealing with the following subjects :

Government Ordinance No. 42/1959 on Export and Import levy (PUEKS and PUIM) was withdrawn.

The foreign currency rate of exchange vis-a-vis the rupiah, henceforth called the rupiah basic rate of exchange (US \$ 1 = Rp 45,—) was to be used in all foreign exchange transactions, both in the field of export, import and services.

A duty of 10% of the f.o.b. price based on the counter-value of the rupiah (US \$ 1 = Rp 45,—) was imposed on the export of goods and agricultural produce from Indonesian territory.

Import was divided into two categories :

- a) Goods essential to the Indonesian economy (category I) ;
 - b) Other goods still necessary (category II).
- ad. a. Category I commodities were imported on the basis of the rupiah basic rate of exchange. As long as it was considered necessary, the Minister of Finance and the Minister of Trade agreed on a price component to be paid for category I import commodities amounting to Rp 45,— to every US dollar, in addition to the basic rate of exchange of Rp 45,—.
- ad. b. The Government could exercise restrictions on the import of category II commodities.

For the import of category II commodities not subject to restrictions, foreign exchange could be provided with a special licence from the Ministry of Trade, and when the commodities were to be used by the Government, the licence would be issued by the Minister of Finance. The foreign exchange value used for this import was fixed by Bank Indonesia.

The price component for this import was Rp 200,—to every US dollar. The imports of certain goods paid in foreign currency which was not registered as state property could be carried out. The category of these commodities and their terms of import was decided upon by the Minister of Trade in cooperation with the Minister of Finance.

The sale of foreign exchange by banks to be used for certain services was subjected to the approval of the Ministry of Finance.

A transfer duty of 100% of the rupiah counter-value vis-a-vis the foreign currency in question according to the rupiah basic rate of exchange was imposed on this sale.

On March 5, 1962, a new regulation on exports/imports was issued. As from that date every exporter was entitled to make use of foreign currency to an amount of 15% of the f.o.b. price issued to him in the form of a “Surat Izin Valuta Asing” (Foreign Currency Licence), SIVA for short, which was valid six months as from the date of issue. If within the period of time stated, this SIVA was not made use of, or only partly, the Foreign Exchange Fund was to refund it at the rate of Rp 45, - to US \$ 1.

This SIVA could be used to import commodities to the 1st and 2nd categories mentioned in the Regulation of the President of the Republic of Indonesia No. 6/ 1963 and to pay for certain services. It could be transferred through foreign exchange banks for the purpose of which an exchange was established in Djakarta based on a call system. Of this 15% SIVA, only 1/4% could be used for the payment of services, but if so desired, could also be spent on import. It was further stipulated that 50% of the SIVA amount was to be spent on import to the area from which the export had originated.

On May 22, 1963, new regulations on export and import were issued :

I. Export.

- a. Every exporter was allowed to retain and freely use 5% of the f.o.b. export proceeds. Accordingly there was no need to submit the 5% to the Foreign Exchange Fund. This portion was called Perangsang Ekspor Tambahan (Additional Export Incentive).
- b. 95% of the f.o.b. export proceeds must be submitted to the Foreign Exchange Fund based on the following calculation: US \$ 1 —Rp 45,—plus Rp 270,—

per US dollar. In this way every exporter received for every dollar of this 95% f.o.b. the sum of Rp 315,—(Rp 45,—+ Rp 270,—).

The additional sum of Rp 270,— was called Perangsang Ekspor (Export Incentive).

- c. In addition, the exporter received a Perangsang Ekspor Istimewa (Special Export Incentive) in the form of a foreign exchange allocation for the purpose of importing commodities, viz. for the exporter 10% and for the producer-exporter 15% of the f.o.b. export proceeds.

The right to this foreign exchange allocation was not transferable. This allocation could be used to import category I and/or category II commodities (For the new classification, see Import).

II. Import.

The import was classified in to three categories : category I, II and III.

- a. For the import of category I commodities, the importer had to pay for every US dollar Rp 45,— plus Rp 270,— called Hasil Perdagangan Negara (State Trade Proceeds) or H.P.N. for short, so that the total was Rp 315,— (Rp 45,— + Rp 270,—) to every US dollar.
- b. For the import of category II commodities, the importer had to pay an additional Rp 495 ,- H.P.N. above the sum of Rp 315,—(Rp 45,- + Rp 270,— H.P.N.). Accordingly he paid Rp 540,— to every US dollar.
- c. For the import of category III commodities, the importer had to pay an additional Rp 495,— H.P.N. above the sum of Rp 315,— (Rp 45,- + Rp 270,— H.P.N.). Accordingly he had to pay Rp 810,- to every US dollar.

Services

- a. For the purchase of foreign currency to pay for any kind of service, one had to pay Rp 270,— H.P.N. to every US dollar (at the official rate of Rp 45,—per US dollar) so that the total amount was Rp 315,- to every US dollar.
- b. For every receipt deposit and exchange of foreign currency by/to a Foreign Exchange Bank — irrespective of the position of the receiver or the purpose of the receipt exchange—the Foreign Exchange Bank paid to the person concerned Rp 315,— to every US dollar, i.e Rp 270,— above the official rate of Rp 45,—to every US dollar.

On March 27, 1964, new regulations on exports and imports were announced effective as from April 17, 1964 :

Export.

- a. The rupiah counter-value of foreign currency for export purposes was fixed at US \$ 1 = Rp 250,— to be called transaction rate. This was paid for 100% of the f.o.b. export proceeds.
- b. Every exporter and exporter-producer obtained an export incentive amounting to 20 percent of the f.o.b. export proceeds in foreign currency. This incentive was called Surat Pendorong Produksi, S.P.P. for short (Production Stimulant Letter).
- c. This S.P.P. was valid two months after the schedule of remittance date and was negotiable.
- d. This S.P.P. could be used to import category I, II, and III commodities.

Import

- a. The transaction rate for imports was US \$ 1 = Rp 250,—. Import commodities were classified into categories I, II, III, IV and V.
- b. Aside from the above transaction rate an additional Rp 1.350,— was imposed on every US dollar, called Import Retribution.

Services

- a. To purchase foreign currency in order to pay for various services, the counter-value of US \$ 1 was Rp 250,—. To this was added Rp 1.350,— (Services Retribution) to every US dollar.
- b. For the receipt deposit of foreign currency by/to a Foreign Exchange Bank, the bank concerned paid :
80% of every US \$ (at Rp 250,—per dollar N.T.T.).
20% of every US \$ (at the S.P.P. rate on the exchange).

Law No. 32/1964

At the end of 1964 Law No. 32/1964 on Foreign Exchange Traffic Regulation was promulgated. This law became effective on December 28, 1964 and replaced the *Deviezen Ordonnantie* and *Deviezen Verordening* of 1940.

The principles laid down in Law No. 32/1964 were greatly different from the principles laid down in the *Deviezen Ordonnantie* and *Deviezen Verordening* of 1940. The following are the fundamental changes.

In Law No. 32 of 1964 distinction was made between the State Foreign Exchange constituting the Foreign Exchange Fund, and the Foreign Exchange owned

by the Indonesian people, both Indonesian citizens and foreigners. The latter did not need to be submitted to the Foreign Exchange Fund.

The absolute control of foreign exchange by the State, which according to the *Deviezen Ordonnantie* and *Deviezen Verordening* should be carried out by way of deposits to the Foreign Exchange Fund was abandoned and control was restricted to the stipulations of its uses. Rationalization in the usage of foreign exchange was achieved by controlling the main foreign exchange sources, viz. trade traffic and the receipt and spending of foreign exchange in the services sector. To prevent capital from leaving the country, control was exercised on capital traffic.

On December 21, 1965, new regulations on import and export came into effect :

Export

- a. For the f.o.b. export proceeds, after 5% of the export proceeds had been deducted in behalf of the exporter abroad, the exporter was paid Rp 250,—to every US dollar, plus an export premium of Rp 9.750,— to every US dollar.
- b. Other incentives like the S.P.P. A.D. was abolished.

As from February 11, 1966, the following stipulations were added to these regulations :

- a. The export was classified into three categories: I, II and III.
- b. To the exporter was given a Bonus Ekspor or B.E. for short (Export Certificate) besides an Export Premium.

This B.E. amounted to respectively the following :

- Category I — 10 % of the f.o.b. export proceeds in the form of B.E. 90% to be paid in rupiahs at the counter-value of Rp 10.000,- to every US dollar.
- Category II — 20% of the f.o.b. export proceeds in the form of B.E. 80% of the export proceeds to be paid in rupiahs at the rate of Rp 10.000,—to every US dollar.
- Category III — 50% of the f.o.b. export proceeds in the form of B.E. 50% of the export proceeds to be paid in rupiahs at the rate of Rp 10.000,—to every US dollar.

Import

- a. The importer had to pay Rp 250,—to every US dollar plus an Import Contribution of Rp 9.750,— to every US dollar so that in all he had to pay Rp 10.000,—to every US dollar.
- b. As from February 11, 1966, import could be carried out with B.E. for category I, II and III commodities.
- c. Category IV and V commodities could only be imported with Supplementary Foreign Exchange, i.e. foreign exchange not controlled by the Foreign Exchange Fund.

Services

- a. To buy foreign currency from the Foreign Exchange Fund for payment of services a Transfer Retribution of Rp 9.750,— to every US dollar had to be paid above the transaction rate of Rp 250,— to the dollar.

- b. For the exchange of foreign currency by a Foreign Exchange Bank, an amount equal to the Transfer Retribution of Rp 9.750,— to every US dollar was paid above the transaction rate of Rp 250,—to the dollar.

Trade and Payments Agreements with Foreign Countries.

In the period under review, i.e. from April 1960 up to and including, March 1966, new trade and payments agreements were concluded or existing agreements continued with the following sixteen countries, viz. the U.A.R., Bulgaria, the German Democratic Republic, Japan, Hungary, India, Yugoslavia, the People's Democratic Republic of Korea, Mexico, Pakistan, the Philippines, Poland, Rumania, the U.S.S.R. Czechoslovakia, and the People's Republic of China.

At the end of September 1965, a long-term trade agreement with the U.A.R. was signed, which would run till 1969. Parallel to this trade agreement a clearing agreement was concluded as well.

The trade agreement with Bulgaria, which was concluded for the first time in January 1959 and which had been renewed every year up to 1961, was substituted on May 5, 1961 by a long-term trade agreement. In realization of this agreement a clearing agreement was signed in February 1964, which ended at the end of March 1965.

A trade agreement of one year's duration with the German Democratic Republic was concluded in the middle of February 1961. This agreement was automatically to be extended yearly except if one of the parties wished to terminate it. On July 10, 1963, a Banking Arrangement on clearing was made between Bank Indonesia and the Deutsche Noten Bank. Its implementation ended in June 1965.

Within the framework of trade relationship with Japan and Mexico, a triangular trade agreement between Indonesia, Mexico, and Japan was approved of at the end of January 1964. This agreement was to be effective as from, November 1, 1963

for a period of one year. It provided stipulations for exports from Indonesia to Mexico, from Mexico to Japan, and from Japan to Indonesia.

A long-term trade agreement with Hungary was concluded at the beginning of September 1961, which was effective until the end of 1964. A new longterm agreement was signed on April 15, 1965, to be valid until the end of 1967.

A trade agreement with India signed in 1953 and continued every year as renewed on April 24, 1963 to last for three years.

On January 19, 1965 an Agreement on Economic Co-operation and Long-Term Trade was signed with Yugoslavia. This agreement was to replace the Trade Agreement concluded in July 1961.

A trade agreement with the People's Democratic Republic of Korea was signed for the first time in the middle of November 1963. This agreement was to be in force for one year on the condition that it be automatically extended unless one of the parties wished it to be terminated.

In the beginning of February 1963 a trade agreement was signed for the first time with Pakistan. A new agreement was concluded in July 1964. Payments were effected through clearing.

With the Philippines the first trade agreement was concluded at the end of May 1963.

A trade agreement with Poland, concluded on August 7, 1958, was extended until the end of 1965.

A long-term trade agreement with Rumania, signed on October 11, 1962, was to be effective as from January 1, 1963, up to December 31, 1965, on the understanding that after that date the agreement was to be extended annually, unless one of the parties insisted on termination.

On July 9, 1960 a long-term trade agreement for the duration of three years was concluded with the U.S.S.R. This was extended on April 30, 1963, until the end of 1965. Another trade agreement signed in August 1956 was declared to remain in force until 1965 and subject to yearly extensions.

The last trade agreement with Czechoslovakia was concluded on May 18, 1964 for a one-year period, which was then extended by a protocol on exchange of goods for 1965. In May 1964 the clearing system with Czechoslovakia was terminated.

A Trade and Payments Agreement concluded with the People's Republic of China in 1954 was extended by the exchange of notes between the People's Republic of China and Indonesian Government of January 6, 1963.

At the end of the period under review, clearing agreements were still in force between Indonesia on the one hand and the U.A.R., Pakistan, and the People's Republic of China on the other.

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

As has been mentioned in the Report for the year 1959-1960, two repurchases were effected in connection with drawings amounting to US. \$ 55 million carried out by Indonesia in July 1956. These repurchases were in July 1959 and May 1960, each to an amount of US. \$ 9 million. This entire drawing of US. \$ 55 million was paid back by means of repurchases in November 1960, March 1961 and July 1961, amounting to respectively US. \$ 9.5 million, US. \$ 13.5 million, and US. \$ 14 million.

In the period under review the following drawings were effected by Indonesia :

August	1961	:	US. \$ 41.2 million (gold tranche).
September	1961	:	US. \$ 20.0 million (standby arrangement).
January	1962	:	US. \$ 21.3 million (standby arrangement).
August	1963	:	US. \$ 20.0 million (standby arrangement).

In compliance with the schedule agreed upon in November 1964, the drawings respectively carried out as gold tranche and the first credit tranche in 1961 and 1962 to the amount of US. \$ 82.5 million was to be repurchases according to an instalment plan as follows: nine monthly payments of US. \$ 6 million from December 1965 up to and including August 1966, US. \$ 7.2 million in September 1966 and US. \$ 21.3 million in January 1967. The repurchase of the drawing of US. \$ 20 million carried out in 1963 under a standby arrangement and constituting the second credit tranche, could in agreement with the Fund be postponed until August 1968 (a 5-year term).

In 1965, led by certain considerations, the Government withdrew from membership of the I.M.F. and the I.B.R.D. as from August 17, 1965 (Law No. 1/1966, dated February 14, 1966).

Simultaneously with the withdrawal from the I.M.F., the schedule for the repurchase of outstanding drawings was replaced by a "settlement of account". in which the "net outstanding drawings" of Indonesia amounted to US. \$ 61.2 million, viz. US. \$ 102.5 million minus US. \$ 41.2 million (gold tranche). To this amount should be added US. \$ 2.2 million, constituting the interest. This was paid in rupiahs by Indonesia instead of gold so that the total debt to the I.M.F. amounted to US. \$ 63.5 million. This amount will be paid off in ten half-yearly instalments starting from February 17, 1966.

On November 6, 1961, Indonesia ceased to be a member of the International Finance Corporation.

It is worth noting that when this report was written, the Government approved of the reinstatement of the Republic as a member of the I.M.F. and I.B.R.D. (Act No. 9/1966, dated November 8, 1966), jo Act No. 2/1967, dated January 10, 1967 and Government Regulation No. 1/1967, dated January 16, 1967.

VI. PRODUCTION PRICES AND SOCIAL DEVELOPMENT

Food Producing Agriculture

Production and Food Situation

According to the figures from the Central Bureau of Statistics and the Service for Indigenous Agriculture the output of the most important food products in Indonesia showed an overall increase as from the years 1960 up to and including 1966. However, during the past 6 years production concinuously fluctuated from year to year due to various reasons.

In 1961 the figures of the output of the most important food products in Djawa and Madura showed a decline if compared with those of the previous year (table 32). The decline was caused by increasing bad crops as can be seen from the following figures (figures for 1960 in brackets): paddy 387,000 ha (142,000), maize 122,000 ha (106,000), cassava 19,000 ha (5,000), batatas 4,000 ha (1,000), ground nuts 6,000 ha (2,000) and soya beans 29,000 ha (9,000). The main reasons for the bad crops were longlasting droughts, floods due to rain in several regions and pests, particularly mice plague. The paddy regions suffering the greatest damage were Djakarta (69,000 ha), Priangan (45,000 ha) and Bodjonegoro (33,000 ha), whereas those suffering damage to maize plantings were Bodjonegoro (39,000 ha), Pati (16,000 ha), Malang (12,000 ha) and Surabaja (11,000 ha). Aside from the abovementioned, the figures for regions outside Djawa also showed an overall production decline for 1961.

In 1962 food crops, with the exception of soya beans, showed an overall increase again, some crops exceeding even the production figures of 1960. In 1963, however, food crops suffered another setback if compared with the previous year. This was caused among others by the following factors :

1. The bad climatic conditions which were unfavourable for the growth of plantings; insufficient rainfall, besides, because of overdue and irregular rain-

fall some hundred thousand ha could not be planted with paddy, thus necessitating the planting of maize and other crops. Aside from the abovementioned many seeds dried up.

2. Large scale mice plague causing a great deal of damage.

TABLE 32 – MOST IMPORTANT FOOD PRODUCTION (‘000 tons)								
	1959	1960	1961	1962	1963	1964	1965*)	1966**)
<i>Djawa and Madura</i>								
Paddy :								
irrigated	9,386	9,301	8,740	9,201	8,063	7,903	11,349	11,520
non-irrigated	332	423	495	695	482	508	625	645
Total	9,718	9,724	9,235	9,896	8,545	8,413	11,974	12,165
Maize	1,475	1,793	1,706	2,450	1,750	2,889	1,588	2,086
Cassava	9,082	8,688	8,443	8,114	8,724	9,103	8,179	7,536
Batatas	1,489	1,403	1,216	1,999	1,572	2,293	1,285	1,222
Ground nuts	199	216	203	203	184	200	233	230
Soya beans	375	390	376	337	296	329	291	295
<i>Other islands</i>								
Paddy :								
irrigated	4,842	5,575	5,194	5,655	5,223	6,085	5,571	5,945
non-irrigated	1,389	1,561	1,470	1,561	1,488	1,694	2,059	1,862
Total	6,231	7,136	6,664	7,216	6,711	7,779	7,628	7,807
Maize	617	667	577	792	608	880	694	919
Cassava	2,614	2,688	2,747	3,272	2,851	3,120	3,095	3,309
Batatas	1,387	1,266	1,248	1,681	1,442	1,638	1,439	1,087
Ground nuts	56	40	49	58	47	61	45	63
Soya beans	55	52	50	60	57	63	65	58
<i>Indonesia</i>								
Paddy :								
irrigated	14,228	14,876	13,934	14,856	13,286	13,990	16,920	17,464
non-irrigated	1,721	1,984	1,965	2,256	1,970	2,202	2,684	2,507
Total	15,949	16,860	15,899	17,112	15,256	16,192	19,601	19,971
Maize	2,092	2,460	2,283	3,242	2,358	3,769	2,283	3,005
Cassava	12,696	11,376	11,190	11,386	11,575	12,223	11,274	10,845
Batatas	2,876	2,669	2,464	3,680	3,014	3,931	2,724	2,309
Ground nuts	255	256	252	261	231	261	279	293
Soya beans	430	442	426	397	353	392	356	353
*) Provisional figures **) Estimated figures								

Source : Djawa and Madura, Central Bureau of Statistics
 Other island, Directorate of Indigenous Agriculture

3. Insufficient supply of fertilizers and pharmaceuticals to combat animal plagues and plant diseases.

The Provisional People's Consultative Congress in its Decree No. II/M.P.R.S./1960 outlined a production policy emphasizing the production of rice to meet the need for food. For 1963 Depernas (National Planning Board) determined a rice consumption target of 102 kg per capita.

Besides, the production of other food crops should also be stepped up accordingly to meet the required amount of carbohydrates, i.e. the equivalent of 160 kg of rice per capita per year. The abovementioned targets, however, were not reached because of the aforementioned reasons. Therefore in carrying out a fighting economy, which was one of the aims of the Government's programme at that time, it was suggested that the daily menu consists of all kinds of food crops grown in Indonesian soil thus making it less-dependent on rice. For this purpose the Departemen Research Nasional (Department of National Research) made up a menu guide for the average Indonesian in May 1963 consisting of 225 gr. rice per capita per day or about 80 kg per capita per year, provided that the need for other carbohydrates be substituted with other kinds of crops such as maize, batatas etc. In practice, however, the consumption of one staple product, i.e. rice, proved to be predominant and this fact linked up with the population increase of Indonesia, which was estimated 2.3 to 3% per year, have necessitated Indonesia to import rice from abroad until now.

In 1964 food production on the whole showed a promising increase particularly in the regions outside Djawa and Madura where in the same year record figures were reached during the period 1960 - 1965.

The production increase was caused among others by :

1. The good climatic conditions in the regions outside Djawa and Madura.
2. The decrease of mice plague.
3. The increase of the area harvested.

An exception to this overall increase was the alarming decline of rice production in Djawa and Madura for the same year, showing the lowest production figures for the period 1960-1966. The decline in production was mainly caused by the 1963/1964 rainy season, which was the driest rainy season in Djawa and Madura during the abovementioned period.

The food situation in 1965 was generally satisfactory; there were no reports on people suffering from hunger oedema usually occurring in some regions in Central Djawa and the southern part of East Djawa. The 1964, 1965 rainy season was very favourable for plantings, especially paddy. As farmers preferred to plant paddy rather than maize the acreage of paddy increased compared to that of 1964, whereas that of maize dropped. Mice plague, rice pest and plant diseases diminished compared to 1964 because the climate at the end of 1964 did not activate the spread of diseases (there was still rain in the dry season and the rainy season started in due time, i.e. in October). Also, there was a sufficient stock of insecticides and rodenticides, which was distributed in time, and a better organized drive for the eradication of plant pests. Mass intensification drives also effected production increase considerably. Whereas in 1964/1965 an area of 11,000 ha was acquired by Mass Intensification Campaigns, in 1965/1966 the acreage rose to 150,000 ha. The abovementioned factors caused a striking paddy production of 3,561,000 tons in 1965 or, an increase of 42% as against the 1964 harvest or 36% if compared with the 1962 production.

The acreage of maize dropped from 3,644,048 ha in 1964 to 2,536,788 ha in 1965. The decline of maize acreage was due to a lack of interest in planting maize, because the processing of maize products, particularly that of the metro type, was very disappointing in 1964. Thus there was a gap in the government's drive to replace a part of the rice consumption by maize as there was no follow-up of proper processing of the maize harvested. Another reason why maize production dropped considerably was that the 1964/1965 rainy season was too wet to cultivate maize. The production of cassava, batatas and soya beans also decreased in 1965 if compared with the previous year. The decline of cassava and batatas production was due to a decrease of acreage, i.e. for cassava from 1,578,636 ha in

1964 to 1,554,335 ha in 1965 and for batatas from 620,180 ha (1964) to 419,961 ha (1965); as for soya beans, although there was an increase in acreage, yet the production dropped to 5.87 quintals per ha as against 6.86 quintals per ha for the previous year.

The use/distribution of fertilizers for food production dropped in 1965 compared with 1964 due to an insufficient supply of fertilizers, which could not meet the need for it. The greater part of the fertilizers was used to cultivate paddy, whereas there was hardly any left for maize and other crops, the production increase of which was expected by the use of fertilizers.

In a plenary session of the Service for Indigenous Agriculture throughout Indonesia held in Bandung in August 1966 the production output and measures to be taken for 1966 were estimated and evaluated. The production output for 1966 was estimated to be on the whole less than as was planned before, although for some kinds or group of plants production would be a little above last year's figures. The production of paddy, for example, with a target of 21,860,000 tons, was estimated to reach 19,971,000 tons only. Other food crops were also expected to drop in output, (target in brackets): maize 3,005,000 tons (3,823,000), cassava 10,845,000 tons (13,040,000), batatas 2,309,000 tons (3,302,000), ground nuts 293,000 tons (349,000) and soya beans 353,000 tons (458,000).

Failure of reaching abovementioned targets was, among others, due to :

1. The September 30 Movement/Indonesian Communist Party (G.30.S/P.K.I.) at the end of 1965, which had a widespread effect in all fields.
2. The skyrocketing prices of services and commodities due to inflationary deterioration.
3. Unfinished restoration or unfinished development projects which were needed for the overall infrastructure of production.

4. National disasters such as floods in several regions, particularly in Sala and Lamongan and volcanic eruptions of Kelud and Awu.
5. Insufficient supply of fertilizers and chemicals.

As for maize, although superior quality seeds had been developed and farmers were familiar with the common cultivation techniques, the production of maize in 1966 like in 1965 was seriously disturbed by inefficient marketing and instability of prices, apart from the shortage of fertilizers and pesticides, which for the greater part was used for paddy.

Other factors which were favourable for stepping up production, particularly that of paddy, were among other things the Mass Intensification Drives among farmers. Having seen the tangible results of the Mass Intensification Drives the farmers developed their own ways in applying the cultivation methods of the Drives (Bimas). For the 1965/1966 rainy season Bimas under direct supervision planned to cultivate an area of 150,000 ha, but in practice an area of 220,000 ha was achieved. For the 1966/1967 rainy season Bimas (Mass Intensification Drives) estimated to cultivate an area of 1,000,000 ha.

In the abovementioned meeting of the Service for Indigenous Agriculture the following targets for food production for 1967 were determined :

—Paddy	22,204,050	tons
—Maize	3,003,840	tons
—Cassava	13,348,500	tons
—Batatas	3,256,000	tons
—Ground nuts	348,450	tons
—Soya beans	484,100	tons

Government Measures for Promoting Food Production

In order to enhance food production, the Department of Agriculture Agrarian Affairs has drawn up plans consisting of two parts :

- a) A long-term plan.
- b) A short-term plan.

The long-term plan is in particular to be implemented in regions outside Djawa and implies the development of arid lands, extension of arable lands and the development of tidal areas. The laying out of rice-fields by canalizing tidal areas was carried out by the Directorate for the Swamp and Coastal Areas of the Department of Basic Irrigation. The following projects have been carried out by the above Directorate :

Place/Object	Rice-field planned (ha)	Acreage of rice-fields laid out up to and including 1st Semester 1964 (ha)	Length of canals completed up to end 1965 (%)
<i>South Kalimantan :</i>			
1. A. Marabahan	19,000	12,000	90
2. A. Tamban	20,800	20,750	95
3. Sei Puntik (Balandean)	16,800	16,700	98
4. Bandjarmasin Kandangan	36,000	2,600	13 *)
5. Raai 17 Barangas	3,200	2,600	90
6. Sei Djedjangkit	38,000	11,000	30 *)
7. Sei Hanjar	32,000	1,400	5 *)
<i>Middle Kalimantan :</i>			
8. A. Besarang	19,200	16,500	90
9. A. Buntoi	21,600	4,500	22 *)
10. A. Sampit	32,000	2,600	9 *)
<i>West Kalimantan :</i>	15,200	15,000	90 **)
<i>South Sumatera :</i>			
11. Pulau Borang Kenten	4,200	4,000	100
12. Tjinta Manis-Si Bokor	16,800	11,600	75
13. Ojan Karemasan I	12,000	8,000	90

*) Postponed temporarily.

**) Activities slowed down because of difficulties in transmigration and supply of finances.

Source : Directorate for the Swamp and Coastal Areas.
Department of Basic Irrigation.

It is essential that these projects should immediately be followed by transmigration in order to prevent newly laid out rice-fields from becoming jungle again. Limited available funds and the aim to achieve maximal results made it necessary for a few projects to be discontinued so that the limited finances could be used to finish the most productive.

Aside from the Department of Basic Irrigation, the Department of Agriculture and Agrarian Affairs, through the B.P.U. Mekatani, played an important part in the extension of agriculture. The B.P.U. Mekatani was established on January 1, 1963, as the result of the splitting up of the B.P.U. Pertani (ex. B.M.P.T.). In implementing specialization with a view to increasing efficiency, the B.P.U. Pertani was divided into two bodies, viz. the B.P.U. Perusahaan Pertanian Negara (State Agricultural Enterprise : B.P.U. Pertani) and the B.P.U. Perusahaan Mekanisasi Pertanian Negara (State Mechanized Agricultural Enterprise: B.P.U. Mekatani). The B.P.U. Pertani concentrates on the intensification of agriculture, the B.P.U. Mekatani on extension.

The B.P.U. Mekatani supervises various P.N. Mekatani units to be found throughout Indonesia, in particular outside Djawa.

Their activities comprise :

- 1) Establishment of state farms for growing foodcrops, rubber and various other plants and for livestock.
- 2) Development of land for its inhabitants.
- 3) Hiring out of agricultural equipment.
- 4) Development of tidal areas for third parties.

In compliance with the Government's efforts to raise the production of food-stuffs as worked out in the Plan for Overall Development I, the Department of

*) B.P.U. = General Management Body.

**) B.M.P.T. = Body for the Mechanization of Land Development.

Public Works and Energy—later taken over by the Department of Basic Irrigation
— completed various irrigation projects :

Plan of Overall Development ('000 ha)		Completed in ('000 ha)					Total
		1961	1962	1963	1964	1965	
a) Rehabilitation and Construct on of Dams	207	45	439	14	39	7	544
b) Canalization and Irrigation	1,567	17	34	15	55	46	167
c) Djat luhur	240	31	48	52	86	15	232
d) Water reservoirs	5	—	5	16	36	96	153
Total	2,019	93	526	97	216	164	1,096

Source : Department of Irrigation.

The realization of the above projects met with numerous difficulties, in particular in 1962, when all “funds and forces” were used to restore law and order, and to liberate West Irian. This was followed by the confrontation with Malaysia in 1963. The rise in the prices of building materials, wages, costs of transportation and the slow supply of finances caused many projects to be left uncompleted.

The short-term plan included mass intensification and paddy centres. During the rainy season of 1961-1962 the paddy centres distributed 155,000 tons of fertilizers, 8,000 tons of seed, equipment and chemicals to the amount of about Rp 13 million and credit of Rp 580 million. When compared with the rice-fields outside the paddy centres, those under their supervision booked an average increase in rice yield of 13.5 quintals per ha during the rainy season of 1961-1962. The weak points in the paddy centres were the shortage of experts, inefficient organization and lack of experience resulting in the accumulation of debts. On January 1, 1963, the paddy centres were dissolved and the P.N. Pertani under the B.P.U. Pertani came into being.

In order to increase the production of foodcrops by intensification, all efforts were concentrated on the application of the “Pantja Usaha Tani” (the Five Directives for the Farmer). i.e.:

- 1) the use of first-rate seeds;
- 2) the use of fertilizers;
- 3) efficient distribution of water ;
- 4) the fight against pests and diseases;
- 5) the application of sound agricultural techniques.

In 1962 and 1963 at the request of the Government, students of the Faculty of Agriculture took part in making propaganda for the “Five Directives” in villages for one month before the beginning of the rice planting season.

As from 1964-1965 the application of the “Five Directives” was even more intensified, a proof of which was the project “Mass Demonstration” covering an area of 10,155 ha made up of 204 units (originally planned to be 11,100 ha comprising 220 units). In executing this project unconventional methods were used: university students, especially of the Faculty of Agriculture participated in the project as part of the service of Higher Education to society. For about 6 months these students had to live and work among families of farmers in the villages and to assist in practicing the “Five Directives”.

Every two students were made responsible for the supervision and work in one unit of about 50 ha. Project “Mass Demonstration” turned out to be very satisfactory, the average yield was 74.72 quintals per ha of wet paddy, which meant an increase of 42.74 quintals per ha as compared with an average yield of only 31.98 quintals per ha before. In 1965-1966 this movement was continued under the name of “Mass Guidance” (Bimas), while the number of units was temporarily raised to 3,000 covering an area of 150,000 ha. Extension of experimental areas, however, involved enhanced possibilities of damage to the crops due to weat, her conditions, diseases, etc. so that the average yield of so large an area was estimated to be 60 quintals per ha of wet paddy.

Experiences during three years of experiments with Bimas pointed out that the costs spent on the application of the “Five Directives”—when ex pressed in

paddy — amounted to an average of 5 quintals paddy per ha, while the yield increase was about 20 quintals per ha. Reports and figures concerning Bimas for 1965-1966 are not yet available in detail but assumed to be highly satisfactory, except those of two regions devastated by heavy floods, viz. Sala and Lamongan. According to plan, Bimas 1966-1967 covers 1,000,000 ha to which is added the special project Dewi Sri Djaja, which for the period 1966-1967 involves an area of 350,000 ha.

It was realized later that the expansion contained in the plan was too sudden, and considering the lack of experts, fertilizers and chemicals, Bimas will for the rainy season 1966-1967 in practice involve only about 500,000 ha requiring the assistance of about 3,000 university students.

In its attempts to raise food production, in particular rice, the Department of Agriculture and Agrarian Affairs has launched various food projects, inter alia :

- 1) Food project “Dewi Sri Djaja” in 7 districts around Djakarta in order to produce 450,000 tons of rice needed yearly by the D.C.I. Djakarta Raja (Special District Djakarta Raja).
- 2) Food production project “Sukamandi Djaja” in the Sukamandi area, in realization of the idea to establish a state enterprise in the field of food production.
- 3) Food production project “Lampung” in the Lampung, a special A.L.R.I. (Navy) project, as a continuation of a project started by P.T. “Pangan”.
- 4) Food production project “Sisir Gunting” in North Sumatra to supply this area, in particular the estates, with rice.
- 5) A food production project to supply West Irian with rice. The place will be decided upon soon.

- 6) Food production projects to supply oil producing and mining areas, as Palembang, and Balikpapan with food.

Some of the above projects are more specialized intensification project, e.g. Dewi Sri Djaja; some are extension projects, e.g. "Lampung".

Efforts to increase production went together with the supply of materials needed for intensification purposes as fertilizers, chemicals to fight pests and plant diseases, etc. It is regrettable that the need for fertilizers was not met satisfactory as testified by the following figures :

Import of fertilizers for Indigenous Agriculture *) (in tons)							
	1959/1960	1960/1961	1961/1962	1962/1963	1963/1964	1964/1965	1965/1966
N	24,000	7,114	77,620	77,897	62,620	15,185	17,900
P ₂ O ₅	7,600	11,415	54,560	45,456	30,955	14,425	5,170
K ₂ O	—	—	—	1,089	1,051	3,080	950
N+P ₂ O ₅ +K ₂ O	31,600	18,529	132,180	124,442	94,626	32,690	24,000
US \$	5,938,750	3,139,785	23,126,540	21,902,237	16,562,170	6,955,653	6,700,000

*) Temporary figures.

Source : Central Directorate of Indigenous Agriculture.

The production of fertilizers available to Indigenous Agriculture declined in the past few years as is shown by the following figures :

1964 : 79,997 tons of Urea

1965 : 54,566 tons of Urea

1966 : 50,000 tons of Urea (provisional figure)

Whether the need for fertilizers can be met satisfactory or not obviously depends very much on the allocation of foreign exchange made available by the Government. If Indonesia really means to be self-reliant in the field of foodstuffs, the supply of foreign exchange to import fertilizers, chemicals and agricultural equipment must, have top priority as long as these articles cannot be produced at home in sufficient quantities to meet the needs.

The distribution of fertilizers and chemicals were carried out by P.N. Pertani besides other activities as, for instance: supplying first-rate seeds. arranging and also supplying credits to farmers, encouraging the development of agricultural products co-operatives.

Two other notable acts by the Government in its efforts to raise the production of foodstuffs and to abolish usury in the process of food production were :

- a) the execution of the Basic Agrarian Law (U.U.P.A.), popularly called Landreform;
- b) the execution of the Basic Law on Produce Sharing (U.U.P.B.H.)

The U.U.P.A. prevents the possession of large areas of land by one person, and sees to a more equal distribution, as much as possible, among those working the land; the U.U.P.B.H. guarantees a reasonable share of the produce to those working other people's land.

Aside from that, efforts were made to arrange a marketing beneficial to the farmers- producers, among others by establishing agricultural produce cooperatives (Koperta) in the rural areas.

Rice

The following figures from the Dewan Bahan Makanan (Food Board) and the Badan Pelaksana Urusan Pangan (Food Executive Board) provides a picture of the purchases of paddy and other foodstuffs effected by the Government during the periods 1959-1960 up to and including 1965-1966: (table 33 see Appendix H).

Unlike the previous years when purchases were effected only in five regions, in 1962-1963 they were extended over 15 regions. In the regions where these purchases had been regularly done, they yielded better results than in those where

they were effected for the first time. An exception was Central Kalimantan where the originally fixed quota was exceeded. When the target was not reached in the above years, this was due to various factors, inter alia :

- 1) The purchase price of paddy fixed by the Government was below the freemarket price.
- 2) Transportation difficulties.
- 3) The farmer's desire to store his paddy during the harvest time in order to sell it in the period of scarcity.
- 4) Abuses of authority still prevalent among a few officials in the matter of financing paddy purchases.

Aside from the above causes, the decline in the quantity of the paddy purchased in the period 1961-1962 was also due to the exceptionally long dry season, as the result of which the harvest was below all expectations. Due to the extension of the purchasing regions, the quantity of the paddy collected turned out to be 516,176 tons more in the period 1962-1963 than in the year before, even though in percentage it was smaller. The purchase target fixed at 3,566,200 tons, or 15% to 17% of the estimated production for 1962, turned out to be seill far too high. This was caused by harvest failures in various regions due to floods and paddy pests, in particular rats. Incentives, in the form of textile coupons, meant to induce farmers to sell their paddy to the Government, failed to yield the result expected, because the design of the textiles did not conform to the farmers' taste.

Another Government measure to realize the purchase quota of paddy was the participation of rice-mills in the paddy purchase. Aside from that, the Government purchase price was fixed to conform as much as possible to the prices of the farmers' basic necessities.

In the year 1959-1960 the average buying price for paddy in West Djawa was Rp 193,— per quintal, in Central Djawa Rp 180,— per quintal, in East Djawa Rp 173,30 per quintal. During the next year the average purchase price was raised to Rp 230, - per quintal for West Djawa, Rp 210— per quintal for Central Djawa, and Rp 205,— per quintal for East Djawa. In the period 1962-1963 the average purchase price was for West Djawa : paddy Rp 260,— per quintal, gabah (unhulled rice grains) Rp 300,— per quintal; for Central Djawa: paddy Rp 260,—per quintal, gabah Rp 300,- per quintal, and for East Djawa: paddy Rp 260,—per quintal, gabah Rp 300,— per quintal.

On account of Regulation No. 1 of the Dewan Bahan Makanan, 1964, a new policy was decided upon concerning the collection of paddy as part of the Government programme to improve the distribution of foodstuffs: henceforward the purchase would be carried out of rice, maize, tapioca and other foodstuffs. This was considered more effective and efficient than the gotong- rojong (cooperative) movement of paddy collection. The purchase was to be based on cash payment and carried out by the Badan Pelaksana Urusan Pangan, which had been established in the purchase areas. In the period 1963/1964 there were 15 purchase regions; in the period 1964- 1965 this was limited to 8 regions by Instruction No. 4, 1964 of the Chairman of the Food Board.

The paddy purchase target for the period 1963-1964 was 2, 195,000 tons, but at the end of the period only 885,109 tons or about 40% was realized. The purchase target for 1964-1965 was 400,000 tons, of which 341,510 tone or about 85% was collected at the end of the period. The purchase of foodstuffs for the period 1965-1966 also failed to achieve the result expected. The purchase targets of rice and maize for that period were respectively 525,000 tons and 201,000 tons, whereas the results achieved were according to the latest report of the B.P.U.P. (July 22, 1966): rice, including paddy and gabah rice equivalent, amounting to 318,270 tons or 61% maize 21,487 tons or 10.69%, and tapioca 8,878 tons.

The purchase quotas in the above periods failed to reach their targets for various reasons, among others: transportation difficulties, overdue buying, occa-

sional regional regulations prohibiting the transfer of rice, and very often the discrepancy between the Government and free market prices.

Aside from the above causes, the decline in the paddy purchase yield for the period 1963- 1964 was also due to the unfavourable weather and pests. In that period, as in the period 1961- 1962, an exceptionally long and rainless dry season prevailed, still worsened by a plague of rats. Floods in Kalimantan and the eruption of mount Agung in Bali at the beginning of 1963 prevented the harvesting of thousands of hectares of crops. For the period 1963-1964 the Food Board exempted both regions from the collection of paddy on account of the above adversities.

In carrying out the purchase of paddy, the Government, as in the previous years, ensured the participation of Agricultural Produce Cooperatives Koperta), rice-mills and the progressive national entrepreneurs. The management of rice-mills having been in the hands of the Government since November 1965, the collection of paddy, rice could be concentrated and imposed on rice- mills and Koperta. Apart from that, the Government purchase price was as much as possible made to conform to the prices of the farmers' basic necessities. The implementation of these measures was put in the hands of the Governors of the respective regions, whereby they were assisted by organs connected with the purchase of paddy.

For the period 1966-1967 the Government originally planned to buy 1,530,000 tons of rice. Taking the capacity of each purchase region into consideration, the above amount was changed and purchase will be effected of 744,540 tons of rice and 705,500 tons of paddy. Compared with the overall production of paddy, the Government's total paddy/rice purchase only amounts to 10% to 15 % annually.

By Decree of the President of the Republic of Indonesia No. 87 of 1966, it was decided to establish a National Logistics Command (Kolognas) with a view to implementing the Government's economic policy, in particular concerning the supply and distribution of basic daily necessities, by :

- a) deciding upon the programme of implementation;
- b) guiding, the implementation by co-ordinating, synchronizing, integrating and supervising the execution of the duties of Government and private organs which are active in the above fields.

By Presidential Decree No. 106, 1966, it was decided upon to transfer all the duties and responsibilities of the Food Board concerning the management of food-stuffs to Kolognas. As a result, the Food Executive Board was henceforth made into an executive organ of the Kolognas.

The import of rice in the years 1960 up to and including 1966 still showed high figures, in particular caused by the lack of balance between the rise in domestic rice-production and the rising demand for rice. The annual increase in population in Indonesia is estimated to be 2.3% to 3%. Table 34 shows the quantities of rice at the Government's disposal in the years 1960 up to and including 1966, which comprise quantities collected at home and imported. The rice at the disposal of the Government was intended for Government officials, the Armed Forces and for aid to minus regions and to be injected into big cities to keep prices stable.

TABLE 34 – TOTAL OF RICE CONTROLLED BY THE GOVERNMENT (in tons)			
	Internally procured ¹⁾	Imported rice ²⁾	Rice controlled by the Government
1959	268,292	904,750	1,173,042
1960	278,099	951,440	1,229,539
1961	261,631	1,015,000	1,276,631
1962	519,719	1,111,420	1,631,139
1963	442,555	1,066,779	1,509,334
1964	341,510	1,016,515	1,358,025
1965 ³⁾	318,270	190,000	508,270
1966 ³⁾		172,133	..
¹⁾ Paddy and rice were in ratio of 100 to 50 ²⁾ Rice imported by B.P.U.P. ³⁾ Provisional figures			

Source : B.P.U.P. (Badan Pelaksana Urusan Pangan)

The prices of rice on the free market showed an upward tendency during the last six years (see table 35). This was caused, among others, by the following factors :

- 1) The frequent failures of harvests in rice producing areas as the result of floods, which were followed by pests and long dry seasons.

TABLE 35 - RICE PRICES *) (RP/KG)						
End of :	Djakarta	Surabaya	Palembang	Medan	Pontianak	Makassar
1954 : December	6.50	5.34	11.37	7.25	13.50	5.25
1960 : December	7.50	8.06	19.—	9.37	13.50	7.—
1961 : December	23.12	23.—	42.87	25.—	24.—	16.50
1962 : December	45.62	37.50	76.—	100.—	125.—	30.—
1963 : December	137.50	165.—	110.—	85.—	135.—	70.—
1964 : January	165.63	170.—	170.—	75.—	135.—	110.—
February	225.—	182.—	235.—	75.—	120.—	125.—
March	281.25	190.—	220.—	75.—	130.—	120.—
April	165.63	155.—	160.—	75.—	120.—	120.—
May	150.—	130.—	150.—	75.—	120.—	115.—
June	146.88	130.—	130.—	75.—	130.—	115.—
July	140.63	135.—	130.—	90.—	140.—	115.—
August	155.25	130.—	170.—	105.—	170.—	115.—
September	231.25	160.—	210.—	—	—	115.—
October	237.50	190.—	195.—	—	237.50	130.—
November	250.—	190.—	190.—	—	350.—	130.—
December	275.—	230.—	195.—	—	400.—	150.—
1965 : January	332.50	235.—	300.—	270.—	550.—	200.—
February	375.—	250.—	290.—	250.—	480.—	235.—
March	308.25	245.—	280.—	250.—	450.—	235.—
April	308.25	220.—	235.—	240.—	500.—	260.—
May	300.—	220.—	277.50	270.—	500.—	245.—
June	325.—	245.—	300.—	350.—	550.—	245.—
July	425.—	292.50	375.—	—	550.—	340.—
August	408.75	350.—	500.—	—	750.—	450.—
September	75.—	600.—	632.50	—	—	525.—
October	1,031.25	875.—	800.—	1,400.—	—	537.50
November	1,312.50	1,250.—	800.—	—	—	700.—
December	2,750.—	1,800.—	1,275.—	1,800.—	—	1,450.—
1966 : January	3,500.—	2,500.—	2,762.50	1,900.—	2,650.—	2,300.—
February	3,750.—	2,500.—	2,975.—	2,300.—	3,000.—	—
March	5,312.50	2,900.—	3,350.—	2,500.—	4,200.—	—
April	5,312.50	—	3,500.—	2,700.—	—	—
May	4,375.—	3,300.—	4,820.—	3,300.—	—	—
June	4,087.50	—	—	5,250.—	—	—
July	5,037.50	—	—	—	—	—
*) Lowest quotation						

Source : Central Bureau of Statistics

- 2) Regulations in various regions prohibiting the transfer of rice from one region to another.
- 3) The scarcity of means of transportation from producing to consuming areas.
- 4) The lack of balance between the price of rice and the prices of other basic commodities, such as textiles, etc.
- 5) The tendency on the part of farmers to switch over from rice planting to growing spices, which bring in better prices.
- 6) The rampant inflation during the last six years.

International Rice Situation

During the last eight years up to 1965 the world production of rice showed a steadily upward trend. Almost all developing countries, both rice importing and rice exporting ones, included a plan for the promotion of rice production in their economic development programmes. The main objective of this effort to raise rice production was to increase the farmer's income and to satisfy the rising demand for rice in these countries. Often these countries expected be able to curb imports of rice or increase their rice exports in order to obtain more foreign exchange needed for the purchase of capital goods to be used in other economic sectors.

In most countries the targets of rice production were fixed at a far higher level than the increase in population with a view to raising the consumption per capita. It may be said in general that rice exporting countries exert themselves to boost rice production by twice the rate of population increase, while rice importing countries expect the rise to be three times that rate. Most countries endeavour to achieve increase in rice production through increase of the output per unit of area by the application of intensification such as better agricultural techniques and irrigation, the use of more fertilizers, etc.

In some countries such as Indonesia, Burma, Muang Thai, the United Arab Republic, Brazil and Suriname, the areas for rice cultivation were expanded besides the intensification.

In the period 1957-1959 to 1963-1964 production rose by 25% (the People's Republic of China excluded), which was due to the expansion of areas under rice cultivation by more than 7 million ha (i.e. 2% annually) and the increase of output per unit of area by 1.5% annually. It turned out that in this period the production increase in exporting countries taken as a whole (5.3% annually) was larger than the production increase in importing countries (3.7% annually).

Such a high rate of production increase in exporting countries shows the large profits rice as a cash-crop is able to yield and the importance of rice as a foreign exchange earner for the countries in question. The rate of production increase in most large exporting countries was in conformity with the targets determined. Conversely, many of the importing countries did not reach the production targets. The failure to reach these targets, however, rather illustrates that the programmes were too ambitious than that the production increase was too slow.

For the first time in the past eight years, the world rice crop for the period 1965-1966 did not show an increase. The rice crop for that period was estimated at 245 million tons, or 6 million tons less than the crop of the year before. This decrease in production occurred in rice importing countries and was mainly caused by a drop in the rice crop in India by 9.5 million tons.

The development of the world rice production is shown in table 36.

In the international rice trade demand for rice kept growing steadily. This was chiefly due to the rapidly growing population and the rising consumption per capita in the developing countries, which were indications of improvement in the standards of living and increasing urbanization in these countries.

The pressing world demand for rice could be satisfied since the supply had increased due to the increase of world rice production in general. However, international rice prices during this period were stable at a high level, indicating that the increase in world rice production was still lagging behind the rise in rice

TABLE 36 – PADDY PRODUCTION IN THE MAIN EXPORTING AND IMPORTING COUNTRIES (‘000 metric tons)			
Countries	1961-'63 ¹⁾	1964-'65	1965-'66 ²⁾
<i>I. The main exporting countries</i>			
Burma	7,061	8,151	8,700
Cambodia	2,348	2,570	2,695
Thailand	8,430	9,625	9,500
United Arab Republic	1,556	2,036	2,000
U.S.A.	2,643	3,318	3,490
Brazil	5,563	7,000	6,500
Other countries	13,380	14,716	15,087
Total	40,981	47,416	47,972
<i>II. Importing countries</i>			
Ceylon	933	1,054	1,050
India	50,459	58,098	48,500
Indonesia	12,967	13,500 ³⁾	13,500
Japan	16,574	16,343	16,116
Pakistan	15,706	17,780	17,500
Other countries	5,256	5,479	5,571
Total	101,895	112,254	102,237
Countries excluding I and II	9,310	10,091	10,391
World total (excluding People's Republic of China)	152,186	169,761	160,600
(People's Republic of China) ³⁾	79,370	82,000	85,000
¹⁾ Average ²⁾ Provisional figures ³⁾ Non official estimate			

Source : Food and Agricultural Organization.

consumption. The South-East Asian countries in particular were deficit areas in the matter of foodstuffs. The table 37 illustrates the world imports of rice.

The table shows that rice imported annually by Far Eastern countries amounted to about two thirds of the total world import. In 1965 the Far East imported about 4.6 million metric tons of rice, which was a record figure since the years before the second World War.

