

BANK NEGARA INDONESIA (UNIT I)

**REPORT
FOR THE FINANCIAL YEAR
1968**

R E P O R T

OF

BANK NEGARA INDONESIA UNIT I ^{*)}

FOR THE FINANCIAL YEAR OF 1968

*) The name of Bank Indonesia was changed into Bank Negara Indonesia Unit I by Presidential Decree No. 17/1965 and by Decision of the Minister of Central Bank Affairs No. Kep. 65/UBS/65.

BANK NEGARA INDONESIA UNIT I

Head Office :

DJAKARTA

Representatives :

KUALALUMPUR

LONDON

NEW YORK

SINGAPORE

TOKYO

Branch Offices :

AMBON, AMPENAN, BANDA ,ATJEH,
BANDJARMASIN, BANDUNG, BIAK, DENPASAR,
DJAMBI, DJEMBER, JOGJAKARTA, KEDIRI, KENDARI,
KUPANG, MAKASSAR, MALANG, MANOKWARI, MEDAN, MENADO,
MERAUKE, PADANG, PAKANBARU, PALEMBANG, PONTIANAK, SABANG,
SAMARINDA, SEMARANG, SOLO, SORONG, DJAJAPURA, SURABAJA,
TELUKBETUNG, TJIREBON.

Position as per the end of 1968.

P R E F A C E

The series of measures on stabilization policy issued by the Government in October 1966 had tangible results in 1967 and 1968. In the first eight months of 1967 the Government succeeded in reducing the inflation rate to 51%. However, conspicuous price increases occurred again during the period of September 1967 through February 1968 (i.e. 115%) particularly with regard to rice which was the result of an unsatisfactory dry season harvest, inadequate rice import and an inefficient distribution system. Since March 1968 the development in the cost of living index was far better. The increase during the period of March through December 1968 was only 20% against 63% during the corresponding period in 1967. For the whole year of 1968 the increase in the cost of living index was 85%, compared with 113% in 1967 and 639% in 1966.

In 1968, money supply increased by Rp. 62 billion (+ 121%) to Rp. 114 billion. The increase in 1967 and 1966 was 132% and 763% respectively.

Rice credits to an amount of Rp. 21 billion were the main reason of the monetary expansion in 1968. Inclusive of fertilizer credits (Rp. 7 billion), sugar credits (Rp. 3 billion) ,and credits to the agricultural sector (Rp. 3 billion), approximately 55% of the increase in money supply was attributable to the financing of foodstuffs supply.

Besides, the increase in the foreign exchange reserves resulted in a monetary effect of Rp. 13 billion or 20%, whereas credits to other sectors accounted for 20% of the monetary expansion.

	<i>Percentage increase</i>			
	<i>Money Supply</i>	<i>Cost of living index</i>	<i>Income velocity</i>	<i>Index real cash balances (Sep. 1966 = 100)</i>
1966	763	639	23.7	108
1967	132	113	23.1	117
1968	121	85	22.4	141

According to the figures above, the index of real cash balances increased during the last two years under report, while the income velocity of money declined.

Since October 1968 the Government i.e. the Central Bank implemented an active interest rate policy in order to divert cash holdings of the public to the banking system, viz. by increasing the interest rate on 12-months deposits to 6% per month. Additional incentives were also provided, e.g. interest receipts were exempt from tax payment, repayment of the deposits was guaranteed by the Government and there would be no questioning regarding the origin of the funds deposited. The Central Bank provided the state banks with a subsidy amounting to 33 1/3 per cent of the interest paid on 6 and 12-months deposits. Since the rate of inflation at that time was only about 2% a month, the interest rate and special incentives related to such time deposits were most attractive. In the last quarter of 1968 the amount of time deposits outstanding increased by 150 per cent to Rp. 4.5 billion.

Another important aspect of the economic and financial policy in 1966 was the establishment of a balanced Government Budget. The 1967 budget which initially provided for revenue and expenditure balanced at Rp. 81 billion resulted in a deficit of Rp. 2.7 billion i.e. the balance of actual payments (Rp. 87.6 billion) over actual receipts (Rp. 84.9 billion).

The balanced budget policy was successfully implemented in 1968. Total actual Government receipts and payments were balanced at Rp. 185 billion; routine budget and development budget were balanced at Rp. 150 billion, and Rp. 35 billion, respectively. Compared with 1967, Government domestic revenue and expenditure increased by 158%, and 113%, respectively. Allowing for a 115% increase in the price level, the increase in Government revenue was sizable. The said increase was primarily attributable to higher income tax and corporation tax receipts through the introduction of the withholding tax as well as to intensive tax collection methods. Besides inflationary price increases, the increase in routine expenditure was caused by higher personnel expenditure mainly on account of salary increases. There was

moreover an increase in material expenditure and in subsidies to local governments inclusive of West Irian.

Development budget expenditure amounted to Rp. 35 billion and increased by 100% over 1967. The said increase was related to intensified activities of the Government in the field of development.

It should further be mentioned, that by Government decision the fiscal year was changed from, January-December into April-March. Consequently, a budget was compiled which covered the first quarter of 1969 and provided for revenue and expenditure of Rp. 54.8 billion. In 1968, considerable progress was achieved in the foreign trade sector. Total exports (i.e. including oil) increased by 13% over 1967, oil exports increased by 23% and other exports by 8%. The sizable increase in oil exports was caused by new investments of foreign oil companies which started to produce in 1968 (both offshore and onshore) as well as by an increase in the output of existing wells. The 58% increase in tin exports was mainly attributable to the implementation of a rehabilitation and expansion program since 1966. The increasing prices in early 1968 brought about an increase in copra exports, whereas timber exports increased as a result of sizable domestic as well as foreign capital investments. Rubber exports, however, did not increase since domestic rubber prices followed the increase of the world market rubber prices and made rubber exports not yet profitable. Palm oil exports did not increase either on account of the adverse price developments prevailing in 1968.

Imports—excluding imports of oil companies—increased by 2% only, mainly since project aid imports were 18% below the original estimates. There was, however, an improvement in the import structure. The import of finished textiles declined appreciably, whereas imports of yarn and raw cotton increased by more than ten times, and fertilizer imports increased by more than 100%. Imports of rice and wheat flour increased by 150%, inter alia as a consequence of the Government policy in 1968 regarding the supply of foodstuffs, i.e. to prevent recurrence of the food shortage of end 1967 and early 1968.

The balance on merchandise account showed a surplus of US \$ 41 million. Service payments (net) amounted to US \$ 305 million, which made the deficit on goods and services account US \$ 264 million. The said deficit was financed by foreign aid receipts of US \$ 266 million (among which US \$ 20 million of project aid), private capital inflow of US \$ 65 million (including US \$ 35 million and US \$ 30 million on account of capital repatriation and supplier's credits, respectively) and effected a decline of US \$12 million in foreign exchange reserves.

The production sector developed as follows. During the year under report, rice output increased by 9% on account of excellent wet season and dry season harvests. Timber output increased dramatically and timber exports were almost twice as high as in 1967, mainly as a result of sizable foreign as well as domestic capital investments in this sector.

Oil production increased considerably on account of large scale expansion of foreign oil companies with respect to drillings as well as construction of jetties and tanks.

Output of tin metal increased by 22% as a result of the rehabilitation and expansion started in 1966.

Textile production increased by 40%. Higher import duties on finished textiles and the shift of imported textiles of synthetic fibers from the BE list to the DP list were the main reasons for the said production increase in 1968.

On the basis of the data above may be concluded that the Government through the implementation of the October 1966 regulations succeeded to control inflation and to stabilize rice price as well as BE rate which was quoted at 326 from October through the end of :1968, and consequently could achieve a higher degree of economic stability in general. The said economic improvement was achieved with certain sacrifices, e.g. a reduction of incentives and a revision of price calculations by production units as a consequence of the monetary policy in general and the credit and interest rate policies in particular. Economic stability, however, was a

prerequisite for the implementation of the Five Year Development Plan to be initiated in 1969.

It should finally be mentioned that the figures in the present report were revised, since more complete data became available. Great difficulties in the attempts to acquire the most reliable data were still prevailing in 1968. However, discipline in the collection and collation of as much economic data as possible could gradually be saved for a further decline. The inadequate importance attached to this matter was a consequence of the overall social disorder which resulted from the rampant inflation. It is sincerely hoped that better progress in the field of statistics be achieved in the near future.

Djakarta, December 31, 1968.

The Governor, Bank Negara Indonesia

RADIUS PRAWIRO.