Up to 1964 Indonesia was the biggest rice importer. On the average it Imported one sixth of the total world import of rice annully. In conformity with its

TABLE 37 — RICE IMPORTS BY COUNTRIES (¹ 000 metric tons) milled rice equivalent					
Countries	1957-'59 ¹)	1960-'62 ¹)	1963	1964	1965 ²)
Ceylon	527	469	403	658	530
I n d i a	492	507	507	645	783
Indonesia	616	1,030	1,070	900	250
J a p a n	377	159	222	420	959
Pakistan	351	253	232	108	52
Philippines	116	63	256	299	600
Other Far East countries	1,076	1,175	1,433	1,278	1,460
Far East	3,555	3,656	4,123	4,308	4,634
Other countries	2,278	2,425	2,350	2,832	2,621
World total	5,833	6,081	6,473	7,140	7,255
¹) Average figures ²) Provisional figures					

Source : Food and Agricultural Organization.

political principle of self-reliance in the field of foodstuffs through the boosting of home production, the import of rice was drastically cut down in 1965 to a mere 250,000 tons. The decrease in purchase by Indonesia together with the decline in demand from Malaysia and Pakistan caused a momentary drop in the world market price of rice but this influence was soon offset by the growing demands from India, Japan, the Philippines and Vietnam. Japan's import of rice for 1965 was estimated to be more than twice that for 1964, turning Japan into the biggest rice importer of 1965. Japan Imported high quality rice, viz. round grain rice. The Philippines also increased its import for 1965 to twice that of the year before, which indicates a general rise in national consumption. There was recently a simultaneous decrease in rice acreage in the Philippines, large pieces of land being used for other cash-crops. South-Vietnam, which was traditionally a rice exporting country was due to the war and economic dislocation forced to import rice from the U.S.A. under Public Law No. 480. The decrease of rice import by Russia in 1965 was an indication of the rise in production during the last two seasons due

TABLE 38 — RICE EXPORTS (DOMESTIC OUTPUT) BY COUNTRIES (¹ 000 metric tons) milled rice equivalent					
Countries	1957—'59 ¹)	1960—'62 ¹)	1963	1964	1965 ²)
Burma	1,618	1,688	1,664	1,394	1,200
Thailand	1,268	1,346	1,442	1,898	1,851
Chinese People's Rep	1,137	702	631	805	835
U.S.A.	692	961	1,197	1,352	1,549
United Arab Rep.	244	225	380	527	330
Brazil	36	65	—	12	189
Other countries	1,198	1,251	1,491	1,295	1,348
World total	6,193	6,238	6,805	7,283	7,302
¹) Average figures ²) Provisional figures					

Source : Food and Agricultural Organization.

to the extension of its rice acreage. For the cultivation of rice the Russian Government paid due attention to irrigation problems and other incentives.

By taking into account an annual population increase of 2.4%, under the assumption that the supply of food remained stable, the food deficit in India statistically covered an amount of 7 to 8 million tons of milled rice, which was about the total world export of rice. For this reason the food deficit in India cannot be hoped to be covered solely by the import of rice but by other cereals as well.

Table 38 illustrates the volume of rice exports.

During two consecutive years of the period under report (1960-1965), the world export of rice showed a decline in volume, namely in the years 1961 and 1962. The export volume in these two years was smaller than the average export volume in the period 1957-1959. Even though the export volume for 1962 (about 5,650,000 tons) was smaller than that for 1961 (about 5,965,000 tons), the proceeds were estimated to be higher because the rice price in 1962 was conspicuously higher than in 1961. The demand in 1962 was mainly for low quality rice,

in particular for “medium grain, brokers”. Accordingly, the 1962 price index figure for this kind of rice was the highest figure during the period 1958-1965, both on the free market and in bilateral contracts. High quality rice, for instance “round grains” was imported by developed countries, among others by Japan.

The increase in world rice export in 1965 was an increase outside the Eastern countries: the striking decline in rice export (about 30%) from the United Arab Republic in that year was offset by a rise in U.S.A. and Brazilian exports.

Burma was the number one rice exporter up to and including 1963; as such it was superseded by Muang Thai in 1964, and in 1965 Burma only occupied third place among the rice exporting countries. Muang Thai turned up as a rice exporter for the first time in 1964 due to a rich harvest in the period 1963-1964 of 10.2 million tons of rice, exceeding its rice production target contained in its six-year development plan (1960-1966).

To avoid being solely dependent on the rice trade, both Muang Thai and Burma, as countries where agriculture means almost entirely the monoculture of rice, have devised long-term projects of diversifying their agriculture without neglecting the furtherance of the production of rice.

Aside from a regression in 1961, rice export of the U.S.A. steadily rose from year to year. The yearly export in the period 1957-1959 amounted to an average of 692,000 tons, while the 1965 export was estimated at 1,549,000 tons. On account of these figures, the U.S.A. occupied the second place after Muang Thai. About half of the amount was distributed through certain Government programmes, as was the case with the rice export to India and South-Vietnam 1965 under the “Public Law” program. In the period 1966-1967 the U.S.A. expected to be able to export even more rice owing to its estimated record rice harvest and the extension of its rice acreage—which since 1961 had been limited to 1.8 million acres—by 10% to overcome the present world shortage of rice.

Another rice exporting country is the People's Republic of China. Owing to its policy of exporting rice and importing cheaper wheat, the People's Republic of China was able to export about 800,000 tons annually, which is more than 10% of the total world export of rice, although its home supply was precarious. According to official reports from the Ministry of Agriculture of the People's Republic of China, crop yields were big in the period 1962-1965.

Brazil's rice export showed a conspicuous rise from 12,000 tons in 1964 to about 189,000 tons in 1965, which meant an increase of 16 times. The export was stimulated by the abolition of export duties and to some extent also by the devaluation of the cruzeiro. When compared with the average annual export of 65,000 tons during the period 1960-1962, the 1965 export was three times as much.

The slackness in the international rice trade was partly due to the limited foreign exchange available to importing countries and the limited supply of rice at concessionary prices.

Forestry

The production of wood has been fluctuating from year to year. Taken in its entirety, the output from 1960 to 1963 showed an upward trend, whereas in the following years there was a reverse development.

In the 1960/1965 period, the 1961 output reached the record of 3,997,000 cubic metres. This was due to an increase in production by 518,000 cubic metres in Sumatra and 197,000 cubic metres in East Indonesia. Of the total increase the increase in the production of industrial wood accounted for 265,000 cubic metres and charcoal for 264,000 cubic metres, whereas the production of fire wood decreased by 58,000 cubic metres. Though the production of fire wood was large enough, it was still below the 1957 production +/- 6% (table 39).

TABLE 39 – TIMBER FELLING IN VARIOUS AREAS ¹⁾ (’000 m ³ , rough timber equivalent)					
	Djawa and Madura	Sumatra	Kali- mantan	East Indonesia	Total
1959	2,094	1,476	238	48	3,856
1960	2,006	951	474	95	3,526
1961	1,899	1,469	337	292	3,997
1962 ²⁾	1,908	1,381	422	69	3,780
1963 ²⁾	1,977	1,493	378	103	3,951
1964 ²⁾	1,392	1,091	200	165	2,848
1965 ²⁾	1,309	945	181	29	2,464
1966	...	...	...	...	...
¹⁾ . Including sirap. ²⁾ . Provisional figures					

Sources : B.P.U. Perhutani (General Managing Board of the state Forestry Enterprises).
Forestry Service.

The year 1961 was a preparatory year for the implementation of the decree of the Provisional People’s Consultative Congress in the field of forestry, and the year was among others marked by the setting up of the B.P.U. Perusahaan Kehutanan Negara (B.P.U. Perhutani) in Djakarta by means of Government Regulation No. 17/1961. As from that date there were two state institutions operating in the field of forest management :

1. The Forestry Service: basically concerned with forest management in general where emphasis is laid on public welfare.
2. Perusahaan Kehutanan Negara—State Forestry Enterprise—(Perhutani): in line with its function as state enterprise, it is assigned the task of producing, processing and marketing forest products on a sound commercial basis.

Up to the present time the B.P.U. Perhutani runs several territorial operational units in Central Djawa, East Djawa, South Kalimantan, East Kalimantan and Central Kalimantan. In addition, it runs :

1. One logging station and one work-shop in Pasar Ikan, Djakarta.

2. Sawmills in Nitjiran and Siantan, West Kalimantan.
3. Sawmills and mechanization in Samarinda and Balikpapan, belonging to the East Kalimantan Unit.

In 1962 the production of wood amounted to 3,780,000 cubic metres; this means a decrease of 217,000 cubic metres caused by insufficient transport facilities and difficulties in procuring replacement parts for the sawmills. Taken separately and according to the types of wood, the production of fire wood decreased by 116,000 cubic metres, that of charcoal by 104,000 cubic metres, whereas the production of industrial wood showed an increase of 3,000 cubic metres. The sharp decline in the 1962 production of fire wood was due to decrease in the export of the commodity on a barter basis to Singapore.

In 1963 the production of wood increased though it was still below the 1961 output. This increase was due to an increase by 250,000 cubic metres in the production of fire wood and by 36,000 cubic metres of charcoal. The production of industrial wood, on the other hand, showed a decrease of 115,000 cubic metres. This decrease was due to a decrease in the production of non-teak industrial wood, for the production of teak continued to increase. The decrease in the production of non-teak industrial wood resulted among others from :

1. a longlasting drought during the dry season in 1963 which reduced the navigability of rivers in Kalimantan thus reducing the quantity of wood which could be transported from inland;
2. since 1962 there has been a shortage of skilled labour and managing staff.

As regards industrial wood, fire wood and charcoal, after 1963 there has been a continuous decrease in their production which was mainly due to the confrontation against Malaysia when there was no export of the commodities to Singapore which constituted the largest buyer of Indonesian wood, especially non-teak industrial wood and fire wood.

TABLE 40 – TIMBER FELLING ACCORDING TO TYPES (’000 m ³ , rough timber equivalent)				
	Lumber	Fire Wood	Charcoal	Total
1 9 5 9	1,888	1,520	448	3,856
1 9 6 0	1,859	1,469	198	3,526
1 9 6 1	2,124	1,411	462	3,997
1 9 6 2 *)	2,127	1,295	358	3,780
1 9 6 3 *)	2,012	1,545	394	3,951
1 9 6 4 *)	1,537	1,004	307	2,848
1 9 6 5 *)	1,468	904	92	2,464
1 9 6 6	...	...	...	...
*) Provisional figures				

Sources : **B.P.U. Perhutani**
(General Managing Board of the state Forestry Enterprises).
Forestry Service

As a result of such a sharp decline in timber exports, timber felling had to be reduced, thus showing a decrease in the production of wood.

Other factors effecting the production of wood, especially in 1964 and 1965, were :

1. increasing cost of production, worn out means of production and the shortage of certain equipments;
2. insecurity problems prevailing in the teak estates in Djawa and the shortage of adequate transport facilities ;
3. difficulties faced in recruiting labour force and providing food for them, especially in Kalimantan.

Imports of wood pulp and news print in 1961 increased by 441 tons and 21,630 tons respectively over the imports of the previous year, whereas those of triplex

TABLE 41 — IMPORTS AND EXPORTS OF THE PRINCIPAL KINDS AND PRODUCTS OF WOOD (in tons)						
	Imports			Exports		
	Triplex cases	Wood pulp	News print	Teak	Other kinds of timber	Fire wood
1959	4,245	1,283	16,055	8,575	119,100	8,850
1960	5,854	3,612	19,636	10,204	125,248	7,384
1961	5,538	4,053	41,266	5,432	115,819	4,808
1962 ¹⁾	1,990	712	48,244	3,420	103,420	4,469
1963 ¹⁾	3,649	1,539	63,618	5,989	107,107	1,638
1964 ¹⁾	2,376	969	29,572	7,711	62,076	—
1965 ¹⁾	2,499 ²⁾	860 ²⁾	13,149	9,679	123,806	—
1966	...	...	...	...	...	...
1) Provisional figures 2) January — June						

Source : Central Bureau of Statistics

cases showed a decrease by 316 tons. During the years 1962, 1963 and 1964 the imports of triplex cases and wood pulp showed a downward trend. But the imports of news print showed an upward trend and reached a record of 63,618 tons in 1963. Figures for 1965 were available up to the month of June.

Exports of teak and other kinds of wood increased during 1961 by about 14 per cent and 5 per cent respectively over the previous year, whereas those of fire wood decreased by about 16 per cent. During the 1961/1963 period exports of fire wood were steadily declining until they completely ceased in 1964.

The export of teak and other kinds of wood showed a decline in 1961 compared with the previous year. Though the Perhutani had taken measures for increasing the export of wood, 1962 saw a further decline particularly in the export of teak, so that the export of the commodity stopped in June 1962 to be resumed in November 1962. It should be noted that prior to 1962 exports of teak-wood were handled by private exporters who purchased wood from the Forestry Service. After its establishment the P.N. Perhutani was given the monopoly to produce and export teak-wood.

TABLE 42 – EXPORTS OF FOREST BY-PRODUCTS (ton)			
	Copal	Damar	Rattan
1959	3,511	4,925	33,111
1960	3,714	5,143	34,712
1961	3,645	6,225	28,716
1962	3,356	8,657	30,197
1963*)	3,113	8,248	29,832
1964*)	2,046	5,885	37,839
1965*)	1,808	5,308	34,626
1966	...	...	...
*). Provisional figures.			

Source : Central Bureau of Statistics.

From 1963 to 1965 the export of teak and other types of timber showed an upward trend, except non-teak industrial wood in 1964.

Due to the confrontation campaign, in 1964 and 1965 there was no export of fire-wood, Singapore being the only buyer of Indonesia's fire-wood. The export of charcoal also ceased.

Besides industrial wood, fire-wood and charcoal, other forest by-products were rattan, damar and copal, of which Indonesia is the main producer, and which up to now contribute a larger share in foreign exchange earning than timber.

As regards the forestry projects, the following have been finalized: the project in Kalimantan, a joint-venture between the B.P.U. Perhutani (Indonesia) and the Foret Development Corporation (Japan) on the basis of production-sharing ; the placement of Unit I in Nunukan island of which the joint-survey was started at the beginning of 1963 and finished at the end of 1964 and is now in operation. Units I and II located respectively at Sesajap (joint-survey started at the beginning of 1964) and Malinau (joint-survey started at the middle of 1964) up to 1966 have not started producing yet.

The specification of the credits granted by Japan to each Unit was as follows :

1. Unit I : U.S. \$ 1.8 million
2. Unit II : over U.S. \$ 2 million
3. Unit III : U.S. \$ 1.95 million

Unit I located in Nunukan began felling trees in November 1964 and by the end of the year its output totalled 3,000 cubic metres. In 1965 its output amounted to 8,155 cubic metres. At the beginning of 1965 Unit I started exporting timber, totalling 10,160 cubic metres for that year.

Difficulties in operating the project in Nunukan were inter alia :

1. technical difficulties which make themselves felt up to the present moment due to lack of experts
2. difficulties arising from the political and geographical position of Nunukan during the confrontation campaign;
3. lack of shipping space limited the volume of export to Japan;
4. inadequacy of equipment imported from Japan as regards types and quality.

Industrial projects such as wood-flooring, veneer and the Notog project could not be finalized though their realization has long been prepared for. The difficulties lie in the financing of the projects for which efforts are being made in acquiring credits.

Reafforestation and replanting of bare plots have been undertaken by the Perhutani by planting types of trees important to industrial development. In 1964 new planting of *Agathis* in Djawa totalled 617 hectares, *Pinus* 5,861 hectares, teak trees 19 541 hectares and other trees 12,140 hectares.

Livestock

On scrutinizing table 43 it will be apparent that the total of cows, goats/sheep and pigs showed a considerable increase in 1962 if compared with the previous years. This found its reason in the fact that the collection of statistical data was different. While before 1961 data were obtained from the regional Veterinary Service based on a very rough estimate, in 1961 and 1962 the figures were collected together with the 1961 population census. The figures for 1963 were based on the provisional results of the agricultural census in 1963, whereas the figures for 1964 and 1965 were not yet available.

TABLE 43 — LIVESTOCK (’000 head)					
	Cows	Buffaloes	Horses	Goats and Sheep	Pigs
1940	4,356	2,417	711	5,239	1,224
1959	4,805	2,809	673	7,958	1,946
1960	4,947	2,861	657	7,742	1,880
1961	6,348	2,893	720	11,507	2,687
1962	6,684	2,779	741	10,332	2,945
1963	6,328	2,650	461	9,556	1,738
1964	...	...	...	...	...
1965	...	...	...	...	...

Sources : Veterinary Service
Central Bureau of Statistics.

One of the efforts in stepping up the production of livestock was plan of the Central Live- stock Cooperative in East Atjeh to start a cattle project on a plot of land of 600 ha. For this project 300 heads of live-stock were made available. In order to cut down foreign exchange expenditures Hotel Indonesia built a “cattle ranch” in 1964. At present, however, Hotel Indonesia still has to import meat from abroad since meat from Indonesian cows could not yet suit the taste of foreign visitors.

P.N. Perhewani which was set up by Government Regulation No. 31 1962 was to operate in the following fields :

1. Dairy cattle, the breeding of first quality cows to be distributed/sold to the population, apart from the production of milk and butter.
2. Beef cattle, consisting of cattle for slaughter (for local, interinsular needs and export).
3. Poultry, the production of first quality chickens and eggs.
4. Canning industry of corned beef and milk.
5. Fodder crop/grass for cattle feeding.

The production of meat by P.N. Perhewani was 284 tons in 1962 and rose to 550 tons in 1963. The considerable increase was due to a stop of the exports of cows because of the confrontation with Malaysia. The cattle actually meant for export was used for domestic consumption, thus causing an increase of cattle slaughtered.

In the following years the export of cattle was shifted and aimed directly at consumer countries, by passing Singapore. Thus the slaughter of livestock returned to its original level. The figure recorded for the production of meat for 1965 was 261 tons, whereas for the first nine months of 1966 221 tons were recorded. The setback was caused by the lack of funds and transportation facilities. Since 1964 P.N. Perhewani produced corned beef with an initial output of 28,293 tins, each containing 325 grams. In 1965 the production of corned beef was stepped up to 519,066 tins, but suffered setback in 1966 and dropped to 164,105 tins in the first 9 months.

Before the confrontation with Malaysia the greatest part of live-stock exports went to Singapore. During that period however, it was sent direct to the consumer

countries. In 1964: 20,808 cows, 17,436 buffaloes and 160 pigs were exported and in 1965 : 14,977 cows, 5,267 buffaloes and 1,950 pigs. The greater part of the above mentioned live-stock was sent to Hongkong from Nusa Tenggara.

The milk production of the cattle ranch owned by P.N. Perhewani was 321,000 litres in 1962. The production suffered a setback in the following years, for 1963 a production of 284,000 litres was recorded and for 1964 303,000 litres. In 1965 the production rose again to 389,000 litres and dropped considerably in 1966 when for the first nine months a production of only 169,000 litres was recorded. This decline was caused by the lack of veterinary surgeons and a lack of funds for the proper care of the cattle. The milk production distributed through P.N. Perhewani milk centre for the period 1962 through 1965 was respectively 1,263,000 litres, 1,520,000 litres, 1,450,000 litres, 1,445,000 litres and 673,000 litres for the first nine months of 1966.

The greater part of the milk came from local farmers, apart from the milk produced in the milk centres of P.N. Perhewani, such as at Baturaden, Rembangan, Grati, Bojolali and Pasar Minggu. The lack of working capital and the fact that the money received was often late resulted in P.N. Perhewani's incapability to pool the milk from the farmers and to buy coconut oil cake from the oil factories for them. As a consequence the farmers did not want to pool their milk with the centres any more, but sold it to private middlemen instead.

To organize the distribution of milk P.N. Perhewani organized 3 milk routes :

1. Bojolali— Semarang, with Bojolali as a milk centre with a production of about 2,000 litres per day.
2. Bandung —Djakarta, with a milk centre near Bandung, with a production of about 3,000 litres per day.
3. Malang/Pasuruan — Surabaya, with a production of about 3,000 litres per day.

To step up milk production the Government imported milking cows and breeder stock from abroad. The most common breed of milking cows in Indonesia is Frisian Holstein, which at present is suffering from a general setback in quality, with the exception of cows bred in mountainous regions. To replace the cows in the mountainous regions Frisian Holstein breed can be imported again, but for other regions it would be better to import a breed from countries with a climate similar to that of Indonesia and which can live on less lush meadows. In the villages near Grati/Pasuruan the Government distributed breeder cows and intensified artificial insemination. Experiments were also carried out in milking buffaloes from India which produced an average of 15 litres a day.

Other measures which have to be taken to step up milk production are :

- a. the promoting/reorganizing of milk cooperatives;
- b. the acceleration of milk distribution from the villages to the towns;
- c. fixing a reasonable price for milk producers.

In its efforts to find a substitute for imported milk powder for babies P.N. Sarihusada at Jogjakarta was successful in its experiments. Its products however, were for the time being only available to hospitals and the B.K.I.A. (Balai Kesehatan Ibu dan Anak = Mother and Child Health Centre) and are not yet sold to the public. Besides, P.N. Sarihusada still produces soya bean milk, which it now tries to export.

Rabbit raising has become more and more popular with the public. There is a rabbit raising centre at Bantul in the vicinity of Jogjakarta where every interested inhabitant is given one male and two female rabbits to be repaid by five rabbits after one year. Rabbit raising is very profitable, because rabbits need very little care and multiply very fast, 4 to 15 every time they give birth; besides rabbits have a higher protein content than any other kind of meat.

As regard fowls, poultry diseases still cause considerable loss to breeders. Government measures to combat diseases are mass inoculations, information on

poultry husbandry and participation in eradicating diseases. No exact figures are available for the number of fowl in Indonesia but it is estimated that there were 155,000,000 chickens and 21,000,000 ducks in 1964.

In 1964 there were about 4,000 cows, 3,000 goats/sheep and 100 milking cows in West Irian. Pigs are bred in many places by the people, but no definite figures are available due to counting difficulties.

Fisheries

The annual inland fishery production in the 1960 — 1965 period were respectively : 347, 385, 371, 377, 361 and 373 thousand tons.

Specifications of the 1960 production were: 40 thousand tons from ponds, about 14 thousand tons from rice-fields, about 43 thousand tons from “tambak” (a kind of pond), and the remaining 250 thousand tons from other waters, such as swamps, dams, lakes and rivers. In 1961 production went up to 385 thousand tons

TABLE 44 — PRODUCTION OF FISHERIES (‘000 tons of fresh fish)			
	Sea fisheries	Inland fisheries	T o t a l
1940	315	147	462
1959	400	354	754
1960	412	347	759
1961	525	385	910
1962	538	371	909
1963 *)	559	377	936
1964 *)	590	361	951
1965 **)	650	373	1,023
*) Provisional figures **) Estimate			

Sources : Sea Fisheries Service
Inland Fisheries Service.

as against 347 thousand tons in the preceding year, despite the fact that several thousands of hectares of pond in West Djawa and South/Southeast Sulawesi were subjected to prolonged drought. In 1962 flood inundated a number of fishery areas, so that production went down to 371 thousand tons. A slight boost occurred in 1963 when production reached 377 thousand tons. The glaring set-back in fish yield in 1964 was the result of a fall of production in the Kalimantan waters because of the relay of removing echornia plants covering the waters. Shortage of funds for the import of anti echornia chemical substance and lack of personnel in Kalimantan contributed greatly to the delay. The increase of “tambak’s” and tile promotion of fish cultivation in tile rice fields were responsible for the 1965 stopped-up production of 373 thousand tons.

Meanwhile, government efforts to boost inland fishery production were as listed below :

- attempts for intensification of fish cultivation in rice fields;
- sowing of quality fish spawn;
- removal of echornia plants completely covering public bodies of water since main hopes for a boost of inland fishery production lie in potencies contained in the public waters;
- more modern fish-catching techniques.

The following factors obstructed efforts aimed at increasing production :

- transport difficulties, including those of transporting salt and fish products (salted fish and the like) while deep waters became shallow by erosion.

In the socio-economic sector, the difficulty lies in the marketing of inland fishery production, where up to now fishermen have still occupied a bargaining position which is not at all profitable.

The annual production of *sea fishery* during 1960—1965 were respectively: 412, 525, 538, 559, 590 and 650 thousand tons. A steady increase was noted since 1960. This was because of the two following factors :

- a. the increase of production factors in general (fishermen, fish-catching tools, sailing vessels, motor-boats, etc) ;
- b. improvement of fish-catching methods in several areas.

Although annual production of sea-and land-fishery increase from year to year, the total production reached was still unable to meet the demand. It was estimated that the minimum amount of protein a person needed was 13 kgs of meat and 17 kgs of fish annually.

On the assumption that the rise of population was 21/2% a year, the total population of Indonesia in 1963 was about 101 million (census figures in 1961: 97 million). This made the annual need for fish meat to 1,717 thousand tons, whereas the real production of that year only reached 936 thousand tons. Imports of salted fish and other fish products at the time reached 585 tons.

With an estimated total population of 103 million in 1964 Indonesia needed 1,751 thousand tons of fish, whereas production only reached 951 thousand tons, while imports of salted fish and other fish products amounted to 665 tons.

The need for fish in 1965, with a total population of 106 million, was 1,802 thousand tons, as against production of 1,023 thousand tons (estimate).

Thus, it was evident that neither production nor imports could as yet fulfil demand. Therefore, the Government is placing special attention to efforts aimed at boosting and perfecting fishery production. Efforts in this direction have already been initiated by the Sea and Inland Fishery Services, the P.N. Perikani and other agencies. Special preminence was placed on the sector of education and material needs. At the same time, fishermen organizations and fishery co-operatives were playing an important role in promoting the standard of living of fishermen.

Some 300 cadres are now following advanced courses on fishery sciences abroad, while another 1000 are studying special courses for machinery and navigation experts.

Cadre training was provided for by the Department for Agriculture and Agrarian Affairs, which also gave further encouragement to dockyards of fishery vessels in this country to order fish-catching vessels besides making available subsidy to fishery development and co-operatives development.

Fishery schools were set up, among them five fishery junior high schools at Tegal, Medan, Bali, Manado and Ambon, two fishery senior high schools at Bogor and Tegal, an Academy for Fishery in Djakarta, the Faculty of fishery at Bogor, and a Fishery Academy also at Bogor.

In the sector of co-operatives, there are now 500 primary co-operatives, 15 central fishery co-operatives, 5 joint fishery co-operatives, and a fishery cooperative centre, which although facing numerous difficulties still marked a number of achievements.

The working program of the Indonesian Fishery Co-operatives Centre is as follows:

1. to enhance the standard of living and knowledge of fishermen;
2. to boost fish and other sea products to meet food demands.

The P.N. Perikani (State Fishery Corporation) was the result of a re-organization of fishery foundations in the past. The corporation embraces 10 state fishery corporations scattered all over Indonesia. P.N. Perikani operates in the following sectors :

- a. fish-catching operations, directly or indirectly, by renting devices and boats to local fishermen ;
- b. processing and preserving of fish, including ice factory operations ;
- c. side-activities of shipyard operations for third parties ;
- d. side-activities of inter-insular transport of maritime products for third parties.

Since production of fresh fish is still far below demand, this commodity is easily sold in local markets. The question here is the inefficiency of marketing

operations which are still monopolized and manipulated by “tengkulaks” (middlemen) at auction sales. With a view to surmounting this problem, the Department for fishery and Processing of Maritime Products has set up a special marketing body, called P.N. Hasil Laut.

Before it could render its services to fishermen in general, at the initial stage, P.N. Hasil Laut was tasked with arranging and marketing of P.N. Perikani products. P.N. Hasil Laut is now operating in Djakarta and Surabaya and is still facing a lot of difficulties, particularly as regards cold storage equipment and salesmanship/experience.

P.N. Hasil Laut has plans to supply Djakarta with 10 tons of fish a day, but at present could only make available 2 to 3 tons a day while a greater part of fish marketing in Djakarta is still in the hands of the “tengkulaks”.

For the purpose of preserving fish, there is at Tandjung Priok at present a machine which could produce ice with a capacity of 100 kgs per 15 minutes. This commodity is sold to fishermen at a fairly reasonable price.

P.N. Hasil Laut is now operating with 7 vessels, each with a capacity of 40 tons. Another 250 tons capacity vessel worth US \$ 200,000 is scheduled to arrive from Japan.

In the meantime, P.N. Hasil Laut has received orders from Japan, Hongkong and the U.S.A. Japan is requesting “tjakalang” (tuna) fish and shrimps, while Hongkong is placing orders for „mudjair” (fresh water fish feeding on larvae).

Imports of salted fish and other fish products during 1960 up to 1964 were respectively : 15,908 tons, 9,486 tons, 1,540 tons, 585 tons and 665 tons. Exports of fresh fish in the same period were as follows :

275 tons, 302 tons, 407 tons, 199 tons and 24 tons. Since early 1966 (January up to March) imports have amounted to 9 tons and exports to 3 tons (up to June).

The continued fall of export figures in the course of 1963 up to 1965 was caused by inter alia the increase of consumption at home and the severance of diplomatic relations with Malaysia and Singapore.

Agricultural export commodities

Rubber

Figures of the International Rubber Study Group recorded a steady annual increase of the production of both natural and synthetic rubber.

The production of synthetic rubber indicated a remarkable rise each year. This continued boost, in percentage, was as follows : 1960 (+ 9.4%), 1961 (+5.1%), 1962 (+ 13.4%), 1963 (+8.8%), 1964 (+14.9%), and in 1965 (+ 7.6 %). All synthetic rubber producing countries showed continued production increase with the United States as the biggest producer, followed in successive order by Canada, Britain, the Federal German Republic, and France. Japan was another significant producer of synthetic rubber. While in 1963 Japan still occupied the No. 7 position among major producers of this commodity, it succeeded in taking over the No. 6 position from Italy in 1964. In 1965, Japan acquired the No.5 position from France.

Although production of natural rubber noted a similar increase, the rise was not remarkable. In 1963, world production of this commodity (2,067,500 long tons) recorded a fall of 62,500 long tons against production of the foregoing year. The rise, in percentage, of natural rubber production against production of the previous years for the period 1960 up to 1965 was respectively as follows : — 2.6%, +5.3%, +1.7%, —2.9%, +8.3%, and +3.9%.

Production decline in 1963 was primarily attributed to the sharp fall of Indonesian small-holders rubber. Indonesia's confrontation policy against Malaysia brought trade operations between Indonesia and Singapore to a total standstill. As

TABLE 45 – WORLD PRODUCTION AND CONSUMPTION OF SYNTHETIC RUBBER (’000 long tons)							
Production	1959	1960	1961	1962	1963	1964	1965
United States	1,380	1,436	1,404	1,574	1,608	1,765	1,814
C a n a d a	101	160	164	168	179	197	203
United Kingdom	56	90	106	117	125	153	172
West Germany	48	80	86	88	106	136	161
Other Countries	48	114	215	293	420	552	665
World Total	1,633	1,880	1,975	2,240	2,438	2,803	3,015
Consumption	1959	1960	1961	1962	1963	1964	1965
United States	1,073*)	1,079	1,102	1,256	1,307	1,452	1,541
United Kingdom	80*)	116	121	133	144	166	180
West Germany	73*)	104	120	129	143	174	205
F r a n c e	66	91	96	108	123	139	145
C a n a d a	57	56	63	73	84	91	96
Other Countries	234*)	352	418	476	559	726	808
World Total	1,583*)	1,798	1,920	2,175	2,360	2,748	2,975
*) Revised figures							

Source : Rubber Statistical Bulletin

a result, Indonesian commodities formerly exported via Singapore, notably small-holders rubber, could not yet reach other markets.

The decline of exports was responsible for the reduction of home demand for small-holders rubber. This eventually resulted in the fall of production. In 1964 exports traditionally going via Singapore were gradually shipped directly to consumer countries, as a result of which production of Indonesia rubber (small-holders) again marked an increase. While Indonesia in 1958 was top among natural rubber producing countries in the world, this honour was taken over by Malaysia in 1959, forcing Indonesia to be satisfied with the No. 2 position. The third and fourth were occupied by Thailand and Ceylon respectively.

As percentages of total world production of natural and synthetic rubber! a steady decline on the part of natural rubber production was recorded whereas synthetic rubber indicated a continued increase :

<i>Year</i>	<i>World production of natural & synthetic rubber</i>	<i>Natural rubber</i>	<i>Synthetic rubber</i>
1959	3,675,000 long tons	55.6%	44.4%
1960	3,870,000 „	51.4%	48.6%
1961	4,070,000 „	51.5%	48.5%
1962	4,370,000 „	48.7%	51.3%
1963	4,505,000 „	45.9%	54.1%
1964	5,032,000 „	44.4%	55.6%
1965	5,342,500 „	43.6%	56.4%

As to rubber consumption, table 45 indicated that world consumption of synthetic rubber showed a continuous progress with the United States as the top consumer country, followed by Germany and Great Britain. In 1963 Britain occupied the number 2 position of synthetic rubber consumer countries. In 1964, however, this position went to the Federal German Republic. The percentages of world synthetic rubber production in the 1960—1965 period were respectively as follows : + 13.6%, + 6.8%, + 13.3%, + 8.5%, + 16.3 %, and + 8.4%.

Natural rubber consumption similarly noted a rising trend. First among the world's biggest natural rubber consumer countries was also the United States with an annual demand of about 500,000 long tons. The second and third position in 1965 were occupied by the Soviet Union with a total import of 256,250 long tons and Japan with a total consumption of 198,250 long tons.

In the competitive history between natural and synthetic rubber 1962 constituted an important year. when for the first time production of synthetic rubber (2,240,000 long tons) excelled that of natural rubber (2,130,000 long tons). Decisive factors in the competition between the two commodities were among other things as listed below :

- a) the factor of price ;
- b) the factor of quality ;
- c) the factor of quantity.

With regard to the factor of price, it may be observed that the significant progress scored in the synthetic rubber making technology coupled with the fact that economies of scale obtained from expanded industries was able to check the cost price of this commodity strengthening its position in relation with that of natural rubber. Confronted with this price rivalry, natural rubber did not remain passive but made all possible attempts at reducing production expenditures by means of boosting the production of latex per hectare. While several years ago a total production of 500—700 kg per hectare made up representative figures, results of research operations utilizing top quality seeds were expected to yield a total of 1,700—2,800 kg per hectare. Meanwhile, the decrease in cost price was not only effected in the cultural technical field but also in processing, applying new procedures and methods. A factor unfavourable to natural rubber is the inelasticity of its supply curve as is usual among agricultural products. A change in demand, therefore, will give rise to large price fluctuations. On the other hand,

TABLE 46 — WORLD PRODUCTION AND CONSUMPTION OF NATURAL RUBBER (¹ 000 long tons)							
Production	1959	1960	1961	1962	1963	1964	1965
Malaya	698	708	737	752	789	825	861
Indonesia	693 ¹⁾	610	671	671	573	638	...
Ceylon	92	97	96	102	103	110	116
Thailand	171	168	183	192	187	218	213
Vietnam	74	75	78	74	71	73	60
Other Countries	315	332	330	339	345	376	374
World Total	2,043 ¹⁾	1,990	2,095	2,130	2,068	2,240	2,328 ²⁾
Consumption	1959	1960	1961	1962	1963	1964	1965
United States	555	479	427	463	457	482	515
United Kingdom	184 ¹⁾	180	166	164	169	181	184
West Germany	144	146	136	146	150	153	155
France	133	127	127	125	125	125	121
Canada	44	35	32	35	36	40	43
Other countries	1,058	1,098	1,240	1,287	1,296	1,279	1,337
World Total	2,118	2,065	2,128	2,220	2,233	2,260	2,355
¹⁾ . Revised figures ²⁾ . Estimate							

Source: Rubber Statistical Bulletin.

TABLE 47 – WORLD RUBBER PRICES R.S.S. I					
	Djakarta—) Rp/kg	London +) sh-d/lb c.i.f.	New York +) US.\$ Cts/lb	Singapore +) Str.\$ Cts/lb	Colombo +) Rupee Cts/lb
1938	0.49	0 7 7/32	14.60	24.06	35.4
1959	30.86	2 5 13/32	36.55	101.56	126.2
1960	37.95	2 7 7/16	38.16	108.08	123.7
1961	34.78	2 0 15/32	29.50	83.54	100.4
1962	100.84	1 11 1/32	28.56	78.20	97.8
1963	201.67	1 9 13/32	26.26	72.42	92.7
1964	390.56	1 8 1/4	23.24	68.14	89.5
1965	1,177.60	1 8 3/4	25.69	70.02	91.4
1966					
January	7.19(u.b.)	1 8 5/8	24.71	70.10	93.1
February	6.74 "	1 8 29/32	25.59	70.34	93.1
March	7.94 "	1 8 13/16	25.71	69.84	92.3
April	7.85 "	1 8 1/8	24.53	67.31	90.4
May	10.54 "	1 8 13/32	24.20	68.69	91.5
June	13.88 "	1 7 5/8	23.66	65.70	88.5
July	13.50 "	1 7 5/16	23.46	64.64	88.7
August	14.53 "	1 6 15/16	23.03	63.60	...
September	18.24 "	...	...	...	...

Sources : +) Rubber Statistical Bulletin
 —) Daily Market Service
 Antara: Rubber
 Bulletin Ekonomi Keuangan

being produced in factories, synthetic rubber is elastic in nature and could better adept itself to changes in demands so that subsequently prices become more stable. Price fluctuations of natural rubber in the past 15 years moved between 17.56 and 59.07 \$ cents per pound against 18.50 and 25.00 \$ cents per pound of SBR synthetic rubber and 18.50 and 23 \$ cents per pound of Butyl.

Besides prices, quality is of major importance in rubber competition. Intensive research activities and development have enhanced the quality of synthetic rubber, closely resembling natural rubber. Synthetic rubber can be divided into three main groups :

1. Styrene Butadiene: a synthetic rubber variety of multiple uses and in some respects superior to natural rubber. This variety is easily affected by heat while its elasticity is inferior to that of natural rubber. High elasticity and resistance against heat constitute the principal conditions of rubber in the manufacturing of heavy duty tyres, such as those of aeroplanes.

2. Speciality rubber such as butyl neoprene and nitrile each having, specific qualities for special purposes.
3. New-stereo, among them polyisoprene and polybutadiene. The first could be regarded as a duplicate of natural rubber because of its highly similar features. Polybutadiene is usually combined with natural rubber to attain high elasticity and heat resistance.

This combination is ideal for heavy duty tyre manufacturing. While synthetic rubber since the beginning of its production made available technical specifications to its consumers, evaluation as to the quality of natural rubber in trade is still done in a visual manner based on a book called “International Standards of Quality and Packing for Natural Rubber Grades” or usually known as “The Green Book”. Visual evaluation founded on outer appearances, such as colour, cleanness, thickness, and so on, very often gives rise to different evaluation between sellers and buyers since this kind of evaluation is more or less subjective in nature.

In the face of severe competition posed by synthetic rubber, consumers began to demand better service so that producers of natural rubber were forced to similarly give technical specifications to prospective buyers. Such steps were initiated by Malaysia by marketing natural rubber which has been adapted to certain standards of technical specifications based on rubber purity percentage, utilizing names such as SMR 5, SMR 20, and so on (SMR 5 — “Standard Malaysian Rubber” with a maximum impurity percentage of 0.05%) . Standardization of natural rubber qualities based on technical specifications opens new opportunities to effect new processing methods with regard to technical specifications.

These new procedures are :

1. Decan-procedure which produces rubber pieces resembling sheets.

2. Grana-procedure which yields rubber beats made into rubber blocks/ comminuted rubber.
3. Screw-press-drying procedure carried out by extruder machine. The results are made into rubber blocks each weighing about 70 lbs. The process takes only 12 minutes. The capacity of a medium-sized machine is 2,000 lbs. per hour.

The advantages of these new procedures compared to conventional ones are among other things:

- quicker, and more economic process;
- products are uniform in quality;
- enabling technical specification.

Among the above mentioned procedures, screw-procedure is probably the most useful to Indonesia because its machinery enables the processing of impure rubber, such as the small- holders slabs. This could serve as an answer to solve the upgrading of small holders rubber.

These new procedures have been put to use in large numbers abroad, such as in Malaysia (about 8 extruder units), Vietnam, and several African countries. Meanwhile, an extruder machine with a capacity of 0.5 ton per hour is being set up at the Dolok Merangir plantation, North Sumatra, Indonesia. Initial production is scheduled for 1967. Speaking about tile quantity of rubber, it should be noted that increasing world demand for this commodity could not be properly fulfilled, regardless of the huge production of natural rubber. This provided safeguard guarantees to synthetic rubber factory operations.

Since 1963 consumption of synthetic rubber has been far bigger than that of natural rubber. The unpleasant picture of natural rubber is aggravated by the presence of plastic material which resembles rubber, such as EVA (Ethylene Vinyl

Acetat) and EEA (Ethylene Ethyl Acrylate Copolymers). Though proportionally, the role played by natural rubber noted a continuous decline, the production and consumption of this commodity, in an absolute sense, indicated a rising tendency. As such, there is no reason for pessimism towards the future of natural rubber, particularly on the consideration that the more developed a nation the more its rubber consumption. If this is connected with the fact that the majority of countries now belong to the group of developing countries, prospects for natural rubber are indeed not too disappointing.

As to the development of natural rubber prices in the world markets it should be noted that during the fifties, they recorded sporadic rises and falls because of the influence of the economic cycle. Since 1960, however, prices in several world markets continually went down. This steady decline continued even in the presence of a number of international events which had favourable aspects for the development of rubber prices. The Sino-Indian border clashes, the Indonesian-Dutch dispute over West Irian, the Congo crisis, Indonesia's confrontation against Malaysia, the worsening conflict in Vietnam, followed by the bulk rubber purchase by People's Republic of China and the Soviet Union could have prevented the decline of natural rubber prices but they did not. This situation was called forth by the fierce competition posed by synthetic rubber, production volume of which went up significantly. The releases of American and British rubber stock-piles also had a negative influence on natural rubber prices. In 1959, following talks among United States, Britain, and major rubber exporting countries, the United States planned to release 470,000 tons of its stock-pile rubber within a period of approximately 9 years. Britain on the other hand, intended to release 100,000 tons without determining a definite time.

Under earlier plans, the quantity of United States rubber to be sold was not subjected to any limitations if prices went up to US \$ 36 cents or more per lb. On the other hand, sales would be terminated if prices fell to below US \$ 30 cents per lb. Later, however, about October 1964, the plans were altered by lowering limit prices from US \$ 36 cents per lb. to US \$ 32 cents per lb., while under circum-

stances when prices went down below US \$ 32 centi per lb. sales would be limited to a maximum of 5,000 long tons a month. Rubber stock-pile releases started in October 1959. Up to 1965, the United States had released 477,000 ton of natural rubber, which means that the United States had finished its sales planning within 5 years (the pre-determined period had been 9 years). Within the same period Britain had sold 98,000 tons from its stock-pile.

As to how far natural rubber prices could go down, and still give modest profit to rubber traders, a quotation of the UNCTAD report would shed some light on the matter: “natural rubber circles should seemingly accept the fact that they must make strenuous attempts to arrive at profitable production based on a sale price of US \$ 18 cents per pound f.o.b. Singapore, i.e. 4 cents below the lowest average price ever reached since 1950. In this relation it should be noted that the cost price of natural rubber in Malaya was around US \$ 15 cents and this was expected to be made lower by trying to increase production of each hectare. According to estimates in Malaya, at an estate yielding 1,500 tons a year with top quality rubber which could produce 1,500 pounds per acre the cost price would not exceed US \$ 12 cents per pound.

Contrary to price in diverce markets abroad, domestic prices indicated a continuos increase. In 1960 the price of R.S.S. I in Djakarta was Rp 37,95 per kg. It went down to Rp 34.78 in 1961 and since then it recorded a steady increase, gradual at the beginning but faster in the end so that in September 1966 it became Rp 18.24 per kg. The rise of rubber prices at home was in line with the rapidly-growing inflation, especially in the last years of this period.

The decline of rubber prices abroad and the continuous rise of these prices at home were responsible for the growing disparity sustained by exporters. In a bid to abolish this disparity and stimulate exports, the Government introduced several regulations in the import-export sector, among therm the Bukti Expor (export certificate) in 1957 — 1959, the S.I.V.A. (foreign exchange licence), S.P.P. (production incentives) and the Export Bonus system.

TABLE 48 — PRODUCTION AND EXPORTS OF ESTATE RUBBER (net tons ¹)		
	Production	Export
1938	175,066	156,758
1959 ¹⁾	228,329	215,456
1960	219,438	178,031
1961	231,403	223,482
1962	218,678	194,000
1963 ²⁾	217,380	203,347
1964 ²⁾	233,737	240,754
1965 ²⁾	162,209 ³⁾	220,326
¹⁾ Revised figures ²⁾ Provisional figures ³⁾ January — September		

Source : Central Bureau of Statistics

The average production of estate rubber in the 1951 — 1955 period was 277,946 tons and in the 1956—1960 period 243,431 tons, and by observing table no. 48 on estate rubber production, it was clear that production since 1951 experienced a continuous fall, i.e. around 14%. This decline was attributed to the fall of production per hectare while the area of plantations did not undergo significant changes. The average production per hectare per annum was as follows :

Year	Kg/hectare, year
1956	621
1957	598
1960	516
1964	524
1965	520

Despite several efforts to boost production, among other things the application of stimulants for old plantings, production up to 1970 is believed to remain about 225,000 tons per annum. The main reasons for this assumption are :

- a) The imbalance age composition of plants, where 70% of the plants were 25 years or older. Rejuvenation of rubber estates in Indonesia was very much behind than that conducted in Malaysia and other countries. In Malaysia, rejuvenation efforts have been effected since 1951, and present areal of young plantings constitutes 70% of the total rubber areal. Indonesia, on the other hand, did not begin planned rejuvenation until 1961.
- b) Imperfect cultivation was attributed to the shortage of fertilizer, chemicals and other things necessary for the further growth of rubber plantations, particularly during the last three years. Statistics on the percentage of estate rubber production since 1950 up to the present are as follows:
 - high quality 70%
 - low quality 20%
 - other qualities 10%

Compared to cultural-technical problems as have been mentioned earlier, the question of promoting the quality of Indonesian estate rubber is easier to be done because the factors involved are practically under human control and could be easily supervised.

Besides, the number of processing exports is fairly large. By improving processing methods and rehabilitation of big factories the production of quality rubber could be arrived at without too much difficulty. This could eventually lead to 80% of the total production being rubber of top grade quality. In the 1960—1965 period Indonesian estate rubber exports went primarily to the United State, People's Republic of China, and the Soviet Union.

A summary of small-holders rubber exports coming from important producing areas can be observed in table 49. This table shows West Kalimantan as the biggest small-holders rubber producing area in Indonesia, respectively followed by Palembang, South and East Kalimantan. However, if export figures of Palembang and Lampung were combined, it was evident that the biggest small-holders rubber producing area was South Sumatera. This area also constituted the

TABLE 49 – EXPORTS OF SMALLHOLDERS RUBBER FROM THE PRINCIPAL PRODUCTION AREAS (tons of dry rubber)							
	1959 ¹⁾	1960	1961	1962	1963 ²⁾	1964 ³⁾	1965 ³⁾
West Kalimantan	74,671	53,064	75,905	72,572	...	87,424	96,929
South and East Kalimantan	66,953	49,026	57,830	41,927	...	30,192	38,316
Palembang	96,496	76,806	72,046	82,380	...	65,591	77,000
East Sumatra	56,090	44,723	33,468	32,373	...	73,668	78,265
Djambi	55,571	50,489	58,958	62,487	...	51,073	67,464
Tapanuli	10,366	5,886	7,979	16,431	...	12,046	11,254
Lampung	35,784	32,144	40,864	43,433	...	48,804	51,409
Other areas	80,845	65,846	86,125	114,638	...	47,688	65,380
Total reported exports	476,776	377,984	433,175	466,241	371,098	416,486	486,017
¹⁾ Revised figures ²⁾ Un-specified ³⁾ Provisional figures							

Source : Central Bureau of Statistics.

top exporter of the commodity. Viewed from its export volume, exports of West Kalimantan indicated a rising trend in the period under report, while South and East Kalimantan recorded a declining trend. Palembang, as was the case with Djambi, gave a rising- falling picture, whereas Lampung showed continually rising figures from year to year.

In 1963 a significant fall was noted in the exports of Indonesia's smallholders rubber as a consequence of the confrontation with Malaysia. In 1964 export figures again recorded a rise, while in 1965 figures reached the maximum in the 1960—1965 period with a total of 486,017 tons. While export volume in the 1960—1965 period indicated an up and down trend around 400 to 450 thousand tons annually, this was not the case with export value of smallholders rubber which showed a steady decline because of the ever-decreasing prices of natural rubber in world markets.

Export of small-holders rubber according to their qualities can be observed in table 50. Viewed from the tonnage of exports, blankets and bark-crepe assumed a

more and more significant role in the total export volume. This was in conformity with the fact that export of slaps and scraps, both constituting raw materials for the production of blankets indicated a constant fall so that in 1965 and 1966 there were no more exports of slaps and scraps.

Similarly the part played by sheets in the export volume during this period recorded a declining trend. However, seen from its export values, sheets still occupied the first position. In this context it could be noted that in 1965 when sheets constituted 43.1% of the total export volume of natural rubber its export value reached 53.4%. In the other hand, blankets and bark-crepe which in the same year amounted to 56.9% of the export volume, only reached 46.6% of the total export value. This was among other things attributed to the contrast between prices of blankets and sheet abroad which in 1965 seemed to offer especially low prices for blankets. While in the 1960 — 1964 period the average price of blanket C in the New York market was 91% of the prices of R.S.S. I., in 1965 the price of blanket C only reached 75% of the R.S.S. I. price.

As has been often hinted in various articles on smallholders rubber, maintenance of plantations of this commodity was practically not carried out while tapping was done in an intensive and arbitrary manner. This is understandable since tappers are usually operating on production-sharing basis or on rented land which might at any time be terminated. In this manner they wanted to economize their energy in a short period without taking note of damages the consequences of which would not be felt until later. Due to the shortage of manpower working in vast rubber fields, tappers easily moved from one field to another after a certain field no longer yielded sufficient production.