I. MONETARY DEVELOPMENTS

Introduction

Further improvements have been introduced in the compilation of monetary statistics for this annual report, in particular with regard to monetary balance sheet and money supply. In the previous annual report the balance sheets of commercial non-foreign exchange banks were taken into account in compiling monetary balance sheet and money supply; in the report for this year, moreover, monetary balance sheets and money supply as per the end of 1965 and thereafter comprised the balance sheets of Local Development Banks as well. The reason for including the balance sheets of Local Development Banks is that the greater part of the liabilities of such banks consists of balances on current account (i.e. demand deposits). Simultaneously, changes have also been introduced with respect to components of the Government cash position and of current accounts with Bank Negara Indonesia Unit I. Besides, since the middle of 1968, branches of foreign banks started to operate in Indonesia. The balance sheets of these foreign banks have also been included in the compilation of monetary balance sheet and money supply.

Developments in the money supply, specified into currency and deposit money, is revealed in Table 1. In the said table, the money supply figures as per the end of 1965 and thereafter differ from those in previous reports on account of the changes in the compilation of monetary balance sheet and money supply as mentioned above. On the one hand, the inclusion of the balance sheets of Local Development Banks has increased the money supply, whereas on the other hand, changes in the components of the Government cash position have reduced the money supply.

The causes of changes in the money supply, specified into public sector, business sector, foreign sector, and miscellaneous causes, can be seen in Table 2.

In the report for this year a few changes have also been introduced with regard to the sectoral components of the causes of changes in the money supply, as a consequence of the functional change of the said items.

The rupiah countervalue of foreign aid receipts which is last year's report was partly included in the foreign sector is now partly included in Net Government Debt to Bank Negara Indonesia Unit I and partly in the business sector. What has been entered into Net Government Debt to Bank Negara Indonesia Unit I are sales proceeds of aid-BEs of which the rupiah countervalue was paid by importers. The rupiah countervalue is included in the amount of Government debt to Bank Negara Indonesia Unit I since it constitutes Government revenue and reduces the amount of Government debt to Bank Negara Indonesia Unit I. The rupiah countervalue included in the business sector is the countervalue of aid BEs purchased by importers by means of credits from Bank Negara Indonesia Unit I. In the latter case, payments have not yet been made by the importers and therefore cannot be regarded as Government receipts. The said rupiah countervalue will be transferred to the item "Bank Negara Indonesia Unit I advances to the Government" only after payments have been made or credits have been fully repaid. As long as the importers have not yet made the deposits or repaid their credits, the rupiah countervalue will be included in the business sector to offset the inflationary effect resulting from credits to importers for purchase of aid-BEs. In point of fact, such credits do not increase the money supply and are merely movements in book entries.

The item "Local governments" to be found in the public sector in the previous annual report has now been substituted by the item "Government entities". Besides credits to Local Governments, the item "Government entities" contains credits granted to Government entities.

In the present report, both name and concept of the item which reflects Indonesia's relationship with the International Monetary Fund—in last year's report called "IMF"—is changed into "Net IMF position".

The item "IMF" in the previous report only covered Fund transactions through Bank Negara Indonesia Unit I, whereas "Net IMF position" in the present report also includes Fund transactions executed by the Government directly, such as payment of IMF subscription by means of promissory notes. Therefore, in the present

report, "Net IMF position" reflects all transactions between Indonesia ,and the Fund.

This change has been made for the sake of uniformity with the concept generally used by the Fund with regard to financial transactions with its member countries. "Net IMF position" represents Indonesia's quota with the Fund less IMF rupiah holdings.

As mentioned in last year's report, since early in the second quarter of 1967 there are no more balances on non-resident rupiah account; therefore, in the present report the non-resident rupiah account has been omitted. The same happened to importers' prepayments in the business sector which did not occur again in 1968. In the present table of "Causes of Changes in the Money Supply", the balances on non-resident rupiah account of previous years are included in "Other" under "Miscellaneous causes", whereas "Prepayments by importers" are integrated with "Guarantee deposits".

Money supply

As reported in Table I, at the end of 1968 money supply amounted to Rp. 113,894 million, composed of Rp. 74,684 million in currency and Rp. 39,210 million in demand deposits. Money supply therefore increased by Rp. 62,423 million or 121%.

In 1968, the highest quarterly increase in money supply occurred in the second quarter which recorded an increase of 37%. In the first quarter of 1968, money supply increased by 22% against 10% and 20% in the third and fourth quarter, respectively. Moreover, the increase in money supply for the whole year of 1968 was lower than the annual increase of 132 % in 1967. Although price increases in 1968 as reflected by the Djakarta cost of living index still amounted to 85%, the money supply in real terms—i.e. money supply deflated against the cost of living index—increased from Rp. 18,209 million at the end of 1967 to Rp.21,768 million at the end of 1968.

TABLE 1 — MONEY SUPPLY (in million Rupiahs)							
	Total	Movement	Percentage change	Currency	% of total	Deposit Money	% of total
1964 : December	725	447	161	447	62	278	38
1965 : December	2,572	+ 1,847	255	1,811	70	761	30
1966 : December	22,208	+ 19,636	763	14,360	65	7,848	35
1967 : March	24,160	+ 1,952	9	16,874	70	7,286	30
June	32,429	+ 8,269	34	21,687	67	10,742	33
September	38,972	+ 6,543	20	26,882	69	12,090	31
December	51,471	+ 12,499	32	34,098	66	17,373	34
Cumulative 1967		+ 29,263	132				
1968 : March	62,832	+ 11,361	22	41,172	66	21,660	34
June	85,883	+ 23,051	37	56,923	66	28,960	34
September	94,825	+ 8,942	10	62,169	66	32,656	34
December	113,894	+ 19,069	20	74,684	66	39,210	34
Cumulative 1968		+ 62,423	121				

In 1968, the share of demand deposits in total money supply was 34% compared with 30 to 34% in the preceding year and therefore did not change much.

Causes of changes in the money supply

The causes of changes in the money supply specified into public sector, business sector, foreign sector and miscellaneous causes as reported in Table 2 were as follows : (in millions of Rupiahs)

	1965	1966	1967	1968
A. Public	– 1,154	+12,603	– 23,923	+ 4,163
B. Business	+ 695	+ 5,610	+ 21,687	+ 44,374
C. Foreign	+ 20	– 256	– 12,381	+ 12,483
D. Miscellaneous	– 22	+ 1,679	– 3,966	+ 1,403

The above figures reveal that in 1968 the role of the public sector with respect to the increase in money supply was greatly reduced. In 1966 and 1967, 64% and

82% of the increase in money supply respectively was for account of the public sector against only 7% in 1968.

In this context should be explained that in the 1967 report the figures for the public sector also included Rp. 12,223 million for subscriptions to IMF, paid through Bank Negara Indonesia Unit I as well as by the Government directly by means of promissory notes. As a matter of fact, the said payments to the Fund did not increase the money supply and were only movements in book entries. The inflationary effect ostensibly created by the public sector was offset by the deflationary effect ostensibly created by the foreign sector. In 1967 the increase in money supply for account of the public sector would be Rp. 11,443 million or 39% of the total increase, if the public sector would exclude the said payments to the Fund, and consequently would show an inflationary effect approaching reality. The role of the public sector with respect to the increase in money supply was therefore actually declining in 1967.

The major progress achieved in the implementation of the Government budget policy was the main reason for the decline in the increase of money supply attributed to the public sector. The balanced budget policy, i.e. the principal instrument in the economic rehabilitation and stabilization program of the Government, was introduced in 1967. However, in 1967 the implementation of the said policy was not yet successful. Only in 1968 — for the first time since 1951 — could a budget deficit be avoided.

As reported in Table 2, the "Government" account in the public sector shows an inflationary effect of Rp. 2,881 trillion in 1968. On the one hand, the increase in "Net debt to Bank Negara Indonesia Unit I" gave an inflationary effect of Rp. 6,765 million whereas on the other hand, the increase in the balance of Government accounts with other Banks resulted in a deflationary effect of Rp. 3,884 million. The inflationary effect of the Government accounts was primarily attributable to non-budgetary receipts and payments with inclusion of inter-government transfers as well as accounts of state enterprises and third parties which at the end of 1968 could not yet be separated from the Government accounts.

The item "Net debt to Bank Negara Indonesia Unit I" includes advances from Bank Negara Indonesia Unit I which increased by Rp. 6,657 million in 1968, i.e. from Rp. 40,567 million at the end of 1967 to Rp. 47,224 million at the end of 1968. The said advances were not of Government receipts on account of aid-BE sales proceeds which amounted to Rp. 35,658 million 1968. On the other hand, advances were incurred for payment of subscription instalments to international financial institution amounting to Rp. 1,035 million, i.e. Rp. 315 million to IFC (International Finance Corporation), Rp. 335 million to IDA (International Development Association), and Rp. 385 million to ADB (Asian Development Bank).

As stated in the previous annual report, in 1967 an expenditure of Rp. 13,364 million for rice procurements by BULOG was incurred against advances from Bank Negara Indonesia Unit I. The financing of Government rice procurements was changed on the basis of Joint Instruction No. 1/Instr./Bersama/1968 of the Minister of Finance, the Governor of Bank Negara Indonesia Unit I and the Head of BULOG, concerning the payment procedure for Government rice procurements in 1968. Therefore, since the second quarter of 1968 BULOG's expenditures are treated as Bank Negara Indonesia Unit I credits to BULOG with inclusion of BULOG expenditure in 1967 which had been debited to "Advances from Bank Negara Indonesia Unit I". For the financing of rice procurements, in 1968 the Government provided BULOG with a subsidy of Rp. 3,000 million which was also debited to "Advances from Bank Negara Indonesia Unit I".

Net debt to Bank Negara Indonesia Unit I also includes expenditure in the context of DICS (Debt Investment Conversion Scheme) i.e. foreign debt repayments in rupiahs designated for investment in Indonesia. In 1968 such expenditure had an inflationary effect of Rp. 3,800 million. Balances on Government accounts with Bank Negara Indonesia Unit I as well as bank notes with treasury offices, however, increased by Rp. 2,366 million and Rp. 1,326 million and were therefore deflationary.

The account of "Governments institutes" showed a balance of Rp. 1,282 million in 1968 (there was hardly any balance in the preceding years). The whole

TABLE 2 — CAUSES OF CHANGE IN THE MONEY SUPPLY *)

(in million Rupiahs)

	1965	1966	1967	1968	1967				1968			
					I	II	III	IV	I	II	III	IV
A. MONEY CREATION ON ACCOUNT OF THE PUBLIC SECTOR:												
I. Government :												
a. Net debt to Bank Negara Indonesia Unit I (increase = +)	+ 1,259	+ 13,349	+ 27,863	+ 6,765	+ 7,375	+ 6,536	— 2,432	+ 16,384	— 1,172	+ 9,829	— 4,849	+ 2,957
b. Balances with other banks (increase = —)	— 110	— 741	— 3,940	— 3,884	— 555	— 1,011	— 507	— 1,867	+ 279	— 2,886	+ 975	— 2,252
Total	+ 1,149	+ 12,608	+ 23,923	+ 2,881	+ 6,820	+ 5,525	— 2,939	+ 14,517	— 893	+ 6,943	— 3,874	+ 705
II. Other Government entities (increase = +)	+ 5	— 5	—	+ 1,282	—	—	—	—	+ 1,131	+ 443	— 364	+ 72
Total A:	+ 1,154	+ 12,603	+ 23,923	+ 4,163	+ 6,820	+ 5,525	— 2,939	+ 14,517	+ 238	+ 7,386	— 4,238	+ 777
B. MONEY CREATION ON ACCOUNT OF THE BUSINESS SECTOR:												
I. State enterprises (increase = +)	+ 399	+ 3,058	+ 6,532	+ 56,211	+ 615	+ 2,404	+ 2,010	+ 1,503	— 1,817	+ 18,086	+ 27,598	+ 12,344
II. Private enterprises and individuals (increase = +)	+ 486	+ 2,914	+ 18,118	+ 37,889	+ 847	+ 2,474	+ 4,192	+ 10,605	+ 5,962	+ 5,553	+ 11,558	+ 14,816
III. Counterpart funds (increase = —)	—	—	—	— 32,760	—	—	—	—	—	—	— 21,775	— 10,985
IV. Guarantee deposits (increase = —)	— 121	— 105	— 1,049	— 7,188	+ 39	— 57	— 290	— 741	— 1,612	— 144	— 4,407	— 1,025
V. Time deposits (increase = —)	— 69	— 257	— 1,914	— 9,778	— 279	— 521	— 493	— 621	— 1,151	— 1,894	— 2,873	— 3,860
Total B:	+ 695	+ 5,610	+ 21,687	+ 44,374	+ 1,222	+ 4,300	+ 5,419	+ 10,746	+ 1,382	+ 21,601	+ 10,101	+ 11,290
C. MONEY CREATION ON ACCOUNT OF CHANGES IN THE FOREIGN EXCHANGE POSITION:												
I. Gold, claims in gold, foreign exchange holdings with Bank Negara Indonesia Unit I and Foreign Exchange Fund (increase = +)	+ 32	— 253	— 164	+ 15,923	— 226	+ 374	+ 770	— 1,082	+ 1,469	+ 7,320	+ 4,009	+ 3,125
II. Foreign Exchange holdings with other banks (increase = +)	— 12	+ 17	+ 6	+ 310	+ 97	+ 128	+ 29	— 248	+ 53	+ 377	+ 968	— 1,088
Movements in gold and foreign exchange holdings	+ 20	— 236	— 158	+ 16,233	— 129	+ 502	+ 799	— 1,330	+ 1,522	+ 7,697	+ 4,977	+ 2,037
III. Net IMF position	—	— 20	— 12,223	— 3,750	— 5,235	—	+ 603	— 7,591	— 1,500	— 1,500	— 500	— 250
Total C:	+ 20	— 256	— 12,381	+ 12,483	— 5,364	+ 502	+ 1,402	— 8,921	+ 22	+ 6,197	+ 4,477	+ 1,787
D. MISCELLANEOUS CAUSES:												
I. Capital, reserves, and profit and loss accounts (increase = —)	— 67	— 754	— 2,089	— 7,320	— 430	— 977	— 394	— 288	— 1,043	— 1,887	— 1,861	— 2,529
II. Inter-bank difference account	— 81	+ 1,914	— 2,137	+ 5,035	— 1,524	+ 114	+ 259	— 986	+ 1,844	+ 6,122	— 3,058	+ 127
III. Other	+ 126	+ 519	+ 260	+ 3,688	+ 1,228	— 1,195	+ 2,796	— 2,569	+ 8,918	— 16,367	+ 3,519	+ 7,618
Total D:	— 22	+ 1,679	— 3,966	+ 1,403	— 726	— 2,058	+ 2,661	— 3,843	+ 9,719	— 12,132	— 1,400	+ 5,216
E. NET CHANGE IN MONEY SUPPLY: A + B + C + D	+ 1,847	+ 19,636	+ 29,263	+ 62,423	+ 1,952	+ 8,269	+ 6,543	+ 12,499	+ 11,361	+ 23,052	+ 8,940	+ 19,070
a. Currency	+ 1,364	+ 12,549	+ 19,738	+ 40,586	+ 2,514	+ 4,813	+ 5,195	+ 7,216	+ 7,074	+ 15,751	+ 5,246	+ 12,515
b. Deposit money	+ 483	+ 7,087	+ 9,525	+ 21,837	— 562	+ 3,456	+ 1,348	+ 5,283	+ 4,287	+ 7,310	+ 3,694	+ 6,555

*) Revised figures.

balance on the said account constituted of Bank Negara Indonesia Unit I credits which were granted again since early 1968.

In 1968 the activities of the business sector resulted in an inflationary effect of Rp. 44,374 million. The major part of the increase in money supply in 1968, i.e. 72% was attributable to the said sector. The important role of the business sector was perceptible since 1967. The role of the public sector became less important, whereas the business sector gained in importance. The said development reflects a movement in the right direction. Increases in money supply attributable to the public sector were mainly for consumptive purposes whereas those attributable to the business sector could be directed to productive purposes.

Credits granted by Bank Negara Indonesia Unit I and commercial banks increased by Rp. 94,100 million in 1968. State enterprises accounted for Rp. 56,211 million of this increase, while Rp 37,889 million was for account of private enterprises and individuals. The amount of credit granted to state enterprises included Rp 37,224 million of Bank Negara Indonesia Unit I credits to BULOG for foodstuffs procurement. As mentioned above, credits to BULOG were granted since the middle of 1968. Such credits, however, included financing of foodstuffs procurement which was previously debited to Bank Negara Indonesia Unit I advances to the Government.

Relaxation of credits started in the second quarter of 1967 and was enabled since inflation could gradually be subdued. At the end of 1967 and early 1968 the efforts to control inflation were interrupted by sudden increases of rice prices. A sub-normal harvest in the second half of 1967 accompanied by increasing demands of the public on account of "Lebaran" and new year were the main reasons of the said price increases. Therefore, in 1968 the supply and production of foodstuffs were the Government's main concern in order to prevent the recurrence of conspicuous increases of rice prices which may provoke other price increases. Besides the aforementioned credits to BULOG for the supply of foodstuffs, credits to an amount of Rp. 12,153 million were granted in 1968 for fertilizer imports in connection with the efforts to increase foodstuffs production. Out of the credit

increase in 1968, 6:1% was directed to foodstuffs supply and production, including credits to an amount of Rp. 3,215 million for wheat imports, Rp. 2,679 million to the agricultural sector, and Rp. 2,465 million for sugar production.

In 1968, counterpart funds caused a deflationary effect of Rp. 32,760 million. As explained earlier, such counterpart funds consisted of the rupiah countervalue of aid-BE sales which were not yet paid by importers.

The said deflationary effect was offset by the inflationary effect on account of credits granted to importers for financing of aid- BE purchases.