As such, the abandoned fields could be left alone for a while to produce other crops in the future. Improvement of tapping method could not be expected within the near future as long as there was a lack of manpower and the large numbers of rubber woods still untapped. This situation likewise applied to cultivation of small-holders rubber plantations. It is still unknown whether tapping methods usually conducted in rubber plantations constitute the most efficient system if applied

TABLE 50 — EXPORTS OF SMALLHOLDERS RUBBER ACCORDING
TO QUALITIES
(dry rubber)

	Volume (tons)															
	1959 ¹⁾	%	1960	%	1961	%	1962	%	1963	%	1964	%	1965	%	1966 ²⁾	%
Sheets Blankets and bark- crepe Scraps Slabs	195,665	41.0	145,276	38.4	199,112	46.0	200,245	43.0	166,809	45.0	181,940	43.7	209,365	43.1	35,110	35.7
	231,234	48.5	188,574	49.9	188,975	43.6	210,238	45.1	181,415	48.9	230,938	55.4	276,652	56.9	63,167	64.3
	9,212	2.0	10,144	2.7	11,602	2.7	26,178	5.6	10,201	2.7	1,961	0.5	—	0.0	—	—
	40,665	8.5	33,990	9.0	33,486	7.7	29,581	6.3	12,673	3.4	1,648	0.4	—	—	18	0.0
	476,776	100	377,984	100	433,175	100	466,242	100	371,098	100	416,487	100	486,017	100	98,295	100
Value Rp. (million)																
	1959 ¹⁾	%	1960	%	1961	%	1962	%	1963	%	1964	%	1965	%	1966 ²⁾	%
Sheets Blankets and bark- crepe Scraps Slabs	5,385	43.1	4,364	39.9	4,207	50.7	4,036	45.5	3,508	45.6	3,089	50.1	3,253	53.4	125	45.0
	5,983	48.2	5,338	48.8	3,290	39.6	3,893	43.9	3,805	49.5	3,057	49.5	2,834	46.6	153	55.0
	217	1.8	269	2.4	201	2.4	456	5.2	168	2.2	4	0.1	—	—	—	—
	856	6.9	972	8.9	607	7.3	476	5.4	206	2.7	20	0.3	—	—	—	—
	12,414	100	10,943	100	8,305	100	8,861	100	7,687	100	6,170	100	6,087	100	278	100
¹⁾ Revised figures ²⁾ January — March																

Source : Central Bureau of Statistics.

in small-holders rubber fields under present conditions. When facing problems of small-holders rubber one should realize that conditions of this commodity are different from those of estate rubber, in relation to its land utilization, manpower, management, production motives, and of course their efficiency. This forces up to be especially cautious when drawing analogies between small-holders and estate rubber. Technically and economically efficient methods for estate rubber operations might not always be similarly efficient when applied to small-holders rubber plantings.

Commenting on efforts aimed at enhancing the quality of small-holders rubber, result of a joint research between Bank Indonesia and the Bogor Institute of Agriculture showed that the main problem lay in the socio-economic field, notably the business administration of small-holders rubber and the fact that boosting of the quality of this commodity did not pose significant difficulties among the people. Implements used by farmers are extremely simple, easily obtainable and inexpensive because they are composed of coconut shells, bamboo sticks, wooden containers, and other things. Regularity of production therefore is as a result not disturbed although the simple instruments used affects the quality of the products, mostly because of impurities present in the latex processing method. Farmers realize very well that improvement of their tools and processing methods will boost production.

However, they are not tempted to do it because the present rubber business administration constellation does not make any differentiations for better qualities, so that farmers do not get an additional income in proportion to harder work.

Speaking of Government efforts to boost sheet production among rubber growers, the following points should be forwarded :

The variety and quality of small-holders rubber and production processes greatly depend on the level and structure of rubber prices in local markets. In areas with developed remiling industries, as in South Sumatera, sheet production

is greatly affected by the production of slabs. This is understandable since remilling industries are making all possible efforts to buy raw materials from the producing farmers. Raw materials for remilling are slabs while sheet production of latex by farmers endangers the continuous production of slabs. To producing farmers themselves slab processing is easier to carry out than sheet processing, while very simple technical culture of rubber growers today greatly conform to the production of slabs.

By controlling of its rubber business administration, particularly in monoculture rubber areas and making use of price manipulation in slab as well as sheet markets, remilling industries up to now have always succeeded in breaking attempts to produce sheets in areas under their influence. By concentrating on technical aspects only without paying attention to social economic conditions and business administration patterns, all endeavours aimed at stepping up sheet production are bound to meet with failure This kind of thing took place in South Sumatera, where the Government effected a technical approach by setting up a complete sheet factory in the middle of small-holders rubber fields. Later the factories turned out to be non-operational since local rubber farmers based on the above - mentioned pretexts were not willing to sell their latex to the factories or make sheet to be smoked in factories. The growers chose to produce slabs for remilling purposes. In order to attain success for sheet projects in powerful remilling industry areas such as South Sumatera the following points should be given proper attention :

- Factories should be set up in areas free from remilling influences.
- Marketing of sheet should be safeguarded in such a way so as to prevent rubber markets from being arbitrarily influenced by remilling traders in their efforts to seize all raw materials for remilling purposes.
- The nature and dynamics of farmers in prospective sheet areas should be observed carefully.

- At the initial stage the Government should make available sheet manufacturing tools to the producing farmers.
- Rayonization of a certain area as a closed area might be needed.

Objections to this rayonization came from the fact that this method may not be liked by the local population since they have a compulsory nature. Touching on the age of small-holders rubber plantings or better known as smallholders rubber woods, it should be noted that though the plants are generally old, periodic rejuvenation, was carried out by the farmers in their field maintenance system. After 2 or 3 harvests of fields opened in the old rubber woods, farmers planted young rubber plants which were then let to grow without much care.

Besides rejuvenation of this kind, nature conducted its own rejuvenation, in the sense that new young plants replaced the old according to the laws of nature. These two kinds of rejuvenation were usually not included in official reports and what was registered was only rejuvenation of small holders rubber applying top quality seeds, effected in line with technical cultural terms of estates. The difficulty here was the fairly hard efforts to be made by the farmers to obtain quality seeds. Meanwhile, a plan has been made in connection with this last mentioned rejuvenation method. Planning is operated for 10 years (1961 — 1970) in the Nation's Overall Reconstruction Scheme the target and realization of which can be followed below :

Rejuvenation of rubber plantings (in hectares)						
Year	Small-holders rubber		Estate rubber		Total	
	Target	Realization	Target	Realization	Target	Realization
1961	8,500	10,800	18,000	18,500	26,500	29,300
1962	12,000	11,900	18,000	19,400	30,000	31,300
1963	15,000	14,500	18,000	17,700	33,000	32,200
1964	17,000	17,500	18,000	19,600	35,000	37,100
1965	20,500	± 20,000	18,000	± 19,100 *)	38,000	± 39,100 *)
1966	24,000	...	18,000	...	42,000	...
1967	29,000	...	18,000	...	47,000	...
1968	34,000	...	18,000	...	52,000	...
1969	40,000	...	18,000	...	58,000	...
1970	40,000	...	18,000	...	58,000	...

*) Estimate.

Sources : Department of Agriculture.
Department of Plantation Affairs.

Speaking of small-holders rubber production, the main decisive factor for production volume is the up and down rubber prices received by farmers and the comparison of prices between rubber and other agricultural commodities. Contrary to growing public opinion, research showed that the main constraining factor in production volume of small-holders rubber is not the old age of rubber fields or its simple cultural techniques. Considering the large areal of small-holders rubber not yet tapped and the relatively small number of tappers compared to the vast available areal, unlike estate rubber, supply of small-holders rubber is elastic in nature, notably for the high prices stages. This fact is repeatedly observable in the history of small-holders rubber.

Copra

Table 51 shows the development in the sales of copra by the Induk Koperasi Kopra (Central Copra Co-operative) in the period under review. From these figures it is apparent that the volume of sales went down from year to year. When we consider the areas where the copra was sold, it turns out that the steady decline applies to all regions with the exception of East Indonesia. There the sales went up and down. When compared with the years 1959 and 1960, the I.K.K.I. sales from least Indonesia in 1961 were proof of the recovery of I.K.K.I. copra trade, though the volume was still far below the pre- 1958 level.

TABLE 51 — COPRA SALES BY I.K.K.I. (in '000 net tons)				
	East Indonesia	West Kalimantan	Other Areas	T o t a l
1959	1.5	37.5	66.3	105.3
1960	1.0	40.6	76.7	118.3
1961	38.5	38.7	31.6	108.3
1962	50.8	18.4	27.0	96.2
1963	53.5	18.1	11.4	83.0
1964	35.8	9.7	29.5	75.0
1965	...	...	...	...

Source : I.K.K.I (Central Body of Indonesian Copra Co-operatives)

Up to 1964 inclusive there was a steady increase in the number of members of copra co-operatives, both of primary, central as well as combined cooperatives. In the last two years, however, developments left much to be desired. Though the number of combined and central co-operatives kept growing, even significantly in the case of primary co-operatives in 1965, the number of members went steadily down. In 1966 the number of primary co-operatives also declined.

Considering that copra and other coconut products are basic commodities, which are closely related to very divergent interests of the people—as the interest of the people at large as consumers, the interest of coconut growing farmers as producers, the interest of various home industries and the interest of the export trade which earns the foreign exchange—copra was consequently put under the management and control of the Government. For the practical realization, various regulations were issued. The flood of conflicting regulations and their bureaucratic implementation, however, resulted in difficulties in the administration as well as the production of copra.

By Presidential Decision No. 17/1960 the government policy in the field of copra was entrusted to the Food Board. For its implementation the Food Board created a special section, viz. the Badan Urusan Kopra (Copra Committee), B.U.K. for short, whose members were Ministers of Departments concerned with copra affairs. As the body responsible for the processing, collection and sale of copra, the Induk Koperasi Kopra Indonesia (I.K.K.I. = Indonesian Central Copra Co-operative) was appointed. It turned out that the I.K.K.I. was not yet able to perform the duties imposed on it so that in practice, either officially or not, other bodies participated in the collection and the inter-insular trade of copra. When the Economic Declaration was proclaimed on March 28, 1963, as the basic economic strategy for Indonesia, Presidential Decision No. 17/1960 on copra affairs was replaced by Presidential Decision No. 11/1963. By this new Decision the Badan Urusan Kopra Paripurna (Plenary Copra Committee) or Bukopra Paripurna for short was created in the Central Government. Its members were Ministers of various Departments who acted as policy-makers in copra affairs. The execution of this policy in the Central Government was entrusted to the Bukopra Harian (Ex-

ecutive Body of the Bukopra). This Executive Body had its Bukopra Agencies in the provinces whose members were the Governor and other provincial authorities. The collection and inter-insular trade remained entrusted to co-operatives. Only in the case co-operatives were non-existent or unable to function properly, the Bukopra Harian was entitled to appoint another body. Payments to coconut farmers should be reasonable, protective and in cash. Presidential Decision No. 11/1963 stipulated the creation of a new body by the Bukopra Harian: the Badan Ekspor Kopra (Copra Export Agency), to be entrusted with the regulation and co-ordination of copra export activities, but this body never came to be realized. Another stipulation of Presidential Decision No. 11/1963 was the establishment of a Stabilization and Regional Development Fund by imposing duties on copra transactions to be collected from copra merchants/exporters. This fund was to benefit copra farmers in particular —for instance to finance replanting of copra plantations and the development of copra-co-operatives and the copra producing areas in general. It was to be managed by the Bukopra Agency, which could only use it with the approval of the Regional House of Representatives, to which the Bukopra Agency was also responsible.

In practice, the implementation of Presidential Decision No. 11/1963 had as far as the administrative side of this copra business was concerned to face great problems: shortage of capital, imperfect organization, other weaknesses of the I.K.K.I. Thus it were the state commercial enterprises and the private ones that played an important part both in the copra home trade and export trade. Confronted with this reality, the Government issued Presidential Decision No. 44/KOTOE/1965 on July 6, 1965. This Presidential Decision introduced a new procedure in the administration of copra business in that it allowed whatever organization, entrepreneur, merchant, or individual co enter into copra transactions provided the following requirements were met :

- (a) a licence obtained from the KOTOE (Highest Economic Operational Command) to be accompanied by a bank guarantee;
- (b) 50% of the purchase price to be deposited at a state bank to be paid out by the bank directly to the copra producing farmers;

- (c) the remainder (50%) of the purchase price to be handed over to the local primary co-operative in the form of basic commodities essential to the needs of the copra producing farmers.

The collection of copra in the villages was the exclusive duty of primary co-operatives, all parties involved in the copra administration being supervised by the Government, in this case the Bukopra KOTOE.

The activities of the Bukopra was stopped as from June 7, 1966, as a step towards simplification both in procedure and organization as well as towards avoiding overlapping authorities and actions. Decree No. 064/SK/VI/1966 of the Minister of Trade was issued on June 30, 1966, dealing with the management of copra business. Copra remained under the management and supervision of the Government, i.e. the Minister of Trade and Co-operatives. The collection of copra in the villages remained as much as possible in the hands of the primary copra co-operative. When its capacity had been proved adequate, it was appointed to be sole copra collector for its region. Exporters and inter-insular traders were, in principle, prohibited from having direct dealings with primary co-operatives, and the furthest contact they were allowed to have was with the central co-operative. For the purpose of a proper balance between the usage, price and allotment of copra, a Copra Team consisting of the Governor and provincial officials concerned with trade and co-operatives was established in every copra producing 1st level region.

TABLE 52 – DEVELOPMENT OF COPRA CO-OPERATIVES				
	Number of Joint Copra Co-operatives	Number of Central Copra Co-operatives	Number of Primary Copra Co-operatives	Number of mem- ber of Copra Co-operatives
1960	10	57	945	95,166
1961	13	68	1,080	95,336
1962	13	80	1,256	123,687
1963	14	84	1,534	162,193
1964	15	86	1,618	184,604
1965	19	88	1,865	159,529
1966	20	105	1,785	140,311

Source : I.K.K.I. (Central Body of Indonesian Copra Co-operatives),

On the basis of reports of the Copra Team, the Minister of Trade and Co-operatives periodically fixed the estimated amounts of copra for local and inter-insular use, and to the exported. Periodically the Copra Team made public the purchase prices of copra. In this regulation it was expressly stipulated that either co-operatives, state commercial enterprises or bona fide private enterprises were permitted to engage in either inter-insular or export copra trade. The provincial government kept collecting a duty of at most 10 per cent of copra prices ex-warehouse to be used for development purposes in the region.

TABLE 53 — EXPORTS OF COCONUT PRODUCTS (in net tons)		
	C o p r a	Copra cakes
1 9 5 9	131,230	117,564
1 9 6 0	167,799	107,406
1 9 6 1	247,382	156,581
1 9 6 2	108,181	74,200
1 9 6 3	108,500	92,662
1 9 6 4*)	175,468	157,803
1 9 6 5*)	123,450	125,273

*) Provisional figures

Source : Central Bureau of Statistics

Table 53 provides data on the development of exports of copra and copra cakes. In the years 1960 and 1961 the export figures went up but went down conspicuously in the years 1962 and 1963, i.e. by about 56% when compared with the export in 1961. This applied also to copra shipped to Djawa. The cause must be found in the low official purchase price paid to the copra producing farmers. At one time in 1962 the official price of copra was fixed at Rp 650.—per quintal, whereas from one quintal of copra 70 bottles of oil could be produced worth about Rp 1,800.—or when sold as coconut, the farmer could make Rp 1,200.—. The official purchase price of copra being far from realistic, coconut farmers cut down production so that the copra yield in 1962 was only an estimated 60 percent of the year before. The low official purchase price, moreover, stimulated smuggling of copra.

The export of copra in 1964 rose as exporters were able to obtain a reasonable profit margin, due to the flexible checkprice fixed by the Djakarta Copra Office along a simple procedure.

In 1965 the export went down again although prices abroad were very favourable, viz. US \$ 230 per long ton. This time the decline was, among others, brought about by the fact that too many bodies interfered in the copra trade, too many duties collected by both the central and the provincial authorities, and licence and monopoly systems were applied most inordinately. Other factors contributed to the decline of copra export, among others :

- (a) the shortage of means of transportation, both by land and by sea;
- (b) infrastructural shortcomings in the copra producing areas: roads, bridges and telecommunications were damaged or lacking;
- (c) the great disparity of prices in the copra export trade. This was due to the steady rise in the copra price in the free market at home so that there was little desire among bona fide copra exporters to export via official channels;
- (d) frequent manipulations with copra purchase licences (S.I.P.K.) which often turned out not to be guaranteed by real supplies. This caused difficulties and was detrimental to trade and to the efficiency of transportation which was already limited;
- (e) complex bureaucracy and the great number of interfering bodies which hampered the issue of licences.

The main importers of Indonesian copra were the following countries:

1960 : England (50,158 tons), Singapore (49,511 tons), Penang (32,081 tons)

1961 : Singapore (73,030 tons), U.S.A. (72,318 tons), Penang (34,808 tons). 1962:

Singapore (24,402 tons), Penang (18,158 tons), U.S.A. (16,071 tons).

1963 : (no specifications).

1964 : U.S.A. (132,706 tons), Japan (11,803 tons) People's Republic of China (6,812 tons).

1965 : U.S.A. (54,515 tons), the Netherland (33,298 tons), Venezuela (10,031 tons).

Coconut cakes were chiefly exported to the following countries:

1960 : England (64,209 tons), West Germany (30,850 tons), Belgium/Luxemburg (7,496 tons).

1961 : England (61,284 tons), West Germany (59,869 tons), Belgium/ Luxembourg (20,622 tons).

1962 : England (33,042 tons), West Germany (13,496 tons), Belgium/Luxemburg (7,324 tons).

1963 : (no specifications) .

1964 : West Germany (73,152 tons), Belgium/Luxemburg (32,490 tons), Denmark (22,650 tons).

1965 : West Germany (75,167 tons), the Netherlands (21,918 tons), Belgium/ Luxembourg (16,643 tons).

In the years 1960 up to and including 1965 copra was exported respectively to the following values (rate of exchange: US \$ 1 = Rp 45,-- -); Rp 1,299.8 million, Rp 1,479.9 million, Rp 663.3 million, Rp 611.8 million, Rp 1,058.7 million and Rp 807.4 million. The values of copra cakes exported in the same period were respectively: Rp 226.9 million, Rp 240.9 million. Rp 152.7 million, Rp 183.6 million, Rp 197.1 million, and Rp 175.9 million.

Palm oil

Production of palm oil showed an over-all rising trend during the period 1960-1965, with the exception of the 1962 production (141,599 tons) which dropped by 4,181 tons as against the 1961 output (145,780 tons). While for 1959 a production of 137,457 tons was recorded, for 1965 the production figures of palm oil showed an output of 163,024 tons. The production of palm kernels, however,

showed a fluctuating trend in this period. The production figures recorded for 1959 and 1960 were 33,218 tons and 33,064 tons respectively; for the following years the figures were: 34,365 tons (1961), 32,764 tons (1962), 32,584 tons (1963), 34,256 tons (1964) and 34,081 tons (1965). If the figures of the production of palm kernels — which in fact is only a by-product of palm oil production—are compared with the production figures of palm oil, it can be seen that in recent years a similar output of palm oil produced relatively less palm kernels. This was caused by the rejuvenation of the acreage with superior quality seed, which had already begun to yield favourable crops and which had the advantage of a higher degree of oil content. The cultivation of oil palms until 1964 indicated the following increase in acreage: 102,900 ha (1959), 105,011 ha (1961), 104,45 ha (1962), 106,043 ha (1963) and 107,676 ha (1964). The area cultivated in 1965 only covered 100,691 ha, a decline by 6,985 ha as against 1964. This found its reasons in the demolishments in the frame of rejuvenations.

A rising trend of palm oil production during this period was due to :

1. The rejuvenation in 1960 and 1961 began to yield its first crops.
2. Positive results because of improvement of cultivation techniques became apparent.

Nevertheless, under the present circumstances the production output of palm oil has reached its peak. To step up production in the future the age of plantings requires proportioning. The Department of Estates therefore decided to carry out rejuvenation of a minimum of 4% a year with superior quality seed, which in practice should be based on inter-planting. The production per ha under the prevailing conditions fluctuates between 1,750 kg and 1,850 kg oil per year according to the state and composition of plantings.

Because the cultivation of palm oil is principally aimed at export, production output likewise affects export volumes. A rise/decline of the export of palm oil

TABLE 54 – 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
1959	137,457	33,218	103,025	32,640
1960	141,212	33,064	108,478	33,504
1961	145,780	34,365	117,254	32,644
1962	141,599	32,764	100,392	31,347
1963	148,302	32,584	109,768	31,289
1964	160,649	34,256	133,191	33,024
1965 *)	163,024	34,081	125,808	32,855
*) Provisional figures				

Source : Central Bureau of Statistics

compared with the export figure for 1959, in which year a 103,025 output was recorded, shows the following picture: 1960: + 5%, 1961: + 14%, 1962 : - 2%, 1963 : + 6%, 1964: +- 29%, and 1965 : + 22%.

The export of palm kernels recorded for 1959 was 32,640 tons and did not undergo alterations in the following years, fluctuating between 31,000 and 33,000 tons.

The prices of oil and palm kernels in the world market were not stable. The average price of palm oil recorded for 1959 was £ 86.0 per long ton, in 1960 the price dropped to £ 80.5. In 1961 the price rose a little to £ 81.9, but dropped again in 1962 and reached its lowest point, £ 76.8 per long ton, for the period 1959-1965. A rising trend could be seen at the beginning of 1963 and 1964, although the prices recorded for those years, £ 80.0 and £ 84.4 per long ton respectively, were still below the price recorded for 1959.

In 1965 the price of palm oil rose again and in August 1965 a fairly good price of £ 89.0 per long ton was recorded.

The price of palm kernels which quoted £ 70.2 per long ton for 1959 dropped in the following years. In 1960 a price of £ 61.4 per long ton was recorded, which later dropped to £ 49.6 in 1961 and reached its lowest point (£ 49.5) in 1962 or, £ 20.7 lower than the 1959 price. There was a rising trend in 1963 and 1964 and average prices of £55.5 and £ 54.7 per long ton respectively were recorded. In the beginning of 1965 an average monthly price of £ 61.3 was quoted, which in the middle of the year rose to £ 68.5, dropped again later and in August 1965 an average price of £ 61.0 per long ton was recorded, £ 9.2 below the price for 1959.

Based on the exchange rate US. \$ 1 = Rp 45,—(old Rp) the following revenues for palm oil were recorded during this period: Rp 898.7 million (1960), Rp 965.7 million (1961), Rp 803.4 million (1962), Rp 897.7 million (1963), Rp 1,211.3 million (1964) and Rp 1,228.6 million (1965).

For palm kernels the following export revenues were registered: Rp 193.5 million (1960), Rp 148.3 million (1961), Rp 140.9 million (1962), Rp 163.2 million (1963), Rp 174.5 million (1964) and Rp 188.1 million (1965).

Principal export destination countries for palm oil in 1960, 1961 and 1962, listed according to their take, were: Belgium/Luxemburg: 54,981 tons (1960), 38,323 tons (1961), 34,766 tons (1962); West Germany: 13,987 tons (1960), 21,104 tons (1961), 13,587 tons (1962) and Japan: 11,922 tons (1960) 5 14,753 tons (1961), 7,841 tons (1962). In 1964 and 1965 our exyorts of palm oil shifted to the following countries: The Netherlands with 58,443 tons (1964) and 63,669 tons (1965) and the People's Republic of China with a take of 16,838 tons (1964) and 14,400 tons (1965). Belgium/Luxemburg occupying the third place in 1964 with 16,347 tons was replaced by Japan in 1965 with 10,300 tons.

The principal buyer of Indonesian palm kernels in 1960, 1961 and 1962 were respectively Japan with 16,404 tons (1960), 15,909 tons (1961) and 18,729 tons (1962); Belgium/Luxemburg: 7,001 tons (1960), 6,269 tons (1961), 4,351 tons (1962) and West Germany: 5,113 tons (1960), 5,547 tons (1961) and

3,665 tons (1962). In 1964 the order of the countries of destination according to their import figures shifted as follows: Japan (17,133 tons), West Germany (10,295 tons) and the Netherlands (3,444 tons); in 1965 the picture changed as follows: The Netherlands (9,487 tons), West Germany (9,025 tons) and Japan (8,553 tons).

It is clear from the export figures above that after the settlement of the West Irian dispute between Indonesia and the Netherlands, the Netherlands again ranked first in the purchase of Indonesian palm oil.

Fibres

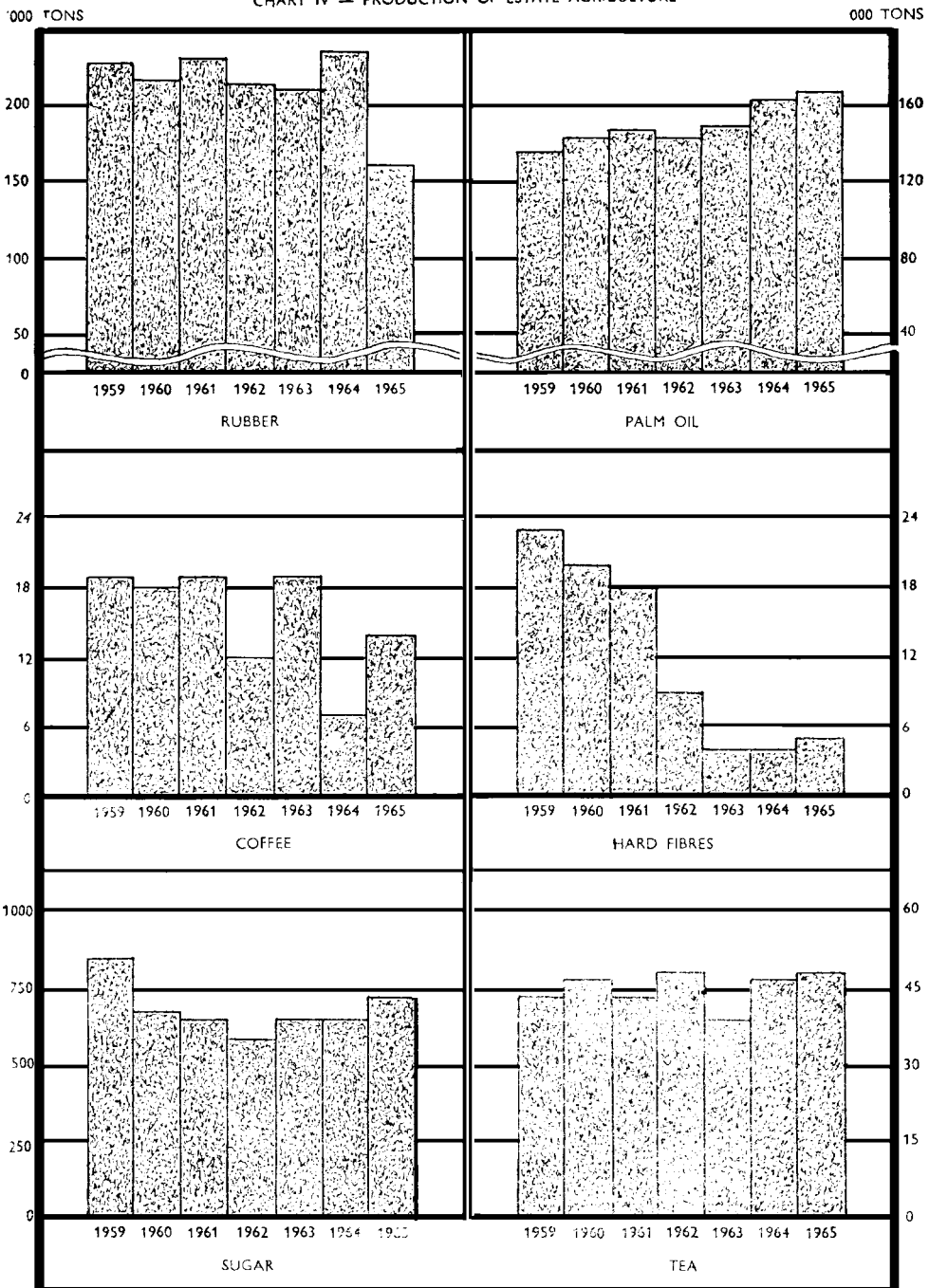
As was the case in the previous years, the production and export of hard fibres in the period 1960 up to and including 1965 kept on declining sharply.

The decline in production was due to the diminishing acreage under cultivation and the diminishing yield of the acreage under cultivation. The use of the land for more profitable kinds of crops could easily be carried out as rami (hemp), cotton and some others are one-year plants.

TABLE 55 — PRODUCTION AND EXPORTS OF HARD FIBRES (in net tons)		
	Production	Exports
1957	32,897	26,890 ¹⁾
1958	27,713 ¹⁾	27,740 ¹⁾
1959	22,517 ¹⁾	19,371
1960	20,019	15,471
1961	17,761	11,752
1962	9,375	7,670
1963 ²⁾	4,334	2,915
1964 ²⁾	3,578	1,497
1965 ²⁾	4,499	2,463
1) Revised figures 2) Provisional figures		

Source : Central Bureau of Statistics.

CHART IV — PRODUCTION OF ESTATE AGRICULTURE



The Government realized the importance of the production of hard fibres both as foreign exchange earners and as raw materials for various internal purposes. For the export of agricultural products and the distribution of daily necessities, for instance, a fairly great number of gunny sacks were needed, the greater part of which had so far been imported.

A few kinds of fibres can also be used in the production of textiles, the need for which is very great at the moment, in view of the supply of clothing. In order to boost the production of hard fibres, the programme for the National Plan for Overall Development (1961-1969) contained a rami project, which was started in 1962 on an area of 500 ha, to be expanded to about 5,000 ha at the end of 1968 with a production of about 6,800 tons. This large scale project was to be carried out in Sumatra, Kalimantan and Sulawesi, and to conform to all technical requirements essential to the cultivation of rami.

In deciding upon a working programme and the rehabilitation of estates, the Department for Estates worked out a plan for the planting of cotton and fibres for the years 1966, 1967 and 1968 of respectively 5,700 ha, 9,200 ha and 12,500 ha. Aside from that, the P.N. Karung Goni Delanggu is attempting to extend the acreage for the cultivation of rosella/sisal to about 1,000 ha in order to meet the demand for gunny sacks. To satisfy the demand for raw material for the above gunny sack factory, an acreage of about 6,700 ha is estimated necessary.

The export of hard fibres went down from year to year as the result of a decline in production. During the period 1960-1962, hard fibres were mainly exported to the following countries: Australia/New Zealand, export volumes 4,756 tons (1960), 2,448 tons (1961) and 819 tons (1962); U.S.A., export volumes 3,159 tons (1960), 3,062 tons (1961), 1,020 tons (1962); Japan, export volumes 2,333 tons (1960), 2,448 tons (1961) and 634 tons (1962).

In the years 1964 and 1965, the exports of Indonesian hard fibres switched to the following countries: Russia, export volumes 542 tons (1964), 889 tons (1965);

TABLE 56 — EXPORTS OF CAPOK PRODUCTS (in net tons)		
	Capok	Capok seeds
1959	3,261	15,864
1960	2,488	15,211
1961	3,225	14,634
1962	1,800	11,594
1963	2,492	9,655
1964	2,562	...
1965	1,453	...

Source : Central Bureau of Statistics.

People's Republic of China, export volumes 348 tons (1964), 300 tons (1965). The U.S.A. followed with 365 tons (1964) and 247 tons (1965)

The development of the prices of fibres of the B.E.A. No. 1 (Tanganjika/Kenya No. 1) quality in the London market showed some fluctuations in the period under report. At the end of 1960 the quotation was £ 99.0 per ton, in 1961 the price fell off gradually reaching £ 85.5 per ton at the end of the year; at the end of 1962 and in 1963 it rose again to respectively £ 121.6 and £ 148.0 per ton. At the end of 1963 the Tanganjika/Kenya No. 3L quality was quoted £ 146.0 going down to £ 102.0 at the end of 1964. This decline in prices continued throughout 1965. At the beginning and in the middle of the year, they were respectively £ 91.2 and 93.0, while at the close of the year the price of Tanzania/Kenya No. 3 L quality fibres again went down to £ 80.5 per ton.

New inventions in the field of technology, such as synthetic fibres, compete heavily with natural fibres while there is also keen competition among natural fibres themselves.

The fact that some kinds of fibres, such as jute, are one-year crops, the acreage of which can easily be switched to other crops (e.g. paddy) as soon as these turn out to be more profitable, causes the annual instability of the area under cultivation, as is the case in India and Pakistan.

A few factors which justify the assumption of a bright future lying ahead for fibres are the new usages of fibres (e.g. in carpets) in the developed countries, such as the U.S.A., their increased application as packing material of agricultural produce in the developing countries, and as packing material in the distribution of goods, and so on.

The above factors were some of the causes influencing the prices of hard fibres in the international market as is clear from the fluctuation of prices occurring in the period 1961 up to and including 1965.

The capok export in 1959 to 1965 could be divided into two phases, i.e. the period 1959 up to 1962 inclusive when the export declined (except 1961), and the years 1963 and 1964 when the export volumes tended to expand.

This export situation was due to the home production of capok, which was greatly affected by the fact that the greater part of capok trees were either damaged or cut down (in particular during the Japanese occupation), while not all newly planted trees began to produce. In 1962 to 1965 there was a favourable trend in the production of capok due to the heightened public interest in capok-randu as the result of the interference of the Agriculture Service, and also due to the fight against pests, while some of the young plants began to yield.

On the foreign market, Muang Thai was a serious competitor, for two reasons: it had been controlling the world market in terms of quantity and its capok price was lower than Indonesia's.

The higher quality of Indonesia's capok, however, spoke in its favour. To maintain the quality and the price of the "Djawa-Capok" variety, which is well-known, the P.T. Kapok Indonesia has been authorized by the Government to act as the sole buyer and seller of Indonesian capok since 1960.

Various efforts have been made by that body, among others: providing information on the processing of capok, training of capok cadres, stabilizing capok prices.

A noteworthy measure was the fixing of “Standard samples” of capok to be exported in order to see that the export quality of Indonesian capok keeps improving.

In the year 1960 up to and including 1965 the main destinations of Indonesian capok exports were as follows (in tons) :

	1960	1961	1962	1963 *)	1964	1965
U.S.A.	1,176	1,161	1,043	—	2,015	1,084
Australia/ New Zealand	574	299	175	—	80	60
West Germany	50	233	25	—	20	50

*) No specification available.

The Government, in its efforts to raise the production of capok, has among others, decided to establish 7 capok pilot projects in various areas in Central Djawa, viz. Pati, Djepara, Grobogan, Kendal, Pekalongan, Tegal and Wonogiri. Taking into account the condition and the position of Indonesia’s capok as it is at present, production targets for the years 1967 and 1968 of respectively 27,000 tons and 30,000 tons have been decided upon, while the export targets for both years are fixed at 5,000 tons.

Cinchona

According to the figures published by the Central Bureau of Statistics the production of cinchona from 1959 to 1965 showed a downward trend.

This decrease in the cinchona production was among others due to :

1. an insignificant rejuvenation of cinchona trees;
2. a decrease in production area;

3. extensive damage done to cinchona plantations, particularly in the area South of Bandung.

The above mentioned handicaps were reflected in the total acreage of plantations run by state and private enterprises (figures between brackets indicate the total productive area); 1960: 5,300 ha (4,300), 1961: 4,900 ha (4,000), 1962: 5,000 ha (4,200), 1963: 3,500 ha (2,900), 1964: 3,500 ha (2,300) and 1965: 3,500 ha (2,300).

If preventive measures are not taken in time to stop the decrease of the cinchona production, Indonesia's share of the world cinchona market will be undermined by the Congo, South America and other producing countries. The Government Estate Enterprise Aneka Tanaman, therefore, has prepared a rejuvenation scheme, using superior quality seeds. The implementation of this scheme was started at the beginning of 1964 to be continued until 1976. Under the scheme 100 to 200 ha would be rejuvenated annually, and by 1976 rejuvenated area would be 2,300 ha with an estimated output of 5,540 tons of cinchona bark. Because of limited finances, the rejuvenated area has so far been insignificant.

Though the acreage of land under cinchona has been decreasing since 1960, the production of cinchona showed an increase in 1963 due to growing demand from abroad, which can be attributed to the following :

1. It has become more and more apparent that malaria parasites are becoming resistant to synthetically prepared anti malaria drugs.
2. Quinine which so far has been used only against malaria, thanks to recent discoveries in the field of medicine, has proved to be effective also in curing other deceases.

In view of the growing demand from abroad, the production of cinchona bark should have increased, but in 1964 and 1965 it showed a decline, output being

TABLE 57 – PRODUCTION AND EXPORTS OF CINCHONA PRODUCTS (in net tons)			
	Production (dry bark)	Exports	
		Cinchona bark	Quinine
1959	3,750	2,583	50.5 ¹⁾
1960	3,652	1,816	0.8
1961	2,876	344	125.8
1962	2,026	476	195.9
1963	2,431	1,474	67.2 ²⁾
1964	2,079	1,363	84.5 ²⁾
1965	1,088 ³⁾	625	73.0
1. Revised figures 2. Provisional figures 3. January — September			

Source : Central Bureau of Statistics.

2,079 tons and 1,088 tons. Of the factors influencing the decrease of the cinchona production the following can be mentioned :

- a. The Government Announcement, dated 4th January, 1964 and coming into force on the 1st September, 1964 prohibits the export of cinchona bark, since it was more profitable to sell cinchona in the form of salt.
- b. The prices paid by the State Enterprise Farmasi Bhineka Kina Farma for the cinchona bark were low.

For some reason, the implementation of the ban has not been properly executed. The issue of cinchona export licences, on the other hand, resulted in the increase of cinchona bark pillages from the plantations, and irresponsible cutting of small-holders cinchona trees which reached its peak during the first months of 1966.

In 1965 the exports of cinchona bark not reported to the Department for Government Estates were estimated at about 85 tons.

As a result of the decrease in the production of cinchona, the volume of cinchona bark export has declined since 1960. The provision, effective since 1960, requiring the Government Estate Enterprise to sell all their output to the quinine factory in Bandung, was also responsible for this decrease. As from 1962 onward the Government Estate Enterprise was allowed to export cinchona bark in limited quantity.

The bulk of the total output of cinchona bark in 1960 was exported to the United Kingdom (800 tons), Belgium/Luxemburg (800 tons), whereas in 1961 the United Kingdom imported only 100 tons.

In 1962 the United Kingdom, West Germany, Belgium/Luxemburg ranked highest as the importers of cinchona bark from Indonesia.

In 1960 quinine exports decreased as domestic consumption was given priority.

In 1961 quinine exports reached 125.8 tons and in 1962 rose to 195.9 tons. The main importing countries in 1961 were Japan and Hongkong, and in 1962 the United Kingdom, West Germany, Japan, the People's Republic of China and other countries.

Due to increasing demand abroad, cinchona bark exports were up to 1,474 tons in 1963, and quinine exports to 67.2 tons.

In 1964 cinchona bark exports showed a slight decrease compared with the previous year due to the existing ban on the export of cinchona bark, whereas quinine exports rose to 84.5 tons. For the same year cinchona bark export could still reach the total of 1,363 tons, for the restriction on the export of cinchona bark had not been strictly adhered to.

Cinchona importing countries, listed according to the quantity of cinchona imported in 1964, were the Netherlands, Belgium/Luxemburg, France, West Ger-

many, the United Kingdom and the United States, and quinine importing countries were Japan, Hongkong, the United Kingdom, the Netherlands, the United States and West Germany.

Cinchona bark and quinine exports showed a decline in 1965 compared with those of 1963, due to an increase in the domestic consumption and also because production decreased.

S u g a r

According to the figures of the State Sugar Selling Board (Badan Pendjualan Gula Negara) and the General Management Board-State Sugar Plantations (Badan Pengawas Umum—Perusahaan Perkebunan Gula Negara) the sugar production in Indonesia showed fluctuations as from 1959 up to and including 1965. The fall in production from 1960 to 1962 was caused by a decline of the production of crystal-sugar per ha. Before World War II between the years 1938 to 1941, the average output amounted to 166.97 quintals of crystal sugar per ha, whereas in 1962 an average of only 72.0 quintals was reached. Aside from the abovementioned, the decline in sugar production found its cause in social economic factors in relation with the lease of land and labour. The lease of land did not run smoothly due to frequent disagreements between the landowners and the sugar mills, thus compelling the sugar mills to hire land of poor quality or less suitable for the cane variety usually planted near the sugar mills. The overdue transfer of the land lease was another drawback for the planting of cane. Labour conditions were unsatisfactory, the supply of labour dropped due to other activities in the agricultural field or to competition from wages in other occupations. Other factors causing the drop of sugar production in the abovementioned period were unfavourable climatic conditions, a longlasting dry season, unsatisfactory irrigation, inferior quality, seed, plant diseases and persistent cane pillage, which was difficult to prevent.

The decline of production output if compared with the estimated output necessitated sugar mills to purchase smallholders cane as much as possible. The

TABLE 58 — ACREAGE OF SUGAR PLANTINGS AND SUGAR PRODUCTION							
	Acreage of cane plantings worked (ha)			Production (tons)		Production of crystal sugar (qt/ha)	
	Factory cane	Small-holders cane	Total	Total	Of which State sugar Enterprises	Factory cane	Small-holders cane
1959	55,785.6	21,411.1	77,196.7	849,481	792,090	119.9	66.0
1960	55,725.6	17,000.0	72,725.6	671,686	636,343	99.3	57.5
1961	60,289.4	12,868.1	73,157.5	651,072	618,388	95.7	46.7
1962	76,063.1	8,328.4	84,391.5	584,928	555,288	72.0	44.0
1963	70,537.4	11,755.7	82,293.1	650,284	631,598	82.0	61.4
1964	65,884.0	22,460.0	88,344.0	648,561	624,980	80.4	52.5
1965	...	...	...	729,881*)	...	...	...
1966	...	...	...	600,000**)	...	...	...
*) Provisional figures. **) Target							

Source : B.P.U. — P.P.N. Gula (Central Administrative Board of the State Sugar Plantations).

problem, however, was that the production of cupsugar appeared to be more attractive. Cup-sugar manufacturers could easily compete with the sugar mills in the purchase of cane because of lower production costs such as cheap labour, often consisting of members of the family.

After a setback since 1959 the sugar production rose again in 1963; from 585,000 tons in 1962 to 650,000 tons in the following year and dropped slightly to 649,000 tons in 1964. The increase in output in 1963 was caused by good climatic conditions, less cane pillage, sufficient supply of labour and fertilizers. Aside from the abovementioned the average production increased by 10 quintals/ha as against the previous year. The Regulation on Crop Sharing induced farmers to plant more cane as this Regulation was more profitable than the land lease system.

The production decline in 1964 was, among others, due to mice plague and a longlasting dry season. Besides, the production of crystal sugar per ha decreased again, which was mainly caused by inadequate and inefficient irrigation of cane

plantings, because the water required for cane plantings had been used for paddy plantings. Insufficient supply of badly needed fertilizers and a shortage of superior quality seeds to replace plantings with diminishing production also caused a drop in the production of crystal sugar.

In 1965 sugar production showed a considerable increase if compared with the previous years. The rise was due, among others, to the good climatic conditions suitable for cane plantings, while the mice plague was curbed successfully.

For 1966 the Government fixed the target for sugar production at around 600,00 tons only, due to the following :

1. The long dry season in 1965.
2. The shortage of fertilizers.
3. The September 30 Movement/Indonesian Communist Party at the end of 1965 which had farreaching consequences in every field, for example' the maintenance and security of estates could not be properly preserved.

Aside from the abovementioned factors, the drop in sugar production compared with the output before World War II, was also caused by worn-out machines and old sugar mills which needed immediate repairs. At present there are 55 sugar mills in Djawa, 52 of which owned by the Government and 3 privately owned, but run by B.P.U.—P.P.N. Gula (General Management Board—State Sugar Plantations). To rehabilitate the abovementioned sugar mills the Government signed a provisional contract with Japan to repair the machines, build irrigation works and provide means of transportation. Repayment would be effected by a share of the sugar produced. Stock-Werkspoor (The Netherlands) too promised to send equipment, diesel engine spare parts etc.

Other measures taken by the Government to step up production in the coming years are the building of new sugar mills. The Tjot Girek sugar mill (Atjeh), which

was built with credits from Poland, is expected to start production in 1968 and the Bone sugar mill (South Sulawesi), built with credits from Czechoslovakia, is expected to be producing in 1967. Both mills have a production capacity of 25,000 tons per year. The sugar mill at Makariki (Seram) was built on a production-sharing basis with Japan and its completion is expected in 1967 with a production output of about 36,000 tons per year.

To step up production and to improve the quality of the sugar the Sugar Research Centre at Pasuruan is carrying out continuous research on sugar cane diseases and superior quality cane with a short life, which at the same time can withstand too much water as well as droughts. Since 1955, 90 different specimens of sugar cane were imported from abroad (Hawaii, U.S.A, Barbados, Australia, the Philippines, India, Burma, Mauritius, Argentina, Venezuela and Puerto Rico) to be tested on production output and/or to be used for research at the Sugar Research Centre. Besides, surveys are also conducted on cane cultivation according to the system employed in Cuba especially for cultivation outside Djawa.

To step up the production of sugar and smallholders cane the Service for Indigenous Agriculture replaced the existent cane plantings by superior quality cane in the regions outside Djawa; the building of pilot projects was also planned for the milling/processing of smallholders cane by employing diesel engines to replace bull power. By using diesel engines the milling period can be shortened from about 73 days to about 15 days covering an area of 1 ha, thus a greater milling area can be achieved.

The exports of Indonesian sugar showed a continuous decline until 1962. A fact that had never happened before to the largest sugar-exporting country after Cuba before World War II was that Indonesia stopped exporting sugar altogether in 1961. Although sugar production was poor in 1962, yet to preserve her position as a sugar exporting country, Indonesia did export sugar again amounting to 33,300 tons and cup sugar to 7 tons.

TABLE 59 – SUGAR EXPORTS OF INDONESIA (in gross tons)								
Destination	1959	1960	1961	1962	1963	1964	1965	1966 ¹⁾
Burma	4,112	18,505	—	—	—	—	—	—
Singapore	5,904	7,668	—	—	—	—	—	—
South Vietnam	3,000	2,850	—	—	27,090	—	—	—
South Korea	10,465	1,063	—	12,949	827	—	—	—
Hongkong	2,365	4,472	—	4,112	—	—	—	—
Penang	2,875	412	—	2,571	—	—	—	—
Iran	9,447	—	—	11,077	16,696	15,773	7,083	—
Japan	1,342	—	—	2,570	—	9,754	35,497	12,687
Ceylon	—	—	—	—	—	15,707	—	—
People's Republic of China	—	—	—	—	10,630	17,485	20,246	—
France	—	—	—	—	—	10,539	—	—
United Kingdom	—	—	—	—	19,040	20,701	—	—
Iraq	—	—	—	—	—	8,099	—	—
Union of South – Africa	—	—	—	—	—	6,000	—	—
Pakistan	—	—	—	—	—	—	16,201	8,029
Other Countries	—	206	—	—	31,863 ²⁾	1,440	538	—
Total	39,514	35,176	—	33,279	106,146	105,498	79,565	20,716
¹⁾ January – March ²⁾ No details available								

Source : Central Bureau of Statistics

The export of crystal sugar for 1963, 1964 and 1965 were 106,146 tons, 105,498 tons and 79,565 tons respectively. Cup sugar exported amounted to 39 tons and 1,870 tons for 1964 and 1965 (no exports were listed for 1963), while 97,000 tons, 90,000 tons and 91,000 tons of molasses were exported in 1963, 1964 and 1965.

The largest quantity of sugar, 18,500 tons was exported to Burma in 1960; countries importing large quantities of Indonesian sugar in 1962 were South Korea and Iran with a take of 12,900 tons and 11,100 tons respectively; in 1963 it was South Vietnam and the U.K. importing 27,100 tons and 19,000 tons respectively. In 1964 the largest quantity of sugar went to the U.K (20,700 tons), People's Republic of China ranked second (17,500 tons), Iran (15,800 tons) and Ceylon (15,700 tons). In 1965 the greatest sugar buying country was Japan (35,500 tons) and People's Republic of China (20,200 tons).

TABLE 60 – SUGAR PRICES IN LONDON AND NEW YORK					
	London Sh/cwt	New York US \$ cts/lb		London Sh/cwt	New York US \$ cts/lb
1960 : January	27 9	2.97	March	55 11	6.62
February	28 6	3.02	April	63 8	7.65
March	28 7	3.05	Ma y	85 2	10.36
April	28 6	3.04	June	84 5	9.92
Ma y	28 6	3.05	July	77 11	9.05
June	27 8	2.97	August	56 1	6.64
July	29 10½	3.26	September	62 5	7.63
August	30 3	3.31	October	88 11	10.67
September	29 7½	3.25	November	99 1	11.63
October	28 6	3.25	December	88 2	10.36
November	27 4	3.25	1964 : January	89 11	10.64
December	26 6	3.25	February	79 4	9.11
1961 : January	27 5	3.03	March	64 10	7.43
February	26 6	2.97	April	67 0	8.07
March	26 7½	2.97	May	62 11	7.12
April	28 5	3.14	June	47 7	5.33
Ma y	29 6½	3.35	July	42 9	4.80
June	28 0½	3.20	August	39 0	4.37
July	26 3	3.05	September	33 2	3.71
August	23 7	2.80	October	32 6	3.70
September	23 11	2.68	November	31 2	3.40
October	23 3	2.73	December	26 5	2.76
November	22 4½	2.53	1965 : January	23 8	2.42
December	21 9	2.47	February	22 8	2.25
1962 : January	20 9	2.30	March	25 2	2.63
February	22 2	2.36	April	23 75	2.41
March	23 11½	2.65	Ma y	23 0	2.15
April	24 9	2.69	June	20 10	1.97
Ma y	24 1	2.61	July	20 4	1.94
June	24 4½	2.64	August	19 3	1.79
July	26 1	2.92	September	19 9	1.84
August	26 9	3.24	October	20 9	2.03
September	26 1	3.18	November	18 9	1.81
October	27 4	3.28	December	20 4	1.96
November	30 6	3.65	1966 : January	22 11	2.47
December	35 6	4.30	February	22 0	2.25
1963 : January	45 6	5.41	March	21 0	2.17
February	51 0	6.06	April	20 3	2.09

Source : International Sugar Council

Apart from a setback in production, the decline of sugar exports between 1959 to 1962 found also its causes in the increasing demand of domestic consumption and the drop of sugar prices in the world market. In 1963 and 1964 sugar exports rose again due to the increase of the sugar production and the high prices prevailing in the world market. Although a production of 729,881 tons was listed for 1965, the export for that year amounted to 79,565 tons only due to the increasing domestic consumption and the drop in sugar prices in the New York and London markets. Table 60 shows the trend of world market sugar prices.