In 1968, guarantee deposits and time deposits increased by Rp. 7,188 million and Rp. 9,778 million, respectively, both were therefore deflationary. Effective October 1, 1968, the Government introduced fairly high interest rates on time deposit with state banks, i.e. 5% monthly for 6-months deposit and 6-monthly for 1-year deposits. The rates were introduced in connection with fund raising efforts of state banks for financing of development activities. Besides, the said efforts to increase time deposits were designed to enhance the public's confidence in the banking system since the repayment of deposits was guaranteed by the Central Bank.

In 1968 the foreign sector caused an inflationary effect of Rp. 12,483 million. Gold and foreign exchange holdings of Foreign Exchange Fund and Bank Negara Indonesia Unit I increased by Rp. 15,923 million, while foreign exchange holdings of other banks increased by Rp. 310 million. The increase in gold and foreign exchange holdings of Foreign Exchange Fund and Bank Negara Indonesia Unit I included foreign exchange receipts from an IMF drawing in the context of a stand-by agreement which was concluded early 1968. The monetary effect of the said IMF drawing was actually neutral, since the inflationary effect of the increase in the gold and foreign exchange holdings of Foreign Exchange Fund and Bank Negara Indonesia Unit I was offset by the deflationary effect of the increase in the net IMF position. In 1968 the net IMF position increased by Rp. 3,750 million.

TABLE 3 — MONETARY BALANCE SHEET

(in million of Rupiahs)

	1965	1966	1967	1968	1 9 6 7				1 9 6 8			
					I	II	III	IV	I	II	III	IV
ASSETS												
I. Net advances to Government :												
a. Advances from banks to Government	1,876	15,257	40,031	44,240	22,820	28,261	25,232	40,031	39,845	46,613	43,411	44,240
b. Treasury notes and bills and Government securities with Banks minus :	—	2	3	1	3	3	2	3	3	2	3	1
c. Currency with Government	135	910	1,762	3,088	1,654	1,570	1,479	1,762	2,469	2,293	2,966	3,088
Total I	1,741	14,349	38,272	41,153	21,169	26,694	23,755	38,272	37,379	44,322	40,448	41,153
II. Advances from banks to :												
a. Other Government entities	5	—	—	1,282	—	—	—	—	1,131	1,574	1,210	1,282
b. State enterprises	531	3,589	10,121	39,321	4,204	6,608	8,618	10,121	8,304	26,390	32,213	39,321
c. Private enterprises and individuals	572	3,486	21,604	53,744	4,333	6,807	10,999	21,604	27,566	33,119	44,677	53,744
Total II	1,108	7,075	31,725	94,347	8,537	13,415	19,617	31,725	37,001	61,083	78,100	94,347
III. Gold and foreign exchange holdings	C 1	C 237	C 395	15,838	C 366	136	935	C 395	1,127	8,824	13,801	15,838
IV. Sundry items	42	2,455	C 11,645	C 6,672	C 3,076	C 4,157	C 499	C 11,645	C 2,383	C 14,128	C 14,167	C 6,672
Total	2,890	23,642	57,957	144,666	26,264	36,088	43,808	57,957	73,124	100,101	118,182	144,666
LIABILITIES												
I. Currency												
a. Bank notes minus :	2,241	16,637	38,865	85,394	20,068	25,507	30,837	38,865	47,066	65,625	71,418	85,394
b. Currency with Government	135	910	1,762	3,088	1,654	1,570	1,479	1,762	2,469	2,293	2,966	3,088
c. Currency with banks	295	1,367	3,005	7,622	1,540	2,250	2,476	3,005	3,425	6,409	6,283	7,622
Total currency	1,811	14,360	34,098	74,684	16,874	21,687	26,882	34,098	41,172	56,923	62,169	74,684
II. Deposit money	761	7,848	17,373	39,210	7,286	10,742	12,090	17,373	21,660	28,961	32,655	39,210
Total money supply	2,572	22,280	51,471	113,894	24,160	32,429	38,972	51,471	62,832	85,884	94,824	113,894
III. Non-monetary liabilities	318	1,434	6,486	30,772	2,104	3,659	4,836	6,486	10,292	14,217	23,358	30,772
Total	2,890	23,642	57,957	144,666	26,264	36,088	43,808	57,957	73,124	100,101	118,182	144,666

Miscellaneous causes accounted for an inflationary effect of Rp. 1,403 million. The balance on "Capital, reserves and profit and loss account" increased by Rp. 7,320 million and was therefore deflationary, whereas the balances on "Inter-bank difference account" and "Other" caused an inflationary effect of Rp. 5,035 million and Rp. 3,688 million, respectively. The "Inter-bank difference account" was created to accommodate discrepancies of figures regarding Bank Negara Indonesia Unit I credits to Banks and commercial banks' balances with Bank Negara Indonesia Unit I. The said figures as reported in the balance sheet of Bank Negara Indonesia Unit I differ from those reported in the balance sheets of the banks concerned. The item "Other" includes premises and other immovable property which in 1968 increased by Rp. 3,101 million; it also includes the item "Other" on balance sheets of Bank Negara Indonesia Unit I and other banks which together accounted for an inflationary effect of Rp. 587 million,

Monetary balance sheet

Monetary developments during the year under report are illustrated in a monetary balance sheet in Table 3. The monetary balance sheet in the present annual report is compiled on the basis of data from the Department of Finance—with regard to the Treasury as well as IMF transactions, balance sheets of Bank Negara Indonesia Unit I, foreign exchange banks, commercial non-foreign exchange banks and regional development banks.

The assets side includes assets of money creating institutions. An increase in the assets of money creating institution will bring about an increase in their liabilities consisting of monetary and non-monetary liabilities, i.e.. claims which are not payable on demand and which consequently cannot be classified as money. Therefore, the assets side of the monetary balance sheet indicates to what sectors the monetary and non-monetary liabilities of the said money creating institutions were diverted.

The liabilities of the money creating institutions are specified on the liabilities side of the monetary balance sheet. The total of monetary liabilities equals the money supply which, at the end of 1968, was made up of Rp. 74,684 million in currency and Rp. 39,210 million in demand deposits. Non-monetary liabilities include time deposits, savings deposits, guarantee deposits, capital, reserves as well as profit and loss account. Non-monetary liabilities amounted Rp. 30,772 million at the end of 1968.

II. GOVERNMENT FINANCE

General

1968 was the second year in which the Government implemented a program of economic stabilization and rehabilitation, and was the last year in which the Government would make all efforts to create a strong foundation and a sound climate to enable the implementation of development activities in the next years.

As stated in the previous annual report, the budget policy of the Government was an extremely important element in the economic stabilization and rehabilitation program. A balanced budget policy was initiated in 1967 and continued in 1968. Act No. 13 of 1967 on the 1968 Government Budget of Receipts and Payments was a quantification of the said policy and reflected the plan of the Government for execution in 1968.

In connection with the compilation of the budget for 1968, the Government adhered to three principles, viz.:

1. it should be directed, i.e. the budget should be directed to the achievement of specific targets, both short term and long term;
2. it should be realistic, i.e. the budget should be prepared on the basis of our actual conditions and capacities;
3. it should be pragmatic, i.e. the budget should be a working program designed to serve the interests and the needs of the people.

Implementation of a balanced budget means attempting to equalize Government receipts and payments. On the one hand, Government receipts must be increased without neglecting the capacities of the people, whereas on the other hand, Government payments should be economized and directed.

Unlike the 1967 budget, the 1968 budget distinguished between routine budget and development budget, i.e. routine expenditure was to be financed by domestic receipts and development expenditure was to be financed by foreign aid receipts.

Moreover, in 1967 the concept of balanced budget applied to Government receipts and payments as a whole, whereas in 1968 it applied to routine budget and development budget separately. In 1967, foreign aid counterpart funds were still used for the financing of routine expenditure. In 1968, however, total routine expenditure were covered by domestic receipts, and foreign aid counterpart funds could therefore be used for the financing of development expenditure.

The 1968 Budget of Receipts and Payments was supplemented and amended by Act No. 8 of 1969. The budget had to be supplemented and amended in view of the economic and financial developments in 1968 as well as the activities of the Government in connection with economic stabilization and rehabilitation.

The 1968 budget figures are reported in Table 4. On the whole, the 1968 budget figures were more than twice as high as those for 1967. The increase was a consequence of inflation and was also related to the Government's intention to expand routine as well as development activities.

Government routine expenditure for 1968 estimated at Rp. 149,697 million against only Rp. 71,954 million in 1967. The increase in the 1968 budget estimates of routine expenditure was primarily caused by salary increases of Government personnel. Besides, the 1968 budget provided for higher expenditure on account of intensified instruction, guidance and control. The amount of subsidies to local governments was increased also since it included foodstuffs allowance, overtime pay of elementary school teachers, subsidy to West Irian, etc. In 1968 in particular it also provided for an increase in prices, rates and foreign exchange rates.

Development budget payments (inclusive of local development and ADO) for 1968 were estimated at Rp. 44,325 million against Rp. 17,326 million for 1967

<p>TABLE 4 — TNE BUDGET AND ITS IMPLEMENTATION 1967 — 1968 (in million Rupiahs)</p>						
	Payments		Receipts		Deficit (+) / Surplus (—)	
	1967	1968	1967	1968	1967	1968
Master Budget	81,300	138,646	81,300	138,686	—	+ 40
Supplementary Budget	7,980	55,376	2,850	55,336	— 5,130	— 40
T o t a l	89,280	194,022	84,150	194,022	— 5,130	—
Implemented	87,555	185,283	84,900	185,283	— 2,655	—
Discrepancy between budget estimates and implementation	— 1,725	+ 61	+ 750	+ 61	+ 2,475	—

Source : Department of Finance.

which was an increase of well over 150%. Inflation as well as the Government's desire to gradually accelerate development activities made the increase necessary. In view of the limited financial resources, the Government had to confine itself to infrastructure projects, such as roads, bridges port facilities, irrigation, education and public health as well as Government investment in public utilities such as electricity, telecommunications, railways, etc.

In 1968 the Government aimed at a routine budget and a development budget balanced at a higher level. On account of intensified efforts such as intensified collection methods and procedures, routine receipts were expected to cover routine payments. Direct tax revenue was planned to increase by means of the withholding tax. Besides, adjustment of the customs valuation rate to realistic conditions, adjustment of excise to prevailing market prices and improved collection of import sales tax would also increase indirect tax receipts. It should be mentioned that in the 1968 budget, local development tax was no longer included, since local governments were-by stages-authorized to utilize local development tax receipts.

As reported in Table 4, actual Government receipts and payments in 1968 were balanced at Rp. 185,283 million. Routine payments were wholly covered by

higher domestic receipts. All foreign aid counterpart funds could therefore be used for development financing. The balanced budget policy, introduced in 1967, was successfully implemented in 1968

Equilibrium was not only achieved with respect to total Government receipts and payments, but with respect to each of its components as well: routine receipts and payments were balanced at Rp. 149,746 million and development receipts and payments were balanced at Rp. 35,537 million. Actual routine receipts and payments in 1968 were slightly higher than the budget estimates, whereas actual development receipts and payments were below the budget estimates. The reason for the latter was the exclusion of ADOs designated for the financing of local development by the local governments concerned. It should also be mentioned that Government receipts were more evenly distributed throughout the year (i.e. not concentrated towards the end of the year) on account of intensified collection, as well as of improved collection methods and administration particularly through the introduction of the withholding tax.

Government payments

Actual Government payments amounted to Rp. 185,283 million in 1968; since Government payments amounted to Rp. 87,555 million in 1967, it was an increased of Rp. 97,728 million or 112%. The said increase in Government payments, however, could be matched by higher Government receipts and the budget could therefore be kept in equilibrium Besides, actual Government payments in 1968 were the same as estimated and was fully kept under control. The development of Government payments during 1968 is illustrated in Table 5.

In 1968, routine payment amounted to Rp. 149,746 million or were 81% of total Government payments. Personnel expenditure (salaries and pensions) still accounted for the major share, i.e. Rp. 68,926 million, of which more than half was for rice allowances (in kind and in cash) to civil and military personnel.

TABLE 5 — GOVERNMENT EXPENDITURE, 1967-1968
(in million Rupiahs)

	1967			1968		
	Budget estimates	Actual expenditure	Actual expenditure in 1967 minus actual expenditure in 1966	Budget estimates	Authorized expenditure	Authorized expenditure in 1968 minus actual expenditure in 1967
ROUTINE EXPENDITURE	71,954	70,024	+ 43,896	149,697	149,746	+ 79,722
Personnel expenditure/pensions	32,065	31,626	+ 16,765	71,167	68,926	+ 37,300
Materiel expenditure	20,737	20,349	+ 12,541	34,125	38,476	+ 18,127
Subsidies to local governments	10,903	10,427	+ 8,714	27,819	25,540	+ 15,113
West Irian	1,434	1,331	+ 1,264	4,601	4,578	+ 3,247
Other local governments	9,469	9,096	+ 7,450	23,218	20,962	+ 11,866
Interest/instalments on debts	5,140	5,327	+ 4,840	9,759	9,978	+ 4,651
Domestic	723	1,248	+ 1,156	1,739	1,911	+ 663
Foreign	4,417	4,079	+ 3,684	8,020	8,067	+ 3,988
Other routine expenditure	3,109	2,295	+ 1,036	6,826	6,826	+ 4,531
Subsidies	1,100	1,078	— 181	4,200	4,200	+ 3,122
Other	2,009	1,217	+ 1,217	2,626	2,626	+ 1,409
DEVELOPMENT EXPENDITURE	17,326	17,531	+ 13,792	44,325	35,537	+ 18,006
Central government projects	15,126	15,194	+ 11,455	30,247	30,259	+ 15,065
Participations in development	—	—	—	5,278	5,278	+ 5,278
Local development/ADO	2,200	2,337	+ 2,337	8,800	P.M.	P.M.
Total :	89,280	87,555	+ 57,688	194,022	185,283	+ 97,728

Source : Department of Finance.

Materiel expenditure increased in 1968. However, expressed in percentage of total routine payments it declined from 29% in 1967 to 26% in 1968. Materiel expenditure in 1968 amounted to Rp 38,476 million which included Rp. 9,422 million for food allowance to the armed forces and civil personnel employed by the armed forces. The said materiel expenditure moreover included office expenses as well as expenses for travel and maintenance. In spite of economizing on the part of the Government, materiel expenditure in 1968 was higher than estimated primarily on account of an increase in the foreign exchange rate.

In 1968, subsidies to local governments amounted to Rp. 25,540 million or were 17% of total routine payments. The said amount was made up of Rp. 4,578 million of subsidy to West Irian and Rp. 20,962 million of subsidy to other autonomous regions. Subsidies to other autonomous regions were generally granted for foodstuffs allowance as well as salaries and fees for elementary school teachers.

Payments on account of interest and debt instalments, in 1968 amounted to Rp. 9,978 million, constituting of Rp. 1,911 million for interest and repayments of domestic debt, and Rp. 8,067 million for interest and repayment of foreign debt. The substantial increase of the latter amount was primarily caused by an increase in the foreign exchange rate.

Other routine payments amounting to Rp. 6,826 million included subsidies for pilgrimage (Rp. 1,000 million) and subsidies to the rice stabilization fund (Rp. 3,200 million) whereas payments of the preceding years accounted for the remaining Rp. 2,262 million.

Development expenditure amounted to Rp. 35,537 million in 1968, which was an increase of 103% over 1967 when such payments amounted to Rp. 17,531 million. In 1968, the major part of development expenditure, i.e. Rp. 30,259 million was spent on rehabilitation and improvement of infrastructure such as transportation, irrigation, Government administration and social overheads. Expenditure on account of participations in development (amounting to Rp. 5,728 million

in 1968) were disbursed through Bank Pembangunan Indonesia for financing of rehabilitation and completion of projects and state enterprises. As mentioned earlier, local development activities financed by ADOs were excluded from actual Government payments, since the local government authorities were fully authorized to receive and utilize ADOs,

Government receipts

Actual Government receipts increased from Rp. 84,900 million in 1967 to Rp. 185,283 million in 1968. In 1968, total Government receipts could match total Government payments.

As revealed in Table 6, actual routine receipts amounted to Rp. 149,746 million in 1968, while development receipts-originating from foreign aid-were Rp. 35,537 million. As mentioned earlier, in 1968 total routine receipts could cover total routine payments, and consequently total foreign aid receipts could be used for financing of development expenditure.

Routine receipts in 1968 increased on account of direct tax as well as indirect tax revenue. Direct tax revenue increased from Rp. 16,816 million in 1967 to Rp. 51,034 million in 1968 (+ 203%), while indirect tax revenue increased by 123% from Rp. 42,096 million in 1967 to Rp. 93,963 million in 1968. The percentage increase of direct taxes was higher than of indirect taxes and consequently the share of direct tax revenue in total routine receipts increased from 28% in 1967 to 37 % in 1968.