In the course of the years under report the price of sugar generally showed a fluctuating trend. From 1960 to the middle of 1962 the price of sugar dropped considerably and reached its lowest point in January 1962 at the time when the New York market quoted U.S. \$ cts. 2.30 per lb. This was caused by the political tension between Cuba and the U.S.A. As a consequence the U.S. cut down its sugar imports from Cuba by 700,000 tons in 1960 and stopped importing altogether in 1961 while looking for other sugar exporting countries, particularly Brazil, Taiwan, Dominica, India, Mexico, Peru and the Philippines. The termination of exports of Cuban sugar to the U.S.A. had farreaching consequences in the world sugar market, because Cuba was compelled to find other markets for her 3,000,000 tons of sugar. According to a decision taken by the International Sugar Council in 1958 Cuban sugar earmarked for the U.S.A. was not a quota for the free market, in other words it could not be sold in the free market. To assist Cuba some socialist countries such as the Soviet Union, People's Republic of China, East Germany, Czechoslovakia, Poland and Hungary were willing to replace the U.S.A. position

TABLE 61 – WORLD PRODUCTION OF SUGAR (in '000 tons)							
	1959	1960	1961	1962	1963	1964	1965
Indonesia	856	675	627	589	652	650	740
Philippines	1,514	1,308	1,530	1,511	1,501	1,733	1,610
Rest of Asia	5,139	5,600	5,923	5,985	5,656	6,789	8,247
Asia	7,509	7,673	8,080	8,085	7,809	9,172	10,597
United States	2,559	2,788	2,880	2,974	3,417	3,998	3,767
Cuba	5,964	5,862	6,767	4,815	3,821	4,590	6,082
Rest of America	10,501	11,306	11,211	11,249	11,628	12,278	15,015
America	19,024	19,956	20,858	19,038	18,866	20,866	24,864
Europe	17,945	19,696	20,359	18,297	18,813	22,969	23,276
Africa	2,727	2,387	2,901	2,808	3,400	3,382	3,430
Australia (Oceania)	2,429	2,379	2,528	3,100	3,000	3,288	2,390
World Total	49,634	52,091	54,726	51,329	51,888	59,677	64,557

Source : International Sugar Council.

as buyer of Cuban sugar. Aside from the abovementioned there was an excessive supply of sugar since 1960 due to the fact that several sugar importing countries succeeded in stepping up their own production, so that they not only fulfilled their own demand, but even exceeded it. These countries then tried to alter their status from sugar importing to sugar exporting countries. Afterwards the sugar price, both in London and New York, showed a rising trend and from the beginning of 1963 rose steadily until May to a quotation of 85 sh. 2d. per cwt. in London and U.S. \$ cts. 10.36 per lb. in New York.

The rise in prices was caused by the decrease of supply in the world market, whereas the demand for sugar from various countries increased. Rumours that the U.S.A. had a sufficient stock of sugar until the end of the year caused the price to drop again. From September to November 1963 the sugar price rose again, caused among others by the unfavourable reports of beet-sugar production in Europe and the disastrous effects of the hurricane "Flora". In 1964 with the increase of the area harvested and good climatic conditions almost all sugar producing countries showed an increase in production output, thus causing a consistent drop in sugar prices in the world market until the end of 1965, reaching its lowest points of US \$ cts. 1.79 per lb. in New York in August 1965 and of 18 sh. 9d. per cwt. in London in November 1965, a fact that had never occurred before in the years under report. In the beginning of 1966 the sugar price rose again, but showed a decline in the beginning of February. The drop in sugar prices at that time was caused among others by the termination of exports of Cuban sugar to the U.S.A. and also because various African states had built sugar mills to meet their own demands.

T e a

Production figures for Indonesian tea for the period from 1960 to 1965 inclusive were as follows :

1960 : 46,061 tons, 1961 : 43,726 tons, 1962 : 47,217 tons
1963 : 39,169 tons, 1964 : 46,386 tons and 1965 48,123 tons.

Except for the years 1961 and 1963 the production of tea was relatively stable, fluctuating around 46,000 and 48,000 tons per year, including about 2,500 to 3,000 tons top-leaves purchased from smallholders. Production was difficult to raise, for the annual increase of productive acreage was insignificant, while the tea plants in general were already old with less- yielding “clones”.

In addition, the tea plantations had to deal with problems, such as insufficient supply of fertilizer, chemicals, and so on, whereas these problems had to be solved to produce top-leaves economically and efficiently.

The decrease in production in 1961 and 1963 was due to unfavourable climatic conditions. The quantity and quality of top-leaves depend on certain cultivation techniques, and the tea plants require sufficient rain-fall and sunshine. The decrease in top-leaves production in 1961 and in 1963 was attributable to a long lasting drought.

TABLE 62 – PRODUCTION AND EXPORTS OF TEA (in net tons)			
	Production		Exports
	Total	of which from bought-up leaf	
1959	44,276	4,172	29,694
1960	46,061	4,729	35,028
1961	43,726	3,773	32,243
1962	47,217	4,698	29,244
1963 ¹⁾	39,169	2,438	31,575
1964 ¹⁾	46,386	3,016	35,954
1965 ²⁾	48,123	...	35,459
¹⁾ Provisional figures ²⁾ Figures from the Department for Estates			

Source : Central Bureau of Statistics.

The 1966-1968 working and rehabilitation programme of the Department for Estates (dealing with State estates in particular) of which the aim is to maintain and increase tea production will provide for :

1. the expansion of replanting and new planting;
2. rehabilitation of existing seedling beds and laying out new ones;
3. finer picking and improvement of processing to obtain higher quality tea in order to retain its competitive position in the world market;
4. the improvement of cultivation techniques, particularly in the application of fertilizers.

To produce higher quality tea, existing tea factories were rehabilitated and new ones, such as, the “Bah-Birong Ulu” (North Sumatra), “Papandajan Takari” (Garut), “Pasir-Nangka” and “Sedep” (Tjiandjur) were set up.

The need to produce higher quality tea is pressing hard now since :

- a. The production of tea in other producing countries has been increasing. The increase in the world production of tea was on the one hand due to the expansion of production area in the old producing countries, such as India, Ceylon, Russia and China, and on the other hand tea from new producing countries particularly Africa and South America is beginning to appear in the world market. The discovery of new high-grade “clones”, yielding about 4,000 H kg, ha per annum (production of Indonesia tea is 1,300 to 2,000 H kg/ha per annum), also constituted another reason for the increase in world production of tea.
- b. There has been a growing demand for better quality tea in the world market.

World production of tea during the period under review was respectively as follows, 1960: 970,000 tons, 1961: 1,030,000 tons, 1962: 1,060,000 tons, 1963: 1,070,000 tons, 1964 : 1,120,000 tons. Although figures for the year 1965 were not available, it was anticipated that the 1965 yield exceeded the annual output of the previous years.

Tea exports from Indonesia (table 62) during the 1960/1965 period can be divided into two stages, viz. the 1960/1962 period showing a downward trend,

and the 1963/1965 period when exports increased again. Land and sea transportation difficulties, besides the increase of tea production in other main producing countries which were able to supply the greatest part of the demand in the consuming countries, resulted in a decreased volume of Indonesian tea exports.

Export figures for India and Ceylon (two principal tea producing countries) showed an increase during the 1960/1965 period as can be seen from the following figures ('000 tons) ;

	<i>1960</i>	<i>1961</i>	<i>1962</i>	<i>1963</i>	<i>1964</i>	<i>1965</i>
India	195	205	212	223	211	196
Ceylon	186	193	205	207	207	224

The principal markets for Indonesian tea from 1960 to 1962 were the United Kingdom which bought 8,922 tons in 1960, 6,744 tons in 1961, 9,570 tons in 1962, and Belgium/Luxemburg which bought 8,570 tons in 1960, 6,430 tons in 1961, 7,342 tons in 1962, and Australia which bought 7.260 tons in 1960, 5,660 tons in 1961 and 5,944 tons in 1962. According to their take in 1965, importing countries can be listed as follows: the Netherlands (17,973 tons), Australia (4,392 tons) and the United States (4,144 tons).

The prices quoted in Colombo for High Grown B.O.P. quality during the period under review showed a downward trend. In 1960 the average price quoted was Rs. 2.06 per lb. as against Rs. 2.02 in 1961, Rs. 2.03 in 1962, Rs. 1.92 in 1963, and Rs. 1.97 in 1964. The price level kept fluctuating from year to year due to sudden changes in the demand pattern of consuming countries on the one hand, and on the other hand due to transportation difficulties in the supply from producing countries.

The year 1965 opened with tea at Rs. 1.96 per lb. Towards the middle of the year the price showed a small improvement before dropping to Rs. 1.71, and at the end of the year it rose to Rs. 1.77.

Coffee

The acreage of estate-grown coffee in the 1960 — 1965 period was: 42,106 ha (1960), 41,326 ha (1961), 38,967 ha (1962), 37,462 ha (1963), 36,357 ha (1964), and 35,496 ha (1965).

Production was as follows : 18,287 tons (1960), 19,073 tons (1961), 12,257 tons (1962), 18,757 tons (1963), 7,468 tons (1964), and 14,008 tons (1965).

The decreasing acreage of estate-grown coffee from year to year was attributable to replantings, as a result of which a fall in production was noted in the initial years. Under present conditions, the average yield per hectare is 500 kg of coffee beans. Climate factors during bloom and fructification are of major import to production, as in 1961, resulting in a drop in the 1962 harvest. Favourable climatic conditions again raised production in the following year. A significant fall was recorded in 1964 because of the long dry season in the foregoing year (1963). More favourable weather conditions again stepped up the 1965 production. Weather conditions also affected smallholders coffee. A fall in production gave rise to price increase while this, at the same time, boosted coffee pilferages in 1964.

Meanwhile, the acreage of smallholders coffee in the same period was recorded as follows : 230,767 ha (1960), 240,153 ha (1961), 242,475 ha (1962), 228,491 ha (1963), 253,257 ha (1964) and 259,694 ha (1965). Production of smallholders coffee in the period concerned was: 77,906 tons (1960), 78,632 tons (1961), 99,121 tons (1962), 126,552 tons (1963), 80,227 tons (1964) and 91,457 tons (1965).

Acreage as well as production of smallholders coffee showed a satisfactorily upward trend from year to year.

Annual coffee exports in this period varied greatly, but the 1965 export boost was very significant as against those of the preceding years.

World Coffee Production
(in thousand tons)

	1961/1962	1962/1963	1963/1964	1964/1965 *)
1. Brazil	2,100.0	1,620.0	1,692.0	600.0
2. Colombia	468.0	450.0	468.0	486.0
3. Ivory Coast	96.8	194.8	261.1	210.0
4. Angola	168.6	186.0	168.0	192.0
5. Mexico	126.6	159.2	141.7	145.0
6. Uganda	92.6	119.6	164.8	184.9
7. El-Salvador	122.7	96.6	114.6	124.5
8. Guatemala	100.5	107.8	105.0	99.1
9. Indonesia	145.3	123.7	...	...
10. Costa-Rica	68.4	63.0	60.6	49.5
The others	780.5	879.3 **)	...	...
	4,270.0	4,000.0 **)	4,220.0 **)	3,140.0 **)

*) Preliminary data.

**) Estimate.

Source : Monthly Bulletin of Agriculture & Economic Statistics.

In 1960 coffee exports were 42,192 tons, in 1961 and 1962, 66,885 tons and 58,530 tons. A high figure was noted in 1963 i.e. 80,912 tons; then it decreased to 62,362 tons (1964) and rose to 108,058 tons (1965), the record in this period.

In 1960, Indonesian coffee exports mainly went to: the U.K. (32,301 tons), Penang (2,937 tons) and Singapore (2,599 tons). The 1961 exports went to: the U.S.A. (28,327 tons), the U.K. (26,524 tons) and Singapore (3,654 tons). Coffee exports in 1962 went to: the U.K. (44,603 tons), Penang (3,698 tons) and Singapore (2,387 tons). In 1964 and 1965 : the U.S.A. (13,919 tons and 44,108 tons) and Italy (9,538 tons and 16,634 tons).

World coffee production which during 1961/1962 totalled 4.27 million tons, was estimated at 4.22 million and 3.14 million tons in 1963/1964 and 1964/1965. In spite of the boost in coffee production in several African countries, the world production volume totalled a mere 4 million tons in 1964/1965 because of the

steady drop recorded in the production of the world's largest coffee producer country, Brazil. Figures of Brazil's coffee output in 1961/1962, 1962/1963, 1963/1964 were: about 2.1 million tons, 1.6 million tons and 1.7 million tons, while, the 1964/1965 production of Brazilian coffee was expected to reach a still lower figure.

In 1965/1966, according to estimates, world coffee production will rise again and approach the record production of 1959/1960 i.e. about 4,728 million tons.

This boost in production was made possible because in the preceding years the largest coffee producing countries, notably Brazil and the Ivory Coast had succeeded in checking a further fall in production, resulting from a prolonged dry season and frost damage in Brazil.

In the course of this period the price of Lampung Robusta coffee in Djakarta showed a rising trend. Early in 1960 the price was Rp 1,925 per quintal, while at the end of the same year it fell to Rp 1.285. After this, prices noted a constant rise, in December 1961 the price was Rp 2,800 per quintal, and in December 1962 and 1963 they were Rp 17,000 and Rp 24,000 a quintal. At the end of 1964 it soared to Rp 130,000, and in December 1965 a peak of Rp 475,000 was reached.

TABLE 63 – PRODUCTION AND EXPORTS OF COFFEE (net tons)			
	Production		Exports
	Estates	Smallholders	
1938	45,572	66,690	68,962
1959	18,861	65,281	38,943
1960	18,287	77,906	42,192
1961	19,073	78,632	66,885
1962	12,257	99,121	58,530
1963	18,757	126,552	80,912
1964	7,468	80,227	62,362
1965	14,008	91,437	108,058

Sources : Central Bureau of Statistics
Department of Agriculture & Agrarian Affairs.

In spite of short-term fluctuations in the world market, this period as a whole was marked by a rising trend in coffee prices. At the end of 1960 the price of Brazilian Santos coffee was US\$ cent 36.2/lb. At the end of 1961 and 1962, prices were US\$ cents 34.0 and US\$ cent 33.4 per lb. Early in 1963 a slight increase occurred, namely US\$ cent 33.8/lb. This lasted until September 1963, when it rose to US\$ cent 35/lb. and at the end of 1963 it reached US\$ cent 37.4/lb. A rising trend was also recorded in 1964, from US\$ cent 44.8/lb. to US\$ cent 45.2/lb. at the end of that year. In 1965, after a content US\$ cent 45/lb. up to August 1965, the price fell and in December 1965 it was US\$ cent 43.5/lb.

The continuously upward trend in coffee prices in the international market this period was among other things caused by :

1. World coffee supplies showing a fall because of large damage to the Brazilian crops.
2. Efforts of the International Coffee Council by determining tight export allocations aimed at preventing excessive offers in the international market.
3. The rise in international coffee consumption during the last five years, estimated at an increase of about 4% annually.
4. Quality-upgrading in certain coffee producing countries, such as in Africa.

C o c o a

The respective cultivated acreage of cocoa fields during the 1960—1965 period was: 7,369 ha (1960), 7,260 ha (1961), 7,248 ha (1962), 7,018 ha [1963], 6,679 ha (1964) and 4,674 ha (1965); while the harvested acreage was respectively: 5,336 ha (1960), 5,060 ha (1961) 4,966 ha (1962), 4,370 ha (1963), 5,039 ha (1964) and 3,768 ha (1965).

The figures showed a declining trend as regards the cultivated as well as the harvested acreage. This gave rise to a continued fall in cocoa production. Production in 1959 and 1960 was 1,161 tons and 1,030 tons respectively. A sharp decrease was noted in the production of the following years so that only a mere 488 tons was yielded in 1965.

Central Djawa is the principal cocoa producing area. However, because of the old age of plants, pests and chronic plant diseases, production was poor. Plans were in favour of rejuvenation of cocoa plants in East Djawa and Northern Sumatera.

The steady fall in production from year to year also influenced the volume of export of cocoa, as can be observed in table 64.

TABLE 64 — PRODUCTION AND EXPORTS OF COCOA (net tons)		
	Production	Exports
1 9 3 8	1,584	1,572
1 9 5 9	1,161	302
1 9 6 0	1,030	330
1 9 6 1	878	57
1 9 6 2	678	36
1 9 6 3	616	47
1 9 6 4	669	201
1 9 6 5	488	20

Sources : Central Bureau of Statistics.
Department for Estate Agriculture

While prior to World War II the total amount of cocoa exports reached 1,572 tons (1938), only a mere 330 tons was exported in 1960. In 1965, only 20 tons was exported.

Of the 1960 export, 195 tons went to West Germany and 115 tons to Belgium/Luxemburg. In 1961 and 1962, Indonesian cocoa was entirely shipped to West Germany.

In 1964 cocoa exports went to West Germany (84 tons), the Netherlands (63 tons), and Belgium/Luxemburg (50 tons), while the total 1965 exports went to the Netherlands.

Prices of cocoa in the world market showed an unstable development and an over declining trend. The cocoa price of Accra quality recorded US.\$ cent 30 per lb early in 1960 while at the end of the year it fell to US \$ cent 25.6. Prices at the end of 1961 and 1962 were US. \$ cent 26.2 and US.\$ cent 23.1 per lb. At the end of 1963 the price rose again to US.\$ cent 26.6 per lb, whereas at the end of 1964 it fell again to US.\$ cent 23.8 per lb. The declining trend continued in the first half of 1965. In July 1965 the lowest price in the period was recorded, namely US.\$ cent 12.2 per lb. followed by a slight increase and resulting in US.\$ cent 17.1 per lb in October. The falling trend was primarily caused by the increasing world cocoa supplies with a culminating total of about 1,510,000 long tons in the 1964/1965 harvest season. Similarly, demand indicated a rising trend, but teemingly it could not compete with the fast increase of supplies Besides a falling trend, cocoa prices were constantly subjected to fluctuations because of the significant role played by speculators in the cocoa world market. in the 1965/1966 season world cocoa production experienced a large fall, creating a deficit stock of 200,000 tons towards consumer demand. As a consequence the price at the end of the year went up again to a normal level, notably because of Ghana's exports to the Soviet Union and other Eastern-Block Countries.

An international cocoa conference in 1963 aimed at regulating cocoa world trade failed because no agreement was reached as to the minimum price of the commodity concerned. Producer countries stuck to a minimum price of £ 215 per ton, while consumer countries held on to a price of £ 160 per ton. Several major cocoa producing countries, such as Ghana, Nigeria, Brazil, Ivory Coast, Cameroon, and Togo set up an organization called the Federation of Cocoa-Producing-Countries, with the aim of stabilizing prices, guaranteeing cocoa supplies for consumer nations at reasonable prices, the exchange of information and to discuss problems jointly, and to try to develop and advance the utilization of cocoa. In 1965 the federation was deeply frustrated because of the sharp drop of

cocoa price as a result of over production at the time and because the federation failed to abide by agreements concluded jointly. In 1966 another international conference was convened among producer as well as consumer countries. The meeting was under the sponsorship of the United Nations Conference on Trade and Development (U.N.C.T.A.D.). Difficulties faced by this conference evolved around the following:

- a) Differences of views between consumer and producer countries, the first desiring a sales-quota trade system, while the latter insisted on a buffer stock method;
- b) the question of who was to finance the buffer-stock, estimated at 200,000 to 300,000 tons, and the way to do it;
- c) fixing of maximum and minimum prices.

World cocoa production gave more or less the following pictures :

1959/1960	1,050,000 long tons.
1960/1961	1,180,000 long tons.
1961/1962	1,140,000 long tons.
1962/1963	1,160,000 long tons.
1963/1964	1,200,000 long tons.
1964/1965	1,510,000 long tons.
1965/1966	1,230,000 long tons.

The increasing production was among other things attributed to :

1. Quality cocoa plants grown in large quantities in Africa in 1950 have already begun harvest.
2. Success of efforts to control and eradicate pests and diseases in principal producer countries.
3. Weather conditions favourable to cocoa plants.

Tobacco

The production of tobacco, quantitatively as well as qualitatively, greatly depends on climate. Excessive rains at several localities in Djawa were responsible for the fall of the 1960 estate tobacco yield in the island, apart from the large number of smoke-houses which were destroyed by fire in the course of that year. In contrast with the foregoing, the 27% decline of the 1961 Deli tobacco production and the inferior quality of the Besuki variety as compared with the preceding year, were caused by unfavourable weather conditions, i.e. by a prolonged drought.

Beside the weather conditions the acreage of tobacco fields also constituted an important factor with regard to the volume of tobacco yields. In 1962 tobacco production in East Djawa dropped considerably because of a sharp decline in the acreage of tobacco plantations in the area, although favourable weather conditions had produced a crop of superior quality. The reduction of tobacco fields was primarily the result of a preference among tobacco growers for other crops as this was more profitable.

A land dispute jeopardizing the regular yields of the Deli variety, which constitutes a significant source of foreign exchange earnings, broke out in 1963.

An extension of tobacco plantations in Djawa could not be effected without diminishing the production of other agricultural commodities, notably of food-stuffs. Therefore, extension of tobacco fields is conducted outside Djawa, such as at Watan Soppeng (South Sulawesi), and Lombok.

Meanwhile, in an effort to promote efficiency of land-use in the Jogjakarta and Surakarta areas, it was deemed necessary to make divisions among tobacco growers and fields.

As for the Besuki area no firm guidance has been given thus far regulating tobacco affairs.

Though the old regulations contained in the “Besoekische Tabaks Verordening” (B.T.V.), are still effective with some changes, in practice, however, there is much confusion in this field. For a long time there have been demands for a complete change of the B.T.V. The new regulations should guarantee a balanced position among planters, big estates (P.P.N.—central state plantations), and private tobacco traders. However, no such regulations have turned up so far because of conflicting interests of the parties involved.

The high prices of Indonesian tobacco at the Bremen auctions in 1959 attracted a great deal of new-comers capital in the domestic tobacco business, contributing to a rise in purchase prices of the 1959 crop. Domestic buyers gave special attention to quantity, while sortation was rather neglected. Besides, the 1959 harvest was of poor quality due to shortage of rain. In the meantime, the 1960 Bremen auctions were marked by less demand for smallholders tobacco than in the preceding year. This was attributable to a gradual removal of concern in the purchase of tobacco production from ex-Dutch estates, especially after the Verenigde Deli Maatschappijen N.V. and the Senembah N.V. were for the second time beaten in their attempt at protesting Indonesian rights to sell tobacco of taken-over foreign estates. These, coupled with inopportune shipment of smallholders tobacco and the unprofitable tobacco composition, were some of the factors responsible for the far from satisfactory results of the 1960 Bremen auctions. Of the Djawa (ex private) parties offered 30% remained unsold. Prices also recorded a significant fall. Although demand for estate tobacco was better, prices were still low due to its mediocre quality. The bitter experience of the 1960 Bremen auctions constituted an important lesson for private traders.

It was not surprising therefore that as a result of the 1960 failure, the total volume of 1961 exports indicated a sharp fall. Domestic tobacco markets were extremely slack while prices were relatively low, although the quality of the 1960 crop was superior to that of the foregoing year. The 1961 Bremen auctions of the 1960 harvest showed prospects towards improvement, though prices were still far below those in 1959. Notwithstanding the fact that direct trade relations between Indonesia and Holland were cut off as a result of the West Irian dispute and that

TABLE 65 – PRODUCTION AND EXPORTS OF TOBACCO (in net tons)					
	Estate production				
	Deli	Besuki	Vorsten- landen	Virginia	Exports
1938	13,786	20,924	(Djawa)	...	49,204
1958	2,025	3,141	512	1,405	22,059 ¹⁾
1959	2,313	3,486	845	2,057	15,802
1960	1,996	2,681	779	1,179	22,293
1961	1,638	3,343	1,014	1,869	19,884
1962	2,347	2,748	832	2,441	19,632
1963	2,134	3,550	1,372	2,436	18,153
1964	2,478	1,696	1,173	1,965	27,451
1965	3,289	3,794	2,089	2,401	19,267
1966	...	...	...	...	21,225 ²⁾
¹⁾ Figures from Central Bureau of Statistics ²⁾ January-September					

Sources : B.P.U. — P.P.N. Tembakau (for production figures) (Central Administrative Board of the state Tobacco Plantation).
Tobacco Institute (for export figures)

the site of tobacco sales was moved to Bremen, the majority of Indonesian tobacco buyers were Dutch cigar industries. They purchased about 60%—70% of the amount offered, particularly the Deli variety. It was indeed difficult for Dutch cigar factories to disregard Indonesian tobacco which for years had been applied as raw material. A change in raw material would mean a deviation from the consumer's taste, and this would call for a search for new markets. German cigar industries themselves did not use Indonesian tobacco, whose prices to their view were too high.

Lack of experience in marketing Indonesian tobacco on the part of the West German brokers was one of the main obstructions to successful operations at the early Bremen auctions. In the past, trade in Indonesian tobacco was monopolized by Dutch expert merchants. However, stage by stage, these obstructions were removed. Indonesia eventually showed to the outside world that the take-over of foreign tobacco estates did not cause any set-back to its tobacco trade and produc-

tion, as had been predicted by the Dutch. The superior quality of Indonesian tobacco was retained, while regular shipment of this commodity to international markets could continue.

In spite of the above, a detailed study should be made of possibilities endangering the position of Indonesian tobacco in international markets. Dutch tobacco experts in South Italy made concerted efforts to yield tobacco similar to the Deli variety. In Connecticut (U.S.A.) the branch office of the Verenigde Deli Maatschappijen experimented with similar tests, producing a variety called “Shade Grown tobacco”, which resembled the Deli species. To date, however, no such tests have been completely successful in matching of the native Deli variety with its famous aroma. Of more significance was the competition posed by the auction of Cameroon tobacco in Paris. The quality of this species is between those of the Deli and Italian tobacco, while its price is lower than the Deli variety. Meanwhile, the position of wrappers was endangered by the development of imitation tobacco which was made of pulverized inferior tobacco. Named Homogeneous Tobacco Leaves (HTL), these “paper” has already been introduced in minor cigar factories.

An Indonesian tobacco seminar in 1962 was of the opinion that in general the position of Indonesian tobacco in the world market was no longer as powerful as before World War II, except for such superior qualities as the Deli, Vorstenlanden and Besuki varieties. Therefore, Indonesian tobacco experts have the task of preserving and enhancing the high quality of tobacco produced in this country, while the volume of tobacco production adapted to world market demands should be maintained. In this context, the role played by research, engaged in the cultural-technical as well as marketing fields, is of supreme importance.

The 1962 auction of Indonesian tobacco in Bremen achieved satisfactory results with exceptionally high prices for the Deli and Vorstenlanden varieties. This was mainly caused by the small amount of European parties offered. The ‘blue mould’ raging over Europe had destroyed 70% of tobacco crops on the continent.

The average price of Vorstenlanden tobacco was 30% above that of 1961, while for several qualities of the Deli variety, buyers were ready to pay D.M. 25.50/1/2 kg. Only the Besuki species faced a lower price because of its poor quality. For the first time, the auctions were held at the new “Bremer Tabakbourse” building, which was set up by the “Deutsch Indonesische Tabak Handelsgesellschaft” (D.I.T.H.), a joint venture between the Indonesian government and a group of tobacco traders in Bremen (The Bremer Group) which was given monopoly to market P.P.N. (central state plantations) tobacco in Europe and which had been assigned to transfer auctions of Indonesian tobacco from Amsterdam to Bremen back in 1959.

Domestic purchase prices in 1962, 1963 went up to 4 or 5 times the prices of the preceding year. This tremendous rise was among other things caused by inflation, by the big number of new tobacco merchants, and by poor harvests. In the absence of a strict control of tobacco trade at home, it was feared that symptoms of disparity towards foreign countries would enlarge considerably, thereby making it more difficult for the position of Indonesian tobacco abroad, notably because of discriminative methods concerning import duties effected by the European Common Market (ECM) towards tobacco coming from non-ECM member countries.

The 1963 Bremen auction of Besuki tobacco reached the average price of D.M. 5.90 / 1/2 kg., the highest ever attained since the transfer of the tobacco market from Amsterdam to Bremen in 1959. The large yield of wrapper leaves of the Besuki variety in 1962 and the continued spread of the “blue mould” among European tobacco fields were responsible for the outstanding success of the Besuki variety at the 1963 auctions. The Deli variety offered at the 1963 sales (ex 1962 harvest) totalled 29,331 bales while in 1962 20,473 bales were made available, and reached the average price of D.M. 19.26/% kg., a reasonable price although it was less than the D.M. 24.03 / 1/2 kg. scored at the 1962 auctions.

The development of prices at the Bremen auctions from year to year can be viewed in the following table.

Year of Auction	Average Price per 1/2 kg.		
	Deli	Besuki	Vorstenlanden
1959 (ex-harvest 1958)	D.M. 22.49	D.M. 4.40	D.M. 4.93
1960 (ex-harvest 1959)	D.M. 15.47	D.M. 3.04	D.M. 2.58
1961 (ex-harvest 1960)	D.M. 17.30	D.M. 4.53	D.M. 3.25
1962 (ex-harvest 1961)	D.M. 24.03	D.M. 4.49	D.M. 4.43
1963 (ex-harvest 1962)	D.M. 19.26	D.M. 5.90	D.M. 4.34
1964 (ex-harvest 1963)	D.M. 18.90	D.M. 4.99	D.M. 4.53
1965 (ex-harvest 1964)	D.M. 20.82	D.M. 5.32	D.M. 4.14

Source: D.I.T.H.

In 1963, a tobacco cooperative movement at Tempeh (Lumadjang) shipped 400 bales of the commodity worth approximately D.M. 240,000 to the Bremen market. A milestone occurred in the 1963 tobacco marketing, viz. The conclusion of a law suite by ex-owners of Dutch tobacco estates against the D.I.T.H. on November 5, 1963. The case had been going on for more than four years, since the opening of the Bremen market in 1959. It had attracted world attention, especially in international law circles.

Shortage of rains lowered the quality of the Deli species in 1963. This was evidence in the average price at the 1964 auctions in Bremen which was mere D.M. 18.90 / 1/2 kg. Prices of Djawa tobacco, however, fetched excellent prices, while the quantity sold through the D.I.T.H. made up the largest volume ever reached in the 1959-1965 period, so that foreign exchange earnings resulting from the Djawa tobacco sales in 1964 broke a record. Several parties of the Besuki species were sold again to the United States by purchasers in Bremen as a substitute for tobacco usually imported from Havana, Cuba. Meanwhile, Brazilian tobacco seemed to take the place of the Cuban position in the U.S.A.

As a consequence of continued rising prices in Indonesia, including those of tobacco, small tobacco merchants in the Besuki area were unable to survive; their

places were taken by big traders, some of them in possession of huge amounts of hot-money. The small traders restricted their activities to renting their smoke-houses and other facilities without buying tobacco themselves.

The 1965 tobacco trade was marked by the inauguration of the “Temindo” G.M.B.H. (“Tembakau Indonesia” G.M.B.H.) in the Bremen auctions exactly on August 17, 1965.

While the D.I.T.H. is the sales body of tobacco yields of the P.P.N. Tembakau, the Temindo is a sales body/distributor of tobacco exported by the B.P.U. (General Management Board) of P.P.N. Tembakau or other agencies of the Department of Plantation Affairs. All state and private companies exporting tobacco are obliged to become share-holders of the Temindo, while all tobacco consignments of Temindo share-holders must be sold through Temindo. The board of directors of Temindo, installed by the Trade Minister after having heard suggestions and views of shareholders, was composed of three people, a representative of state trading corporations and two others of the private sector.

The first Indonesian brokers office for tobacco in Bremen called “Perantara” G.M.B.H. was set up in September 1965. Shares were in the hands of two companies only, namely the General Managing Board of P.P.N. Tobacco and Temindo. The average price scored by the Deli tobacco in the 1965 auctions was quite satisfactory, and the total amount sold (+/- 31,000 bales) was the biggest since 1959. It was not surprising therefore that proceeds yielded by the Deli species in 1965 were the highest. On the other hand, the quantity of Besuki tobacco sold via the D.I.T.H. recorded a sharp fall, only covering a mere 14,000 bales (usually 30,000 bales a year). This was due to floods cutting a large part of the 1964 harvest. However, the average price reached by the Besuki variety on the occasion was not discouraging, namely D.M. 5.32 / 1/2 kg.

The 1966 auctions did not give a satisfactory picture. All varieties were sold at low prices. Among the factors responsible for this set-back were the world production boost of cigar tobacco including the Italian sub-tropical tobacco and

the Indonesian tobacco itself. It was further assumed that cigar industries were still equipped with adequate stock. Recent symptoms showed that there was a preference for small-sized cigars of mediocre quality to king-size quality cigars. In this connection the Government has sent a number of tobacco officials to the Paris auctions of Cameroon tobacco and to Bremen with a view to studying the factors contributing to the set-back. The survey was to find out whether the unsatisfactory results of the Indonesian tobacco auctions were conjunctural or structural symptoms. The survey team also collected information needed by the government to formulate future tobacco policies.

In its efforts to achieve maximum proceeds from the Deli variety export, the government based its policy on the highest possible quality, also giving attention to quantities which could possibly be absorbed in the international markets, and being continually on guard concerning Indonesia's position in the keen competition in the tobacco world market.

The 1953-1958 period constituted a golden age for Virginia tobacco and several other varieties. A lot of traders joined the Virginia tobacco trade until 1959, when over-production occurred with about 240,000 bales. A decline in acreage and total production of Virginia tobacco was noticeable after 1959. Growers obtained more profit from other crops. Another difficulty facing Virginia tobacco merchants was the maintenance of the 1958 Virginia flue-cured variety while the price of smallholders green leaves continued to rise.

The government in this case wanted to prevent any rise in the cost-price of domestic cigarettes.

The flow of new capital into the Virginia tobacco trade in the past gave rise to over-capacity of "omprongan" (drying houses). As a result, an unhealthy competition of getting green leaves took place so that the plucking season was carried out arbitrarily, thus posing serious danger to quality. As a follow-up, the O.P.S. (Organization of Similar Enterprises) of Virginia tobacco urged the Government to exercise control over transactions and purchase licences of Virginia tobacco.

Another obstruction faced by Virginia tobacco merchants was the shortage of fuel, wood and petroleum. In order to overcome this problem, some people have tried diesel oil.

Meanwhile, in an effort to diminish imports of Virginia tobacco, views were raised to conduct a series of tests aimed at finding a new tobacco variety which could be utilized as blending material replacing imported Virginia. Plans are also for bigger exports of Indonesian Virginia tobacco.

Since prices of the Virginia species enjoy better prices than pre-harvest tobacco, the growing of pre-harvest tobacco in the Besuki area was on a smaller scale than that of the Virginia variety. The rising prices of cigarettes and “kretek” (spiced cigarettes) forced consumers to smoke “lintingan” (selfmade cigarettes). This resulted in the increased demand for “radjangan” tobacco, so that pre-harvest Besuki variety which usually went to kretek industries were now processed into “radjangan” tobacco by planters since this was more lucrative.

Spices

The export volume of pepper during 1960-1965 was unstable. Export volume in 1960 reached 12,708 tons, in 1961 a total of 19,079 tons was recorded, in 1962 the volume went down again to 10,962 tons. Figures reached a record in the following two years, namely with 27,950 tons in 1963 and 23,197 tons in 1964. Exports marked a decline in 1965 with a total of 12,116 tons, nearing the 1960 volume.

Destinations of the 1960 export volume were as follows: Singapore (9,926 tons worth Rp 365.1 million), the United Kingdom (1,457 tons worth Rp 48.5 million), and the U.S.A. (236 tons worth Rp 12.4 million). In 1961 the three afore-mentioned countries continued to be the principal consumers of Indonesian pepper. Details were as follows: Singapore (10,472 tons worth Rp 367.9 million), the United Kingdom (6,381 tons worth Rp 220.9 million), and the U.S.A. (1,664 tons worth Rp 60.1 million).

TABLE 66 — EXPORTS OF SPICES (in gross tons)					
	Pepper			Nutmegs and Mace	Cassia
	White	Black	Total		
1938	11,350	44,199	55,549	4,811	2,505
1960	1,397	11,311	12,708	5,153	7,685
1961	2,634	16,445	19,079	3,944	8,837
1962	2,988	7,974	10,962	4,357	11,298
1963	4,529	23,421	27,950	5,021	9,599
1964	4,344	18,853	23,197	5,495	8,623
1965	2,001	10,115	12,116	4,471	7,101

Source : Central Bureau of Statistics

Indonesia's confrontation against Malaysia among other things was responsible for the direct transfer of Indonesian pepper markets from Singapore to consumer countries, which brought about improved prices of Indonesian pepper. In 1964 and 1965 exports went primarily to: the U.S.A. (respectively 11,951 tons worth Rp 299.8 million and 6,810 tons worth Rp 245.3 million), West Germany (respectively 2,312 tons worth Rp 62.0 million and 888 tons worth Rp 27.7 million), and the Netherlands (respectively 1,597 tons worth Rp 37 million and 629 tons worth Rp 20.9 million).

Meanwhile, to promote the quality of Indonesian pepper. before confrontation processed in Singapore, the government set up a modern pepper processing plant at Telukbetung with an annual capacity of about 21,000 tons. Official inauguration of the plant was held in August, 1964.

Inflation and increasing foreign demands for Indonesian pepper attributed to the constant rise of prices in the domestic market. While at the end of 1960 the price of black pepper was Rp 2,650 a quintal, the same amount in December 1961 reached Rp 3,450. At the end of 1962 the price went up to Rp 8,500 and in December 1963 and 1964 it soared to Rp 18,000 and Rp 66,000 per quintal. In early 1965 the price went down slightly to Rp 55,000— then sharply rose again, and in early 1966 the price was recorded at Rp 700,000 per quintal.

Exports of nutmeg and mace during 1960-1965 were as follows: 5,153 tons (1960), 3,944 tons (1961), 4,357 tons (1962), 5,021 tons (1963), 5,495 tons (1964), and 4,471 tons (1965). In the 1960-1962 period the bulk of exports went to Singapore and the U.S.A. In 1960 the two countries mentioned imported 2,161 tons worth Rp 75.1 million and 555 tons worth Rp 33.3 million, while in the following year the figures became 1,421 tons worth Rp 25.9 million and 397 tons worth Rp 17.8 million respectively.

Exports in 1964 and 1965 mainly went to the Federal Republic of Germany and the Netherlands. In these two years West Germany's imports were: 1,713 tons worth Rp 33.0 million and 893 tons worth Rp 25.6 million, whereas the Netherlands noted the following figures: 871 tons worth Rp 24.2 million and 889 tons worth Rp 30.6 million.

Exports of cassia in 1960, 1961 and 1962 mostly went to Belgium/Luxemburg, the U.S.A. and Penang. In 1960 the countries in question respectively imported 2,805 tons worth Rp 51.9 million; 1,600 tons worth Rp 31.0 million, and 95 tons worth Rp 1.7 million. In 1961 exports to the same countries were: 3,143 tons worth Rp 46.4 million; 3,178 tons worth Rp 46.0 million, and 557 tons worth Rp 10.0 million. In the next year the figures were as follows . 1,998 tons worth Rp 27.6 million; 4,311 tons worth Rp 56.7 million and 1,975 tons worth Rp 32.9 million. In 1964 and 1965 the main exports destinations were the U.S.A. (respectively 5,837 tons worth Rp 81.4 million and 5,218 tons worth Rp 140.9 million) and the Netherlands (respectively 1,071 tons worth Rp 15.1 million and 839 tons worth Rp 22.3 million) .

During this period, the position of Indonesia's cassia in the international market was exceptionally good since two principal cassia producing countries, China and Vietnam (besides Indonesia and Ceylon), did not significantly contribute to fulfilling international demands for this product. In view of increasing demands, the cassia price in the local market showed a steady increase, whereas farmers made all possible endeavours to intensify cassia production (notably in West Sumatera, the principal producing area). Over-exploitation took place, which caused

negative effects. Trees were felled prematurely. It was predicted that unless the Government took swift and firm measures aimed at preventing over-exploitation, production of cassia in the future would be seriously affected.

Acreage of clove harvested in 1960-1965 were as follows: 36,583 ha (1960), 46,808 ha (1961), 48,594 ha (1962), 50,692 ha (1963), 61,250 ha (1964), and 67,117 ha (1965). Production in the period mentioned were as follows: 5,965 tons (1960), 7,070 tons (1961), 6,553 tons (1962), 7,946 tons (1963), 13,724 tons (1964) and an estimated 8,026 tons in 1965.

The above figures a reason for optimism since not only the acreage of clove fields but also production showed a rising trend.

The boost of clove production was attributed to the following :

1. New fields in Central Djawa and Atjeh have started production.
2. Young plants in already existing fields in West Sumatera and Lampung were also yielding their first production.

The high price of cloves, coupled with guidance and extension work provided by the Agricultural Service, make up a major incentive for the people to embark on clove planting projects, including top quality varieties such as the Zanzibar and the Sikotok. Private clove fields are also found in Djonggol and Pasir Modong (West Djawa), Selekaton and Banaran (Central Djawa).

Research activities conducted by the Bogor Institute of Agriculture including the planting and promotion of the quality of cloves and technological research experiments conducted by the Bogor Chemical Research Institute—which among other things tries to manufacture synthetic clove-oil for “kretels” cigarettes—all constitute positive contributions towards self reliance in this product, Indonesia’s total annual demands for cloves being about 15,000 tons.

In spite of the continuing rise of clove production at home, imports of this commodity still took place because of rising demands, especially coming from the “kretek” cigarette industry.

Mining

O i l

Government Regulations concerned with mining issued between 1960 --1965 and aimed at giving the Government (State Enterprise) a greater right and role in regulating and exploiting mining, particularly with regard to foreign companies, were among others as follows :

1. Government Regulation in Lieu of an Act No. 37/1960 on mining. This Regulation was a substitute of the “Indische Mijnwet” (Mining Act of the Indies) Gov. Gazette 1899 No. 214 and Gov. Gazette 1906 No. 434. With the issue of this Regulation the concept of concession was abolished since all minerals found within, on and under the soil of the legal mining territory of Indonesia were national property and controlled by the Government. Enterprises active in mining of strategical minerals could take the form of Government Enterprises, Local Government Enterprises, joint enterprises of the Government/ Government Enterprises on the one hand and Local Government/Local Government Enterprises on the other, or joint enterprises of the Government/Government Enterprises and/or a Local Government on the one hand and/a private company and/or an individual on the other.
2. Government Regulation in Lieu of an Act No. 44/1960 concerning oil and gas mining.
This Regulation decided that oil and gas mining could only be done by the Government by delegating the actual execution solely to a Government Enterprise. Consequently foreign companies could only act as contractors to Government Enterprises or the Government.

3. As follow-up to Government Regulation in Lieu of an Act No. 44/1960 set out above, the following Government Enterprises were established In 1961:
 - a) P.N. Pertambangan Minyak Indonesia (Pertamin), established by Government Regulation No. 3/1961, dated 13th February 1961.
 - b) P.N. Pertambangan Minyak Nasional (Permina), established by Government Regulation No. 198/1961, dated 5th June, 1961.
 - c) P.N. Pertambangan Minyak dan Gas Bumi Nasional (Permigan),established by Government Regulation No. 199/1961, dated 5th June, 19 61.
4. Decree of the President of the Republic of Indonesia No. 476/1961 concerning the sharing of revenue between the Government and Foreign Oil Companies. In this Decree the sharing of revenue was outlined according to which the Government share was 60% whereas that of the Foreign Company was 40% of the total revenue both in Rupiah and foreign currency.
5. Government Regulation in Lieu of an Act No. 2/1962 concerning the obligation of Oil Companies to fulfill domestic needs. Every company was obliged to share in the supply of domestic needs for oil to the amount in proportion to the company's crude oil output.
6. Acts No. 13 and No. 14/1963 on the ratification of Work Agreement between Government Oil Enterprise and Foreign Oil Companies, as a follow-up to the Decree of the Presidium of the Dwikora Cabinet No.Aa/D/26, 63 on the decision to put Caltex, Shell and Stanvac Oil Companies under the provisional control/supervision of the Government. Work Agreements were concluded between P.N. Pertamina and Pan American Indonesia Oil Company, between P.N. Pertamina and Caltex Indonesia and California Asiatic Oil Company (Galasiatic) /Texaco Overseas Petroleum Company (Topco), between P.N. Permina and Stanvac Indonesia and between P.N. Permigan and Shell Indonesia. The purpose was to accelerate the development of oil mining industry in Indonesia so as to increase production and solve the problem of the B projects of the National Development Plan.

P.N. Pertamina was appointed for domestic oil distribution and took over the issue of D.O. and the marketing assets. In 1964 the amount of fuel oil distributed was estimated at 4.6 billion litres, of which 70% was transported oversea from Balikpapan and Palembang to Djawa.

There are 3 refineries respectively at :

1. Sungai Gerong (Stanvac) with a capacity of 75 thousand barrels a day
2. Pladju (Shell) with a capacity of 114 thousand barrels a day
3. Balikpapan (Shell) with a capacity of 75 thousand barrels a day

According to the work agreement all the refineries above will be transferred to the Government in 1978.

In the period 1960— 1965 there was a steady decline in the production of P.N. Pertamina, on the other hand Caltex showed an increase while the other companies showed fluctuations in production. Caltex production in 1965 constituted 67% of the total oil production in Indonesia, Shell 14%, Stanvac 12%, Pertamina 4%, Pertamina 2%, Permigan 1%.

Taken as a whole oil production in the year under review showed an upward trend, as can be seen from the following figures (in thousand tons) :

	1960	1961	1962	1963	1964	1965
Permiana	581	824	1,134	1,286	1,240	1,052
Pertamin	1,445	1,252	983	776	670	575
Permigan	36	31	130	131	113	93
Caltex	10,156	11,207	11,462	11,539	14,194	16,107
Shell	4,521	4,482	5,614	5,385	4,264	3,482
Stanvac	<u>3,858</u>	<u>3,490</u>	<u>3,424</u>	<u>3,389</u>	<u>2,778</u>	<u>2,872</u>
	20,597	21,286	22,747	22,506	23,259	24,181

Source : Directorate General of Oil and Gas

TABLE 67 – PRODUCTION, IMPORTS AND EXPORTS OF OIL AND OIL PRODUCTS (’000 tons)					
	Crude Oil			Oil products	
	Production	Imports	Exports	Imports	Exports
1960	20,597	355	7,416	548	6,171
1961	21,286	2,142	9,731	506	5,727
1962	22,747	1,393	5,533	397	6,550
1963	22,506	1,246	9,550	216	5,669
1964	23,259	—	13,940	67	3,615
1965	24,181	—	13,100 *)	52	5,621
*) excluded Shell and Permigan					

Sources : Directorate General of Oil and Gas.
Central Bureau of Statistics.

To increase production improvements are necessary in Government Oil Enterprises. These improvements mostly concern management which centres round the following :

- a) the ability to meet their obligations towards the State and the community viewed from the technical, commercial, financial and social point, four functions which apply to all companies;
- b) the ability to meet their obligations as “tax collectors” on behalf of the Government with regard to each of their partners as contained in the Work Agreement.

The pattern of Government oil industry employs 3 Government Enterprises each with its own main task based on their specialization and experience up to the present as regards :

- a) distribution and domestic marketing;
- b) service of tankers;
- c) refineries.

TABLE 68 -DOMESTIC CONSUMPTION OF PETROL, KEROSENE AND CRUDE FUEL. ('000 tons)			
	Petrol	Kerosene	Crude Fuel
1 9 6 0	751	1,159	1,024
1 9 6 1	1,558	1,236	1,102
1 9 6 2	1,624	1,390	1,241
1 9 6 3	1,194	1,454	1,321
1 9 6 4	1,095	1,239	1,830
1 9 6 5	1,275	1,341	2,191

Sources : Directorate General of Oil and Gas.

With the issue of a new Government policy regarding the import and distribution of oil, the greater portion of domestic needs for oil were met by home production so that imports of oil and its derivatives declined. On the other hand the export of oil showed an upward trend (table 67). In connection with oil trade it can be pointed out that Indonesia's greatest competitors are the Middle East countries which practically control the European, Pakistan and Indian markets; the influence of their competition are even felt in other Asian countries, on the west coast of the United- States, in Australia and New Zealand. Up to the present Indonesia has still managed to maintain itself against these competitors thanks to the high quality of Indonesian oil which contains a very small quantity of sulphur. However with the progress in techniques of oil refining the superiority of Indonesian oil will no longer be absolute. Besides, with the employment of giant tankers, which can transport huge quantities of oil, the factor of distance between producing and consuming countries (as for instance between the Middle East and Japan or between Indonesia and Japan) become less decisive, while on the other hand the price factor plays an important role besides satisfactory service and the like.

Domestic consumption of petrol and kerosene showed fluctuations during the years under review, whereas consumption of heavy fuel increased continuously, as shown in table 68.

Tin

The output of tin ore produced by the government Tin Enterprises is as follows (in thousand long tons) :

	<i>1960</i>	<i>1961</i>	<i>1962</i>	<i>1963</i>	<i>1964</i>	<i>1965</i>
P.N. Tambang Timah Bangka	13.7	11.3	9.4	6.3	9.8	8.6
P.N. Tambang Timah Belitung	7.6	6.0	6.1	4.8	5.2	5.3
P.N. Tambang Timah Singkep	1.3	1.3	1.8	1.8	1.2	0.7
	-----	-----	-----	-----	-----	----
	22.6	18.6	17.3	12.9	16.2	14.6

Source : General Managing Board Government Tin Mining Enterprises.

Compared with 1960, the output of the Bangka Tin Mine showed a downward trend, whereas the output of Singkep Tin Mine increased till 1963 but declined again in the following year.

The decline of output was among other things due to the following

1. the means of production were obsolete;
2. the diminishing foreign exchange, for the import of spare-parts;
3. the ever decreasing tin ore reserves while the mines were getting deeper;
4. the shortage of experts.

TABLE 69 – PRODUCTION AND EXPORTS OF TIN (long ton)		
	Production	Exports
1960	22,596	26,631
1961	18,574	18,586
1962	17,310	16,710
1963	12,927	12,018
1964	16,244	13,830
1965 *)	6,969	6,472
*) January – June.		