In the category of direct taxes, oil company tax revenue showed the largest increase, viz. from Rp. 7,385 million in 1967 to Rp. 25,504 million in 1968. Better control on the implementation of contracts of work since 1967 as well as the determination of more realistic prices of petroleum products were inter alia responsible for the increase. Oil company tax revenue constituted 50% of total direct tax revenue. The introduction of the withholding tax also resulted in a satisfactory

TABLE 6 — GOVERNMENT RECEIPTS, 1967-1968
(in million Rupiahs)

	1967			1968		
	Estimates	Actual receipts	Actual receipts in 1967 minus actual receipts in 1966	Estimates	Actual receipts	Actual receipts in 1968 minus actual receipts in 1967
ROUTINE RECEIPTS	58,570	60,211	+ 47,069	149,697	149,746	+ 89,535
<i>Direct taxes</i>	15,820	16,816	+ 15,026	51,987	51,034	+ 34,218
Income tax	3,019	3,130	+ 2,490	9,628	9,432	+ 6,302
Corporation tax	3,036	3,423	+ 2,812	10,795	9,497	+ 6,074
Oil company tax	7,300	7,385	+ 7,385	25,588	25,504	+ 18,119
Withholding tax	—	684	+ 684	5,698	6,369	+ 5,683
Local development tax	2,000	2,137	+ 1,617	—	—	— 2,137
Other	465	57	+ 38	278	232	+ 177
<i>Indirect taxes</i>	40,809	42,096	+ 31,352	91,960	93,963	+ 51,867
Sales tax	4,716	5,069	+ 3,352	8,399	9,172	+ 4,103
Import sales tax	—	—	—	5,350	6,035	+ 6,035
Excise	7,299	7,657	+ 5,437	16,635	16,566	+ 8,909
Import duty	16,259	16,901	+ 13,212	37,897	37,300	+ 20,399
Export tax	10,617	10,602	+ 8,636	12,765	13,923	+ 3,321
Net petroleum profit	8	78	+ 78	7,454	7,743	+ 7,665
Other	1,910	1,789	+ 637	3,460	3,224	+ 1,435
<i>Non-tax revenue</i>	1,941	1,299	+ 691	5,750	4,749	+ 3,450
DEVELOPMENT RECEIPTS	25,580	24,689	+ 24,689	44,325	35,537	+ 10,848
Foreign aid	25,580	24,689	+ 24,689	35,535	35,537	+ 10,848
ADO	—	—	—	8,800	P.M.	P.M.
Total:	84,150	84,900	+ 71,758	194,022	185,283	+ 100,383

Source : Department of Finance.

increase of income tax and corporation tax. Income tax, corporation tax and withholding tax which together ,amounted to Rp. 7,237 million in 1967 increased to Rp. 25,298 million in 1968. Out of income tax revenue which was Rp. 9,432 million in 1968, an amount of Rp. 6,522 million constituted wage tax. Therefore, only about one-third of income tax revenue originated from entrepreneurs which reflected the inequity of our tax structure. The amount of corporation tax with inclusion of withholding tax contained Rp. 6,065 million of corporation tax paid by state enterprises. The amount of other direct taxes which amounted to Rp. 232 million in 1968 included property tax and dividend tax.

Indirect tax revenue increased by Rp. 51,867 million in 1968. The percentage increase of direct tax revenue in 1968 was higher than of direct tax revenue; however, indirect tax revenue accounted for 63%, of total routine receipts and its share was “therefore still substantial.

In 1968 the percentage of sales tax on products of particular economic sectors was reduced in order to encourage production. Nevertheless, sales tax revenue in 1968 increased by 81% and amounted to Rp. 4,103 million. In connection with the efforts to increase domestic production, a new tax was also introduced with effect from April 1968, viz. the import sales tax. Receipts on account of import sales tax amounted to Rp. 6,035 million in 1968.

Receipts from excise increased from Rp. 7,657 million in 1967 to Rp. 16,566 million in 1968 and therefore approached the budget ,estimate. Tobacco excise accounted for the major part of total excise receipts, since Rp. 14,178 million out of total excise receipts in 1968 originated from tobacco excise. Effective April 1968 the rate of tobacco excise was reduced by 30% on the average. The said reduction brought about an increase in cigarette production, and excise receipts increased accordingly. Intensified collection also contributed to the increase in excise receipts.

Receipts from import duties increased by Rp. 20,399 million or 121% in 1968 which was however, below the budget estimate. The reasons for the shortfall were

the successive increases in the customs valuation rate during 1968 as well as the reduction or the exemption of import duties on essential and semi-essential goods for the domestic industry which was introduced for protective reasons.

The performance of export tax receipts in 1968 which amounted to Rp. 13,923 million was satisfactory, considering that since October 1968 the export tax on Category A export was reduced from 15% to 5%.

Net petroleum profit increased substantially, i.e. from Rp. 78 million in 1967 to Rp. 7,743 million in 1968, mainly on account of an increase in the sales price of gasoline from Rp. 4 to Rp. 16 per litter effective April 24, 1968. Net petroleum profit is the margin between the sales price of petroleum products and the costs of production inclusive of marketing costs. The amount of net petroleum profit also included sales tax and excise on petroleum products.

The item "other indirect taxes" contained stamp duty, transfer tax and auction free. The amount of other indirect tax receipts (Rp. 3,224 million in 1968) included Rp. 2,102 million on account of stamp duty. It should further be noted that pursuant to Act No. 10 of 1968, effective September 1, 1968, receipts from transfer tax on motorized vehicles were made at the disposal of the provincial governments.

Non-tax revenue amounted to Rp. 3,653 million in 1968. Part of it consisted of administrative income such as administrative fines and reclamation of public property to an amount of Rp. 3,653 million and another part consisted of profit from Government participation in enterprises such as net profit from state enterprises and state banks to an amount of Rp. 1,096 million.

Actual development receipts, i.e. foreign aid counterpart funds amounted to Rp. 35,536 million which was in accordance with the budget estimate.

Government cash deficit

The Government cash deficit is the balance of Government receipts over payments, after allowing for movements in net Government debt and movements in Treasury notes and bills with the private sector. In this context should be noted that the movement of net foreign aid receipts has been accounted for in the budget receipts.

As reported in Table 7, the Government cash deficit in 1968 amounted to Rp. 2,881 million. Compared with 1967 when the Government cash deficit was Rp.

TABLE 7 — GOVERNMENT CASH DEFICIT AND ITS FINANCING (in million Rupiahs)		
	1967 *)	1968
<i>COMPUTATION OF CASH DEFICIT</i>		
Balance of Government receipts over payments (deficit = —)	— 2,655	—
Balance of unaccounted Government receipts over payments (deficit = —)	— 9,033	— 2,863
Net borrowing in domestic capital market (increase = +)	— 18	— 18
Movements in treasury notes and bills with private sector (increase = +)	+ 6	—
Cash deficit (—)	— 11,700	— 2,881
<i>FINANCING OF CASH DEFICIT</i>		
Advances from Bank Negara Indonesia Unit I (increase = +)	+ 14,920	+ 6,587
Movements in treasury notes and bills with banks (increase = +)	— 6	—
Movements in bank-notes with treasuries (increase = —)	— 852	— 1,326
Movements in balances on other Government accounts with banks (increase = —)	— 2,362	— 2,380
Total financing	+ 11,700	+ 2,881
*) Revised figures.		

Source : Department of Finance.

11,700 million, the amount of 1968 was far lower, i.e. approximately one fourth of the 1967 amount.

As indicated earlier, in 1968 the Government successfully implemented the balanced budget policy. The said cash deficit of the Government was a consequence of Government receipts and payments which were unaccounted for at the end of the year as well as of movements in the amount of net borrowings in the domestic market to an amount of Rp. 2,863 million and Rp. 18 million respectively.

The Government cash deficit of 1968 was wholly financed with advances from Bank Negara Indonesia Unit I. During 1968, advances from Bank Negara Indonesia Unit I increased by Rp. 6,587 million (after allowance has been made for the balance on Government compensable account). Moreover, banknotes with treasuries and balances on Government accounts with banks increased by Rp. 1,326 million and Rp. 2,380 million, respectively. The increase in the amount of banknotes with treasuries as well as the increase in balances on government accounts with banks were therefore partly enabled by the increase in Bank Negara Indonesia Unit I advances to the Government

Government domestic debt

Although Government domestic debt continued to increase in 1968, the rate of increase was far lower than during the preceding years. Movements in the Government domestic debt position are reported in Table 8.

Government domestic debt outstanding increased from Rp. 34,221 million at the end of 1967 to Rp. 40,790 million at the end of 1968 (i.e. + Rp. 6,569 million). Short-term Government debt outstanding increased by Rp. 6,587 million, whereas long-term Government debt outstanding declined by Rp. 18 million. Short-term Government debt contained advances from Bank Negara Indonesia Unit I and amounted to Rp. 40,298 million at the end of 1968 (after allowing for the balance on compensable Government account). The increase in the said advance from

TABLE 8 — GOVERNMENT DOMESTIC DEBT (in million Rupiahs)				
End of	Long-term debt	Short-term debt	Total	Movements
1966	528	18,792	19,320	+ 16,583
1967	510	33,711	34,221	+ 14,901
1968	492	40,298	40,790	+ 6,569

Source : Department of Finance.

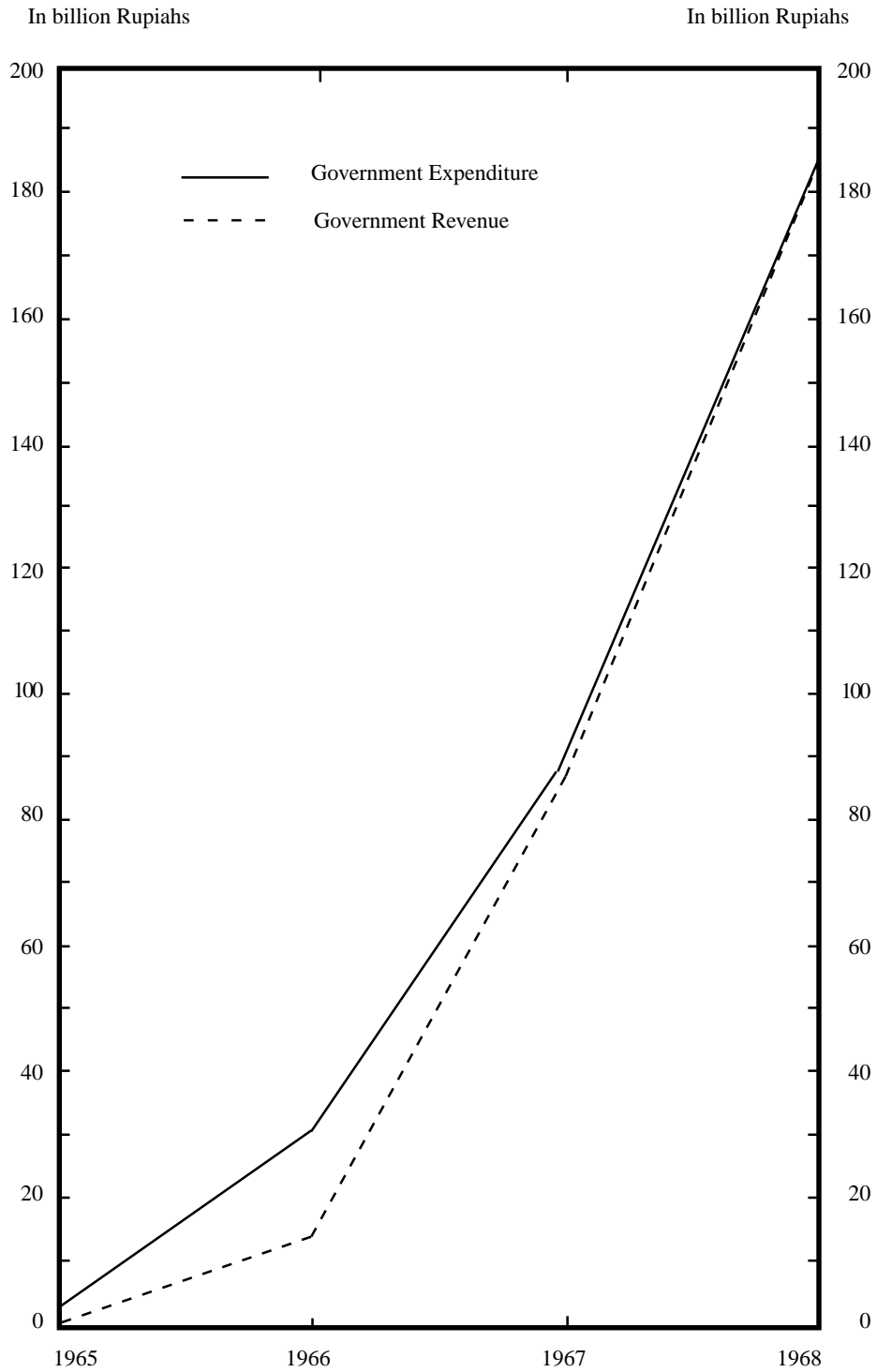
Bank Negara Indonesia Unit I was required for the financing of Government cash deficit.

As revealed in Table 9, the decline in long-term Government debt to an amount of Rp. 18 million was primarily caused by repayments for instalments of the 3 1/2% 1959 loan against blocked accounts and of 6% 1959 lottery bonds to amounts of Rp. 9 million and Rp. 5 million, respectively. At the end of 1968 the short-term debt of the Government amounted to Rp. 492 million, the major part of which consisted of the 3 1/2% 1959 loan against blocked accounts.

TABLE 9 — LONG-TERM GOVERNMENT DEBT (in million Rupiahs)				
		1966	1967	1968
1	3% 1950 R.I. Loan	92	92	92
2	Bank Indonesia	3	3	3
3	3 1/2% 1959 Loan against blocked accounts	337	328	319
4	6% 1959 Lottery bonds	74	69	64
5	15% 1964 Confrontation loan	—	—	—
6	6% 1965 Development Loan	1	1	1
7	3% former BIN bonds 1969	2	2	1
8	3% former BIN bonds 1970	3	2	2
9	3% former BIN bonds 1971	4	3	2
10	5 1/2% former BIN bonds 1972	6	5	4
11	5 1/2% former BIN bonds 1974	6	5	4
Total :		528	510	492

Source : Department of Finance

CHART I — BUDGET EXECUTION



III. BANKING

Introduction

The report for the financial year of 1966/1967 mentioned that in the interest of the public financial system in general and control of the banking system in particular, pursuant to article 55 of Decision No. XXIII/MPRS/1966 of the Provisional People's Consultative Congress the Government submitted 8 Bills to Parliament vis. one Bill concerning Principal Regulations on Banking, one Bill concerning Central Banking, and six Bills concerning the establishment of the other state banks.

At the end of 1967 only the Bill concerning Principal Regulations on Banking was ratified. The President promulgated the said Bill into Act No. 14 of 1967 concerning Principal Regulations on Banking. By Decision of the Minister of Finance No. Kep. 01/M/IV/1968 dated January 10, 1968 the Act was declared effective as of January 1, 1968.

Discussions of the other Bills continued in 1968; in December 1968 all the Bills were finally ratified and promulgated by the President into the following Acts:

1. Act No. 13 of 1968 concerning Central Banking;
2. Act No. 17 of 1968 concerning Bank Negara Indonesia 1946;
3. Act No. 18 of 1968 concerning Bank Dagang Negara;
4. Act No. 19 of 1968 concerning Bank Bumi Daya;
5. Act No. 20 of 1968 concerning Bank Tabungan Negara;
6. Act No. 21 of 1968 concerning Bank Rakjat Indonesia;
7. Act No. 22 of 1968 concerning Bank Ekspor Impor Indonesia.

By Decision of the Minister of Finance No. KEP. 600/M/IV/12/1968 dated December 18, 1968, the effective date of the above mentioned Acts was deter-

minated at December 31, 1968. On the basis of the said Acts, the state banks which until then were merged into Bank Negara Indonesia, became independent state banks as of December 31, 1968.

The promulgating of Act No. 14 of 1967 concerning Principal Regulations on Banking and Act No. 13 of 1968 concerning Central Banking provided a new basis for the banking regulations in Indonesia according to the spirit and meaning of Decision No. XXIII /MPRS/1966 of the Provisional People's Consultative Congress.

Unlike the system of guided democracy and guided economy which eventually resulted in control and regulation of the economy by the Government, the new basis was designed to develop Indonesia's economic system according to the "Pantja Sila" which ensures the continued existence of economic democracy providing for maximum utilization of the people's potentials, initiatives and creative power within publicly acceptable limits. Therefore, Act No. 14 of 1967 provides for the development of Indonesia's banking system along the following lines:

- a. it should be an integrated system so as to ensure coordination with respect to the management of banks in Indonesia and to ensure the implementation of the Government monetary policy in the field of banking to the best possible effect;
- b. it should mobilize and develop the total national potential of the banking sector on the basis of democratic economic principles;
- c. should divert and utilize such potential to improve the economy for the benefit of the people.

The said Act further explained that Indonesia's banking system should be so organized as to enable the Central Bank to supervise the implementation of the Government monetary policy by the banks as well as to control and to direct the whole banking system.

Therefore, in the new banking system all banks, i.e. commercial banks, savings banks, development banks, rural banks, paddy banks as well as other secondary banks either established as corporate bodies with limited liability or as cooperatives, would be supervised and directed by the Central Bank in order to have a coordinated system under the supervision and guidance of a single institution.

Act No. 14 of 1967 also determined that private banks be accorded the same treatment as state banks, and would no longer be regarded as complementary institutions; the Act also provided for the establishment of foreign banks and joint banks in Indonesia.

The Central Banking Act provided for the establishment of a Monetary Council. Unlike in the former system, the Monetary Council in a Government which is established on the basis of the 1945 Constitution is not authorized to determine the monetary policy of the Government since it is the President who is responsible for the policy of the Government. Therefore, according to Act No. 13 of 1968 the duties of the Monetary Council are to assist the Government in the planning and determination of the monetary policy by submission of directives designed to achieve monetary stability, full employment and an increase in the standard of living of the people; it should also govern and coordinate the implementation of the monetary policy as determined by the Government. The Monetary Council shall be composed of 3 members, viz. the Ministers responsible for finances and economics and the Governor of the Central Bank; the Monetary Council will be presided over by the Minister of Finance. If considered necessary, the Government may add other Ministers to the Monetary Council as advisory members.