Source : General Managing Board Government Tin
Minin Enterprises.

The Government policy in facing the decrease in production was divided into 3 stages :

- a) to stop the decline;
- b) to increase production;
- c) to upgrade the output.

Endeavours to stop decline in productitn were aimed at :

- a) improving management;
- b) intensifying the use of available equipment by more effective technology;
- c) eradicating smuggling.

When the efforts to stop the decline in production are successful, endeavours will be made to increase production. The target in this case is to regain Indonesia's position as No. 2 tin producer in the world as occupied by the country in the past. The present decline in production has put Indonesia in the 4th place after Malaysia, Bolivia, and Thailand. In connection with the position of Malaysia as the biggest tin producer in the world and the policy of friendship and regional

TABLE 70 – WORLD PRODUCTION AND CONSUMPTION OF TIN (’000 long tons)						
Production	1960	1961	1962	1963	1964	1965 ¹⁾
Malaysia	52.0	56.0	58.6	59.9	60.0	63.7
Bolivia	20.2	20.7	21.8	22.2	24.2	23.0
Indonesia	22.6	18.6	17.3	12.9	16.2	14.7
Thailand	12.1	13.3	14.7	15.6	15.6	19.0
Nigeria	7.7	7.8	8.2	8.7	8.7	9.5
Congo	9.2	6.6	7.2	7.1	6.5	6.2
Other Countries	12.7	13.5	13.8	15.0	16.0	16.1
	136.5	136.5	141.6	141.4	147.2	152.2
Consumption	1960	1961	1962	1963	1964	1965 ¹⁾
United States	51.5	50.3	54.6	55.2	58.6	58.6
United Kingdom	21.8	20.2	21.4	20.6	19.3	19.3
Japan	12.9	14.3	13.8	15.9	17.9	17.2
West Germany	27.7	25.8	11.6	11.2	12.4	11.6
France	11.2	10.1	11.2	11.1	11.0	10.1
Other Countries	37.0	36.7	48.1	49.1	49.2	48.5
	162.1	157.4	160.7	163.1	168.4	165.3
¹⁾ Estimate						

Source : International Tin Council.

co-operation adhered to by Indonesia, there are possibilities of utilizing the economic co-operation with Malaysia, among other things in the field of tin mining.

As regards the export of tin ore it can be pointed out that it declined between 1961— 1963. In 1964, with the uncrease in production, the export also increased. The main countries of destination for the export of tin were th United States, the Netherlands and Malaysia.

In table 70 can be seen thee the world tin production in the years under re-view showed an upward trend which was caused by the increase in production in main tin producing countries, namely Malaysia, Bolivia and Thailand. World tin consumption also showed an upward trend, in America and in other countries, but

TABLE 71 – AVERAGE TIN PRICES			
	London-cash £/long ton	New York- prompt \$ cts/lb.	Singapore-ex works M.\$/picul
1960	796.6	101.40	393.7
1961	888.6	113.27	446.8
1962	896.5	114.61	447.8
1963	909.7	116.64	455.4
1964	1,239.4	157.72	619.4
1965	1,412.7	178.17	702.8

Source: International Tin Council.

consumption in the United Kingdom and West Germany showed a downward trend.

The average price of white tin in the world market rose continuously, especially in the years 1964 and 1965 (table 71). This rise was caused among other things by:

1. the decrease in world tin stockpile;
2. international political conflicts which also exercised an indirect influence on the foreign trade of tin producing countries such as Malaysia and Indonesia.

Other mining products

Coal deposits are found in Sumatra, Djawa, Kalimantan, Sulawesi and West Irian. Only those in Sumatra and East Kalimantan have been exploited.

On 24th June, 1961 based on Government Regulation No. 86/1961 Ombilin and Bukit Asam coal mines were transferred by Badan Urusan Perusahaan Tambang2 Negara (BUPTAN) (Managing Body of Government Mining Enterprises) to B.P.U. (Badan Pimpinan Umum — General Managing Board) Batubara. The two companies were turned into Government Enterprises based on Govern-

ment Regulations No. 92 and No. 93 of the year 1961. Besides, there is another Government mine, namely P.N. Tambang Batubara Sebuku / Loa Kulu in East Kalimantan.

Coal production after World War II has declined in comparison with prewar years. The highest production figure ever reached was 968,633 tons in 1952, while before the war the highest figure was 2 million tons reached in 1940. The development in coal production of the three mines in the years under review was as follows (in thousand tons) :

	<i>1960</i>	<i>1961</i>	<i>1962</i>	<i>1963</i>	<i>1964</i>	<i>1965</i>
Bukit Asam	550	426	351	443	308	257
Ombilin	78	104	90	110	97	93
Mahakam	32	31	30	38	41	40
	-----	-----	-----	-----	-----	-----
	660	561	471	591	446	390

Source :

B.P.U Batubara (General managing Board State coal Mining Enterprises).

The decline in production was due to the following :

1. obsolete means of production (from pre-war years);
2. shortage of spare-parts;
3. uncertainty of foreign exchange allocation so that it was hard to draw effective planning;
4. old mines.

To check this decline in production— even if possible to increase it— so that urgent needs can be met, it is necessary to import new equipment and spare-parts.

The biggest coal consumer was the Government Railway Service (90%), besides there were other consumers, namely the Government Electric Company and the Government Gas Company, while high quality coal went to P.N. Tambang Timah Bangka and P.N. Pabrik Semen Indarung, each consuming about 48 thousand tons a year. The Railway Service in Djawa needs about 340 thousand tons a year, but owing to uncertainty of supply and lack of smoothness in delivery, only 30% of the need could be met. Consequently the Government had to import coal and stopped exports from 1965 on.

The Ombilin Coal Mine is now being rehabilitated, i.e. in the framework of economic co-operation with Poland, while East Germany will rehabilitate the Taba Coal Mine.

Bauxite production in the years under review showed an upward trend since hardly any difficulties were met with. The output was produced by P.N. Tambang Bauksit Indonesia (P.N. Perbaki).

To increase production the opening of a new mining territory in the island of Tembeling was planned.

This is necessary since reserves in other territories, such as Koyan and Buton, will be exhausted in a few years. The production estimate in the new territories is 200 thousand tons annually, for which investment in the form of mining equipment, means of transport and the like is required. Bauxite exports in the years under review showed fluctuations and the bulk was exported to Japan (table 72).

As regards *manganese* it can be observed that before 1960 its mining and sale were conducted by private bodies. With the issue of Act No. 36/ 1960 on Mining, and Government Regulation No. 39/1960 on Grouping of Minerals, private bodies were banned from any activities in the field of manganese, and P.T. Mangan Indonesia was set up by the Government, a joint enterprise of the Central Government, Jogjakarta and West Djawa Local Governments.

CHART V -- MINING PRODUCTION

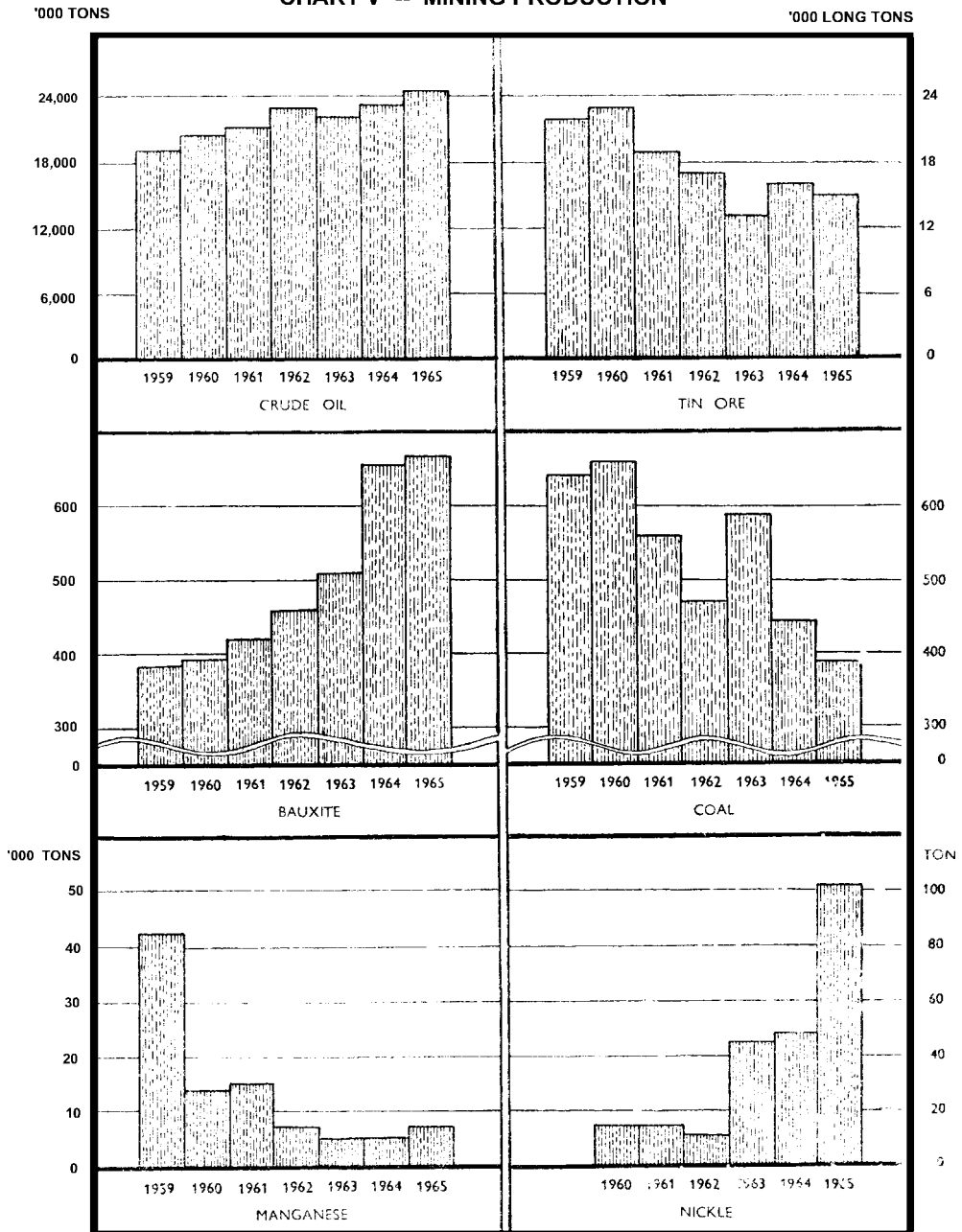


TABLE 72 — PRODUCTION, IMPORTS AND EXPORTS OF BAUXITE AND COAL (’000 tons)						
	Production		Imports		Exports	
	Bauxite	Coal	Bauxite	Coal	Bauxite	Coal
1960	396	660	—	37	273	7
1961	420	561	—	26	421	—
1962	461	471	—	18	395	—
1963	506	591	—	11	573	2
1964	661	446	—	—	453	4
1965	668	390	—	1	184	—

Sources : B.P.U. Batu Bara dan Tambang Umum Negara (General Managing Board State Coal Mining and State General Mining Enterprises).
Central Bureau of Statistics

Manganese production in 1962 and 1963 showed declining figures, to rise again starting from the following year, whereas nickel production showed a steady decline till 1962 and started to increase in 1963, as can be seen from the following figures :

Manganese and Nickel Production and Exports
(in tons)

	Production		Exports	
	Manganese	Nickel	Manganese	Nickel
1960	14,096	13,758	24,792	...
1961	14,720	13,682	6,000	18,000
1962	6,700	10,777	6,207	12,000
1963	4,796	45,528	6,818	31,390
1964	5,159	49,226	14,158	45,100
1965	7,217	102,002	...	...

Source : B.P.U. Tambang Umum Negara

Mining activities of the two minerals were adjusted to sale and demand. Decline in manganese production in 1962 was because the export of manganese ore was stopped, so that P.T. Pertambangan Mangan Indonesia had to slacken its activities so as to prevent great losses. Besides, manganese mining on a big scale had been started in different countries, such as India and some African countries, which exported manganese to Japan and Europe. In addition to this at the end of 1961 the Soviet Union exported large quantities of manganese ore to Japan. All this influenced manganese production and exports in Indonesia, which constituted only a very small quantity compared with the production in those countries. Some steps were taken to increase production, among other things :

- a) rationalization in the determination of mining territory, in mining methods, selection etc.;
- b) enlarge mining territories.

Nickel mines are found in the islands of Maniang and Lemo and in Pomalaa, South Sulawesi. The drop in production in 1962 was caused among other things by difficulties in exporting nickel ore. In the following year with the improvement of world market prices, production was expanded so that nickel output increased again. At the end of 1964 co- operation with Japan on the basis of production sharing (Sulawesi Nickel Development Corporation) was effected in the mining of nickel ore in Pomalaa. As a trial run the Pomalaa mine produced 16,492 tons of nickel that year, and in the following year production could already be increased to the amount of 78,775 tons, so that the total output in 1965 increased to 102,002 tons.

Industry

In conformity with Act No. 19/1960 concerning state enterprises, the Department of Basic Industry and Mining established 3 General Management Boards for State Enterprises in the field of basic industries, viz.:

I. the B.P.U. Industri Alat Pengangkutan (General Management Board for the Transportation Equipment Industry), established by Government Regulation No. 98/1961, and coordinating the following enterprises:

1. P.N. Gaja Motor;
2. P.N. Pakin;
3. P.N. Alir Mendjaja.

II. the B.P.U. Industri Mesin dan Alat Listrik (General Management Board for the Machine and Electrical Equipment Industry), established by Government Regulation No. 99/1961, and coordinating the following enterprises :

1. P.N. Sabang Merauke;
2. P.N. Barata;
3. P.N. Ralin;
4. P.N. Metrika;
5. P.N. Boma;
6. P.N. Bisma;
7. P.N. Indra.

III. the B.P.U. Industri Kimia (General Management Board for the Chemical Industry), established by Government Regulation No. 100/1961, and coordinating the following enterprises :

1. P.N. I.G.L.A.S.;
2. P.N. Intirub;
3. P.N. Semen Gresik;
4. P.N. Semen Padang;
5. P.N. Kertas Blabak;
6. P.N. Kertas Padalarang;
7. P.N. Kertas Letjes;
8. P.N. Kertas Pematang Siantar;
9. P.N. Zatas;

- 10.P.N. Garam
- 11.P.N. Soda
- 12.P.N. Asam Arang

When the Department of Maritime Industries was established, the P.N. Pakin and the P.N. Alir Mendjaja were brought under the supervision of this Department.

In 1961 the Department of Basic Industry and Mining worked out a plan concerning the establishment of Basic Industrial Project, based on a Decree of the Second Session of the M.P.R.S. (Provisional People's Consultative Congress) 1960. The projects were :

1. the steel project Trikora at Tjilegon and steel projects in Lampung and Kalimantan;
2. a superphosphate project at Tjilatjap;
3. the Sriwidjaja fertilizer project at Palembang;
4. an aluminium project in North Sumatra;
5. the paper project Takengon in Atjeh and a paper project in Central Djawa;
6. the bamboo-paper project at Makassar and a paper project at Banjuwangi;
7. cement projects in North Sumatra and South Sulawesi;
8. shipyards at Makassar, Padang and Gresik;
9. a tyre project at Palembang;
10. a rayon pilot project at Bandung and one at Palembang.

Almost all the above projects, which were put on a priority basis, were delayed except the Sriwidjaja fertilizer project. The cause was the shortage of funds, in particular rupiahs.

In almost all industrial sectors, production declined except in a few cases, such as paper mills and salt factories where the decline was slowed down through the use of domestic raw and auxiliary materials. Compared with the years before,

TABLE 73 – IMPORT INDICES OF INDUSTRIAL RAW MATERIALS (1950 = 100)						
	1959	1960	1961	1962	1963	1964
Beer brewerics: malt (including flour and extrect)	148	168	248	71	22	83
Printing works : paper	151	216	236	79	30	289
Paint industry : zinc white	86	138	211	110	10	—
red lead	66	86	175	30	7	—
Weaving mills : cotton weaving yarn	133	322	328	193	149	168
Batik works : gray shirtings, sheetings and supers	25	20	21	14	9	9
bleached cambrics and shirtings	93	150	203	159	93	107
wax (various kinds)	655	355	539	—	95	—
Kretek industry : cloves	57	63	82	47	49	81
Construction shops : sheet iron	324	190	365	232	54	230
bar iron	204	288	204	195	29	290
profile iron	146	108	133	165	24	21
Building industry : cement	211	52	238	89	134	144
Miscellaneous : caustic soda	159	42	243	141	44	—

Source : Central Bureau of Statistics.

the decline in 1965 was notable. This was chiefly the result of the rampant inflation, which greatly affected all fields of production, and especially industrial production.

At the same time the industrial sector faced shortages of raw and auxiliary materials and equipment, in particular of those which had to come from abroad.

This was due to the shortage of foreign exchange for the import of those goods. Table 73 shows the index figures concerning, the import of raw materials.

As far as the light industry was concerned, some US \$ 70 million in foreign exchange was needed to import raw and auxiliary materials for about 80 kinds of the most important industries.

The allotments of foreign exchange for the Department of Indigenous Industry for the last five years dwindled considerably and were far behind the amounts needed :

<i>Year</i>	<i>Allotments</i> (U.S. \$ million)
1960	32.47
1961	59.93
1962	12.38
1963	17.20
1964	13.29
1965	14.87

Sources : Allotments K. P4/B.P3. Department of Indigeneous Industry.

The big allotment of foreign exchange in 1961 was meant to make up for the shortage in 1960, while the decrease in the amounts allotted since 1962 was due to the limited foreign exchange available. The latter was the result of the considerable spending on „Trikora” (People’s Triple Command: the return of West Irian into the fold of the Republic) and “Dwikora” (People’s Twofold Command: confrontation with Malaysia). The greater part of the allotment of foreign exchange for 1965 of US \$ 14.51 million was used to buy raw and auxiliary materials as contained in trade agreements with various countries, a smaller part consisted of Deferred Payment from foreign suppliers. To this was added import which used S.P.P. amounting to US \$ 0.36 million, making up a total of US \$ 14.87 million for 1965.

Important raw materials used in light industries are tin plate, paper and cloves. Tin plate was used in various can industries producing tin cans for paint factories, shoepolish factories, food canning industries, factories producing kerosene cans, etc. These factories needed an annual supply of 20 thousand tons of tin plate, whereas only about 28% of the demand (about 5.7 thousand tons) was met in 1965. The amount of paper needed in the printing industries (apart from newsprint) was about 27 thousand tons annually. Only about 7.2 thousand tons (about 27%) could be supplied in 1965.

Cloves were needed in “kretek” cigarette industries. Though the domestic yield of cloves kept increasing, more had to be imported to meet the demand. In the period 1960-1964 the amounts of cloves imported were, respectively, 7,000 tons, 9,000 tons, 5,000tons, 5,000 tons and 9,000 tons.

In the field of the textile industries, no satisfactory developments were to be noted in the years 1960 and 1961. Progress was made in the years thereafter. The number of weaving looms, both machine looms (ATM) and handlooms/handicraft looms (ATBM/ATKT), and knitting looms is sufficient at present to meet the demand. Part of the tools in use, such as ATBM/ATKT, ATM finishing and printing tools, and spare parts of sufficiently good quality can be made at home. It is only to be regretted that the supply of raw materials (cotton and weaving yarn), the capacity of spinning mills and the finishing processes have not kept pace with the rapid development of the tools used in the textile industry so that no harmonious balance has been found in these sectors to date. As a result, the existing weaving and knitting mills have been continually suffering from a shortage of weaving yarn. This shortage was particularly felt in 1963 and some time after, during the struggle for the liberation of West Irian and the political confrontation with Malaysia, still worsened by speculation in and manipulation with weaving yarn. Many weaving mills, the small ones in particular, were much affected by all these activities and forced to close down. In that period only 30% to 40% of the mills were able to work, and at a limited capacity.

To overcome difficulties in supplying weaving yarn, the Government took various steps, among others :

1. In 1962 the Badan Koordinasi Pengawasan Pertekstilan (Co-ordinating Board for the Supervision of the Textile Industry) was established having as its members the Badan Urusan Tekstil (Council for Textile Affairs) and other organs in the capital, and the Industry Services and other organs in the provinces.
2. The establishment of a “Team Pembina Pelaksanaan Sandang Tahun 1962” (Team for the Execution of the Clothing Programme 1962) to ensure the realization of the Government clothing programme.

3. As from December 1963 restricting or stopping the issue of permits (licences) for new weaving or knitting mills by fixing limits to the numbers of ATM and ATKT each 1st level autonomous district was allowed to have as long as the scarcity of weaving yarn lasted.
4. Attempting to regulate the distribution of weaving yarns (for the greater part imported). As from September 1964 this was put in the hands of the KOTOE (Supreme Economic Operational Command). The first measure was to find out what the position was of the enterprises and what they needed.
5. The establishment of the Komando Operasi Proyek² Sandang (Koprosan: Clothing Projects Operational Command) to see that clothing project is were completed in the shortest time possible to ensure a speedy production. This applied in particular to the construction of spinning mills, which had been delayed. The Koprosan clothing projects consisted of 6 spinning and 2 weaving and finishing mills, which was started in 1961. They were originally estimated to be completed in 1965 but had been held up because of various difficulties: lack of funds, building materials, transportation, etc.

Prior to 1963 the Government interest in the development of clothing industries was limited. On the other hand, there was a fairly sufficient amount of raw material (weaving yarns) in stock. After 1963 the greater part of the textile factories, which had been forced to close down, were able to resume activities owing to the KOTOE measures concerning the distribution of weaving yarns. None the less, the production of the big weaving mills in 1963 and 1964 was still below that of the previous years, as is clear from table 74.

Other notable events which were of importance to the clothing industry were :

1. The establishment on June 23, 1965 of the Department for the Textile Industry to deal with all textile and clothing affairs.
2. The Conference on Clothing I, from September 16 to September 21, 1965 in Djakarta, discussing various clothing problems and producing three important clauses to be used henceforth as the outlines of a policy to develop a national clothing industry, viz.
 - a) the doctrine of self-reliance in the field of people's clothing;
 - b) the formulation of the logistics of people's clothing;
 - c) a three-year plan of people's clothing.
3. The establishment of the Dewan Sandang Nasional (Desanas: the Council for National Clothing) and the Badan Pelaksana Sandang Nasional (Balaksanas: Executive Body for National Clothing) on September 14, 1965. The Desanas had to determine the Government general policy in the field of clothing, supervise its execution and was responsible for the success of the Government basic clothing programme, while the Balaksanas was an executive body and responsible for the carrying out of the Government clothing programme as drawn up by the Desanas.

TABLE 74— MAIN WEAVING MILLS							
	Number of mills		Yarn Consumption (tons)	Production			
	Total	In operation		Sundry (‘000 m)	Blanket	Sarong	Towels
					(‘000 pieces)		
1959	65	62	7,451	40,499	43	1,818	2,246
1960	63	60	9,946	64,608	75	961	1,388
1961	61	60	10,398	64,156	182	1,919	2,245
1962	61	60	10,280	60,580	153	1,943	2,183
1963	61	60	9,506	54,641	115	2,082	1,734
1964	61	60	8,777	47,504	67	2,404	1,587
1965 +)							
1st Qr.	61	57	1,902	9,918	9	596	336
2nd Qr.	61	57	1,898	9,327	10	443	324
+) Provisional figures							

Source : Central Bureau of Statistics

The existing cotton spinning mills had up to the end of 1962 a capacity of 205,076 spindles. In September 1963 a second spinning mill was completed at Tjilatjap with a capacity of 30,000 spindles. To this was added a rami spinning factory at Pematang Siantar (6,600 spindles), so that the spinning mills existing before 1965 had a total capacity of 241,676 spindles. During the first three years under report (1960-1962) almost no changes had taken place.

In 1965 a few more mills— part of the Mandatory's projects were completed, namely the spinning mills at :

1. Grati, Pasuruan (October 1, 1965) capacity	30,000 spindles
2. Tjipadung, Bandung (December 1, 1965), capacity	30,000 spindles
3. Lawang, Malang (December 17, 1965), capacity	15,000 spindles
4. Djuraganan, Djakarta (December 19, 1965), capacity	30,000 spindles
5. Setjang, Magelang (December 29, 1965), capacity	30,000 spindles

	135,000 spindles

A few more mills are under construction and its completion expected in 1966, namely spinning mills at :

1. Tohpati, Bali (Mandatory's project), capacity	15,000 spindles
2. Bandjaran (ax-Chinese People's Republic Credit), capacity	30,000 spindles

	45,000 spindles.

Apart from these, contracts have been concluded for the building of more mills, which are expected to be completed in a few year's time. These are spinning mills at :

1. Palembang (ex-German Democratic Republic), capacity	30,000 spindles.
2. Bekasi (ex-Motes, Italy), capacity	30,000 spindles
3. Padang (ex-Chinese People's Republic), capacity	25,000 spindles

4. Makassar (ex-Chinese People's Republic), capacity	30,000 spindles
5. Madiun (ex-Chinese People's Republic), capacity	30,000 spindles
6. Three units (ex-Nichimen credit), capacity 15,000 spindles each	45,000 spindles

	190,000 spindles

The spinning mills to be in existence by the end of 1968 are expected to have a total capacity of about 612,000 spindles, producing about 61,200 tons of weaving yarn annually. This may rightfully be called a major achievement in the attempt at self-reliance in the field of weaving yarn production. The programme of the National Overall Development Plan, First Stage (M.P.R.S. Decree), however, mentions a target of 1,650 thousand spindles by the end of 1968, compared with which the capacity to be realized will only be 37% of the M.P.R.S. target.

The mills mentioned above are all Government owned mills, since so far there has been very little interest on the part of private entrepreneurs in these projects. The reasons for this are:

- a. the building of spinning mills requires substantial capital;
- b. machines and all spare parts have to be imported;
- c. the lack of skilled labour.

The existing spinning mills are also facing various difficulties, which prevent them from working at full capacity, viz. difficulties in raw materials (cotton) and spare parts.

The finishing projects under construction are meant to be used for screening and primary finishing. The finishing capacity is at present estimated at no more than 50 to 60% of the total amount of material to be worked.

Intensive research of wood species for the production of rayon are being conducted by the Balai Rayon dan Cellulosa (the Rayon and Cellulose Institute) at

Bandung. Production on a pilot scale (Rayon Pilot Project Bandung) proved to be satisfactory. The preparations of rayon projects (as M.P.R.S. targets) in North Sumatra, South Sumatra, Central Kalimantan, and South East Kalimantan have been completed, and the projects themselves are planned to be completed in 1968. Of all these projects only the rayon project in South Sumatra (Palembang) will use old rubber wood as raw material and its capacity will be a minimum of 30 tons a day, to be possibly increased to 70 tons a day.

The production of natural silk has proved to make rapid progress and drawn a great deal of public interest. The very favourable soil and climate of Indonesia offer great possibilities for the development of natural silk industries, which :

- a. will help satisfy the demand for clothing and make the Government Clothing Programme a success;
- b. will provide new fields of employment for the population;
- c. will add to the people's earnings.

Research, experiments, and all kinds of other efforts from the early until the final stages have been performed with satisfactory results, both by individuals (West Djawa) and at university level (Central Djawa). Apart from this, a Lembaga Pembibitan Sutera Alam (Natural Silk Cultivation Centre) has been established at Lembang. The cultivation of natural silk has spread over the following areas: North Sumatra, West Djawa, Central Djawa, East Djawa, Bali, Lombok, and South Sulawesi. The following departments participated in the activities to develop natural silk industries: the Department of Agriculture and Agrarian Affairs, the Department of Indigenous Industries, the Department of Veteran Affairs, and the Universities. The Department of Veteran Affairs completed a silk yarn reeling project at Tjiawi, Bogor, which was equipped with 600 ends and 100 ATM.

In general, the power used in the above industries is electric power. Electricity, being one of the production factors, plays a decisive part in all industrial activities and development.

TABLE 75 – INDUSTRIAL PRODUCTION						
Products	Unit	1961	1962	1963	1964	1965
1. Paper	ton	8,281	10,448	11,033	11,388	11,124
2. Cement	ton	445,768	510,689	429,499	438,647	389,478
3. Glass						
a. Brown glass	ton	8,035	8,191	6,444	...	...
b. White glass	ton	3,915	5,882	5,363	...	...
Total	ton	11,950	14,073	11,807	6,996	9,024
4. Oxygen						
a. Oxygen	cubic m	2,193,552	2,170,000	2,117,572	2,177,573	2,132,467
b. Nitrogen	cubic m	6,127	4,700	7,202	5,563	—
c. Compr. Air	cubic m	16,858	18,678	17,564	16,445	—
d. M.C.	piece	66	49	27	57	—
5. Carbon Dioxide						
CO2 liquid	ton	950	886	671	641	621
6. Tyres						
a. Outer cover	piece	97,138	189,762	47,839	84,798	76,594
b. Inner tube	piece	110,675	115,333	90,280	63,205	46,874
c. Flap	piece	6,614	8,719	5,693	5,695	3,430
7. Salt						
a. Fine salt	ton	444,661	255,613	448,942	53,000	252,426
b. Granulated salt	ton	67,850	53,585	69,801	44,688	—
c. Gypsum	ton	2,500	2,500	1,819	2,353	—
d. Tubes	ton	10,764,413	14,689,691	6,806,452	5,455,976	4,077,500
8. Soda	ton	4,810	3,230	2,029	2,142	2,631
9. Fertilizers	ton	—	—	—	—	94,120

Source : Bappenas (National Planning Council).

In considering the development of installed power capacity of generators used by the PLN (State Electricity Company) in the years 1960 up to and including 1964, the following developments (in KW) are to be noted :

	<i>Diesel</i>	<i>Thermal</i>	<i>Hydro</i>	<i>Total</i>
1960	115,907(38.5%)	20,730(6.9%)	163,482(59.6%)	299,619(100%)
1961	120,925(39.6%)	20,730(6.8%)	163,482(53.6%)	305,137(100%)
1962	149,599(40.8%)	45,730(12.6%)	169,482(46.6%)	363,811(100%)
1963	164,326(41.9%)	45,730(11.6%)	182,142(46.5%)	392,198(100%)
1964	169,451(31.0%)	120,730(22.0%)	257,142(47.0%)	547,323(100%)

Source : State Electricity Company.

The total installed power capacity in 1955 was 202, 305 KW, specified as follows :

Diesel	74,288 KW (36.7%)
Thermal	20,730 KW (10.3%)
Hydro	107,287 KW (53.0%)

202,305 KW	

From that year up to 1961 nothing of significance was constructed. It was not until after 1961 that the Plan for National Development produced some result, in particular the electrification by diesel machines of the furthest corners of the country. The great demand at short notice for electricity in small and big towns in wide-spread areas, in particular in the outer islands, caused the percentage of diesel generators to rise. The completion of the great electric power plants, the P.L.T. Uap (thermal electric plant) Tandjung Perak (50,000 K.W.) and Tandjung Priok (second unit of 25,000 K.W.) and the P.L.T. Air (hydro-electric plant) Djatiluhur (75,000 K.W.) caused the installed power capacity for 1964 to rise to 547,323 K.W. and the percentage of diesel generating capacity to go down to 31%.

Electricity generated by the State Electricity Company throughout Indonesia in 1964 totalled 1,420.88 million K.W. specified into hydro-electric power of 678.66 million K.W., thermal power of 263.84 million K.M. and diesel power of 478.38 million. K.W. The greater part (1,129.09 million K.W. or 79.5%) was generated in Djawa :

Diesel	212.54 million K.W. (18.8%)
Thermal	261.44 million K.W. (23.2%)
Hydro	655.11 million K.W. (58.0%)

1,129.09 million K.W.	

Owing to the existence of sufficiently big thermal power plants in DJakarta and Surabaya, it is possible to avoid as much as possible dependence on rain for the generation of electricity so that the supply of electricity in West and East Djawa is fairly stable.

Electricity in the outer islands is for the greater part diesel generate, as is shown in the following list :

Diesel	265.84 million K.W. (91.1%)
Thermal	2.40 million K.W. (0.8%)
Hydro	23.54 million K.W. (8.1%)

291.78 million K.W.	

Consequently the generation of electricity in the outer islands is very much influenced by:

a. Spare parts.

The far greater wearing out of diesel machine spare parts as compared with that of hydro-electric spare parts considerably raises the exploitation costs since replacement and reparation of the machines are more frequent;

b. Fuel and lubricating oil.

Places which have no stocks of oil or which are a great distance from oil stocks experience difficulties in fuel supply.

Extending the distribution network met with difficulties through lack of material so that—although the installed power capacity was sufficiently increased (from 392,198 K.W. in 1963 to 547,323 K.W. in 1964, or a rise of 39.5%) —the rise in consumers was only 1.6%.

Communication

Road Transport

The length of Indonesia's road network is 80,848 km, consisting of :

- a. 9,893 km of state roads, of which 4,037 km are bituminous surfaced and 5,856 km are not. These roads are taken care of by the Central Government;
- b. 20,958 km of Daswati I (First Level Autonomous District/Province) roads, of which 7,610 km have a bituminous surface and 13,348 km have not. These roads are taken care of by the provincial administration,
- c. 49,997 km of Daswati II (Second Level Autonomous District/Regency) roads, of which 3,728 km have a bituminous surface and 46,269 km have not. These roads are under the care of the regency administration.

It can be stated that in general the roads and bridges in Djawa and in the outer islands do not yet satisfy the ever increasing traffic demands. Many of them are in a deplorable condition.

A plan for the improvement of roads and bridges within the period of eight years (1961-1969) covers the following :

1. rehabilitation, restoration of roads and bridges, modernization, increase of resistance and supply of equipment;
2. strengthening (bituminous surfacing) of gravel roads (roads without a bituminous surface) to render them into class III roads;
3. linking unconnected roads, i.e.
 - a. in Sumbawa, 40 km
 - b. in Flores, 40 km
 - c. in Sumba, 120 km
 - d. in Halmahera, 175 km.

4. Trans-Sumatra Highway and Trans-Sulawesi Highway projects.

Some alterations have been made in the 1967 programme, taking into account the Government's limited capacity of financing the projects. In 1967 only 1,262 km of roads are planned to be rehabilitated — which is 8.5% of the total length of roads under consideration —and 380 bridges.

The following projects will be resumed and completed :

1. Kalimantan Highway Project;
2. Nusa Tenggara Timur Road Rehabilitation Project;
3. Bireuen—Takengon Road Rehabilitation Project;
4. Djakarta Raja Road Project.

Postponed are the following projects :

1. Djakarta—Bogor—Tjiawi (Djagorawi) Road Project;
2. The Tandjung—Kuaro segment of the Kalimantan Highway Project.

In 1960 a beginning was made with the improvement and restoration of existing and the construction of new roads and bridges. The Kalimantan Highway Project (491 km) was started in 1960. In 1966 the following segments were completed :

1. Palangkaraja—Tengkiling, 100%;
2. Balikpapan—Samarinda, 68%;
3. Tandjung—Kuaro, 55%.

This project was undertaken with the aid of Russian credits and planned to be completed in the first semester of 1968.

The Nusa Tenggara Road Project is a Colombo Plan project, which was started in 1964. It includes considerable rehabilitation of roads and bridges in the islands

of Timor, Flores and Sumba. All activities from its beginning until the end of 1965 were concentrated on Timor and later on Flores. In Sumba nothing has been done so far.

The Bireuen—Takengon Road Project is a heavy rehabilitation project, extending over a length of 110 km. This project was started in 1964 and up to 1966 the following were completed :

- a. Hardening, 50%.
- b. Reconstruction of bridges, 80%.
- c. Improvement of road bends, 40%.
- d. Road buttresses, 50%.

This project is planned to be completed by the middle of 1968.

The Djakarta By-pass (27 km), commenced in November 1961 was completed in the middle of 1964 at the cost of US \$ 8 million (assistance from AID) and Rp 2 billion (old Rupiah). Widening of the road from Kramat to Djatinegara in Djakarta over a length of 5 km was completed at the end of the first quarter of 1962 at the cost of Rp 25 million.

At the end of 1965 the Musi Bridge Project at Palembang was completed. Preliminary work has begun on the execution of the Trans-Sumatra Highway Project (about 2,400 km), extending between Banda Atjeh and Tandjung karang.

The rehabilitation and construction of roads and bridges also formed part of the 'Civic Mission' of the army. This activity was called Operasi Karya Angkatan Bersendjata (Operation Labour of the Armed Forces).

80% of the motorized transportation in Indonesia is carried out by private enterprises. The only state transportation enterprise for the whole of Indonesia is the P.N. Angkutan Motor (Motor transportation) "DAMRI", and for Djakarta Raya particularly, the P.N. P.P.D. On account of difficulties in obtaining spare-parts,

tyres and other equipment, only about 60% of the means of transportation available was in practical use. In 1964 8,962 thousand people were transported by the P.N. "DAMRI". This number rose by about 5% the next year. Goods transportation in 1965 was 1,500,000 km per truck or about 75% of the target planned.

Railways

The need for railway transportation appeared to be rising steadily during the past few years, but this growing demand could only be partially met by the State Railways due to the following:

1. the lack of passenger cars, freight cars and locomotives;
2. the shortage of fuel, particularly coal;
3. the poor condition of rails and bridges;
4. the insufficient supply of spare parts and workshop equipment;
5. the lack of experts.

As a consequence of the abovementioned difficulties the frequency operation had to be diminished and less important lines were suspended as from the 1 st April 1962. At present the length of lines service by the State Railways has not yet been enlarged and still covers 6,096 km, viz.:

- | | |
|---------------------|----------|
| 1. Djawa and Madura | 4,684 km |
| 2. South Sumatra | 643 km |
| 3. West Sumatra | 258 km |
| 4. North Sumatra | 511 km |

Besides, 60% of the cross-sleepers is already more than 40 years old and as replacement is still an impossibility it has to be used continuously to serve the public. As a consequence the worn-out equipment damages easily and threatens the service of railways. Conditions in Sumatra were not different from those in Djawa.

Measures taken by the State Railways to accelerate freight transportation, particularly the transportation of food and clothing were:

1. the opening of a fast freight transportation service between Djakarta -- Surabaya, vice versa, via the North (1960);
2. six deepfreeze carriages were put into service as from the 1st June 1962 to transport meat from Surabaya to Djakarta to increase the meat supply in Djakarta;
3. the opening of another fast freight transportation service from Surabaya to Djakarta, vice versa, via the South as from the 1st July 1962;
4. as from the 17th January 1963 a new fast freight transportation service was introduced between Tandjung Priok—Bandung, vice versa;
5. as from the 5th January 1965 the number of fast freight transportation trains Surabaya—Djakarta, vice versa, was increased to 4, i.e. via Semarang and Jogjakarta each 2 freight trains.

Efforts to improve passenger transportation were:

1. the Djakarta-Surabaya vice versa Night Express which was put into service on the 6th July 1961;
2. the re-opening of the line Langsa-Medan via Besitang as from the 28th November 1961;
3. a fast train from Djakarta to Merak as from the 12th December 1961;
4. as from the 1st August 1962 the Night Express made a stop-over at Sidoarjo for a fast connection with Banjuwangi. A ferry service was simultaneously

opened from Ketapang (Banjuwangi) to Gilimanuk (Bali), thus establishing a direct line from Djakarta to Bali;

5. as from the 8th November 1962; 9 routes for passenger ships and 5 for freighters were opened to service the ferrying link between Surabaya and Kamal (Madura)
6. to service the ferrying link between Merak (Djawa) and Pandjang (Sumatra) 3 State Railways Chips were put into operation;
7. on 20th April 1964 a Gaja Baru (New Style) train with new equipment for Bandung-Djakarta, vice versa, was introduced and on the 28th September 1964 another for Djakarta-Jogja-Surabaya;
8. as from 1965 a fast Gaja Baru passenger train was put into service via Semarang;
9. to preserve law and order against criminality a railway police was put on duty.

The figures of passenger and freight transportation by the State Railways (table 76) have not shown any improvement yet, since 1961 the State Railways even suffered setbacks due to various difficulties mentioned above. The following measures were taken to overcome the difficulties:

- a. the purchase of new equipment to replace the old, consisting of. 2,420 wagons from Czechoslovakia, 80 diesel locomotives from West Germany, 10 steam locomotives, 14 passenger coaches and 70 rolling units from Germany, also 2,100 wagons from Rumania which arrived in 1963 and 1964;
- b. to overcome the coal shortage the State Railways replaced old coal-driven steam locomotives by oil-driven engines and ordered diesel locomotives to

TABLE 76— RAILWAY TRAFFIC		
	Passengers carried (⁰ 000)	Freight carried ¹⁾ (⁰ 000 tons)
1 9 5 5	146,922	5,454
1 9 5 6	131,876	4,652
1 9 5 7	136,180	4,907
1 9 5 8	156,069	4,597
1 9 5 9	185,571	4,716
1 9 6 0	204,486	5,226
1 9 6 1	189,892	5,138
1 9 6 2	168,354	4,471
1 9 6 3	143,331	3,979
1 9 6 4	135,214	3,793
1 9 6 5 ²⁾	141,109	3,715
¹⁾ Freight carried (excluding parcels and luggage). ²⁾ Provisional figures.		

Source : Railways Service.

replace steam locomotives. Besides, short distance lines would be suspended and replaced by buses and trucks;

- c. rehabilitation and repairs of railways and bridges in Djawa and Sumatra. The line Kertapati—Tandjung Enim is being repaired with a loan of U.S. \$ 3 million obtained from the Development Loan Fund (D.L.F.).

For the purpose of increasing revenues and transportation facilities to the public and the preservation of law and order the State Railways issued a new programme in 1965. The estimated target was 92,098 km per day for the trains on Djawa, which was +/- 50% higher than the target reached in 1964 (61,500 km per day). The most important measures of the State Railways in 1965 revolved around the abovementioned plan, which was regarded as a starting point for further improvement. In carrying out this new plan the targets recorded for January and February were 73,437 km and 72,769 km per day or 22% below the estimated target. The reason was that out of 55 big locomotives expected to arrive at the end of 1964, only 46 were delivered, i.e. about 17% below of what had been expected.

Aside from the abovementioned there was the insufficient supply of coal because the quantity received by the State Railways only covered 39.5% of the consumption.

If the seven year plan (1960-1967) of the State Railways could be implemented successfully, the equipment at the end of 1967 would comprise: 497 steam locomotives, 612 diesel locomotives, 10 electric locomotives, 6,124 passenger coaches, 80 diesel coaches, 130 electric coaches and 33,240 rolling units. Thus the public need for passenger and freight transportation could be wholly fulfilled.

To balance the increase of exploitation costs of the State Railways general railways rates (for passengers, freight, goods and deliveries etc.) were raised 3 times as from the 1st June 1963, whereas the fare of the Night Express and the allowance for the Day Express were raised 5 times. On the 25th November 1965 railway rates were raised 5 times, i.e. economy class Express train to Rp 6,000.—and first class to Rp 10,000.—on the condition that for the first 500 km covered Rp 3,000.—and Rp 4,500.—must be paid for economy and first class respectively. On the 5th January 1966 rates were increased 10 times, but lowered again by 20% as from the 25th January 1966. The increase of rates was considered necessary to keep a balance between revenues and expenses in order to make the State Railways no longer dependent on Government subsidies for covering its loss. Aside from the increase of rates, periodical “sweep operations” were launched to increase revenues.

The change in status from D.K.A. (Djawatan Kereta Api = Railways Service) to P.N.K.A. (Perusahaan Negara Kereta Api = State Railways Enterprise) was effected as from the 28th May 1963 to implement the Government Regulation substituting an Act No. 19/1960.

Based on Act No. 33/1964 and the Government Regulation No. 17/1965 a 10% Djasa Rahardja insurance on railway fares with a minimum of Rp 10.— (N. Rp) was imposed on all passenger fares and allowances covering a distance of more than 50 km, effective as from January 1965.

Sea communications

To meet the ever increasing demand for shipping space resulting from the withdrawal since 1958 of the ships owned by foreign companies especially Dutch, the Government purchased ships from abroad and at home, and chartered ships of various nationalities.

As from 1960 the total tonnage of the national merchant fleet has been increasing and in 1965 amounted to 698,000 DWT. The number of chartered ships was increasing up to 1963 to decrease during the two following years as can be seen from the following figures (see table 77):

The operation of ships by national companies was carried out in-efficiently as a result of the following:

1. the operational schedule of coastal shipping still left much to be desired;
2. inadequate port-facilities delaying ships in port;
3. lack of dry-dock facilities caused ships needing repairs to wait for months to be dry-docked, and there were times when ships had to be repaired abroad;
4. the shortage of raw and auxiliary materials, and spare-parts for ships and dock repair work;
5. the existence of bottle-necks in the flow of documents required for goods entering and leaving port;
6. the lack of hinterland transport facilities;
7. the lack of maritime experts.

In, order to ensure the efficiency of sea transportation an Eight Year (1961—1969) Programme for simultaneously rehabilitating and establishing new ports in various parts of the country is being carried out by the Department of Maritime Communications. Rp 700 million (Old Rp) was allocated to the execution of this scheme, and, in addition, the Government received a U.S. \$ 6 million loan from the Development Loan Fund (D.L.F.). To enlarge the dry dock accommodation, two dry-docks, measuring 10,000 tons and 20.000 tons respectively, arrived from

TABLE 77 — INDO NESIAN SHIPS (100 B.R.T. AND OVER)

Shipping lines :	1960		1961		1962		1963		1964		1965	
	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)
P.N. Pelni	60	93,000	72	131,000	84	149,000	87	150,000	89	155,000	86	144,000
Private (Coastal shipping)	169	76,000	193	73,000	211	136,000	252	172,000	150	184,000	143	151,000
P.N. Djakarta Lloyd	2	13,000	8	60,000	10	74,000	15	106,000	27	214,000	36	374,000
Private (Ocean shipping)	3	14,000	3	14,000	*)	*)	*)	*)	2	14,000	13	29,000
Total :	234	191,000	276	278,000	305	359,000	354	428,000	268	567,000	278	698,000

CHARTER ** (100 B.R.T. and over)

Shipping lines :	1960		1961		1962		1963		1964		1965	
	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)	Number of ships	Tonnage (dwt)
P.N. Pelni	25	74,295	32	116,954	30	110,780	42	163,372	19	69,732	20	73,271
Private (Coastal shipping)	21	39,339	30	61,264	9	33,467	28	108,690	13	46,114	2	10,984
P.N. Djakarta Lloyd	16	99,882	11	78,418	14	106,794	21	161,461	24	194,997	19	192,310
Private (Ocean Shipping)	3	14,563	5	45,078	5	49,794	6	58,538	2	13,507	2	20,084
Total:	65	228,079	78	301,709	58	300,835	97	492,061	58	324,350	43	296,649

*) Employed for Coastal shipping since 1962.

**) Monthly average.

Source : Department of Sea Communications

Germany; expansion and modernization of dock equipments were undertaken, whereas for other maritime facilities more raw and auxiliary materials and spare-parts were imported.

For building big and small ships and carrying out repair work on interinsular ships a shipyard project “Carya Putra” is being undertaken and financed through a Dutch loan. According to the time schedule the project will be completed within 8 years time.

In the framework of the implementation of Government Regulation in lieu of an Act No. 19/1960 the Government established the B.P.U. (General Management Board) Pelajaran Niaga (Merchant Shipping), the B.P.U. Maritim (Maritime Affairs), the B.P.U. Pelabuhan (Harbour Board) for the 17 state enterprises operating in the maritime field. With effect from December 26, 1963, the three B.P.U.s (General Management Boards) were dissolved by means of Government Regulation No. 53/1963.

According to the figures recorded by the O.P.S. Pelajaran Rakjat (Organization of Similar Enterprises of Indigenous Shipping), the fleet of the “Pelajaran Rakjat” (shipping undertakings run by the population using native craft) consisted of 2,663 sailing vessels with a displacement of 100,000 B.R.T. (deadweight capacity about 130,000 tons) and with an annual carrying capacity of about 3 million tons. The sorts of commodities shipped comprise: textiles, foodstuffs, construction materials, fuel, agricultural and sea products. The total number of native sailing craft was estimated at 7,500 with an average carrying capacity of 80 tons.

Based on Government Regulation No. 107/1961, the P.T. Pelni was transformed into a Government enterprise serving the main coastal shipping lines (43 line) and tramp lines with effect from January 1, 1961, in accordance to Government Regulation No. 47/1957.

The total number of ships owned by the Pelni has been increasing from year to year, whereas the number of chartered ships has been decreasing since 1964. In

1965 the Government enterprise PelnI was still chartering 20 foreign ships (73,271 DWT), and owned 86 ships (144,000 DWT), 34 of which serving regular lines. With the transfer of West Irian to Indonesia, the PelnI took over sea communications of the region and opened the Djakarta-West Irian line as from March 1963. In the same month an express line Djakarta —Surabaja —Makassar—Menado—Ambon, vice versa was also opened.

The P.T. Djakarta Lloyd in carrying out ocean shipping operated two ships belonging to the company and 16 chartered ships. As from May 1961 by means of Government Regulation No. 108/1961 the Djakarta Lloyd became a government enterprise. The total number of ships owned by the company kept increasing from year to year, and it still engaged in chartering foreign ships to maintain ocean shipping. As from August 1962 the Djakarta Lloyd expanded its service to Europe and in 1962 to Japan. With effect from September 10, 1961, the Djakarta Lloyd became a member of the Indonesia - Europe Freight Conference and -as from December 18, 1961 of the Indonesia — Japan Freight Conference. In January 1965 a modification was effected in the Indonesia —Japan Freight Conference Agreement : 40 percent of the total freight carried to and from Indonesia was to become Indonesia's share as against the 15 percent before the modification.

The P.N. Djakarta Lloyd having become a member of the Freight Conference, the Government appointed the P.N. Badan Muatan Indonesia (Freight Board of Indonesia) as sole agent in charge of the booking and shipping of imports and exports, transportation of which was the responsibility of Indonesia. As from 1964 the P.N. Badan Muatan Indonesia became Biro Pengapalan Indonesia (Shipping Bureau of Indonesia) (Bipalindo).

To facilitate the flow of goods through inter-insular transport network, based on Presidential Decree No. 93/1965, inter- insular passengers and goods movement was controlled and the responsibility for the administration of this control rested with the Badan Pengendalian Lalu Lintas Muatan Antar Pulau (Bapeluma) (the Board for the Control of Interinsular Passengers and Goods Movement).

The control was enforced by :

1. formulating a policy in regard to the enforcement of the control on inter-insular passengers and goods movement;
2. planning, co-ordinating and supervising every effort in respect of controlling inter-insular passengers and goods movement;
3. carrying out decisions and other guide lines laid down by the Minister of Maritime Communications.

The P.N. Pelni was appointed as main executive of the courses of actions mapped out by the Bapeluma. Other lines serving the interinsular shipping were operationally subordinated to the Pelni.

Airways

In improving interinsular communications in Indonesia planes are the only fast means of transportation and communication.

According to a decree of the Provisional People's Congress No. II/1960) Rp 4,485 million (old Rp) was required for a period of 8 years (1961-1969) for the reconstruction of air communications. The reconstruction projects for aerodromes given first priority were:

1. Reconstruction and expansion of 6 aerodromes in Ambon, Manado, Kupang, Balikpapan, Pekanbaru and Pontianak, which can be used by Convairs and Lockheed Electras.
2. The Waru project, an alternative aerodrome of Perak, Surabaya, as an international airport which can be used by various modern aircraft.

3. Modernization of Kemajoran International Airport (Djakarta), Tuban (Bali) and Polonia (Medan).
4. Construction of new aerodromes throughout Indonesia for Convairs, Lockheeds and Dakotas.
5. The construction of about 40 aerodromes for feederliners.

Also, the Department for Civil Aviation has already cooperated with the Agency for International Development (A.I.D.) in the field of civil aviation. The A.I.D. programme covers assistance for navigation, aircraft and other services, all amounting to around U.S. \$ 1 million for a period of 4 years.

For the implementation of the Government Regulation substituting Act No. 19/1960 the Government founded a General Management Board for communications on the 1st May 1961 by Presidential Decree No. 101/1961. The State enterprises to be supervised by the General Management Board for Air Communications were :

1. Garuda Indonesian Airways
2. Merpati Nusantara
3. Angkasa Pura Kemajoran
4. Tjandradimuka.

As from August 1963 the Indonesian Air Force in its civic mission for public service opened airlines from Djakarta to North Sulawesi — Maluku — West Irian by Hercules under the management of Garuda.

About 12 foreign companies have landing rights at Djakarta.

Since the 1st January 1961 Garuda Ltd. became a state enterprise according to Presidential Decree No. 102/1961 dated the 17th April 1961 in accordance with Government Regulation substituting an Act No. 19/1960.

The fleet and the number of pilots of the Garuda during 1959-1966 showed the following development:

<i>Type of aircraft</i>	<i>1959</i>	<i>1960</i>	<i>1961</i>	<i>1962</i>	<i>1963</i>	<i>1964</i>	<i>1965</i>	<i>1966</i>
— Lockheed Electra	—	—	3	3	3	3	3	3
— Convair 440	3	3	3	3	3	3	3	3
— Convair 340	8	8	8	8	8	8	8	8
— Convair 240	8	5	5	3	3	3	3	3
— Dakota DC3	19	19	19	18	18	18	16	16
— Convair 990 A	—	—	—	—	2	3	3	3
— DC 8	—	—	—	—	—	—	—	2

Number of aircraft	38	35	38	35	37	38	36	38
Number of pilots	103	107	117	121	115	109	110	113

With the arrival of 3 Lockheed Electras beginning 1961, the Garuda was able to open a new flight to Hongkong on the 16th of March 1961 and to Tokyo on the 13th of March 1962. All Convairs on the international lines were immediately replaced by Electra. The remainder of flight hours of the Electras were also used to serve domestic lines. The lines for international flights mapped out by the Garuda at that time were to Singapore, Kuala

Lumpur, Bangkok, Manila, Hongkong and Tokyo. A line to Tual on the island of Kai was opened on the 12th December 1961 in the course of flight consolidation to the Eastern part of Indonesia to liberate West Irian, whereas Convair services to Menado, Ambon and Banda Atjeh were reopened since the beginning of 1962.

In 1963 and 1964 new jets of the Convair 990 A type arrived. The jets were used for international flights to replace all Electras so that the latter could be used for national flights to meet the needs of air communications at home. In 1963 the

TABLE 78 — AIR TRANSPORT BY GARUDA INDONESIAN AIRWAYS			
	Aircraft kilometres flown (’000)	Freight and mail (tons)	Passengers carried (’000)
1957	14,468	19,453	477
1958	7,610	10,301	275
1959	8,950	11,519	367
1960	8,586	10,619	353
1961 *)	8,120	10,954	349
1962	9,495	12,026	357
1963	9,595	11,736	344
1964	11,368	14,664	446
1965 **)	11,652	13,953	419
*) The figures for the international routes are included in those for 1961–1965. **) Figures for the international lines are included only up to November 1965.			

Source : P.N. Garuda Indonesian Airways.

net of international flights by Convair 990A jets covered Djakarta — Singapore — Bangkok — Hongkong — Tokyo. With the confrontation against Malaysia flights to Singapore were suspended since September 1963. In 1964 a line to the Netherlands was opened, being the first flights of Indonesian aircraft to the Netherlands. The route followed was: Djakarta—Bangkok—Karachi—Cairo—Rome—Amsterdam. In March 1965 Garuda again expanded its services to Europe and Asia according to the following routes:

- a. Djakarta—Bangkok—Cairo—Paris—Amsterdam.
- b. Djakarta—Pnom Penh—Bombay—Cairo—Prague-Frankfurt — Amsterdam.
- c. Djakarta—Pnom Penh—Canton.

On the 17th June 1966, however, the lines to Paris and Frankfurt was suspended in order to enhance the efficiency of the international flights of the Garuda. On the 20th June 1966 the Garuda suspended the Djakarta—Canton line due to a deterioration in the relations between Indonesia and the People’s Republic of China. The development of Garuda for the last nine years can be seen from the figures in table 78. According to the table the airlifting activities of Garuda showed an in-

crease from 1962 up to and including 1965 compared with the period 1958 up to and including 1961. These activities were due to :

1. The step-up of flight frequencies and expansion of flights, among others to West Irian since 1st October 1962.
2. Garuda being militarized and assigned as Wing Garuda in the implementation of the Triple People's Command as from the 17th May up to and including the 31st December 1962.
3. Intensive use of Electras for domestic flights enabling a direct communication between Djakarta and Soekarnapura.
4. The use of new Convair 990A jets for international flights.
5. The use of DC-8 aircraft to intensify international flights frequencies.
6. The expansion of international flights, to Asia and Europe.

Garuda established air communications in West Irian since the 1st January 1963 after the nationalization of the Netherlands Airways "Kroonduif". The Garuda fleet in West Irian consisted of 11 aeroplanes, 4 Dakotas, 3 Twin pioneers and 4 Beavers.

The order of F-27 Fokker Friendships from Fokker's in the Netherlands will be used by Garuda to extend flight routes and increase domestic flight frequencies.

The rates of Garuda underwent continuous alterations from year to year. On the 1st May 1961 the rate was altered in connection with the putting into service of 3 Lockheed Electras :

1. An increase of 30% for the first class.
2. An increase of 10% economy class.
3. A drop of 10% for the coach class.

On the 1st January 1962 the rates of the Garuda rose again by 100%. The three existent classes were changed into two :

1. First class, main room, exclusive Electra.
2. Economy class for flights with Dakotas or Convairs.

With the introduction of new rates local passengers were given an insurance for accidents of Rp 100,000.- (old Rp) at the most per passenger.

As from the 1st June 1963 the rates of the Garuda were raised by an average of five times for all domestic flights. This new rate is based on the system of international flights, thus enabling Garuda passengers to make stop over without additional fare charges. In April 1965 a new rate with an increase of 200% for airways reconstruction funds was introduced.

Garuda rates went up again in September and December 1965, 2 1/2 times and 3 times respectively of the previous rates. On the 10th January 1966 the new rate was 4 times that of December 1965.

Merpati Nusantara, a state enterprise, was founded on the 6th of September 1962 in accordance with Government Regulation No. 19/1962; its purpose as a local multipurpose airline is to connect the isolated regions throughout Indonesia not served by the Garuda.

In the middle of 1963 Merpati Nusantara started its operations in Kalimantan with the following fleet :

- 1963 : 2 Douglas DC 3 and 5 Otters
1964 : 5 Douglas DC, 2 Twin Pioneers, 5 Otters, 2 Beavers and 3 Pilatus Porters.

1965 : 5 Douglas DC, 2 Twin Pioneers, 5 Otters, 2 Beavers, 9 Pilatus Porters and 3 Dorniers.

According to plan Merpati Nusantara was to serve 6 regions :

Sumatera, Kalimantan, Sulawesi, Maluku, Nusatenggara and West Irian.

Angkasa Pura Kemajoran was founded by Government Regulation No. 33, 1962 and charged with the management of Kemajoran International Airport. Due to its increase of airlifting activities and other operations the name of Angkasa Pura Kemajoran was changed to Angkasapura by Government Regulation No. 21/ 1965. The task of this state enterprise was not only to take charge of Kemajoran International Airport in Djakarta, but also of other airports in Indonesia.

Tjandradimuka began its activities in March 1964 by opening a workshop for aircraft and aircraft engines. In the period from March up to and including June 1964 the assembling of Cessna aeroplanes belonging to the Central State Plantations was completed, apart from the maintenance of Army and State Police aircraft.

Tourism

Progress in the field of tourism in Indonesia has been satisfactory since Hotel Indonesia was completed in 1962. In 1964 17,000 accommodations were available in 132 hotels and 1,566 lodging houses. 70% of this hotel accomodation was occupied by permanent residents (mainly Government officials and employees of enterprises), so that accomodation for transitory visitors was far from adequate.

To accomodate tourists, foreign tourists in particular, other international hotels were built, viz. the Samudra Beach Hotel at Pelabuhan Ratu (capacity 200 rooms), Ambarukmo Palace Hotel at Jogjakarta (capacity 150 rooms) and the Bali Beach Hotel at Denpasar (capacity 600 rooms). They were all completed in 1966.

In Djakarta the Banteng Hotel (capacity 230 rooms) is being built and two more will be built in Sumatra at Medan and Prapat; Makassar and Ambon will get a hotel each.

The main objective of these construction activities is to stimulate tourist traffic by providing visitors with more and better facilities.

The following figures indicate the number of foreign tourists in the years 1962 up to and including 1966 :

1962 :	14,462 persons
1963 :	11,870 persons
1964 :	15,039 persons
1965 :	40,191 persons
1966 :	26,206 persons

The above data show that the highest figure was reached in 1965. One of the causes was the numerous foreign missions coming into the country, both political and sports missions. According to the report for 1964 of the Department of Land Communication, Post and Telecommunication and Tourism, earnings from foreign tourists in 1964 amounted to about US \$ 3 million, which came close to the 1964 M.P.R.S. target of US \$ 4 million.

With a view to increasing tourist traffic, steps were taken to stimulate travel to and from abroad by direct co-operation with foreign travel agencies.

In 1965, 300 travel agencies abroad were registered as specializing in Indonesian tourism. With these travel agencies, in various countries abroad, there was a continuous exchange of information on tourism with a view to facilitate development of tourism both at home and abroad.

With the intensification of tourism in Indonesia in mind, efforts were made at co-ordinating the services to tourists. For visits to Bali a "package deal" was agreed

upon between Bali Beach Hotel, Garuda Indonesian Airways and P.N. Nitour to sufficiently guarantee services to tourists on their way to and back from Bali.

Prices and Wages

P r i c e s

In the period 1960 up to and including 1966, there was a rise in the index figures of the prices of foodstuffs, both in the index of 12 foodstuffs in the interior of Djawa and the index of 19 foodstuffs in various big towns. This rise was particularly striking in 1961 and the years thereafter. This was due, among others, to the following factors:

1. inflationary pressure;
2. the impact of the liberation of Irian Barat and the confrontation with Malaysia;
3. large-scale speculations in trade, which put pressure on prices;
4. the supply of main foodstuffs running low, in particular of rice, maize and cassava due to the lack of balance between production and demand;
5. the shortage of means of transportation for land and interinsular communications, which adversely affected to distribution of foodstuffs and other commodities;
6. the rise in transportation cost due to the shortage and the high prices of spare parts.

The increase in prices in 1963 was not only caused by the above factors but was also the result of the official price rises as proclaimed by Government Regu-

lation No. 20/1963. In addition, railway fares were raised three times, those of the P.N. Garuda five times on the average, and of sea transport by 300 per cent.

In the beginning of 1964 at the instruction of the Dwikora Cabinet Presidium, index figures of the prices of 19 foodstuffs in the big towns (except Djakarta) were replaced by index figures of the cost of living including 62 kinds of commodities and services. These index figures also kept rising due to the diminished supply of basic daily commodities and the shortage of means of transportation, both by land and by sea.

According to the Central Bureau of Statistics, the average development of the prices of clothing materials, in particular shirting, striped twills and jeans in the interior of Djawa and Madura was as follows :

Prices in the interior of Djawa and Madura
(Rp meter)

	shirting 24" printed/plain	striped twills 24" tricot	jeans 28" white/black
1960	49.48	47.76	45.59
1961	43.71	45.46	41.70
1962	101.51	93.54	96.85
1963	234.67	232.25	237.29
1964	549.05	526.48	471.75
1965 January	1,469.93	1,550.—	1,563.13
February	1,410.61	1,542.86	1,368.75
March	1,372.14	1,382.14	1,295.84
April	1,494.12	1,505.—	1,526.59
May	1,516.53	1,660.—	1,342.41
June	1,825.43	1,460.72	1,477.67

Source : Central Bureau of Statistics

Because official textile prices went down by 15 to 20 per cent, the prices of the three textile materials mentioned above also went down in 1961 though not for long. In the years following, prices went up again as the result of the fact that the supply had run low and the cost of living had gone up. By the middle of 1963 the free market was flooded with goods from Government Trade Enterprises at prices 30 per cent below free market prices. Nevertheless, textile prices remained high that year.

In 1962 the Government issued Government Regulation in Lieu of an Act No. 9/1962 (Government Gazette 1962 No. 43) — to replace the Law on Price Control 1948 — with a view to controlling and supervising the prices of commodities essential to the public needs. For the implementation of the above Government Regulation, Government Regulation No. 10/1962 (Government Gazette 1962 No. 45) on price control was further issued, and the execution entrusted to the Minister of Trade.

TABLE 79 — INDEX NUMBERS OF FOOD PRICES									
	12 foodstuffs (1953 = 100)	Foodstuffs							
	Country side of *) Djawa	Djakarta		Makassar		Medan		Pontianak	
		(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
1958	244	258	126	232		259		304	
1959	271	311	154	272		338		425	
1960	348	384	212	344		430		549	
1961	565	523	269	424		530		644	
1962	1,721	1,453	737	982		1,678		1,758	
1963	3,541	3,264	1,612	2,194		3,624		3,812	
1964	7,379	7,037	3,300		2,690		2,281		3,449
1965	25,306	30,782	13,382		8,994		12,403		9,461
1966 January		126,004	56,020		38,034		39,144		41,158
February		148,037	67,312		—		48,677		61,262
March		181,569	87,704		—		65,308		79,846
*) From 220 markets in the country-side of Djawa (1) Index figures for 19 foodstuffs in towns (Djakarta 1953 = 100) (2) Index figures for 62 foodstuffs in towns (March 1957 — February 1958 = 100)									

Source : Central Bureau of Statistics.

Besides, the Government instructed the distribution of basic commodities to civil servants and the public in general, brought about improvements in the production of foodstuffs and clothing, and stimulated the flow of goods.

With a view to implementing the Economic Declaration, the Government Issued Government Regulation No. 20/1963 dealing with the policy on prices. This policy was based on the assumption that the supply for the public could only be guaranteed and the distribution could only take place more smoothly if prices were fixed and things were made more attractive both to producers and distributors.

CHART VI – INDEX : NUMBERS OF 62 FOODSTUFFS
IN DJAKARTA

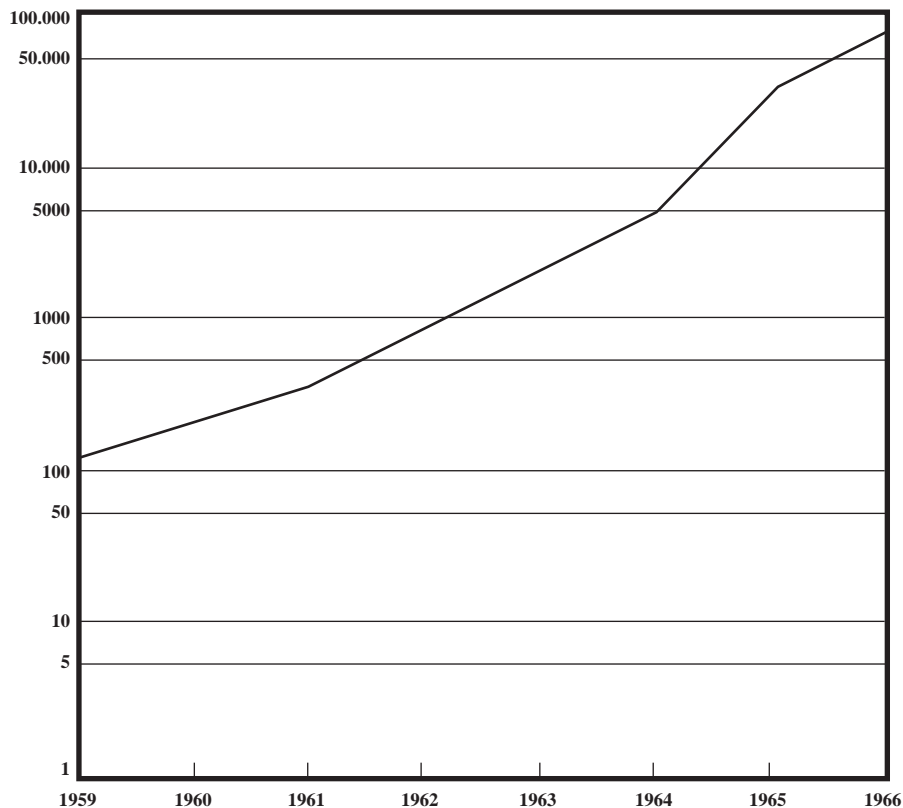


TABLE 80 – COST OF LIVING INDEX ACCORDING TO PRICE OF
62 GOODS AND SERVICES
(Djakarta average March 1957-February 1958 = 100)

	Groups of goods and services				
	Food (29)	Housing (6)	Clothing (12)	Other (15)	General (62)
<i>Djakarta</i>					
1964					
January	2,599	1,525	3,681	1,924	2,458
1965					
January	6,936	3,469	12,090	6,740	6,968
April	7,707	3,815	10,841	7,930	7,593
July	9,845	5,226	16,248	11,287	10,141
October	19,271	10,575	28,441	17,479	18,804
December	41,404	17,184	40,447	27,728	36,347
1966					
January	58,851	42,443	65,378	49,497	56,020
February	66,996	40,630	82,354	77,676	67,312
March	87,673	41,149	92,273	114,536	87,704
<i>Makasar</i>					
1964					
January	1,993	1,360	4,637	1,918	2,137
1965					
January	4,410	2,533	10,382	6,034	4,997
April	5,924	2,723	13,013	8,734	6,669
July	7,755	2,845	16,910	11,818	8,708
October	12,927	5,525	22,988	16,987	13,688
December	24,238	8,757	38,137	24,677	23,830
1966					
January	40,032	22,723	47,207	35,732	38,038
February	—	—	—	—	—
March	—	—	—	—	—
<i>Medan</i>					
1964					
January	1,864	1,625	4,489	2,109	2,104
1965					
January	6,095	2,826	12,127	7,146	6,439
April	5,679	2,876	13,291	8,572	6,526
July	—	—	—	—	—
October	20,602	9,112	28,357	16,533	19,321
December	28,458	15,363	42,388	29,131	28,350
1966					
January	36,383	36,448	54,169	43,552	39,144
February	43,496	36,955	68,429	65,257	48,677
March	55,804	34,175	86,984	108,837	65,308
<i>Pontianak</i>					
1964					
January	2,387	1,993	5,040	2,426	2,577
1965					
January	8,709	3,637	12,288	6,018	8,002
April	—	—	—	—	—
July	11,055	6,752	16,325	11,363	11,094
October	—	—	—	—	—
December	—	—	—	—	—
1966					
January	38,520	23,845	56,964	53,827	41,158
February	61,285	27,480	72,702	76,570	61,262
March	77,176	42,249	86,709	109,643	79,846

Source : Central Bureau of Statistics.

In 1964 the above Government Regulation No. 20 was withdrawn and replaced by Government Regulation No. 11/1964 on Price Regulation. This, among others, stipulated that the Government was to fix prices and exercise control over them. It further stipulated that prices of commodities should be based on production cost and/or import cost, and the cost of services, necessary to make them ready for marketing, plus a proper profit margin.

In its efforts to achieve economic stability, the Government issued various regulations at the end of 1965 and the beginning of 1966, which in particular dealt with the change in the value of the currency (Rp 1000 old = Rp 1 new, with taxes and wages of workers and civil servants).

To cope with upward spiralling of the prices of goods, especially those of daily necessities, Instruction No. 59/D/Instr 1965 of the Dwikora Cabinet Presidium was issued on December 15, 1965. This Instruction, prohibiting the raising of the prices of goods and services, and of tariffs, was directed to commercial enterprises, whole-sale dealers, retailers and other intermediaries, both state enterprises, private enterprises, co-operatives and joint (government—private) enterprises.

The Government was fully aware of the fact that several state enterprises were working at a loss, in particular those providing public service, such as the P.N. Kereta Api (railways), the P.N. Garuda (airlines), the P.N. Postel (post and telegraph), etc. but this could not continue for too long. On December 31, 1965 Presidential Decision No. 21/1965 (Government Gazettee 1965 No. 118) was issued. This decision dealt with the calculation of the cost and the fixing of the selling-prices of goods produced and services supplied by state enterprises, and of goods controlled by the Government. It, among others, stipulated that every state enterprise should draw up calculation of the cost and selling-prices of the articles produced and services supplied.

Though the tariffs of the P.N. Garuda had been raised on September 1, 1964, it announced new tariff rises effective as from January 10, 1966. This time the rises were on the average four times the previous tariffs.

TABLE 81 – PRICE INDEX NUMBERS OF EXPORT AND IMPORT COMMODITIES (1953 = 100)								
	Exports (f.o.b. prices) (Weighted index numbers)				Imports (Wholesale prices) (Unweighted index numbers ¹)			
	18 Export products	of which			44 Imports Commo- dities	of which		
		4 estate products and tin	10 Small- holders products	3 forest products		6 food- stuffs	10 kinds of tex- tiles	13 chemical products
1953	100	100	100	100	100	100	100	100
1954	93	90	98	99	110	110	110	109
1955	123	116	130	80	114	144	169	151
1956	111	113	111	72	136	147	118	137
1957	103	107	100	68	161	178	137	141
1958	99	101	99 ³)	62 ⁴)	249	244	244	208
1959	121	116	127 ⁵)	60	...	...	...	...
1960 ²) 1st Qr	513	493	540	224	...	...	...	...
2nd Qr	526	509	516	231	...	...	...	...
3rd Qr	490	453	538	229	...	...	...	...
4th Qr	423	407	450	230	...	...	...	...
1961 1st Qr	360	396	335	249	...	...	...	...
2nd Qr	377	410	353	245	...	...	...	...
3rd Qr	381	418	360	257	...	...	...	...
4th Qr	364	410	336	257	...	...	...	...
1962 1st Qr	387	420	336	213	...	...	...	...
2nd Qr	370	403	352	218	...	...	...	...
3rd Qr	394	391	407	215	...	...	...	...
4th Qr	390	389	403	209	...	...	...	...
1963 1st Qr	342	365	332	209	...	...	...	...
2nd Qr	343	361	336	201	...	...	...	...
3rd Qr	321	363	299	204	...	...	...	...
4th Qr	337	384	312	204	...	...	...	...

1) The index numbers of 44 import commodities no data have been available since the beginning of 1959

2) Since 1960 f.o.b. exports prices are based on the rate U.S.\$ 1 = Rp.45,—

3) Not including cow hides, maize and nutmegs

4) Not including copal.

5) As from February 1959 not including cow hides and maize.

Source: Central Bureau of Statistics.

On November 22, 1965, the Minister of Oil and Gas affairs issued Decree No. 160/M/Migas/1965, which resulted in a very conspicuous rise in the prices of petrol (gasoline) and kerosene. On the strength of the Decree, the prices of petrol and kerosene were respectively raised to Rp 250,—and Rp 100,— per litre. Previously the price of petrol was Rp 4,— a litre so that the price meant an increase of more than 6000 per cent. The rise apparently still did not compensate for the working expenditure, for in January 3, 1966 the above Decree was withdrawn and replaced by Decree No. 216/M/Migas/1965.

On the basis of this Decree the price of petrol was raised from Rp 250.—to Rp 1000,—(Rp 1,—new) a litre, and that of kerosene from Rp 100,- to Rp 600,—(Rp 0,60 new) a litre. These price rises were felt to be too great a burden on the public so that in January 21, 1966 the Government followed the policy of dropping the prices by 50 per cent (Decree No. 34/M/Migas/ 1966 of the Minister of Oil and Gas Affairs).

Besides the rises in fuel prices, postal and transfer tariffs also went up, for the first time on January 1, 1966, and afterwards on January 25, 1966. On November 15, 1965, railway tariffs went up but went down again on January 25, 1966, i.e. by 25% for passengers and luggage, and by 20% for the carrying of goods. This was again because the rises were felt by the public as being too heavy. After the drop, the tariffs of passengers and luggage were 6 times those of before November 15, 1965 (8 times) ; carrying (including delivery) tariffs of goods went down to 8 times (previously 10 times) .

In increasing the official tariffs, the Government had two main purposes in mind, namely:

1. to give an opportunity to state enterprises to work at a profit;
2. to try to eradicate or at least to force down black market prices as those of petrol, train tickets, airline tickets, etc.

In several cases, the Government indeed attained its end. After the rise of five times the former price, airplane tickets disappeared from the black market because official and black market prices were equally high. With petrol, something else happened. Before the official rise from Rp 4,—to Rp 250,— a litre, the black market price was Rp 125,—; after the rise black market price went up to Rp 375,— a litre.

In order to supervise the development of the prices of commodities produced and services supplied by enterprises, the Government issued Presidential Decision No. 22/1965 (Government Gazette 1965 No. 119). This Presidential Decision, among others, imposed on Bamunas the task, authority and responsibility to supervise the development of the prices of commodities and services produced and sold by private enterprises. The index figures of the prices of export materials showed a downward tendency after 1960, which was due to the decline in the prices of various export commodities in the world market.

W a g e s

Since 1960 the minimum daily wages of estate and agricultural labourers went up, both of the married and the unmarried. Those rises were meant to compensate for the rise in the cost of living, which in its turn was due to the continuous increases in the prices of daily necessities. Preserving a balance was important to avoid a regression in the real income of the labourer, which would be detrimental to the peace of labour. For this very purpose the Government in 1961 supported the rise of wages by 25 per cent. On August 28, 1963, by Circular Letter of the First Minister No. 21/MP/RI/1963, the Government raised the daily wages of civil servants by 100 per cent as from May 1963, while the minimum daily wage of the lowest category (category I) was fixed at Rp 25,—. Private enterprises were encouraged to raise the wages of their labourers by 100 per cent.

Estate workers besides their wages received additional rations in kind. The nature and amounts of the rations provided monthly to estate labourers in Djawa, South and North Sumatra were as follows :

I. *Djawa*

Commodity	Worker without family	Worker with family
1. Rice	500 grams ¹⁾	1,350 grams ¹⁾
2. Sugar	4 kg	6 kg
3. Salt ²⁾	300 grams	1,200 grams
4. Washing soap ²⁾	2 bars	3 bars
5. Kerosene ²⁾	18 litres	18 litres
6. Textile ²⁾	1 metre	3 metres

1) daily

2) in case of supply difficulties, cash was given instead.

II.. *South Sumatra*

Commodity	Man/woman worker	Wife/husband not working	Per child
1. Rice	18 kg	12 kg	9 kg
2. Salt	0.5 kg	0.25 kg	0.25 kg
3. Sugar	1 kg	0.25 kg	0.25 kg
4. Tea	0.5 kg	—	—
5. Green peas	1 kg	—	—
6. Washing soap	2 bars	1 bar	0.5 bar
7. Coconut oil	1.5 litres	0.5 litre	0.5 litre
8. Kerosene	2.4 litres	—	—
9. Salted fish	1.5 kg	0.5 kg	0.25 kg

III. North Sumatra

Commodity	Man/woman worker	Wife/husband not working	Per child
1. Rice	18 kg ¹⁾	12 kg	9 kg
2. Sugar	1 kg	0.5 kg	0.25 kg
3. Salt	0.5 kg	0.25 kg	0.25 kg
4. Salted fish	1.5 kg	1 kg	0.5 kg
5. Coconut oil	2.5 bottle	0.5 bottles	0.5 bottle
6. Kerosene	4 bottles	—	—
7. Green peas	0.5 kg	—	—
8. Washing soap	3 bars	—	0.5 bar
9. Tea	0.5 kg	—	—
10. Textile ³⁾	2 metres	1 metre	1 metre
11. Canned milk	—	—	1 can ²⁾

-
- 1) On the strength of General Working Requirements 1956, the rice ration should be 18 kg. In reality, only 15 kg was distributed, the rest paid out in cash.
 2) Only for children under 10.
 3) 30% of the cost price paid by the worker, distribution every three months.

Source : Direktorat Hubungan Perburuhan (Directorate for Labour Relations) and Badan Pimpinan umum Pusat Perkebunan Negara (Central Administrative Board for State Estates).

It must be mentioned that the distribution of rations in kind to labourers in estates is relatively more important than to those working in enterprises because of the fact that estates are situated quite a distance from town or market places.

In various enterprises where labourers received payment in kind, the chief commodity was rice. Besides rice, efforts were made to distribute 9 kinds of basic commodities to workers at official prices.

The following figures from the Department of Estates indicating of Estate workers in Sumatera give an idea of the rise in wages from year to year :

		Daily wage of labourer (in rupiahs)	
		Unmarried Day labourer	Married with two children
December	1959	12.29	22.33
	1960	13.76	24.94
	1961	14.36	25.93
	1962	44.35	80.85
	1963	97.19	192.27
	1964	237.49	498.35
	1965	1,418.42	3,266.77
January	1966	2,712.20	5,121.20

Source : Department of Estate Labour Affairs

Labour Affairs

Regulations

The ever increasing prices of basic necessities during the past few year have been a heavy burden to the people in general and in particular to members of the armed forces state police, government employees and laborers. In order to relieve them of this burden and to better their lot, the government raised their salaries and saw to the distribution of basic necessities at official prices. In 1961 these efforts were realized in series of Government regulations, viz :

1. Government regulation No. 140/ 1961 (Government Gazette 1961 No. 165) concerning the distribution of goods and basic necessities for the population.

2. Government Regulation No. 200, 1961 (Government Gazette 1961 .No. 239) which deals with the salaries of civil servants and is an improvement on P.G.P.N. (Regulation on the Salaries of Government Officials) contained in Government Regulation No. 23/ 1955 (Government Gazette No. 48)
3. Government Regulation No. 201/ 1961 (Government Gazette 1961 No. 240) on the adjustment of ranks and salaries of P.G.P.N. 1955 to PG.P.N. 1961 ;
4. Government Regulation No. 202, 1961 (Government Gazette 1961 No. 241) on the salaries of state police personnel and is an improvement on Government regulation No. 32/1955.
5. Government Regulation No. 210/1961 (Government Gazette 1961 No. 251) on the rise of basic salaries according to P.G.M. (Regulation on the salaries of military personnel) 1956, which had already been altered by Presidential Decree No. 9/1959 (Government Gazette 1959 No. 127).
This Government Regulation also dealt with changes in the types of allowances to members of the armed forces.
6. Government Regulation No. 255/ 1961 (Government Gazette 1961 No. 281) dealing with improvements on the income of ex-civil servant and , ex-members of the state police, widows and/or orphans receiving a pension or an allowance having the character of a pension

The above regulations on salaries came into force on July 1, 1961, and were retrospective as from January 1, 1961. As from July 1, 1961, in conformity to the principle of Guided Saving, every Government employee was obliged to save 10 per cent of his basic salary. Apart from this, the Minister of Labour recommended private enterprisers to raise the wages of their workers by 25%.

Another important step was the promulgation of Law No. 18/1961 (Government Gazette 1961 No. 263) of July 21, 1961 dealing with the principal Stipulations on Government Employment.

TABLE 82 — LABOUR DISPUTES (by economic sector)												
	1959		1960		1961		1962		1963		1964 *)	
	Number of disputes	Workers involved	Number of disputes	Workers involved	Number of disputes	Workers involved	Number of disputes	Workers involved	Number of disputes	Workers involved	Number of disputes	Workers involved
Agriculture, Stock breeding, forestry, fishing	850	790,649	341	322,951	416	596,039	411	426,154	327	365,659	122	138,349
Mining	27	58,405	2	111	1	750	—	—	—	—	—	—
Industry	1,251	954,572	488	429,562	484	259,184	324	209,145	308	334,835	222	241,217
Buildings contracting	78	10,832	49	27,778	32	16,041	18	3,729	11	6,830	15	9,482
Public Utilities	11	3,777	1	400	2	69	—	—	12	176	5	5,639
Trade	222	40,833	83	11,105	57	6,953	39	3,719	58	5,918	34	5,758
Transport, docks and commun- ications	241	80,615	79	37,261	97	16,545	78	26,326	65	10,388	31	8,305
Services	142	7,472	53	4,167	70	4,428	44	3,318	38	3,456	19	1,276
Total	2,822	1,947,155	1,096	833,235	1,159	900,009	914	672,391	809	727,262	448	410,026
*) Provisional figures												

Source : Department of Labour Affairs.

The main provisions in it were the following :

1. There was only one status for the Government employee , i.e. the permanent status. This was in conformity with the Decision of M.P.R.S. II/1961, which stipulated the institution of this sole status.
2. Every Government employee was entitled to the same opportunity of promotion.
3. Every Government employee was entitled to an old-age pension.

Government Regulation No. 20/1960 of April 13, 1960, dealt with this old-age pension for Government employees stipulating the number of years of service which counted for pension. A period served in a private enterprise could also be included in the term of office.

On April 29, 1961, the Government issued Act No. 8/1961 (Government Gazette 1961 No. 207) concerning compulsory service of university graduates with a view to their appropriate and evenly dispersed placement.

In its effort to improve the state apparatus, the Government, on the strength of Government Regulation No. 239/1961 (Government Gazette 1961 No.305) , regulated the income of Government employees, who had been discharged as the result of the Government policy of retooling.

A Government employee of 50 years of age could be pensioned with the right to pension if he had served 10 years. If he had not been in the service 10 years, he could be given an allowance in the form of unemployment pay. This Government Regulation was effective as long as retooling activities were still considered necessary.

Salaries of employees of State enterprises as mentioned in Government Regulation No. 19/1960 were regulated by Government Regulation No. 14/1962, which was effective as from July 1, 1962.

With a view to further improving the income and standard of living of the Government employee, the following regulations were issued :

1. Presidential Regulation No. 8/1963 on the rise in the general cost-of living allowance of P.G.P.N. 1961. The allowance of 30 per cent (P.G.P.N. 1961) was increased to 130%, and the minimum income of the Government employee fixed at Rp 750,— per month.
2. Presidential Regulation No. 9/1963 concerning the improvement on the transitional income of ex-Government employees and members of the State police and their widows and orphans. They were granted an increase to the amount of 50% of their net income.
3. Government Regulation No. 21/1963 on the change in the percentage of the general cost-of-living allowance, enterprise allowance, and extra enterprise allowance according to the State Enterprise rate of salaries.

The general cost-of-living allowance for State Enterprise employees of 30% was raised to 130% , enterprise allowance of 100% reduced to 50%,and extra enterprise allowance of 150% reduced to 100%.

4. Presidential Regulation No. 10/1963 on the distribution of basic commodities to Government employees. Government employees and their families received rice rations at official price, to the amount of 8 kilograms per capita per month. In case no rice could be distributed, the Government employee received instead a sum of money to an amount equal to the difference between the official distribution price and the free market price. Other distributions at official prices were chose of sugar, kerosene, coconut oil/frying oil and soap.
5. Presidential Rcgulation No. 14/1963 of the provision of an extra Rp 500, - monthly and clothing material plus the cost of making to teachers to compensate for the lack of opportunity to earn overtime wages.

Several of the above Government Regulations became effective retrospectively as from May 1, 1963 and caused an average increase of 100% of the Government employee's basic salary.

At the same time the Minister of Labour persuaded private enterprisers raise the salaries of their workers by at least 100% with a view to improving their welfare.

Other regulations intended to improve the welfare of the Government employee were issued in 1963. They were the following :

1. Government Regulation No. 9/1963 dealt with the Government employee's welfare budget. This regulation stated that the monthly 10% deduction from the employee's basic salary begun on June 1, 1961 as a compulsory saving, was to be divided as follows : 7% saving and insurance, and 3% welfare fund. This regulation was retrospective as from June 1, 1963.
2. Government Regulation No. 10/1963 on the savings and insurance of Government employees. In this regulation it was stated that the contribution amounting to 7% of the basic salary deducted every month was to be deposited with the Bank Koperasi Tani dan Nelayan (now B.N.I. Unit II), which had been established to handle savings and insurances of Government officials.
3. Government Regulation No.11/1963 on the establishment of a welfare fund for Government employees. This fund was necessary to guarantee social security to Government employees and their dependents in case of unforeseen difficulties.

On June 4, 1963, the Central Committee for the Settlement of Labour Disputes decided that the wages of estate labourers in Djawa, South Sumatra, Kalimantan and Sulawesi be raised by 100% as from May 1, 1963.

In order to prevent an arbitrary unilateral termination of employments on the part of the management of private enterprises, Act No. 12/1964 was issued dealing with the termination of employment in private enterprises. This law stipulated that in principle every employment could only be terminated by a private enterprise with the approval of the Regional Committee for the Settlement of Labour Disputes when individuals were involved and with the approval of the Central Committee for the Settlement of Labour Disputes in case of mass dismissals. Termination of employment on a large scale was considered to have taken place if the labourers or more had been dismissed in one month, or when dismissals took place in rapid succession.

The Minister of Labour further issued Regulation No. 9/1964, which fixed the amount of leaving pay, bonuses and other compensations, and dealt with the idea of wages to be paid as bonuses and other compensations as expressed in article 7 paragraphs (3) and (4) of the Act on the termination of employments at private enterprises.

Considering the ever worsening conditions under which labourers and Government employees were working as the result of the lack of balance between monthly wages and living expenses, the Cabinet Presidium issued Decision No. Aa/C/156/1965, dated December 20, 1965, on the establishment of an “Interdepartmental Team to look into a Draft for Regulation concerning the Basic Salaries of Government employees”.

Labour Disputes and Strikes

To prevent strikes and lock-outs in enterprises, government offices and vital services, the Highest War Administrator issued Regulation No. 4/1960, dated June 17, 1960 (Government Gazette 1960 No.77). This regulation was based on Government Ordinance Law Substitute No. 23/1959 dealing with emergencies.

TABLE 83 – STRIKES			
	Number of Strikes	N u m b e r of p e o p l e involved	Man- hours lost
1 9 5 9	70	26,626	219,237
1 9 6 0	64	14,577	306,462
1 9 6 1	86	63,111	738,874
1 9 6 2	34	12,225	164,060
1 9 6 3	54	25,080	394,975
1 9 6 4 +)	21	15,641	171,955
+) Provisional figures.			

Source : Department of Labour Affairs

On October 29, 1960, Government Regulation in Lieu of an Act No. 45/ 1960 (Government Gazette 1960 No. 36) on the establishment of an Industrial Council was issued. The existence of this Industrial Council could not be separated from the retooling activities in state enterprises as mentioned in Government Regulation in Lieu of an Act No. 19/1960, i.e. retooling of the management of enterprises and retooling in the labour sector. The Industrial Council was meant to be an instrument of social support and social control.

After 1960, particularly by the end of 1961, there was an increase in the number of labour disputes and strikes (table 82 and 83). This was, among others, due to the following :

1. The steepening level of cost-of-living index; wage rises were not proportioned to the upward spiralling prices of daily necessities.
2. Labourers demanded a rise in wages, basing their demands on the recommendation on the Minister for Labour to raise labour wage by 25% as from June 1, 1961.

3. The lack of raw materials causing enterprises to suspend production. This forced the management to dismiss part of their workers, resulting in tensions between the management and labour organizations.

The rise in the number of labour disputes and strikes in 1961 was followed by a decrease at the end of 1962, which was among others, due to the following :

1. The direct impact of Regulation No. 14/ 1961 of the Highest War Administrator (Government Gazette 1961 No. 261) issued on July 18, 1961. to prevent activities impeding the implementation of the Government Programme in the field of food and clothing production.
2. The execution of Trikora (People's Triple Command) with a view to bringing Irian Barat into the territory of the Republic of Indonesia.
3. The taking over of a number of important private enterprises, and their transformation into state enterprises.
4. The establishment of a Central Industrial Council/Industrial Councils in the Badan2 Pimpinan Umum or B.P.U. (General Management Bodies) and State enterprises as from April 1962.
5. The consciousness among labourers of their position as the pillars of the Revolution and their loyalty toward their country and leader.

The tables on Labour disputes show us that considered from either the economic sector or from the viewpoint of wages and strikes, the main causes of labour disputes and strikes were the problems of wages and opportunities of placement in agricultural and industrial enterprises, and in estates.

As from 1960 onwards the figures on disputes in the industrial sector were comparatively the highest, the second place being occupied by the figures on dis-

putes in the Agriculture and Estates sector. This was due to the fact that compared with labourers in the other sectors, those in the Agriculture and Estates sector (particularly in estates in Sumatra) were relatively better off.

The number of disputes on wages increased since 1960 due to the rise in the cost-of-living index whereas labour wages failed to keep step with this rise. Most strikes occurred in private enterprises where the interests and aims of the labourers and those of the management often clashed.

The establishment of the Industrial Councils in state enterprises was conducive to the creation of a “Gotong Rojong” (mutual co-operation) atmosphere, which was necessary to guarantee peace and security of labour and a smooth running of enterprises with a view to increasing productivity.

On February 22, 1963, the state of emergency was lifted throughout the Republic by the Presidential Decision No. 30/1963. In order to prevent impediments of production, distribution and development in completing the Indonesian Revolution, Presidential Decree No. 7/1963 of May 22, 1963 was promulgated.

The above regulations were aimed at preventing strikes and/or lock-outs in enterprises, government offices and vital services. The fall in the number of disputes and strikes in 1964 was due to this Presidential Decree, and to the policy of confrontation with Malaysia.

Unemployment.

The provisional results of the census taken in October 1961, based on the elaboration of a 1% sample, indicated a total population of 97 million souls. The entire labour force, aged 10 and over, totalled 34.6 million people or 35.6% of the entire population (According to the 1930 census: 34.4%). The number of unemployed was high : nearly 2 million people or 5.4% of the whole labour force.

If the increase in population is estimated at 2.3% a year, the number of new labourers entering the labour market will increase by an average of 800,000 people a year. This means that they have to be provided with working opportunities to prevent the number of unemployed and semi-unemployed from rising.

The figures of the Directorate of Employment Service show the following annual increases :

Year	Labour force	Strength of Annual Increase
1961	35 million	0.7 million
1962	35.7 million	0.8 million
1963	36.5 million	0.9 million
1964	37.4 million	0.9 million
1965	38.3 million	

Source : Directorate of Employment Service.

According to the October 1961 census, this labour people were occupied in the following fields of activity :

1. Agriculture, forestry, fishery	71.9 %
2. Mining activities	0.3 %
3. Industries	5.7 %
4. Construction	1.8 %
5. Electricity, water and gas work	0.1 %
6. Commerce, banking and insurance	6.7 %
7. Transportation, warehousing and communication	2.1 %
8. Services	9.5 %
9. Other activities	1.9 %

Source : Central Bureau of Statistics.

Seven per cent of the whole female labour force aged 10 and over were unemployed, of the male labour force 4.8 per cent were unemployed. Unemployment among women was nearly 50% higher than among men because men were the chief wage earners in the family. The following figures show the numbers of people looking for jobs who had registered at Placement Office :

	<i>Registered:</i>	<i>Placed:</i>	<i>Vacancies:</i>
1959	152,208	21,940	33,853
1960	156,608	32,662	18,665
1961	175,904	39,488	45,664
1962	162,956	54,367	64,931
1963	127,769	51,006	79,598
1964	104,714	37,739	40,671
1965	98,753	35,500	38,553

Source : Directorate of Employment Service.

The above figures do not give a complete picture of the situation since only a small part of job seekers registered at Placement Offices.

Since 1962 the figures went down steadily after the rise in 1961 (175,904 people). In 1965 only 98,753 people were registered.

In general, registered job seekers who remained unemployed were people without experience, young people coming from school, and people used to only rough work.

The largest numbers of vacancies remaining unfilled occurred in the industrial, construction and services sectors. The factors preventing these vacancies from being filled were among others transportation, housing and mainly lack of training, skill or experience, and lack of mobility. In order to improve their skills, unemployed people could follow one or other vocational training course organized by the Labour Training Centre of the Labour Training Service in the follow-

ing places : Djakarta, Bandung, Lembang, Klampok (Purwokerto), Jogjakarta, Solo, Semarang, Singosari (Malang), Wonodjati (Malang) and Palembang.

Co-operatives

I. General Developments

The general development of cooperatives in the years 1960 up to the second quarter of 1965 recorded satisfactory progress, as regards total membership, savings, reserve funds as well as other activities.

The number of primary cooperatives of all sectors since 1960 experienced an upward trend in comparison to figures of foregoing years. Increases were as follows: about 41% (1961), about 30% (1962) about 18% (1963) about 24% (1964), and about 47 1/2% (second quarter of 1965).

Likewise, the increased individual cooperative membership since 1960 were as follows: about 39% (1961), about 34% (1962), about 17% (1963), about 28% (1964), and about 50% (second quarter of 1965).

Similar increases were found in the total savings and cooperatives turnover.

The following table 84 depicted the progress in question :

The satisfactory growth of cooperatives was made possible because of increasing realization among the population as to the efficiency of cooperatives and Government facilities and guidance to the cooperative movement. Since August 2, 1965, the Government enforced new cooperatives laws, namely Act No. 14 1965, the material of which mostly stressed the sector ideology.

TABLE 84 – DEVELOPMENT, SAVINGS AND CO-OPERATIVES TURNOVER					
	Number of Co-operatives	Total of membership	Total Savings ('000 Rp)	Co-operatives turnover ('000 Rp)	Total of reserve fund ('000 Rp)
1960	27,301	5,276,278	1,303,000	6,993,000	128,000
1961	38,590	7,342,971	2,002,000	7,985,000	307,000
1962	50,158	9,858,651	2,962,956	15,715,906	252,771
1963	59,185	11,551,874	4,281,829	19,120,669	429,619
1964	62,376	12,596,571	4,919,978	21,721,774	695,022
1965 *)	74,049	14,828,194	6,158,656	35,888,210	818,655
*) Figures up to the second quarter.					

Source : Central Co-operatives Services.

The position of cooperatives in government institutions experienced following shifts :

- (a) Cooperatives in the perfected Dwikora Cabinet were under the Jurisdiction of the Department for Transmigration and Cooperatives;
- (b) In the revamped version of the perfected Dwikora Cabinet, cooperatives affairs were under the Ministry of Trade and Cooperatives;
- (c) In the Ampera Cabinet, cooperatives belong to the Department for Internal Affairs.

A decision of the Dwikora Cabinet (No. Aa/E/98/1966) called for the suspension of KOKSI (all-Indonesia Cooperatives Organizations Union), which was later replaced by Gerkopin (Indonesia Cooperatives Movement), namely based on a decision of the Trade and Cooperatives Minister No. 074/SK/VII/1966. Later, by virtue of decision No. 070/SK/VII/1966 of the Trade and Cooperatives Minister a committee to review Act. No. 14/1965 was set up.

Meanwhile, despite the fact that in general cooperatives enjoyed satisfactory development, the influence of inflation had a negative effect on cooperatives capital, so that the principal aim of raising the standard of living among the members of the cooperative movement was hard to achieve. Said influences had farreaching effects so that the large number of regulations in favour of or giving special priorities to the cooperative movement were of no use because they failed to reduce weaknesses within cooperatives bodies themselves.

A number of state banks helped financing certain cooperatives projects.

II . *Special Developments.*

A. Production Cooperatives.

Rubber, copra, fishery, animal husbandry , clove, and batik production cooperatives generally indicated satisfactory progress, not only in the total membership, primary as well as central, but also in activities of raising capital in the form of savings and reserves. Similarly, the total volume of products which could be accommodated by respective cooperatives of production in general showed an upward trend from year to year. Each showed different reasons for its respective growth.

Examples :

- 1) *Rubber Cooperatives* in 1963 experienced a fall of accommodation of sheet production of its members by 34% if compared with 1962. This was caused by obsolete processing equipment, difficulties at obtaining raw materials, rise of processing costs, etc. Figures of later years, however, again showed increases.
- 2) *Copra Cooperatives differed* from rubber cooperatives. Local and interinsular trade of these cooperatives operations were rather significant, whereas export activities were not important because of lack of experience in this particular

field. Production in 1963 was higher than in 1962, namely by about 63%. This was attributed to rising copra prices at the time.

- 3) Effective development of *Fishery Cooperatives* did not occur until 1961. However, significant development was not yet forthcoming considering that this cooperatives movement was only beginning.

- 4) *Animal Husbandry Cooperatives.*

Besides the general development as mentioned above. it turned out turnover (except in 1961 and 1963) and the total of reserves (except in 1961) indicated similar growth. Meanwhile, the setback in the turn in 1961 and 1963 was primarily caused by the shortage of cooperatives capital.

- 5) *Cloves Cooperatives*

As was the case with animal husbandry cooperatives, effective development did not begin until 1962, while data on these cooperatives were not complete.

- 6) *Indonesian Batik Cooperatives Federation (G.K.B.I.)*

A full report at present is as yet not available because not all primary batik cooperatives had submitted reports to the G.K.B.I.

- 7) *Cooperatives of other product.*

Apart from some blanches, cooperatives movements on the whole recorded satisfactory developments as pointed out above.

B. *Consumption Cooperatives.*

As was the case with production cooperatives, development in general of total savings, reserves, and membership indicated a gratifying progress.

Only the 1964 development marked a set-back of 22 1/2% (compared with 1963). This decline was primarily caused by limited cooperatives capital, the shortage of commodity supplies and the increasing prices the goods.

In the 1961-1963 period BNI (Indonesian State Bank), Unit II, made loans available amounting to Rp 600 million. Other state banks provided loans amounting to about Rp 81 million, while private bank credits ran to Rp 350 million.

In connection with rising inflation, later stages experienced stagnations and ultimately came to a complete standstill. Credits were stopped a remaining debts refunded.

C. *Cooperatives of Loan and Saving, and other services.*

As was the case with the two aforementioned cooperatives, in general these cooperatives also experienced satisfactory developments. Only the 1964 turnover suffered a setback of about 7% compared with 1963. This was mainly attributed to the shortage of cooperatives capital. In this connection it may be added that the B.K.I. (Indonesian Cooperatives Bank) since February 1965 has not been active anymore.

D. *Other Cooperatives.*

These cooperatives generally showed gratifying developments as was the case with other branches of cooperatives already mentioned.

APPENDIX A

APPENDIX A

REGULATIONS/LAWS IN SECTORS OF FINANCE AND BANKING AFFAIRS

(1960—1966)

1960

Capital of Bank Indonesia

Government Regulation in Lieu of an Act No. 11/1960 (State Gazette of 1960 No. 32, Additional State Gazette No. 1958).

Considering that the capital of Bank Indonesia as stipulated in the Bank Indonesia Act of 1953 was no longer in proportion to its duties, this regulation determined the capital of Bank Indonesia to Rp 100 million.

Nationalization of P. T. Escompto Bank

Government Regulation No. 13/1960 (State Gazette 1960 No. 35, Additional State Gazette No. 1960).

This Regulation contained provisions concerning the nationalization of P.T. Escompto-bank and empowered the Minister for Finance to take all necessary measures in its implementation, besides other steps needed for the liquidation of the bank concerned.

State Trade Bank

Government Regulation in Lieu of an Act No. 13/1960 (State Gazette of 1960 No. 39, Additional State Gazette No. 1964).

This Regulation contained provisions for the setting up of a State Trade Bank, with a capital of Rp 20 million.

Transfer of rights, powers, etc. from Escompto Bank to State Trade Bank

Regulation of the Minister for Finance No. 29103/BUM II/1960.

This Regulation placed P.T. Escompto Bank under a state of liquidation, while all rights, powers, and liabilities and duties were transferred to the State Trade Bank (Bank Dagang Negara—BDN).

Damages for Gold Transfer to Bank Indonesia

Government Regulation No. 21/1960 (State Gazette of 1960 No. 53).

This Regulation changed the amount of damages for the transfer of gold to Bank Indonesia/Foreign Exchange Fund to a maximum of Rp 49,203.95 for every kg. of pure gold, minus levies in force on the date of transfer.

Bank Pembangunan Indonesia

Government Regulation in Lieu of an Act .No. 21/1960 (State Gazette of 1960 No. 65, Additional State Gazette no. 1996).

This Regulation contained provisions for the establishment of a state bank by the name of Bank Pembangunan Indonesia (Indonesian Development Bank), the task of which was to help the Government to finance the nation's overall development projects. Basic capital of this bank was Rp 10 billion.

Bank Secret

Government Regulation in Lieu of an Act No. 23 196() (State Gazette of 1960 No. 71, Additional State Gazette no. 2010).

Under this Regulation banks were not to make available clarifications on the financial condition of their customers, except:

- a) when there was a written request to this effect of the Tax Service, in which case the Minister for Finance was empowered to call on banks to provide him with clarifications and show books, written proofs or letters to tax officials concerned;
- b) for trial purposes in a criminal case. The First Minister could provide a permit to the Prosecutor/Judge to ask The Bank concerned for clarification on the financial condition of the defendant/accused.

Merger of Bank Industri Negara

Government Regulation in Lieu of an Act No. 30/ 1960 State Gazette of 1960 No. 87, Additional State Gazette No. 2025).

This Regulation contained provisions for the merger of the Bank Industri Negara (State Industrial Bank) into the Bank Pembangunan Indonesia (Indonesian Development Bank).

Bank Credit and Liquidity

Government Regulation in Lieu of an Act No. 35 1960 (State Gazette of 1960 No. 95, Additional State Gazette No. 2032).

This Regulation was issued within the government framework of stabilizing the monetary conditions by way of regulating credit volume made available by credit agencies.

By virtue of a Regulation of the Minister for Finance all credit agencies could be requested to

- a) limit the grant of credits to predetermined amounts;
- b) maintain at least the minimum requirements of liquidity as clearing account with Bank Indonesia and/or as state treasury notes;
- c) maintain a minimum ratio between the amount of their cash assets and the total of demand liabilities;
- d) hold a certain balance in the granting of credits according to determined sectors of economic activities.

Interest of State Treasury Notes

Government Regulation No. 32/1960 (State Gazette of 1960 No. 98).

State treasury notes were issued with terms ranging from one, two, three, and five years, with respective interest rates of $4\frac{1}{2}$, $4\frac{3}{4}$, 5, and $5\frac{1}{2}$ per cent annually.

Treasury promissory notes were issued with terms of 3 and 9 months with a discount of respectively three to four per cent per annum.

Bank Koperasi, Tani dan Nelayan

Government Regulation in Lieu of an Act No. 41/1960 (State Gazette of 1960 No. 128, Additional State Gazette No. 2065).

This Regulation contained provisions for the establishment of a state bank by the name of Bank Koperasi, Tani dan Nelayan (Bank for Cooperatives, Peasants and Fishermen) to develop cooperative efforts towards a people's economy based on family principles and efforts for the promotion of the standard of living of peasants and fishermen.

The bank's capital amounted to Rp 500 million and could be enlarged by way of further regulations.

Merger of Bank Rakjat Indonesia

Government Regulation in Lieu of an Act No. 42/1960 (.State Gazette of 1960 No. 129, Additional State Gazette No. 2066).

This Regulation contained provisions for the merger of Bank Rakjat Indonesia (People's Bank of Indonesia) into the Bank Koperasi, Tani dan Nelayan.

Merger of P.T. Bank Tani dan Nelayan

Government Regulation in Lieu of an Act No. 43 1960 (State Gazette of 1960 No. 130, Additional State Gazette No. 2067).

This Regulation contained provisions for the merger of P.T. Bank Tani dan Nelayan into the Bank Koperasi, Tani dan Nelayan.

Nationalization of N.V. Nederlandsche Handel Mij

Government Regulation No. 44/1960 (Slate Gazette of 1960 No. 142. Additional State Gazette No. 2099).

This Regulation contained provisions for the nationalization of N.V. Nederlandsche Handel Mij., and empowered the Minister for Finance to take all necessary measures in its implementation.

Transfer of N.H.M. to B.K.T.N.

Regulation of Minister for Finance No. 26126/BUM II/1960.

Under this Regulation all rights and obligations, equipment, assets. and operations of the N.V. Nederlansche Handel Maatschappij (Netherlands Trade Bank Ltd) as of November 30, 1960 were transferred to the Bank for Cooperatives, Peasants, and Fishermen (for a temporary period administrative activities were separated under the name of B.K.T.N. Export and Import Affairs) .

Change and increase of dividend tax

Government Regulation in Lieu of an Act No. 53/1960 (State Gazette of 1960 No. 171, Additional State Gazette No. 2114).

This Regulation contained provisions that dividend taxes were not imposed on payments of interest drawn on bonds issued by the central and regional government.

Withdrawal of income tax ordinance

Government Regulation in Lieu of an Act No. 54/1960 (State Gazette of 1960 No. 172, Additional State Gazette No. 2115).

This Regulation contained provisions for tile revocation of income tax ordinance on the consideration that salary and income tax were of similar nature

Perfection of income tax ordinance

Government Regulation in Lieu of an Act No. 55/1960 (State Gazette of 1960 No. 173, Additional State Gazette No. 2116).

The Revocation of income tax ordinance and the issuance of this regulation had changed and improved the Income Tax Ordinance.

Task and working Program of Bank Indonesia

Presidential Decree No. 6/1960 (State Gazette of 1960 No. 175).

This Presidential Decree determined the urgent need to adapt the task and working program policies of Bank Indonesia as a central bank to the Presidential Message on the National Overall Development Plan to the National Planning Council on August 28, 1959, and a decision of the MPRS (Congress) No. II / MPRS/1960 dated December 3, 1960.

In implementing the above, the Minister for Finance, with approval of the First Minister, was empowered to decide on further policies and take further steps that could, in case of necessity, deviate from the 1953 Basic Law of Bank Indonesia.

1961

BPU Credit/Savings

Government Regulation No. 179 1961 (State Gazette of 1961 No. 210)

This regulation contained provisions for the setting up of the Badan Pimpinan Umum (General Management Board) for Credit/Savings, which was assigned to supervise operations, exercise control over and manage government enterprises

dealing with credit/savings affairs, namely P.N. Pegadaian (state pawnshops) and government enterprises in the sector of credit and savings affairs to be appointed by the Minister for Finance

Foreign credit and development projects

Presidential Decree No. 21/1961 (State Gazette of 1961 No. 314).

This decision contained provisions for priorities and foreign credit procedures in relation to the implementation of the Overall National Development Plan.

Every year the President determined the priorities of development projects there were to be realized by the respective departments in the course of the next year. This is to determine the state budget.

Efforts to find sources of credits abroad to finance the realization of development projects were made by Bank Indonesia in cooperation with Bank Pembangunan Indonesia (Indonesian Development Bank) and Indonesian representation offices abroad in consideration of the policy outlines and terms arrived at by the Monetary Council.

Efforts to find supplier candidates, at home and abroad, were made by the department concerned through a tender, except if the Government determined otherwise.

Investment Funds

Government Regulation in Lieu of an Act No. 41/1962 (State Gazette of 1962 No. 41, Additional State Gazette No. 2468).

This Regulation was issued in order to prevent the utilization of investment funds with companies and institutional capital investment bodies for undesired purposes.

All companies/bodies operating /working in Indonesia could be made to utilize all or part of their investment funds :

- a) as deposit with Bank Indonesia;
- b) in treasury notes;
- c) in other development objects which were determined by the Minister for Revenues, Financing and Supervision and the Minister for Central Bank Affairs.

Special compulsory contribution (S.W.I.)

Government Regulation in Lieu of an Act No. 11, 13, 14, 16/1962 (State Gazette of 1962 No. 49, 51, 52, 70).

In order to overcome the state financial needs, a special compulsory contribution (S.W.I.) was imposed on several commodities, such as beer, and other drinks containing alcohol, motor vehicles and buildings.

Bank Pembangunan Swasta (Private Development Bank)

Act No. 12/1962.

This act contained provisions on the setting up of a Private Development Bank, which was assigned to finance development efforts, particularly in the sector of production run by private circles, namely in the fields of industries, mining, transportation, contractors, and plantations.

Bank Pembangunan Daerah (Regional Development Bank)

Act No. 13/1962.

This act contained provisions for the establishment of a Regional Development Bank, assigned to make loans available for the realization of development projects in the regions.

1963

Revocation of concession rights of Overseas Chinese Banking Corporation

Decision of the Minister for Central Bank Affairs No. 35/63/Kep/MUBS/
1963

This decision revoked the concession rights of the Overseas Chinese Banking Corporation, with headquarters in Singapore.

Bond Loans of Banks/Companies/Government or Private Bodies

Government Regulation No. 6/1963 (State Gazette of 1963 No. 7).

This Regulation determined that all banks/companies/government as well as private bodies wishing to issue bonds should first have a permit of the Deputy First Minister for Financial Affairs according to methods and after fulfilling certain terms.

Banks/companies/government as well as private bodies having issued bonds before this regulation were obliged to report to the Deputy First Minister for Financial Affairs along with necessary clarifications, taking into account the main points included in this regulation.

Special Rupiah Unit for West Irian

Presidential Decree No. 2/1963 (State Gazette of 1963, No. 12).

This Presidential Decree stipulated that a special Rupiah unit with a fixed rate of exchange was valid in West Irian province.

Within seven months after this Presidential Decree took force, all kind, of coins and banknotes then circulating as legal tender would be withdrawn from circulation by way of exchanging them with the new Rupiah units based on a fixed rate of exchange.

Kinds of currency functioning as legal tender in West Irian were not valid in other parts of the Republic of Indonesia, and the rate of exchange between the two currencies was determined by the Minister for Central Bank Affairs.

Special foreign exchange regulations for West Irian

Presidential Decree No. 3/1963 (State Gazette of 1963 No. 13).

This Presidential Decree determined that all foreign exchange regulations in West Irian as were in force during the UNTEA administration remained valid as long as they did not run counter to the transfer of administration of the area to the Republic of Indonesia and as long as they were not revoked, or changed, or supplemented by regulations of the Republic of Indonesia.

Postal savings Bank

Government Regulation in Lieu of an Act No. 36/1963 (State Gazette 1963 No. 62, Additional State Gazette No. 2556).

As the result of the regrouping of the Kerdja Cabinet, the Postal Savings Bank, which was formerly within the jurisdiction of the Minister for Land, Postal and Telecommunications was placed under the Minister for Central Bank Affairs.

The name of Postal Savings Bank was converted into State Savings Bank, while control was under the supervision of the Board of Directors of Bank Indonesia.

Projects financed on basis of production sharing

Presidential Regulation No. 20/1963 (State Gazette of 1963, No. 97).

To help the realization of projects financed by foreign credits on the basis of production sharing, this Presidential Decree made available all facilities needed, such as the exemption from obligation to pay the counter value of H.P.N. (State trading Proceeds), additional state trading proceeds, import duty of tools and materials imported, the granting of a tax-holiday during a maximum of five years and the granting of deductions from profits by way of fiscal depreciations after the end of the tax-holiday.

The decree further determined the methods for repayment of the credits concerned and the financing of projects under construction by private as well as government circles.

Special Rupiah Unit for Riau Islands

Presidential Decree No. 9/1963 (State Gazette of 1963 No. 98).

This Presidential Decree stipulated the enforcement of a special Rupiah unit for Riau island (abbreviated K.R.Rp), for the second level autonomous district of Riau islands with a rate of exchange of US \$ 1 = KR Rp 3.06, besides the Malayan

dollar circulating as legal tender by virtue of Government Regulation No. 44/1952.

The rate of exchange between the K.R. Rupiah and the Rupiah constituting legal tender in other parts of the Republic of Indonesia was (with the exception of the Province of Irian Barat) K.R. Rp 1 = Rp 14,70.

K.R. Rupiah currency was not valid in other parts of the Republic of Indonesia. The Malayan dollar was meanwhile to be withdrawn from circulation by way of exchanging them with K.R. Rupiah currency

Free Port and Free Trade Zone

Presidential Decree No. 10/1963 (State Gazette of 1963 No. 100).

This Presidential Decree stipulated Sabang port as a free port, while Belawan, Tandjung Priok, and Makassar ports as free trade zones.

Inclusion of Riau Islands into customs areas of Indonesia

Government Regulation in Lieu of an Act No. 8/1963 (State Gazette of 1963 No. 102, Additional State Gazette No. 2594).

The inclusion of Riau Islands into the Customs area of Indonesia was intended to dedollarize the second level district of Riau Islands towards national economic unity and stabilization.

1964

Rupiah transaction rate and duties on imports

Government Regulation in Lieu of an Act No. 5/1964 (State Gazette of 1964 No. 29, Additional State Gazette No. 2638).

Without prejudice to Act No. 4 and Government Regulation of 1959 on the fixing of the Rupiah value, at a rate of US \$ 1 = Rp45.—, this regulation determined that for imports the transaction rate was US \$ 1 = Rp 250,

Tariffs of import duties as stipulated in article 1 of the law contained in Staatsblad 1873 No. 35, were fixed at 0, 50, 100, 300 and 800 per cent and were listed according to the Appendix of this Regulation.

Rupiah transaction rate and export incentives

Presidential Decree No. 13/1964 (State Gazette of 1964 No. 30, Additional State Gazette No. 2639).

This Decree determined the transaction rate for exports of US \$ 1 = Rp 250,-, without prejudice to article 2 of Act No. 4 and Government Regulation of 1959 on the determination of the rate of exchange of US 1 = Rp 45.—.

Exporters and Producer Exporters were given export incentives in the form of Surat Pendorong Produksi (SPP) or Export Incentive Certificates, i.e. 20% of the total f.o.b. proceeds of their exports in foreign currency.

National producers of export goods and national producer exporters were given additional incentives in the form of Foreign Exchange Allocation amounting to 5% of the total exports, the utilization of which would be further regulated.

Financial Inspection Agency

Government Regulation in Lieu of an Act No. 6/1964 (State Gazette of 1964 No. 41, Additional State Gazette No. 2645).

On the consideration that the Financial Inspection Agency was in essence a follow-up of the former Financial Comptroller Council whose operations were

still according to obsolete regulations it was deemed necessary to effect necessary improvements.

The Financial Inspection Agency was assigned to exercise control over the implementation of the State Revenues and Expenditures Budget, Development Budget, Credit Budget, and Foreign Exchange Budget, and of all purchases, savings, utilization, and sales of state-owned goods, the employment of services and work in the military and civil sectors. This assignment was further regulated in a special law.

Supervision of Credit Affairs

Government Regulation No. 19/1964 (State Gazette of 1964 No. 42, Additional State Gazette No. 2646).

This Regulation provided for a change and supplement to Government Regulation No. 1/1955 on control over credit affairs, which in the main were as follows:

Permit for the establishment of a Commercial Bank could only be given if the Bank was able to produce a minimum of paid-up capital of Rp 25 million while having fulfilled predetermined terms.

Existing banks, with capital below Rp 25 million, were obliged to increase it within one year after this regulation took force, while already obtained permit was converted into a temporary permit.

Shares of the Commercial Bank concerned must be in the possession of Indonesian nationals and must be registered shares.

Commercial Banks still unable to comply to the predetermined term were obliged to conform within six months after this regulation went into force.

State Savings Bank

Act No.2/1964 (State Gazette of 1964, No. 51, Additional State Gazette, No.2650).

On the consideration that, the Postal Savings Bank, the name of which has been converted into State Savings Bank (Government Regulation in Lieu of an Act No.4/1963), was no longer in conformity with the present national democratic development of the revolution, this Act provided for the establishment of a new State Savings Bank.

The Board of Directors of this State Savings Bank was responsible to the Minister for Central Bank Affairs/Governor of Bank Indonesia.

Supervision over the operations of the State Savings Bank was exercised by the Board of Directors of Bank Indonesia.

Bank of China

Letter of the Minister for Supervision of Private Banks and Capital No. 23/U.P.B.M.S./64.

By virtue of this letter the Minister for Supervision of Private Banks and Capital approved the closure of the Bank of China at the request of the bank itself.

Hongkong and Shanghai Banking Corporation

Letter of the Board of Directors of Bank Indonesia No. 11/904 U.M./P.U. Rahasia.

Based on this letter the Hongkong and Shanghai Banking Corporation ceased operations in Indonesia.

Additional S.P.P. For Counter Import Consignment Area

Presidential Regulation No. 21/1964 (State Gazette of 1964 No 62).

This Regulation provided the granting of additional S.P.P. (production incentives) amounting to 10% of the total f.o.b. export proceeds in foreign currency, to exporters operating from first level autonomous districts of Atjeh, Nias islands, Simeulur, Tello, Riau mainland, and Kuala Tungkal Kewedanaan (subdistrict) .

The additional S.P.P. could only be utilized in tile areas concerned for regional development.

Rupiah Unit for Riau Islands

Presidential Decree No. 3/1964 (State Gazette of 1964 No. 63).

In the framework of Government efforts to have one Rupiah unit for the entire Republic of Indonesia, as of July 1, 1964, Bank Indonesia banknotes, paper currency issued by the Government and coins were to be legal tender in the second level autonomous district of Riau islands. This currency was already valid in other parts of Indonesia except the Riau islands and West Irian.

Except transactions in foreign currency, the Riau islands Rupiah unit (K.R. Rp) would still be valid as legal tender until its withdrawal from circulation.

Goods and Money Traffic in Sabang

Presidential Decree No. 23/1964 (State Gazette of 1964, No. 65, Additional State Gazette No. 2661).

This Decree determined Sabang port as a free-port outside Indonesian customs territory, and outside Indonesia's foreign exchange regime.

The currency in force was determined by Bank Indonesia and International Trade transactions were to be carried out by recognized Foreign Exchange Banks, using in International Trade customary documents recognized by Bank Indonesia.

Sabang port was to constitute a trading area of transit export/import goods from and to Indonesia and a place for processing/upgrading and manufacturing industries.

Levy of Customs duties and SWI in Riau Islands

Act No. 7/1964 (State Gazette of 1964 No. 66, Additional State Gazette No. 2665).

This Act contained provisions for the inclusion of the second level district of Riau island as part of the Indonesian customs area.

Customs, duties, and special contributions (SWI) levied at other parts of the Indonesian customs area outside West Irian province according to fixed rates and tariffs were also to be levied in the second level district of Riau islands. Directives for the execution and safeguarding of the levies were also valid in the district concerned.

Economic and Financial Policy

Presidential Decree/Supreme Commander of K.O.T.O.E. (Supreme Command for Economic Operations) No. 25/1964 (State Gazette of 1964 No. 68).

This Decree provided policy outlines to surmount economic and financial problems. Stress was laid on the activation of undertakings in the monetary, credit, production, distribution, communications and transport, export and import sectors.

Tax Pardon

Presidential Decree No. 5/1964 (State Gazette of 1964 No. 89, Additional State Gazette No. 2677).

This Presidential Decree stipulated that those owning, enjoying, controlling, utilizing, having the opportunity to enjoy, control, or utilize capital found in society on which no taxes, company, income, or property taxes, had been imposed should register at the Tax Directorate on August 17, 1965 at the latest. The sum to be paid was 10% of the total taxable.

The Minister for Revenues, Financing, and Supervision could determine levies of 5% if the capital concerned at the time of registration was invested in agricultural, fishery, animal husbandry, mining, industry, and transport sectors appointed by the Minister.

Additional collection of 5% was imposed on those who had not used the period given for the capital investment concerned.

If the sum paid was lower than the amount of unpaid tax, additional levies were to be imposed amounting to the real total of unpaid tax plus another 400% within two years after August 17, 1965. The chief of the Tax Directorate was entitled to grant exemption of the total or part of the additional sums to be paid.

Economic and Financial Body

Presidential Decree No. 31/1964 (State Gazette of 1964 No. 90, Additional State Gazette No. 2678).

This Regulation contained provision for the establishment of an Economic and Financial Body, the duties of which were as follows:

- a) formulate Government policies in the sector economy and finance by observing directives of the President;
- b) prepare a budget for the state revenues and expenditures to be submitted to Parliament (DPR);
- c) prepare Presidential Addresses to the M.P.R.S. (Provisional People's Consultative Congress) on Development;
- d) on behalf of the President coordinate and supervise all Government activities in the sectors of economy and finance;
- e) carry out the duties of the Dewan Moneter (Monetary Council).

Ban on drawing up uncovered cheques

Act No. 17, 1964 (State Gazette of 1964 No. 101, Additional State Gazette No. 2692).

This Act stipulated that drawing of uncovered cheques (cheques that had no sufficient deposit with banks where they were drawn) was considered a criminal act punishable by death, life-long sentence or temporary imprisonment (maximum 20 years) or maximum fines totalling four times the amount written on the uncovered cheques concerned.

Counter Value of Rupiah for Oil Company Activities

Presidential Decree No. 35/1964 (State Gazette of 1964 No. 102).

This Regulation determined that the counter value of the Rupiah for all oil company activities was based on a rate of exchange of US \$ 1.- = Rp 250,- (former rate of exchange was US \$ 1 = Rp 315,—).

Company tax

Act No. 22/1964 (State Gazette No. 113, Additional State Gazette No. 2703) .

This Act provided for changes and supplements of the 1925 ordinance of Company Taxes, the aim of which was to change the system of “levy at a later time”, to one that called for levy to be made at times profits were obtained (“pay as you go” system).

The Minister for Revenues, Financing and Supervision was empowered to determine the percentage of amounts as taxed profit of companies and their branches without disturbing their operations.

Income Tax

Act No. 23/1964 (State Gazette of 1964 No. 114, Additional State Gazette No. 2704).

This Act proxided for changes and supplements of the 1944 Income Tax ordinance, the aim of which was to stimulate working spirit to producers of goods and services without reducing the income of the state. These changes among other things concerned extremely high tax rates imposed on employees whose salaries, according to assessments, were not too high.

Property Tax

Act No. 24/1964 (State Gazette of 1964 No. 115, Additional State Gazette No. 2705).

In a bid to create equilibrium between state revenues and expenditures by boosting the income of the state, this act determined changes and supplements of the 1932 property tax ordinance, which among other things limited net riches at a minimum of Rp 25 million.

Stamp Tax

Act No. 25/1964 (State Gazette of 1964 No. 116, Additional State Gazette No. 2706).

This Act provided for changes and supplements to the 1921 stamp tax regulations, which among other things determined a minimum stamp tax of Rp 10,— and a general stamp tax of Rp 25,— not mentioned in the other regulations.

Incentives for Capital Investors

Act No. 26/1964 (State Gazette of 1964 No. 117, Additional State Gazette No. 2707).

This Act determined a deduction on part/whole of taxable profits/income, the aim of which was to serve as incentive to capital owners for investment purposes of existing enterprises.

Exemption of Company/Income Tax

Act No. 27/1964 (State Gazette of 1964 No. 118, Additional State Gazette No. 2708) .

This Act determined that profit/income obtained through operations made possible by new capital invested in sectors appointed by the Minister for Revenues, Financing, and Supervision with the approval of the Coordinator Minister for the Financial Compartment were exempted from company/income tax for three years after the start of production, on the understanding that it did not exceed 5 years after the granting of the permit for operations.

Profits/income obtained through projects on the basis of production sharing were free from tax while they were still obliged to submit part of their yield to creditors up to a maximum of five years after they would become productive.

Exceptions of several kinds of depreciations and expenses from company profits

Act No. 28/1964 (State Gazette of 1964 No. 119, Additional State Gazette No. 2709).

This Act determined that within procedures of profit/income calculation that were subjected to company/income tax it was not allowed to effect depreciation on expenses/total purchase of certain equipment and expenses for their utilization and maintenance.

On the basis of essential needs of the company, the Minister was empowered to make exceptions for expenses/purchase of other equipment.

1964 Development Bond Loan

Act No. 29/1964 (State Gazette of 1964 No. 120, Additional State Gazette No. 2710).

This Act empowered the Minister for Revenues, Financing and Supervision to issue a State- loan to a maximum of Rp 10,000 in the form of bonds to bearer. These loans were subjected to an interest of six per cent of the total nominal value per annum, and payment of yearly coupons were to be made at fixed periods.

In order to help the implementation of the bond loan, the Minister appointed certain Banks and other bodies against a commission determined by the Minister.

1964 Confrontation Bond Loan

Act No. 30/1964 (State Gazette of 1964 No. 121, Additional State Gazette No. 2711).

This Act empowered the Minister for Revenues, Financing and Supervision to issue a State- loan to a maximum of Rp 10,000 million, in the form of bonds to bearer. This loan was subjected to fifteen percent interest per annum and payment was to be made on half yearly coupons at fixed periods.

Certain banks and other bodies appointed by the Minister to help the implementation of the loan were given a commission determined by the Minister.

Foreign Exchange Traffic Regulations

Act No. 32/1964 (State Gazette of 1964 No. 131, Additional State Gazette No. 2717).

This Act was a substitute of the Deviezen Ordonnantie 1940 and the Deviezen Verordening 1940. The Act contained important points concerning: Foreign Exchange Fund, Foreign Exchange Traffic Council and Foreign Exchange Traffic Bureau, exports and imports, securities, and so on.

Import Contribution for Sumatra Highway

Act No. 36, 1964 (State Gazette of 1964 No. 141, Additional State Gazette No. 2723).

This Act contained provisions for special collections on import goods and the granting of foreign exchange permits for services of 5% of the Rupiah counter-value of the foreign currency permitted to finance the construction of the trans-Sumatra highway.

Foreign Exchange Traffic Council

Government Regulation No. 5/1965 (State Gazette of 1965 No. 9)

This Regulation determined the organization, duties, and authority of the Foreign Exchange Traffic Council. The Minister for Central Bank Affairs/Governor of Bank Indonesia, who was appointed the second vice chairman and member of the second vice chairman and member of the council, was responsible to the Council for the implementation of daily affairs.

Certain Foreign Exchange Criminal Activities

Presidential decree no. 2/1965 (State Gazette of 1965 no. 10, Additional State Gazette No. 2728).

This Decree stipulated that prosecution/ investigation by authorized officials of activities that according to the 1940 Deviezen Ordonnantie and 1940 Deviezen Verordening were criminal activities, pending the enforcement of Act No. 32/1964 should be made in conformity with earlier regulations.

Credit Traffic Contribution

Decision of the president/ Supreme Commander of K.O.T.O.E. (supreme Command Of Economic Operations) No./K.O.T.O.E./1965.

This decision determined that individuals or bodies obtaining credits from the Government or credit supplying bodies were subjected to credit traffic contributions of two per cent of the total credit obtained.

Exempted from this contribution were credits utilized for production purpose in the sectors of agriculture, plantation, fisheries, animal husbandry, mining, industries, and transport.

Exemption from credit Traffic Contribution

Regulation of the minister for revenues, financing, and Supervision No. SLK 1-1-1 and 1-1-2/ 1965.

This Regulation stipulated that contribution drawn on credit traffic was exempted if :

- a) credits made available did not exceed Rp 10,000.- ;
- b) if credits were made available to the Indonesian Government, Regional government and state enterprises ex I.C.B and I.B.W. based on a decision of the Minister for revenue, Financing, and supervision;
- c) if credits were obtained from the P.N. Pegadaian (State pawnshops).

Rupiah Counter Value of Foreign Currency

Government Regulation No. 6/1965 (State Gazette of 1965 No. 11).

This Regulation stipulated that foreign currency sold or purchased by the Foreign Exchange fund in keeping with Act No. 32/1964 was calculated on the Rupiah Transaction Value of US \$ 1.—= Rp 250,—on the consideration that the Foreign Exchange Fund could distinguish between the purchase and sale values that should not exceed 2% of the transaction value.

Utilization of Complementary Foreign Exchange

Government Regulation No. 7/1965 (State Gazette of 1965 No. 12, Additional State Gazette No. 2729).

Under this Regulation, it was allowed to utilize foreign exchange that need not be submitted to the Foreign Exchange Fund (complementary foreign exchange), according to predetermined ways.

Foreign Exchange banks keep and enter them into foreign exchange accounts on the names of interested parties and were obliged to separate the administration of the said foreign exchange from the administration of the foreign exchange of the Foreign Exchange Fund.

Foreign exchange entered into the foreign currency accounts based on direct transfer from abroad could be utilized for:

- a) the financing of imports;
- b) payment of services;
- c) traded within the country or re-transferred.

Foreign currency that could be traded:

- 1) foreign currency already entered into the said foreign currency accounts ;
- 2) foreign paper currency in the country;

- 3) foreign currency owned by the Foreign Exchange Banks and foreign currency traders as a result of purchases made in Rupiah.

Foreign currency and paper currency owned by Diplomatic/Consular and United Nations representation offices could not be traded. Bank Indonesia could make decisions that only certain foreign currency could be traded.

Trading of foreign currency within the country by Rupiah payment was only permitted through/from the intermediary of the Foreign Exchange Bank or legalized foreign exchange brokers at prices already agreed upon.

Purchase and utilization of these foreign exchange were only permissible for the financing of import goods from abroad and payment of services, based on determined terms and methods.

The leadership of the B.L.L.D. (Foreign Exchange Traffic Bureau), at the suggestion of the Council for Foreign Exchange Traffic, could impose retribution on the above mentioned transactions.

The Chartered Bank

Presidential Decree No. 6 /1965.

This Presidential Decree stipulated that the Chartered Bank in Indonesia was completely under direct control of and was run by the Central Government, c.q. the Minister for Central Bank Affairs.

Liquidation of the Chartered Bank

Decision of the Minister for Central Bank Affairs No. Kep. 15/UBS/65.

This Decision stipulated that all rights and obligations, assets and equipment, including personnel and undertakings of the Chartered Bank in Djakarta were transferred to the Bank Umum Negara (State General Bank).

Management of buildings and houses for officials and other equipment of The Chartered Bank at Surabaya and Medan were handed over to Bank Negara Indonesia (Indonesian State Bank).

Integration of State General Bank and State Savings Bank into the Central Bank

Presidential Decree No. 8. 1965 (State Gazette of 1965 No. 45).

Within the framework of simplifying banking organizations towards a united organization, this Presidential Decree stipulated the integration of State General Banks and the State Savings Bank through stages to be determined by virtue of a Presidential Decree taking into account the suggestions of the Minister for Central Bank Affairs.

In connection with this integration the Minister for Central Bank Affairs would make arrangements concerning the conversion of Bank Indonesia into a Central Bank.

Integration of B.K.T.N. into Bank Indonesia

Presidential Decree No. 9/1965 (State Gazette of 1965 No. 46)

This Presidential Decree stipulated the merger of the BKTN (Bank for Cooperatives, Peasants, and Fishermen) with Bank Indonesia and the dissolution of the Supervisory Council of the BKTN.

Integration of the State General Bank into Bank Indonesia.

Presidential Decree No. 10/1965 (State Gazette of 1965 No. 56).

By revoking Act No. 1 Prp./1959 (State Gazette of 1959, No. 85) on the State General Bank, this Presidential Decree stipulated the merger of Bank Umum Negara (State General Bank) with Bank Indonesia and the dissolution of the Council of Commissioners of the State General Bank.

Integration of the State Savings Bank Into Bank Indonesia

Presidential Decree No. 11/1965 (State Gazette of 1965 No. 57).

By revoking Act No. 2/1964 (State Gazette of 1964 No. 51) on the State Savings Bank, this Presidential Decree stipulated the merger of the State Savings Bank with Bank Indonesia.

Integration of the Indonesian State bank into Bank Indonesia

Presidential Decree No. 13,1965 (State Gazette of 1965 No. 59).

This Presidential Decree stipulated the integration of Bank Negara Indonesia, which was set up by virtue of Act No. 2/1965 (State Gazette of 1965 No. 5), into Bank Indonesia and the dissolution of the Supervisory Council of Bank Negara Indonesia.

Additional Provisions Concerning the Integration of Banks

Presidential Decree No. 16/1965 (State Gazette of 1965 No. 73).

This Presidential Decree stipulated that the President Director/Principal Director and Directors of Bank Umum Negara (State General Bank) and State Savings Bank were seconded to the Management of the Central Bank.

Setting up of the Sole State Bank

Presidential Decree No. 17/1965 (State Gazette of 1965 No. 74, Additional State Gazette No. 2768).

This Presidential Decree contained provisions for the establishment of a bank, the only state bank operating as the bank of circulation, the central and general bank.

The sole bank was named “Bank Negara Indonesia”, and merged in it were: Bank Indonesia, the former Bank Koperasi, Tani dan Nelayan (Bank for Cooperatives, Peasants and Fishermen), Bank Umum Negara, Bank Tabungan Negara, Bank Negara Indonesia, and Bank Dagang Negara (the integration of which would be decided upon later).

The Bank Indonesia Act, Act No. 11/1953 (State Gazette of 1953 No. 40) and all its changes and supplements were declared effective for Bank Negara Indonesia pending further decisions.

Names of offices of Sole State Bank

Decision of Minister for Central Bank Affairs No. Kep. 65/UBS/65

This Decision stipulated the new names of offices of the sole state bank.

They were as follows:

- a) Bank Indonesia became Bank Negara Indonesia Unit I
- b) Bank Indonesia, Urusan Koperasi, Tani dan Nelayan became Bank Negara Indonesia Unit II.
- c) Bank Negara Indonesia (former) becomes Bank Negara Indonesia Unit III.
- d) Bank Umum Negara became Bank Negara Indonesia Unit IV.
- e) Bank Tabungan Negara became Bank Negara Indonesia Unit V.

Revocation of Law on Foreign Capital Investment

Act No. 16/1965.

This Act determined the revocation of Act No. 78/1958 on foreign capital investment, which had been changed and supplemented by Act No. 15 Prp/1960.

State Trade Bank

Presidential Decree No. 21/1965 (State Gazette of 1965 No. 87).

This Presidential Decree stipulated the preservation of Bank Dagang Negara (State Trade Bank) based on its establishment Act. Its structure, organization, and other activities remained as in the past, on the condition that it must always adapt its operations that were of monetary- technical nature to the Bank Negara Indonesia.

Private Development Bank

Presidential Decree No. 25/1965 (State Gazette of 1965 No. 98).

This Presidential Decree stipulated that the Private Development Bank was the only bank mobilizing and distributing progressive funds in the private sector conducted in a total manner, by the Bappenas (consultative body of national private entrepreneurs), the Private Development Bank and other bodies utilized by the Minister/Presidential Adviser/Prime Minister for Funds and Forces Affairs for private development purposes in the framework of the overall national development program and other plans determined by the President.

Each national private/alien domestic company was obliged to become share - or bondholders of the Private Development Bank.

1966 Financial Economic Policy

Presidential Decree No. 26/1965 (State Gazette of 1965 No. 99).

This Presidential Decree contained, provisions for:

- 1) General foundation for the 1966 Financial Economic Policy, i.e. the boosting of production and self-reliance.
- 2) Budget policy, so that the program of austerity could be implemented in the most effective manner, notably for projects that could not be finalized in the course of 1966 by way of giving top priority to the development of economic infrastructure
- 3) Credit policy, so that credits be directed to the sectors of food, exports, and clothing all of which were to be based on production guarantees.
- 4) Foreign exchange policy aimed at boosting production.
- 5) Foreign trade policy where the Government assumed control of foreign trade, particularly in the sector of imports that could only be undertaken by the

Government or private companies on behalf of the Government. S.P.P. (production incentives) and imports based on Deferred Payment were abolished.

- 6) Price policy, which determined that State Enterprises should operate on the basis of cost accounting; in order to boost production efforts were made to determine prices founded on production cost plus a reasonable profit, while commodities under control of the Government had fixed prices.
- 7) Policy of wages and salary, which was aimed at giving wages and salaries on the basis of minimum physical needs, besides distribution of essential commodities in kind to civil servants/government officials.
- 8) Currency supply policy, which was aimed at currency supplies made to conform to needs so that payment among Government institutions and State/Private companies be made in “Giral” (clearing account).

1966 Monetary Budget

Act No. 22/1961

Under this Act it was decided that the 1966 Budget of State Revenues and Expenditures was composed in the form of a Monetary Budget, which consisted of the following:

- 1) Routine Budget of Revenues and Expenditures.
- 2) Development Budget of Revenues and Expenditures.
- 3) Special Budget of Revenues and Expenditures.
- 4) Credit Budget.
- 5) Foreign Exchange Budget.

The target of state revenues was determined at Rp (new) 7,232 million. Routine budget of expenditures was determined at Rp (new) 5,530 million. A budget

ceiling of expenditures of Rp (new) 1,000 million was earmarked for the financing of development projects. A budget ceiling of expenditures of Rp (new) 100 million was earmarked for subsidy to development projects in the regions.

The total of credit increase burdened on the Credit at the end of 1966 budgetary year should not exceed Rp, (new) 250 million. Special budget was determined pro memory.

Expenditures made to bear on Foreign Exchange Budget was made in balance with its revenues. Further specifications of the utilization of foreign exchange supplies, aimed at boosting production was determined by the Presidium of the Dwikora Cabinet together with the Budgetary Committee of the Gotong Rojong House of Representatives.

Dissolution of K.O.T.O.E

Presidential Decree No. 368/1965.

This decision contained provisions for the dissolution of the Supreme Command for Economic Operations (K.O.T.O.E.).

Issuance of New Rupiah

Presidential Decree No. 27 1965 (State Gazette of 1965 No. 102). By virtue of this Presidential Decree it was determined that the legal tender throughout the Republic of Indonesia was coins and banknotes issued by Bank Negara Indonesia besides other kinds of Rupiah still in force on the following conditions:

- 1) The rate of exchange among these currencies was as follows I.B. Rupiah
1,- = Rp 1,—(new).
Rp 1.000,— (old) = Rp 1,— (new) .

- 2) Period of exchange was determined as follows:
 - a) A month for old Rupiahs of the Rp 10,000 and Rp 5,000 denominations.
 - b) Three months for old Rupiahs of the Rp 2,500, Rp 1,000 and Rp 500 denominations.
 - c) Six months for Banknotes, paper currency and coins issued by the Government of Rp 100 denomination and less, all after this Presidential Decree took force.
- 3) All banknotes, paper currency and coins issued by the Government concerned could be exchanged with the new Rupiah issued by Bank Negara Indonesia based on this Presidential Decree, by way of Iuran Revolusi (contribution for the Revolution) the amount of which was to be determined by the Government.

Iuran Revolusi

Decision of Dwikora Cabinet Presidium No. Aa/D. 144/1965.

This decision determined the rate of the Iuran Revolusi (contribution for the Revolution) as stipulated in Presidential Decree No. 27/1965, namely 10% of the nominal value of the old currency.

Import Contribution and Transfer Retribution

Presidential Decree No. 28/1965 (State Gazette of 1965 No. 107).

This Decree stipulated that for the purchase of state foreign exchange for :

- a) the financing of import goods based on S.I.D. (foreign exchange permit) an import contribution (besides the Rupiah transaction value) was imposed in the same amount as the export premium;

- b) payment of services (besides the Rupiah transaction value of Rp 250,--) was subjected to a transfer retribution in the same amount as the export premium.

An additional retribution could also be imposed.

Export Premium

Presidential Decree No. 20/1965 (State Gazette of 1965 No. 109).

This Regulation stipulated that exporters, besides the Rupiah Transaction Value of US \$ 1.— = Rp 250,—, were given Export Premium, of Rp 9,750, for each US \$ 1.—, of the net f.o.b. proceeds of exports.

With the introduction of Export Premium, export incentives in the form of S.P.P. and Foreign Exchange Allocation and other incentives were abolished

Formation of Team Connected with Presidential Decree No. 26/1965.

Decision of the Minister for Central Bank Affairs No. Kep./5/UBS/66.

This Decision called for the formation of a credit team, a team for payment using the giral system, a cash supply team, and a general team, each of which was assigned to discuss problems arising in their respective sectors in connection with Presidential Decree No. 26/1965.

1966 Credit Policy

Decision of the Minister for Central Bank Affairs No. Kep./6/UBS/66.

This Decision stipulated that in the course of 1966 credits made available by banks were to utilize funds collected by the banks themselves.

Banks are obliged to preserve liquidity means of at least 30 per cent of obligations that could directly be claimed.

Of credits made available by state banks utilizing their own funds, at least 85 per cent were to be directed to production, production of export commodities and exports; the remainder being for home trade and import.

Of credits made available by state banks utilizing their own funds, at least 60% were to be directed to Government sectors, including cooperatives, while 40% were for private sectors with the following specifications :

- a) production, production of export commodities and exports at least 55% of its total should go to the Government sector, while the remainder should go to the private sector;
- b) home trade at least 90 per cent should go to the Government sector, while the remainder to the private sector.

Of credits made available by private banks, at least 50 per cent was to be intended for production, production of export materials, and exports, the remainder primarily for home trade and imports.

The total of credit budget deficit which amounted to Rp 250 billion would only be utilized by the Central Bank to increase liquidity of general banks when financing the production of food, clothing, export materials, exports and economic infrastructure.

Setting up of Team to Mobilize Shares of Private Development Bank

Decision of the Minister/Presidential Adviser for Funds and Forces No.034/II/Sekr. Men. PP/66/M.

This Decision called for the formation of a team to pool shares at private development banks, that had the following assignments :

- a) planning the organization on the implementation of the mobilization of shares, bonds, and deposits;
- b) conduct supervision and secure the results of the mobilization of shares, bonds, and deposits;
- c) set up teams for inspection in the regions concerning possibilities for the mobilization of shares, bonds, and deposits for Private Development Banks.

Solution of Cash for the Purchase of Suspended S.P.P.

Decision of the Dwikora Cabinet Presidium No. Aa/D/21/66.

This Decision determined that 50% of the payment made for the purchase of S.P.P. (Production Incentives) at the S.P.P. Call on May, 11 1965, after deducted by taxes, were returned in the form of deposit certificates stretching over a period of three years and issued by Bank Negara Indonesia with 15% interest rate per annum, effective as of January 1, 1966.

The remainder, amounting to 50%, was to be utilized for import of raw materials and auxiliary goods for production purposes.

Frozen Cash for Payment of S.P.P.

Decision of the Dwikora Cabinet Presidium No. Aa/E/91/1966.

This Decision determined, after reviewing Decision No. Aa/D/21/66 of the Dwikora Cabinet Presidium, that money paid for the purchase of S.P.P at the May

11, 1965 S.P.P. Call, after deducted by necessary taxes, was to be refunded to these concerned.

The interest of 15% per annum, accruing on the part of the S.P.P. purchase money originally intended as time deposit, was to be paid for the period of January 1, 1966 up to June 30, 1966.

Supply and Utilization of Foreign Exchange

Presidential Decision No. 23/1966.

This Presidential Decision determined that of the total of foreign exchange obtained through exports during 1966 by state trading corporations and plantation corporations controlled/owned by the Government, US \$ 130 million was made available by the Foreign Exchange Fund, the utilization of which was as follows:

- a) US \$ 100 million for the control of inflation;
- b) US \$ 30 million for the promotion of state foreign exchange reserves.

Limit of Period for Exchange of old Rupiah

Presidential Decree No. 1/1966 (State Gazette of 1966 No. 4).

This Presidential Decree stipulated that in deviation from article 12 paragraph (6) of the 1953 Bank Indonesia Act, the right to exchange Bank notes of the Rp 10,000.— and Rp 5,000.— denominations would end on February 25, 1966.

Value of the bank notes exchanged which exceeded a sum of Rp 500,000,— (old bank notes) was deposited in a “special account” opened in the name of the depositor the utilization/withdrawal of which would be further arranged.

Bank notes, Government Paper Currency and coins of the Rp 2,500.- denomination and less continued to function as legal tender. Notes and coins except of the Rp 10,000.— and Rp 5,000.— denominations were exempted from Iuran Revolusi (Contribution for the Revolution).

Export Bonus

Presidential Decree No. 4/1966 (State Gazette of 1966 No. 9).

This Decree stipulated that besides export premium as contained in the first article of Presidential Regulation No. 20/1965 exporters were also given Export Bonus in foreign exchange, the amount of which was determined in accordance with the respective groups of the commodities namely:

- 10% for commodities of group I
- 15% for commodities of group II
- 50% for commodities of group III

Change of Amount of Export Bonus

Decision of the Dwikora Cabinet No. Aa/E/74/66.

This Decision stipulated that the amount of Export Bonus made available to exporters as contained in Presidential Decree No. 4/1966 was changed as follows:

- 20% for commodities of group I
- 60% for commodities of group II
- 100% for commodities of group III

Indonesia's Withdrawal from IMF and IBRD

Act No.1/1966 (State Gazette of 1966 No. 10, Additional State Gazette No. 2798).

This Act determined Indonesia's withdrawal from membership in the International Monetary Fund and the International Bank for Reconstruction and Development as of August 17, 1967. Act No. 5/1954 was revoked.

Position of the Indonesian Development Bank

Decision of the Prime Minister No. 21/PM /1966.

In this decision it was stipulated that the Bank Pembangunan Indonesia (Indonesian Development Bank) was structurally placed under the jurisdiction of the Ministry for Finance and hierarchically under the Development Council, the composition of which was as follows:

Chairman: Deputy Prime Minister for Economy, Finance, and Development.

Vice Chairman: Finance Minister.

Members : Minister for National Development Planning,
Chairman of the Finance Supervisory Agency,
Governor of Bank Negara Indonesia.

Extension of Duties of the Indonesian Development Bank

Decision of the Cabinet Presidium No. Aa/D/27/1966.

This Decision assigned Bank Pembangunan Indonesia to operate as a general bank for the Government sector by way of :

- a) receiving money in clearing accounts, deposits, and promote the utilization of clearing account payments;
- b) granting credits for production purposes to undertakings in the Government sector.

Additional Capital for the Indonesian Development Bank

Presidential Decree No. 2/1966 (State Gazette of 1966 No.14).

Under this Presidential Decree it was stipulated that:

- a) basic capital of the Indonesian Development Bank amounted to Rp (new) 110 million and was composed of separate government assets;
- b) basic capital of the Bank was not divided into shares.

National Development Fund

Decision of Dwikora Cabinet Presidium No. Aa/D/28/1966.

Under this Decision it was determined that the National Development Fund came from the net profits of State Corporations collected by the Indonesian Development Bank.

Exemption from Iuran Revolusi

Decision of Dwikora Cabinet Presidium No. 3/EKP/1966.

This Decision determined that the balance of clearing accounts registered with banks on December 14, 1965, before the opening of the office was exempted from Iuran Revolusi (Contribution for the Revolution).

Regional Export Premium

Decision of Dwikora Cabinet Presidium No. Aa/E/79/1966.

Under this Decision it was determined that regions with a total of exports exceeding the 1966 export target in conformity with a decision of the Minister for Trade and Cooperatives No. 030/SK/V/1966 dated May 23, 1966, were given Regional Export Premium (P.E.D.) in the form of foreign exchange amounting to 20% of the difference between export realization and the 1966 export target.

P.E.D. was under complete control of the Regional Government concerned.

1966 Foreign Exchange Allocation

Decision of the Dwikora Cabinet Presidium No. Aa/E/105/1966.

This Decision determined the amount of the 1966 foreign exchange allocation for each ministry and first level autonomous district the sum total of which was US \$ 225 million.

State Funds

Instruction of Deputy Prime Minister for Economy, Finance and Development No. 1/1966.

This instruction prohibited the lending/lending at interest/utilizing of state funds other than stipulated in the existing regulations.

Economic Stabilization Council

Presidential Decision No. 177/1966.

This Decision determined the formation of the National Economy Stabilization Council, which constituted an assistance body to the Government, assigned to

formulate the policies and programs, controlling its implementation in the sector of economy with the aim of materializing National Economic Stabilization in the nearest future and most effective manner.

Comptroller Team of State Finance

Decision of Deputy Prime Minister for Security and Defence No. Kep 1/4/1966.

This Decision determined the formation of a comptroller team of the State Finance, which was assigned to help the Government/Finance Minister in exercising control over the following :

- a) Bank Negara Indonesia and the State Finance in generate
- b) Control of personnel/workers in connection with the State Finance.
- c) Prosecution of all irregularities in the form of Rupiah or Foreign Exchange, State accounts, etc.
- d) All traffic of finance seen from the legal point of view.

Changes of Export Bonus Amounts

Decision of Ampera Cabinet Presidium No. 48/EK/KEP/ 10/1966.

In this Decision it was determined that the amount of Export Bonus made available in conformity with Presidential Decree No. 4/1966 was changed for the respective groups of commodities. Changes were as follows :

group I	—	50%	for Exporters
		40%	for Central Government
		10%	for Regional Government

group II	—	75%	for Exporters
		15%	for Central Government
		10%	for Regional Government
group III	—	90%	for Exporters
		0%	for Central Government
		10%	for Regional Government

Financing and Contributions imposed on Imports

Decision of Ampera Cabinet Presidium No. 49/EK/KEP/10/1966.

Under this Decision it was determined that imports could be paid by purchasing foreign exchange of the Foreign Exchange Fund, utilizing the B.E. (Export Bonus) and A.D.O. (Automatic Regional Foreign Exchange Allocation) or Devisa Pelengkap (Complementary Foreign Exchange).

Imports utilizing foreign exchange were calculated on the basis of B.E. value which already included N.T.R. and import Contribution (US \$ 1 =Rp 10,- new currency).

A counter value of; Rp (new) 75,— for every US \$ 1 was determined for import duties for all kinds of imports.

Pending a further regulation on additional duties imposed on luxuries, the additional 200% duty being effected thus far was abolished.

Importers were obliged to submit advances amounting to 50% of the Import duties that should be paid.

Supplies of Foreign Exchange Fund And Foreign Credits for Imports

Decision of Ampera Cabinet Presidium No. 50/EK/KEP/10/1966.

This Decision determined that all foreign currency obtained from the Foreign Exchange Fund, the proceeds of exports and services, and foreign credit and aid, was to be utilized for imports based on the B.E. value.

Imports of goods with Government Foreign Exchange was limited to kinds of commodities that could be imported through the B.E. (B.E. goods). Import of other goods should have permission of the Chairman of the Presidium or the Trade Minister.

Assignments and Responsibility in the Export Sector

Decision of the Ampera Cabinet Presidium No. 51/EK/KEP/10/1966

This Decision determined that the smooth operation of export constituted the responsibility of the Trade Minister. It also contained the special authority and assignments of the Ministers for Trade, Finance, Maritime Affairs, and the B.N.I./ Central Bank in the sector of exports, transportation of export commodities and their financial settlement.

Institutions having nothing to do with exports were prohibited from interfering in export activities.

Regional Administration, military or civil, were prohibited from issuing regulations/instructions in the sector of exports, levy contributions outside those determined by the Central Government towards exporters/dealers of agricultural commodities for export purposes without the permit of the Central Government.

Kinds of old Currency no longer valid as of December 31, 1966

Decision of Ampera Cabinet Presidium No. 56/EK/KEP/10/1966.

Under this Decision it was determined that as of December 31, 1966 the following were no longer functioning as legal tender: Bank notes, Paper Currency issued by the Government, and coins of the Rp 2,500.- denomination and less that served as legal tender before Presidential Decree No. 27/1965 went into force.

The exchange of these currency was from contributions for the Revolution and exchange could only be made at B.N.I. (Indonesian State Bank) offices and other offices determined by the Government of B.N.I.

Appendix B, C, D, E, F, G, H, I

Lampiran B

TABLE 11 — NUMBER OF OFFICES OF B.I. (B.N.I. UNIT 1) AND STATE COMMERCIAL BANKS IN INDONESIA 1960 — 1965																																				
Province	End of 1960						End of 1961						End of 1962						End of 1963						End of 1964						End of 1965					
	BI	BNI	BKTN	BUNEG	BDN	Total	BI	BNI	BKTN	BUNEG	BDN	Total	BI	BNI	BKTN	BUNEG	BDN	Total	BI	BNI	BKTN	BUNEG	BDN	Total	BI	BNI	BKTN	BUNEG	BDN	Total	BI	BNI	BKTN	BUNEG	BDN	Total
1. Djakarta Raya	1	4	3	3	3	14	1	6	3	3	3	16	1	7	4	3	3	18	1	10	4	3	3	21	1	16	8	3	3	31	1	56	8	4	3	72
2. West Djawa	2	1	19	2	2	26	2	3	20	2	2	29	2	2	23	2	2	32	2	4	25	2	2	35	2	10	27	2	2	43	2	29	29	2	2	64
3. Central Djawa	2	1	24	1	2	30	2	2	24	1	2	31	2	2	26	1	2	33	2	3	33	1	2	41	2	8	35	1	2	48	2	33	35	1	3	74
4. Jogjakarta	1	1	3	—	—	5	1	1	3	—	—	5	1	1	3	—	—	5	1	1	3	—	—	5	1	1	3	—	—	5	1	3	3	—	—	7
5. East Djawa	4	2	30	2	1	39	4	2	29	2	1	38	4	2	30	2	1	39	4	4	31	2	1	42	4	8	33	2	2	49	4	19	33	6	2	64
6. Atjeh	—	1	1	—	—	2	—	1	2	—	—	3	—	2	3	—	1	6	—	2	3	—	1	6	2	5	5	—	1	13	2	9	5	—	3	19
7. North Sumatera	1	1	8	1	2	13	1	1	8	1	2	13	1	1	10	1	2	15	1	2	11	1	3	18	1	7	11	1	3	23	1	11	13	1	4	30
8. West Sumatera	1	1	5	—	1	8	1	1	5	—	1	8	1	1	5	—	—	8	1	2	5	—	1	9	1	2	5	—	1	9	1	20	6	—	1	28
9. Riau	—	1	5	—	—	6	—	2	5	—	—	7	—	2	5	—	—	7	1	3	6	—	—	10	2	8	7	—	—	17	1	12	7	—	1	21
10. Djambi	—	1	—	1	—	2	—	1	—	1	—	2	—	1	1	1	—	3	—	1	2	1	—	4	—	2	4	1	—	7	—	2	5	1	1	9
11. South Sumatera	1	1	6	1	1	10	1	1	6	1	2	11	1	1	9	1	2	14	1	1	11	1	2	16	1	1	12	1	2	17	1	4	13	1	3	22
12. Lampung	—	1	—	1	1	3	—	1	—	1	1	3	1	1	1	1	1	5	1	1	2	1	1	6	1	1	4	1	1	8	1	4	4	1	1	11
13. West Kalimantan	1	1	4	1	—	7	1	1	4	1	—	7	1	1	4	1	—	7	—	1	4	1	—	7	1	1	4	1	—	8	1	5	4	1	—	11
14. Central Kalimantan	—	1	1	—	—	2	—	1	1	—	—	2	—	1	1	—	1	3	—	1	2	—	1	4	—	1	2	—	1	4	—	3	2	—	1	6
15. South Kalimantan	1	1	1	1	1	5	1	1	1	1	1	5	1	1	3	1	1	7	1	1	4	1	1	8	1	1	6	1	1	10	1	7	6	1	1	16
16. East Kalimantan	—	—	2	—	—	2	—	—	2	—	—	2	—	—	2	—	—	2	—	—	3	—	1	4	1	1	3	—	1	6	1	1	3	—	1	6
17. North Sulawesi	1	1	4	—	1	7	1	1	4	—	1	7	1	2	4	—	1	8	1	2	4	—	2	9	1	1	3	—	1	6	1	1	3	—	1	6
18. Central Sulawesi	—	—	3	—	—	3	—	—	3	—	—	3	—	—	3	—	—	3	—	—	3	1	—	4	—	1	3	1	—	5	—	3	4	—	1	8
19. South Sulawesi	1	1	5	1	1	9	1	1	5	1	1	9	1	1	5	1	1	9	1	1	5	—	1	8	1	1	8	—	1	11	1	4	8	1	1	15
20. South-east Sulawesi	—	—	1	—	—	1	—	—	1	—	—	1	—	—	1	—	—	1	—	—	1	—	—	1	—	—	2	—	—	2	—	1	2	—	—	3
21. Bali	—	—	2	—	—	2	—	—	3	—	—	3	—	1	5	—	—	6	—	1	5	—	—	6	—	4	5	—	—	9	—	5	5	—	—	10
22. West Nusatenggara	1	—	4	—	—	5	1	—	4	—	—	5	1	1	4	—	—	6	1	1	5	—	—	7	1	2	5	—	—	8	1	3	4	—	—	8
23. East Nusatenggara	—	—	3	—	1	4	—	—	3	—	1	4	—	—	3	—	1	4	—	—	4	—	1	5	—	—	4	—	1	5	1	—	4	—	1	6
24. Maluku	1	—	1	—	—	2	1	—	1	—	—	2	1	1	1	—	—	3	1	1	1	—	—	3	1	1	1	—	—	3	1	2	1	—	—	4
25. West Irian	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	—	1	5	—	—	—	—	5	5	—	—	—	—	5	5	—	—	—	—	5
	19	21	135	15	17	207	19	27	137	15	18	216	21	33	156	15	20	245	26	43	177	15	23	284	30	85	203	15	24	357	30	241	210	20	34	535

Lampiran C

TABLE 13— COMBINED FIGURES OF BANK INDONESIA AND STATE GENERAL BANK (B.I. + B.K.T.N. + B.N.I. + B.D.N. + BUNFG) (Rp million)																			LIABILITIES		
ASSETS																					
No.		1960	1961	1962	1963	1964	1 9 6 5			No.		1960	1961	1962	1963	1964	1 9 6 5				
							March	June	August								March	June	August		
1.	Cash in hand	1,650.8	2,046.3	4,434.8	9,526.2	22,768.4	34,776.1	37,314.4	44,378.3	1.	Capital, reserves profit and loss account	3,207.9	5,136.5	6,399.3	9,591.3	19,667.9	21,938.0	36,208.4	34,094.6		
2.	Balances of Foreign Exchange Banks with Bank Indonesia	5,195.5	8,976.4	11,339.3	34,118.2	42,040.4	22,523.8	39,011.6	65,144.8	2.	Time deposits	328.2	989.2	1,693.7	1,550.4	3,296.7	2,800.0	3,129.9	4,066.7		
3.	Balances of Foreign Exchange Banks with other Foreign Exchange Banks	168.7	321.0	263.7	918.2	2,434.6	1,989.0	923.8	903.9	3.	Government accounts	—	—	—	—	—	—	—	—		
4.	Special Account	—	—	—	—	—	—	—	—	4.	Rurni accounts	34.5	119.6	176.1	392.2	222.6	181.5	180.0	163.2		
5.	Treasury notes and bills	331.5	114.0	84.0	574.0	224.5	20.0	20.0	20.0	5.	Guarantee deposits	2,175.3	2,932.0	1,775.7	6,078.7	12,610.3	17,960.7	36,048.6	35,881.6		
6.	Securities	22.0	22.0	21.9	57.3	1,645.0	4,499.9	4,317.0	4,392.3	6.	Demand deposits and bills payable	18,063.4	26,401.1	53,281.8	147,274.0	306,069.2	274,786.1	434,596.5	505,646.6		
7.	Participations	567.9	700.9	744.6	727.1	2,496.9	1,446.9	1,521.0	6,650.9	7.	Debt of foreign exchange banks to other foreign exchange banks.	6,270.9	10,947.8	20,075.3	34,305.2	80,096.3	126,749.3	144,914.2	147,903.3		
8.	Debtors and domestic bills.	24,304.4	36,527.3	62,530.1	106,926.3	282,710.3	378,882.8	566,061.1	679,808.9	8.	Prepayments from importers	6,623.0	5,666.9	1,116.5	630.4	4,047.9	4,314.6	1,658.5	4,511.3		
9.	Foreign bills and balances	4,688.9	7,120.8	1,858.0	2,172.9	3,354.0	3,705.6	2,267.0	12,380.5	9.	Government's debt registration account	—	—	—	—	—	—	—	—		
10.	Premises and inventory	744.5	1,198.7	2,619.2	5,541.9	15,737.6	21,629.4	29,360.1	27,040.3	10.	Sundry credit account :	16,364.7	19,635.0	20,103.0	35,171.2	156,623.4	212,633.1	341,060.3	422,823.6		
11.	Sundry debt accounts	6,742.4	6,566.8	10,052.6	17,561.3	98,441.6	119,156.8	180,792.4	191,365.0												
	Gold, claims in gold on the Government and convertible foreign exchange	44,416.6	63,594.2	93,948.2	178,123.4	471,853.3	588,630.3	861,588.4	1,032,084.9		Foreign exchange fund, foreign liabilities	53,067.9	71,828.1	104,621.4	234,993.4	582,634.3	661,363.3	997,796.4	1,155,090.9		
	Foreign Exchange Fund :	3,304.6	2,038.3	2,071.4	1,683.0	192.0	190.0	190.0	190.0		Debt of Bank Indonesia to other foreign exchange banks	539.2	461.4	579.7	607.0	8,366.0	8,591.0	8,748.0	8,812.0		
	Foreign Currency Account	11,509.3	4,044.2	2,757.4	1,725.0	2,731.0	1,489.0	1,227.0	3,161.0		Special account	—	—	—	—	—	—	—	—		
	Advance to the Government	28,579.0	51,672.8	114,042.4	253,027.0	608,926.0	757,272.0	1,010,341.0	1,210,987.0		Bank-notes issued	34,540.5	48,492.6	103,774.1	183,067.0	476,079.0	661,450.0	850,814.0	1,066,522.0		
	Consolidated advances to the Government. (art. 42)	3,367.9	3,274.3	3,180.7	3,087.0	2,994.0	2,900.0	2,900.0	2,900.0		E.C.A. and S.A.C. counterpart accounts	2,923.2	2,804.0	5,016.0	12,618.0	16,560.0	15,864.0	15,505.0	15,515.0		
	Claims in rupiah on the Government	1,237.5	1,856.2	1,856.2	30,028.0	30,028.0	30,028.0	30,029.0	30,029.0		I.M.F. and I.B.R.D. accounts	1,320.6	2,839.2	3,795.4	32,868.0	33,015.0	33,171.0	33,342.0	33,342.0		
											Canadian F.A.P. Government	23.5	54.7	69.7	70.0	70.0	70.0	70.0	70.0		
		92,414.9	126,480.0	217,856.2	464,223.4	1,116,724.3	1,380,509.3	1,906,275.4	2,279,351.9			92,414.9	126,480.0	217,856.3	464,223.4	1,116,724.3	1,380,509.3	1,906,275.4	2,279,351.9		
Note : Combined Balance sheet for March 1965 B.K.T.N. from the balance sheet for April 1965 Combined Balance sheet for August 1965 B.K.T.N. from the balance sheet for June 1965. B.U.N.E.G. from the balance sheet for July 1965																					

Source : Bank Negara Indonesia Unit I.

Lampiran D

ASSETS																				TABLE 14 - BALANCE SHEET OF GENERAL PRIVATE BANKS AND FOREIGN EXCHANGE BANKS (1 : Rp. 1,000,000.-)																				LIABILITIES														
		1960			1961			1962			1963			1964			1965					1960			1961			1962			1963			1964			1965																	
		1	2		3	4		5	6		7	8		9	10		11	12				1	2		3	4		5	6		7	8		9	10		11	12																
		Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total			Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	General Non- Foreign Exchange Banks	Total																		
1	Cash in hand	124.7	373.7	498.4	119.1	581.9	701.0	257.1	1,176.2	1,433.3	448.8	3,263.2	3,712.0	597.7	5,893.3	6,491.0	2,994.9	31,721.0	34,715.9	14	Paid-up capital	37.2	367.4	404.6	37.9	398.1	436.0	43.0	406.8	449.8	59.8	666.4	717.2	108.5	1,543.8	1,652.3	116.1	3,627.8	3,743.9															
2	Banks	1,080.7	578.7	1,659.4	1,442.7	1,055.7	2,498.4	1,573.8	1,914.6	3,487.8	3,184.2	7,500.2	10,684.4	4,143.8	11,986.3	16,130.1	8,998.7	64,640.2	73,638.9	15	Reserves & profit and loss account	173.5	246.0	419.5	259.6	89.7	349.3	368.6	140.0	508.6	346.5	392.6	649.1	417.7	449.0	866.7	1,478.8	1,333.4	2,812.2															
3	Treasury notes and bills	126.3	6.9	133.2	17.0	2.7	19.7	269.9	14.4	284.3	520.0	—	520.0	20.0	—	20.0	30.0	—	30.0	16	Balances in C.A. with Banks	39.6	157.5	197.1	43.2	430.3	473.5	22.8	525.4	548.2	22.9	796.7	819.6	0.7	438.8	439.5	—	2,211.2	2,211.2															
4	Securities	0.9	8.6	9.5	1.2	9.6	10.8	11.4	12.5	23.9	7.5	48.4	55.9	2.8	101.3	104.1	22.2	101.4	123.6	17	Bills payable	90.7	229.4	320.1	92.9	239.6	332.5	152.8	359.4	512.2	117.6	1,480.6	1,598.2	337.3	1,736.3	2,073.6	1,365.4	8,655.9	10,021.3															
5	Domestic bills	9.3	61.4	70.7	1.0	127.3	128.3	5.0	437.9	442.9	12.5	991.5	1,004.0	—	1,129.6	1,129.6	—	6,716.0	6,716.0	18	Giro balances	1,749.9	1,526.1	3,276.0	2,253.9	2,564.9	4,818.8	3,030.7	5,172.4	8,203.1	6,388.6	16,247.2	22,635.8	6,562.6	1,262.7	37,825.3	17,341.7	158,715.0	176,056.7															
6	Domestic loans	1,039.3	2,466.1	3,505.4	1,284.2	3,334.7	4,618.9	1,722.4	4,928.7	6,651.1	3,316.9	12,478.2	15,795.1	2,716.9	25,248.6	27,965.5	9,859.3	117,072.1	126,931.4	19	Time deposits	19.7	303.4	323.1	37.3	712.9	750.2	76.2	1,088.2	1,164.4	53.7	3,736.7	3,792.4	173.1	9,063.6	9,236.7	500.2	32,870.0	33,370.2															
7	Participations	5.0	5.2	10.2	8.1	3.3	11.4	1.9	12.0	13.9	2.7	86.1	88.8	5.7	32.6	38.3	8.0	125.8	133.8	20	Loans	74.5	194.9	269.4	64.6	110.7	175.3	64.7	297.1	271.8	60.5	285.3	346.8	32.9	221.3	255.2	4,019.6	75.1	4,094.7															
8	Foreign bills	232.7	—	232.7	182.8	—	182.8	160.6	—	160.6	89.8	—	89.8	6.5	—	6.5	20.0	—	20.0	21	Bank Indonesia	19.5	—	19.5	31.4	—	31.4	—	—	—	—	—	—	—	—	—	—	—	—															
9	Foreign balances	293.9	—	293.9	114.9	—	114.9	37.5	—	37.5	125.0	—	125.0	1,023.8	—	1,023.8	140.2	—	140.2	22	N.R.R.A.	-/-	—	—	15.8	—	15.8	17.3	—	20.5	—	20.5	—	—	—	—	—	—	—															
10	Difference in the entrance of form 15 (+ / -)	74.2	—	74.2	47.3	—	47.3	-/- 0.1	—	-/- 0.1	140.4	—	140.4	-/- 150.1	—	-/- 150.1	-/- 165.3	—	-/- 165.3	23	Foreign exchange of third parties	92.8	—	92.8	54.3	—	54.3	14.0	—	14.0	28.4	—	28.4	—	—	—	22.1	—	22.1															
11	Other claims on the Foreign Exchange Fund (+ / -)	22.8	—	22.8	-/- 17.3	—	-/- 17.3	14.5	—	14.5	-/- 17.6	—	-/- 17.6	—	—	—	—	—	—	24	Sundry :	—	—	—	—	—	—	—	3.6	—	3.6	3.6	—	3.6	3.6	—	3.6	—	3.6															
12	Premises and inventory	94.8	109.6	204.4	120.9	242.5	363.4	135.9	478.7	614.6	264.2	1,953.0	2,217.2	249.3	3,809.7	4,059.0	765.2	7,439.8	8,205.0	a. Import guarantee deposits	70.6	—	70.6	31.4	—	31.4	36.7	—	36.7	442.6	—	442.6	440.4	—	440.4	2,041.1	—	2,041.1																
13	Sundry debt accounts :	—	—	—	—	—	—	—	—	—	17.9	—	17.9	—	—	—	—	—	—	b. Other guarantee deposits	2,337.6	2,648.5	4,986.1	1,700.4	2,841.5	4,541.9	1,421.5	3,577.4	4,998.9	3,321.3	8,152.7	11,474.0	3,722.9	13,059.0	16,781.9	8,037.9	68,791.6	76,829.3																
	a. Import guarantee deposits	618.5	—	618.5	724.4	—	724.4	—	—	—	27.0	—	27.0	48.3	—	48.3	1,669.1	—	1,669.1	c. Other	989.5	2,006.0	2,995.5	576.4	2,030.0	2,606.4	1,058.4	2,502.3	3,560.7	2,719.7	5,348.6	8,068.3	3,135.0	9,575.1	12,710.1	10,584.2	48,463.7	59,047.9																
	b. Other guarantee deposits	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total :	4,712.6	5,673.2	10,385.8	4,622.7	7,387.7	12,010.4	5,248.3	11,476.7	16,725.0	10,859.0	31,669.2	42,528.2	11,799.7	57,776.5	69,576.2	34,926.5	276,280.0	311,206.5																
	c. Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																																			
Notes :																																																						
1 For 7 (seven) banks																																																						
2 „ 72 (seventy two) banks																																																						
3 „ 7 (seven) banks																																																						
4 „ 77 (seventy seven) banks																																																						
5 „ 6 (six) banks																																																						
6 „ 70 (seventy) banks																																																						
7 „ 6 (six) banks																																																						
8 „ 81 (eighty one) banks																																																						
9 „ 3 (three) banks																																																						
10 „ 79 (seventy nine) banks																																																						
11 „ 3 (three) banks																																																						
12 „ 82 (eighty two) banks.																																																						

Source : Bank Negara Indonesia Unit I.

Lampiran E

TABLE 17 – SALES AND QUOTATIONS ON DJAKARTA STOCK EXCHANGE OF THE MOST IMPORTANT SECURITIES																					
Domestic Securities	Sales Nominal Value (in '000 Rupiahs)							Highest price %							Lowest price %						
	1959	1960	1961	1962	1963	1964	1965	1959	1960	1961	1962	1963	1964	1965	1959	1960	1961	1962	1963	1964	1965
<i>Bonds :</i>																					
3% R.I. bonds 1950	111,806	98,025	91,250	40,657	46,019	96,894	31,739	90	82	82	89	97	84	125	50	64	65	50 $\frac{1}{8}$	60 $\frac{1}{2}$	71 $\frac{1}{2}$	73
3 $\frac{1}{2}$ % Consolidation bonds 1959	—	—	—	—	2,468	800	2,334	—	—	—	—	96	62	90	—	—	—	—	60	60	50
6% Prized debentures 1959	—	—	—	—	—	4,074	21,701	—	—	—	—	—	100	105	—	—	—	—	—	92 $\frac{1}{2}$	92
3% B.I.N. bonds 1969	9,223	2,531	1,879	287	190	228	2	90	92	85 $\frac{1}{2}$	85	80	80	76	70	83	84	80	80	78	76
3% B.I.N. bonds 1970	7,093	2,062	501	13	91	516	—	90	92	85	87	85	81	—	75	83	83 $\frac{1}{2}$	83	83	78	—
3% B.I.N. bonds 1971	11,060	2,244	184	154	52	—	—	90	90	85	85	83	—	—	75	83	83 $\frac{1}{2}$	83	83	—	—
5 $\frac{1}{2}$ % B.I.N. bonds 1972	6,115	14,803	1,684	—	138	2,050	15	100	100	100	—	94	98	90	90	99 $\frac{1}{2}$	99 $\frac{1}{2}$	—	85	90	89
5 $\frac{1}{2}$ % B.I.N. bonds 1974	—	—	—	—	6,827	537	11,431	100	100	100	100	100	99 $\frac{3}{4}$	90	98	99 $\frac{1}{2}$	99 $\frac{1}{8}$	75 $\frac{1}{4}$	84	90	86
5% Grand Hotel Preanger bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12% B.N.I. bonds 1962	—	—	—	—	2,063	4,057	15,149	—	—	—	—	110	107 $\frac{1}{2}$	101	—	—	—	—	104	98	96
12% B.N.I. bonds 1963	—	—	—	—	1,882	12,246	6,319	—	—	—	—	106	109	101	—	—	—	—	100	96	98
12% Bank Indonesia bonds 1964	—	—	—	—	—	—	76,352	—	—	—	—	—	—	100	—	—	—	—	—	—	100
4% Pandbrief Hyp. Bank van 1891	—	—	—	—	—	—	1	—	—	—	—	—	—	40	—	—	—	—	—	—	40
<i>Shares :</i>																					
Escomptobank	809	151	—	—	—	—	—	515	502	—	—	—	—	—	375	470	—	—	—	—	—
Stroofoedenveem	246	89	—	—	—	—	—	220	155	—	—	—	—	—	150	120	—	—	—	—	—
Verneigde Prauwenveren	286	18	—	—	—	—	—	150	46	—	—	—	—	—	50	45	—	—	—	—	—
Sem. Stoomboot & Prauwenveer	154	30	—	—	—	—	—	210	100	—	—	—	—	—	125	65	—	—	—	—	—
Tegalsch Prauwenveer	41	3	—	—	—	—	—	240	125	—	—	—	—	—	220	120	—	—	—	—	—
G.E.B.E.O.	39	12	—	—	—	—	—	340	160	—	—	—	—	—	260	90	—	—	—	—	—
Pandjic & Tandjungsarie	517	43	—	—	—	—	—	130	75	—	—	—	—	—	65	62	—	—	—	—	—
Bodjong Datar	332	11	—	—	—	—	—	125	75	—	—	—	—	—	85	60	—	—	—	—	—
Gedeh A.T.O.	24	5	—	—	—	—	—	175	46	—	—	—	—	—	120	40	—	—	—	—	—
Malabar A.T.O.	95	24	—	—	—	—	—	125	75	—	—	—	—	—	75	35	—	—	—	—	—
Talun A.T.O.	2	2	—	—	—	—	—	90	55	—	—	—	—	—	90	55	—	—	—	—	—
P.T. Gunung Agung	—	—	—	—	61	122	5	—	—	—	—	120	195	270	—	—	—	—	120	150	270

Lampiran F

TABLE 17a—SALES AND QUOTATIONS ON THE JAKARTA STOCK EXCHANGE OF THE MOST IMPORTANT SECURITIES

Foreign Securities :	Sales Nominal Value							Highest price								Lowest price							
	1959	1960	1961	1962	1963	1964	1965	1959		1960	1961	1962	1963	1964	1965	1959		1960	1961	1962	1963	1964	1965
Netherlands Securities			'000 N.F.					up to as from Nov.8 Nov. 9		%	%	%	%	%	%	up to as from Nov. 8 Nov. 9		%	%	%	%	%	%
								$\frac{\%}{140}$	$\frac{\%}{-}$							$\frac{\%}{140}$	$\frac{\%}{-}$						
3% Ned. Indie bonds 1935	3	—	—	—	—	—	—	140	—	—	—	—	—	—	—	140	—	—	—	—	—	—	—
3% Ned. Indie bonds 1937	2	—	19	—	—	—	—	140	—	10	—	—	—	—	—	140	—	10	—	—	—	—	—
3% Ned. Indie bonds 1937 A	374	24	39	96	290.1	32	64.7	140	10	10	10	75	150	140	70	109	94	84	10	12	60	24	32
3% Ned. Indie bonds 1937/Conv	—	—	—	—	—	3	—	—	—	—	—	—	—	40	—	—	—	—	—	—	40	—	—
H. V. A.	8	—	—	—	—	—	—	1,400	—	—	—	—	—	—	—	1,000	—	—	—	—	—	—	—
Nationale Handelsbank	64	14	—	—	—	—	—	1,275	110	157	—	—	—	—	—	890	95	118	—	—	—	—	—
Vereenigde Vorstenlandsche Cult Mij	48	3	—	—	—	—	—	100	5½	5½	—	—	—	—	—	60	5½	5½	—	—	—	—	—
Koninklijke Olie	12	11	—	—	—	—	—	Rp. 2,250	N.F. 125	155	—	—	—	—	—	Rp. 1,350	N.F. 123	120	—	—	—	—	—
Alg. Kunstzijde Unie	25	—	—	—	—	—	—	3,000	—	—	—	—	—	—	—	2,500	—	—	—	—	—	—	—
Philips Gloei Gem. Bezit	29	6	—	—	—	—	—	6,250	504	700	—	—	—	—	—	4,000	425	500	—	—	—	—	—
Unilever	64	4	—	—	—	—	—	6,300	—	700	—	—	—	—	—	4,000	—	500	—	—	—	—	—
Netherland Sert. of U.S. shares			(Per. Sert. of 10 shares)					US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$	US. \$
General Motors	48	20	13	7	3	30	—	225	55	50	38	50	200	202½	—	140	40	40	35	45	190	177	—
General Motors *)	—	—	—	—	—	1	2	—	—	—	—	—	—	92½	110	—	—	—	—	—	—	92½	90
Shell Oil	156	163	3	47	—	—	—	325	70	73	59	100	—	—	—	235	60	55	45	44	—	—	—
Shell Oil *)	—	—	—	—	62	44	13	—	—	—	—	—	245	362	400	—	—	—	—	—	100	71	95
United States Steel Corp.	11	2	—	4	—	—	—	400	105	84	—	75	—	—	—	350	100	70	—	75	—	—	—
The Anaconda Co. *)	—	—	—	—	—	3	3	—	—	—	—	—	—	150	100	—	—	—	—	—	—	22	63½
Cities Service Co. *)	—	—	—	—	14	3	—	—	—	—	—	—	160	250	—	—	—	—	—	—	100	55	—
Konnecott Copper Corp.	—	—	—	—	—	—	3	—	—	—	—	—	—	—	350	—	—	—	—	—	—	—	145
Republik Steel Corp. *)	—	—	—	—	—	12	—	—	—	—	—	—	—	160	—	—	—	—	—	—	—	50	—
Tide Water Oil Co.	—	—	—	—	17	11	5	—	—	—	—	—	—	160	—	—	—	—	—	—	—	50	—
United States Steel Corp. *	—	—	—	—	—	25	—	—	—	—	—	—	—	71	88	62	—	—	—	—	25	23	35½
			(Per. Sert. of 1 shares)					—	—	—	—	—	—	205	—	—	—	—	—	—	—	55	—
Cities Service Co. *)	—	—	—	—	25	—	—	—	—	—	—	—	155	—	—	—	—	—	—	—	81	—	—
Shell Oil Co. *)	—	—	—	—	25	10	8	—	—	—	—	—	220	350	220	—	—	—	—	—	156	75	102½
Tide Water Oil Co.	—	—	—	—	7	—	1	—	—	—	—	—	65	—	50	—	—	—	—	—	32	—	50
			(Per. Sert. of 2 shares)					—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Standard Brand. Inc. *)	—	—	—	—	3	13	9	—	—	—	—	—	132	157	200	—	—	—	—	—	132	157	162
Original U.S. Securities			(Per. Sert. of 10 shares)					—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2½% Am. Tel. Co. bonds 1980	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2½% Am. Tel. Co. bonds 1986	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4 % Can. Pac. Railw. Co. bonds	200	1,200	3,600	—	—	—	—	350	—	75	78	—	—	—	—	350	—	75	78	—	—	—	—
3 % Com. Edison Co. bonds 1977	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2½% Ill. Bell. Tell. Co. bonds 1981	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3 % Pas. Gas and Electro Co bonds 1974	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$	Can. \$
4 % Canadian Pac. Rlw. Perp. Deb.	—	—	—	—	—	1,000	—	—	—	—	—	—	40	—	—	—	—	—	—	—	—	40	—
*) In Original form.																							
Note : Rate of Foreign Exchange :																							
	Up to 24-8-'59		From 25-8-'59		From 1-2-'60		Up to 30-7-64		From 1-8-'64		From 27-10-'64		From 15-2-'65		From 30-4-'65		From 1-10-'65						
1 US. \$	Rp. 11.40		Rp. 45.—		Rp. 45.—		Rp. 45—		Rp. 517.50		Rp. 517.50		Rp. 517.50		Rp. 517.50		Rp. 517.50						
1 N. Gl.	„ 3.—		„ 11.95		„ 11.95		„ 11.95		„ 143.20		„ 143.18		„ 143.18		„ 143.37		„ 143.36						
1 Can. \$	„ —		„ —		„ —		„ —		„ —		„ 517.50		„ 479.89		„ 478.72		„ 478.95						

Lampiran G

TABLE 20 – BALANCE OF PAYMENTS (EXCLUDING OIL COMPANIES) DIVIDED ACCORDING TO MONETARY REGIONS																				
1959, 1960, 1961, 1962, 1963, 1964 and 1965																				
(Rp million)																				
U.S.\$ 1 = Rp 45,—																				
	U.S.A. and Canada				O.E.C.D.-area				£ — area ¹⁾				Other				Total			
	1959	1960	1961	1962	1959	1960	1961	1962	1959	1960	1961	1962	1959	1960	1961	1962	1959	1960	1961	1962
A. <i>Current transactions</i> :																				
1. Exports, f.o.b.	+ 5,573	+ 7,597	+ 7,625	+ 4,340	+ 2,945	+ 2,834	+ 2,533	+ 2,520	+ 12,935	+ 11,536	+ 6,797	+ 8,322	+ 3,656	+ 5,078	+ 6,760	+ 5,954	+ 25,109	+ 27,045	+ 23,715	+ 21,136
2. Imports, f.o.b.	— 1,855	— 3,833	— 4,238	— 4,021	— 4,622	— 5,802	— 7,925	— 5,219	— 4,216	— 5,903	— 6,260	— 6,312	— 12,166	— 14,342	— 26,982	— 15,123	— 22,859	— 29,880	— 45,405	— 30,675
	+ 3,718	+ 3,764	+ 3,387	+ 319	— 1,677	— 2,968	— 5,392	— 2,699	+ 8,719	+ 5,633	+ 537	+ 2,010	— 8,510	— 9,264	— 20,222	— 9,169	+ 2,250	— 2,835	— 21,690	— 9,539
3. Services (incl. donations)	— 454	+ 294	— 652	— 691	— 833	— 1,081	— 1,087	— 1,017	— 1,535	— 1,483	— 1,297	— 983	— 565	— 1,420	— 24	— 529	— 3,387	— 3,690	— 3,060	— 3,220
Total A :	+ 3,264	+ 4,058	+ 2,735	— 372	— 2,510	— 4,049	— 6,479	— 3,716	+ 7,184	+ 4,150	— 760	+ 1,027	— 9,075	— 10,684	— 20,246	— 9,698	— 1,137	— 6,525	— 24,750	— 12,759
B. <i>Capital Movements</i> :																				
1. Private	+ 39	— 17	+ 51	+ 42	— 4	—	—	—	— 16	— 2	— 16	—	+ 36	—	—	+ 2	+ 55	— 19	+ 35	— 44
2. Government and Banks :																				
a. Revenue	+ 2,747	+ 3,444	+ 4,533	+ 3,699	+ 450	+ 1,603	+ 1,167	+ 1,477	+ 87	+ 884	+ 460	+ 1,832	+ 4,784	+ 2,554	+ 14,390	+ 7,561	+ 8,068	+ 8,485	+ 20,550	+ 14,569
b. Expenditure	— 560	— 1,203	— 2,492	— 3,536	— 592	— 1,025	— 1,099	— 1,319	— 553	— 251	— 195	— 1,073	— 872	— 728	— 1,484	— 3,528	— 2,577	— 3,207	— 5,270	— 9,456
Total B :	+ 2,226	+ 2,224	+ 2,092	+ 205	— 146	+ 578	+ 68	+ 158	— 482	+ 631	+ 249	+ 759	+ 3,948	+ 1,826	+ 12,906	+ 4,035	+ 5,546	+ 5,259	+ 15,315	+ 5,157
Total :	+ 5,490	+ 6,282	+ 4,827	— 167	— 2,656	— 3,471	— 6,411	— 3,558	+ 6,702	+ 4,781	— 511	+ 1,786	— 5,127	— 8,858	— 7,340	— 5,663	+ 4,409	— 1,266	— 9,435	— 7,602
Transitory Items	— 36	— 3,557	— 1 0,213	— 3,313	— 8	+ 4,206	+ 6,845	+ 2,243	— 4	— 5,026	— 1,108	— 1,183	+ 28	+ 8,709	+ 7,854	+ 4,013	— 20	+ 4,332	+ 3,378	+ 1,760
	U.S.A. and Canada				O.E.C.D.—area				£ — area ¹⁾				Other				Total			
	1963	1964	1965 ²⁾		1963	1964	1965 ²⁾		1963	1964	1965 ²⁾		1963	1964	1965 ²⁾		1963	1964	1965 ²⁾	
A. <i>Current transactions</i>																				
1. Exports, f.o.b.	+ 3,054	+ 5,307	+ 5,684		+ 2,591	+ 3,256	+ 5,942		+ 8,777	+ 3,637	+ 2,325		+ 4,148	+ 6,947	+ 5,141		+ 18,570	+ 19,147	+ 19,092	
2. Imports, f.o.b.	— 7,320	— 3,847	— 2,192		— 3,810	— 3,985	— 4,771		— 3,916	— 4,548	— 2,244		— 7,085	— 11,515	— 15,533		— 22,131	— 23,895	— 24,740	
	— 4,266	+ 1,460	+ 3,492		— 1,219	— 729	+ 1,171		+ 4,861	— 911	+ 81		— 2,937	— 4,568	— 10,392		— 3,561	— 4,748	— 5,648	
3. Services (incl. donations)	— 1,713	+ 662	— 869		— 901	— 1,175	— 1,265		— 1,016	— 687	— 480		— 2,076	— 4,759	— 3,329		— 5,706	— 5,959	— 5,943	
Total A	— 5,979	+ 2,122	+ 2,623		— 2,120	— 1,904	— 94		+ 3,845	— 1,598	— 399		— 5,013	— 9,327	— 13,721		— 9,267	— 10,707	— 11,591	
B. <i>Capital Movements</i> :																				
1. Private	+ 17	+ 5	—		—	—	—		—	—	—		—	—	—		+ 17	+ 5	—	
2. Government and Banks :																				
a. Revenue	+ 5,829	+ 3,059	+ 2,224		+ 1,883	+ 2,265	+ 3,702		+ 344	+ 735	+ 1,089		+ 3,070	+ 6,647	+ 8,568		+ 11,126	+ 12,706	+ 15,583	
b. Expenditure	— 527	— 1,000	— 1,039		— 1,219	— 2,741	— 1,693		— 502	— 284	— 267		— 2,966	— 2,873	— 2,339		— 5,214	— 6,898	— 5,338	
Total B :	+ 5,319	+ 2,064	+ 1,185		+ 664	— 476	+ 2,009		— 158	+ 451	+ 822		+ 104	+ 3,774	+ 6,229		+ 5,929	+ 5,813	+ 10,245	
Total	— 660	+ 4,186	+ 3,808		— 1,456	— 2,380	+ 1,915		+ 3,687	— 1,147	+ 423		— 4,909	— 5,553	— 7,492		— 3,338	— 4,894	— 1,346	
Transitory items	+ 671	— 7,576	— 4,024		+ 2,551	+ 1,874	— 1,011		— 5,992	+ 142	— 2,279		+ 1,710	+ 8,715	+ 8,095		+ 1,060	+ 3,155	+ 781	
¹⁾ Including United Kingdom																				
²⁾ Provisional figures																				

Lampiran H

TABLE 33 -- REALIZATION OF PADDY/FOOD PURCHASES BY GOVERNMENT (tons)																															
	1959/1960			1960/1961			1961/1962			1962/1963			1963/1964						1964/1965			1965/1966									
	Paddy			Paddy			Paddy			Paddy			Paddy	Paddy	Unhul- led Grain	Rice	Total Paddy eqv.	%		Rice		Rice	Maize	Paddy	Rice	Total rice eqv.	%	Maize	%	Dried Cassava	
	Targets	Output		Targets	Output		Targets	Output		Targets	Output									Output											Output
			%			%			%			%	Targets	Output				Targets		%	Target								Output		
1. West Djawa	300,000	110,239	36.73	300,000	90,145	30.03	330,000	48,626	14.74	850,000	120,160	14.14	500,000	71,590	—	49,879	171,349	34.27	100,000	39,924	40	120,000	15,000	9,836	100,193	105,111	87.59	4,401a)	29.34	400	
2. Central Djawa	200,000	98,500	49.25	250,000	111,941	44.79	280,000	84,419	30.15	760,000	302,956	39.86	480,000	111,136	12,242	61,545	249,527	51.99	100,000	125,934	125	130,000	49,000	—	88,526	88,526	68.10	10,445c)	21.32	8,478	
3. Jogjakarta	—	—	—	—	—	—	—	—	—	—	—	—	20,000	3,023	—	2,396	7,815	39.07	—	—	—	—	—	—	—	—	—	—	—	—	
4. East Djawa	400,000	306,153	76.55	450,000	290,415	64.54	430,000	345,834	80.43	850,000	373,727	43.97	575,000	124,214	136,707	1,596	298,289	51.88	125,000	108,400	80	160,000	70,000	30,065b)	55,901	77,913	48.70	—	—	—	
5. Atjeh	—	—	—	—	—	—	—	—	—	95,000	16,630	17.51	65,000	—	12,097	946	17,014	26.18	10,000	14,712	147	15,000	—	—	6,838	6,838	45.59	—	—	—	
6. North Sumatera	—	—	—	—	—	—	—	—	—	180,000	17,478	9.71	135,000	—	15,325	7,244	33,644	24.92	5,000	—	—	10,000	10,000	—	5,372	5,372	53.72	1,078	10.78	—	
7. West Sumatera	—	—	—	—	—	—	—	—	—	100,000	14,588	14.59	35,000	—	5,299	198	7,019	20.05	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Djambi	—	—	—	—	—	—	—	—	—	30,000	10,199	34.00	15,000	—	3,341	2,154	8,485	56.56	—	—	—	—	—	—	—	—	—	—	—	—	—
9. South Sumatera/Lampung	40,000	21,600	54.25	50,000	51,787	03.57	50,000	42,564	85.13	220,000	41,755	18.98	130,000	5,562	—	1,723	9,009	6.93	15,000	12,772	84	25,000	20,000	957	7,600	8,079	32.33	5,323	26.61	—	
0. West Kalimantan	—	—	—	—	—	—	—	—	—	50,000	14,285	28.57	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1. South Kalimantan	—	—	—	—	—	—	—	—	—	70,000	16,774	23.96	35,000	—	990	696	2,630	7.52	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Central Kalimantan	—	—	—	—	—	—	—	—	—	1,200	1,577	31.42	10,000	—	117	—	146	1.46	—	—	—	—	—	—	—	—	—	—	—	—	—
3. South Sulawesi	—	—	—	40,000	11,910	29.78	20,000	1,818	9.09	200,000	71,614	35.81	140,000	16,484	534	23,961	65,073	46.48	35,000	35,056	100	50,000	35,000	—	22,877	22,877	45.75	190d)	0.54	—	
4. Bali	—	—	—	—	—	—	—	—	—	90,000	9,038	10.04	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5. West Nusa Tenggara	—	—	—	—	—	—	—	—	—	70,000	28.656	40.94	55,000	15,109	—	—	15,109	27.47	10,000	4,712	40	15,000	12,000	792	3,158	3,554	23.69	—	—	—	
	940,000	536,583	57.08	1,090,000	556,198	51.84	1,110,000	523,261	47.84	3,566,200	1,039,437	29.15	2,195,000	347,118	186,652	152,338	885,109	40.32	400,000	341,510	85	525,000	201,000	41,648	291,465	318,270	61.07	21,487	10.69	8,878	
Information : a) including 393 tons of corn-rice b) „ unhulled grains of paddy c) „ 664 tons of corn-rice d) corn-rice																															

Sourse : Centre of B.P.U.P.

Lampiran I

ASSETS	BALANCE SHEET OF BANK INDONESIA (Rp million)										LIABILITIES								
	1960	1961	1962	1963	1964	1 9 6 5					1960	1961	1962	1963	1964	1 9 6 5			
						March	June	August	December							March	June	August	December
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. :									ISSUE DEPARTMENT										
Gold	2,586.8	1,939.2	1,972.3	1,584.0	93.0	91.0	91.0	91.0	91.0	FOREIGN EXCHANGE FUND, FOREIGN LIABILITIES	539.2	461.4	579.7	607.0	8,366.0	8,591.0	8,748.0	8,812.0	9,214.0
Claims in gold on the Government	717.8	99.1	99.1	99.0	99.0	99.0	99.0	99.0	99.0	BANK NOTES IN CIRCULATION	34,540.5	48,492.6	103,774.1	183,067.0	476,079.0	661,450.0	850,814.0	1,066,522.0	2,239,376.0
FOREIGN EXCHANGE FUND, FOREIGN EXCHANGE ACCOUNT :									CURRENT ACCOUNT BALANCES :										
Convertible foreign exchange	11,509.3	4,044.2	2,757.3	1,725.0	2,731.0	1,489.0	1,227.0	3,161.0	1,513.0	Government, Special Account									
Other foreign exchange	—	—	—	—	—	—	—	—	—	I.C.A. aid	97.5	64.0	349.2	2,860.0	3,108.0	2,412.0	2,053.0	2,053.0	1,905.0
CONSOLIDATED ADVANCES TO THE GOVERNMENT (ARTICLE 42)	3,367.9	3,274.3	3,180.7	3,087.0	2,994.0	2,900.0	2,900.0	2,900.0	2,900.0	Government, Canadian F.A.P.	23.5	54.7	69.7	70.0	70.0	70.0	70.0	70.0	70.0
ADVANCES TO THE GOVERNMENT	28,579.0	51,672.8	114,042.4	253,027.0	608,926.0	757,272.0	1,010,341.0	1,210,987.0	2,189,421.0	I.M.F. and I.B.R.D.	1,320.6	2,839.2	3,795.4	32,868.0	33,015.0	33,171.0	33,342.0	33,342.0	33,342.0
CLAIMS IN RUPIAHS ON THE GOVERNMENT ON ACCOUNT OF PAYMENTS MADE ON ITS BEHALF TO I.M.F.	1,237.5	1,856.2	1,856.2	12,993.0	12,993.0	12,993.0	12,993.0	12,993.0	12,993.0	P.L. 480 Funds (S.A.C.)	2,825.7	2,740.0	4,666.8	9,758.0	13,452.0	13,452.0	13,452.0	13,462.0	16,965.0
CORRECTIONS ON BALANCES REGARDING TRANSACTIONS WITH I.M.F. AND I.B.R.D.	—	—	—	17,035.0	17,035.0	17,035.0	17,036.0	17,036.0	17,035.0	Sub Total Banking Department	39,347.0	54,651.9	113,234.9	229,230.0	534,090.0	719,146.0	908,479.0	1,124,261.0	2,300,872.0
											8,651.3	8,233.9	10,673.1	56,870.0	110,781.0	72,733.0	136,208.0	123,006.0	79,846.0
	47,998.3	62,885.8	123,908.0	286,100.0	644,871.0	791,879.0	1,044,687.0	1,247,267.0	2,221,026.0		47,998.3	62,885.8	123,908.0	286,100.0	644,871.0	791,879.0	1,044,687.0	1,247,267.0	2,221,026.0
CLAIMS PAYABLE IN FOREIGN EXCHANGE	1,232.2	296.2	1,032.6	447.0	11,389.0	14,153.0	15,985.0	6,504.0	6,068.0	BANKING DEPARTMENT									
CASH (small change)	0.9	0.8	0.6	—	—	—	—	1.0	—	CAPITAL PAID UP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DISCOUNT AND ADVANCES ON COLLATERAL PAYABLE IN RUPIAHS	6,932.1	9,944.6	19,316.6	32,748.0	96,594.0	166,627.0	258,156.0	325,909.0	569,422.0	RESERVE FUND	25.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
INVESTED CAPITAL, RESERVE FUND, SPECIAL RESERVE AND PENSION FUND	525.1	658.0	694.9	677.0	669.0	714.0	718.0	718.0	652.0	SPECIAL RESERVE	273.0	289.7	300.0	300.0	300.0	400.0	1,322.0	1,322.0	1,322.0
PREMISES AND INVENTORY	222.5	306.8	396.8	812.0	1,434.0	2,509.0	6,252.0	9,307.0	24,776.0	12% BANK INDONESIA BONDS 1964/1969	—	—	—	—	3,703.0	4,958.0	4,993.0	3,995.0	4,000.0
SUNDRY ACCOUNTS	1,020.2	2,362.8	4,427.3	6,664.0	30,660.0	20,847.0	28,070.0	29,162.0	322,009.0	PROMESSORY NOTE BANK INDONESIA DEVELOPMENT FUND JULY 5, 1965	—	—	—	—	—	—	—	178.0	203.0
										PENSION FUND	125.4	164.7	195.5	203.0	210.0	273.0	302.0	300.0	304.0
										NON GOVERNMENT	8,211.6	9,416.6	22,672.5	72,036.0	113,063.0	90,359.0	185,494.0	222,075.0	522,305.0
										DRAFT ON OWN OFFICES	58.3	87.2	478.4	406.0	349.0	500.0	1,841.0	1,388.0	3,285.0
										SUNDRY ACCOUNTS	9,791.0	11,644.9	12,695.5	25,073.0	110,924.0	152,587.0	219,267.0	252,141.0	311,462.0
Sub Total Issue Department	9,933.0	13,569.2	25,868.8	41,348.0	117,968.0	176,544.0	277,211.0	358,593.0	922,927.0										
	8,651.3	8,233.9	10,673.1	56,870.0	110,781.0	72,733.0	136,208.0	123,006.0	79,846.0										
	18,584.3	21,803.1	36,451.9	98,218.0	228,749.0	249,277.0	413,419.0	481,599.0	843,081.0		18,584.3	21,803.1	36,541.9	98,218.0	228,749.0	249,277.0	413,419.0	481,599.0	843,081.0

Source : Bank Indonesia.