Since the Governor of the Central Bank is a member of the Monetary Council, the Central Bank participates in the discussions and recommendations on monetary policy for submission to the Government, i.e. the President. The Governor of the Central Bank has moreover a special position in the Monetary Council, since he is permitted to give his opinion to the Government when he cannot be in agreement with the outcome of the deliberations in the Monetary Council. The

Government will therefore have additional data on which to base its monetary policy on more objective and rational terms.

According to the presently effective Act on Central Banking the Governor of the Central Bank is no Deputy chairman of the Monetary Council. The Monetary Council is an independent body and is not the highest authority in the Central Bank. Since it shall also govern and coordinate the implementation of the monetary policy as determined by the Government, the Monetary Council may provide directives and issue regulations to serve as a basis for the monetary policy to be implemented by the Central Bank as well as by the Departments involved in the implementation of monetary policy.

The Board of Directors shall assist the Government in the following matters :

- a. to regulate, safeguard and maintain the stability of the value of the Rupiah;
- b. to accelerate production and development as well as to expand employment opportunities.

With respect to the implementation of its duties, the Board of Directors should adhere to the directives as well as to the regulations of the Monetary Council.

So much for the main particulars of the Act which need be mentioned in this context. The complete texts of Act No 14 of 1967 concerning Principal Regulations on Banking and Act No. 13 of 1968 concerning Central Banking are contained in Appendix E and F of this report.

In 1968 a number of Acts regulations and provisions in the field of banking then in effect were amended after the promulgation of Act No. 14 of 1970.

Government Regulation No. 3 of 1968 concerning Foreign Banks and Decision of the Minister of Finance No. Kep. 034/MK/IV/2/1968 concerning location, operations as well as procedure to apply for a licence as foreign bank were prom-

ulgated pursuant to article 19 of Act No. 14 of 1967. Government Regulation No. 3 inter alia contains provisions regarding the permissible legal forms of foreign banks, capital, personnel and right to transfer.

Foreign banks conducting business in the field of commercial banking may only be established as: a branch office of an existing bank whose head office is situated outside Indonesia, or as a joint enterprise between a foreign bank and a national bank and be established as an Indonesian legal entity with limited liability. Foreign banks which are established as a branch office of an existing bank whose head office is situated outside Indonesia are required to pay into the Foreign Exchange Fund account an amount of not less than US\$. 1,000,000.— the Rupiah countervalue of which will be used as an operating fund of the aforesaid branch. Fifty per cent of the said amount must be paid into the Foreign Exchange Fund account before the operating permit is granted to the bank, whereas the balance shall be paid not later than 1 (one) year after the date of issue of the operating permit.

The foreign party participating in a joint bank must pay into the Foreign Exchange Fund account an amount of not less than US\$. 500,000.—, the Rupiah countervalue of which will be his share in the paid-up capital. Fifty per cent of the said amount must be paid into the Foreign Exchange Fund account before the operating permit is granted to the bank, whereas the balance shall be paid not later than 1 (one) year after the date of issue of the operating permit.

Foreign banks are also permitted to be engaged in development banking; however, such banks should be a joint enterprise between a foreign bank and a national bank and be established as an Indonesian legal entity with limited liability. The amount of US\$. 1,000,000.— is to be paid by the foreign participant according to the same percentages and subject to the same procedure as applicable to joint banks engaged in commercial banking. The percentage to be paid by the Indonesian participant is likewise subject to the same provision.

Besides compliance with the requirements on capital as referred to above, foreign banks are requested to employ Indonesian nationals in so far as possible,

and are required to train and educate Indonesian employees in or outside Indonesia or to provide facilities for such training.

Foreign banks have the right to transfer profits and dividends as well as for costs in connection with foreign employees stationed in Indonesia, whereas repatriation of capital is only permitted after the banks cease to operate in Indonesia.

Besides, pursuant to Decision No. KEP. 034/MK/IV/271968 of the Minister of Finance foreign banks engaged in commercial banking business may only operate and be established in Djakarta, whereas foreign banks engaged in development banking may be established in Djakarta as well as in other cities where there is an actual need for such banks. Foreign banks engaged in commercial banking business are moreover not permitted to accept savings deposits.

In 1967 a forum of banks was established and given the name of “Badan Musjawarah Perbankan” (BMP = Consulting Body of Banks) which was designed to achieve a sound and orderly banking system as well as to assist the Government in the field of economics and finance. In line with the contents and purpose of article 47 of the 1967 Banking Act on September 14, 1968 the chairman of BMP issued Decision No. 1/BMP/ 1968 regarding the establishment of a Team for Formulation of Provisions and Procedures Governing the Establishment of Banks. The Team was composed of members from the Department of Finance, the Central Bank, state banks, local development banks and PERBANAS (i.e. the Association of National Private Banks). The Team was to formulate provisions and procedures with regard to the establishment of commercial banks, savings banks as well as private development banks for consideration by the Government through the Central Bank. During the year under report the Team completed the formulation of such provisions and procedures.

On the basis of the Team’s recommendations, the Minister of Finance issued Decision No. 603/M/IV/12/1968 of December 18, 1968, which became effective on January 1, 1969.

The aforesaid Decision of the Minister of Finance prescribed that banks may only be established in provinces where there is a need for more banks, such banks should moreover comply with specific conditions e.g. with respect to capital, legal form and form of ownership, management, personnel as well as equipment which are a minimum requirement of a bank.

Requirements of capital to be fulfilled in connection with the establishment of banks vary according to their type and location. The minimum amounts of paid-up capital specified according to location and type of bank are reported in the table below:

<p style="text-align: center;">Paid up capital (in million Rupiahs)</p>			
	<i>Commercial Banks</i>	<i>Savings Banks</i>	<i>Development Banks</i>
1. Djakarta Raya	50	25	50
2. Bandung, Semarang, Surabaya, Medan, Palembang, Makassar	50	25	50
3. Jogjakarta, Solo, Tjirebon, Malang, Padang, Telukbetung, Tandjungkarang, Bandjarmasin, Pontianak, Menado and capital cities of provinces not included in categories 1 and 2 above	20	10	20
4. Other cities	10	5	10

Provisions on legal form and form of ownership inter alia prescribed that private banks be established as legal bodies with limited liability of which all shares should be registered shares. Shareholders must all be Indonesian nationals and/or legal bodies managed and owned by Indonesian nationals.

As mentioned in the previous report, a Bill for the amendment of the effective Act No. 13 of 1962 concerning Local Development Banks was submitted to Par-

liament. Pending the promulgation of the new Act, the Local Development Banks were permitted to extend their operations to commercial banking business, i.e. accept moneys on current account and deal in short term credit operations.

Development of rural banks and paddy banks enjoy priority on the basis of Decision No. EKUIN/320/Pd/68 dated April 3, 1968, of the State Minister of Economics, Finance and Industry. According to article 2 paragraph 2 of the 1967 Banking Act the status and the duties of rural banks, paddy banks, market banks, personnel banks and other similar banks will be regulated on the basis of this Act. In this context should finally be mentioned that by Presidential Instruction No. 24 of 1968 of August 12, 1968 and by Decision of the Minister of Home Affairs No. SD/11/5/16-14 of September 9, 1968, a Committee was established for the drafting of a Village Bank and a Paddy Bank Act.

Development of Banking Institutions

A few changes were introduced in the Indonesian banking system, following the promulgation of the Banking Act, the Central Banking Act and the Acts on the establishment of state banks as well as the promulgation of Government regulations governing procedure and conditions concerning the establishment of foreign banks.

On the basis of ownership, 5 categories of banks may be distinguished in Indonesia, i.e. state banks, national private banks, private foreign banks, banks jointly owned by local governments and private sector, and banks jointly owned by Indonesian nationals and foreigners.

As far as their function is concerned, however, the banks may distinguished into:

- a. the Central Bank,
- b. commercial banks,
- c. savings banks,

- d. development banks,
- e. other secondary banks, i.e. village banks, paddy banks, market banks, employees banks, cooperative banks and other banks similar to those.

Central Bank

According to Act No. 13 of 1968, Bank Indonesia as the Central Bank should cease its commercial operations. The transfer of such operations actually started in the middle of 1968 except, by lack of other banks, with regard to the branch offices in Irian. The transfer of commercial activities in West Irians West should therefore be effected in such a manner so as not to disturb financial and economic activities in West Irian. In this context Government Regulation No. 40 of 1968 was issued which prescribed the gradual transfer of commercial operations by Bank Indonesia's branch offices in West Irian. The regulation further mentioned that the process of transfer should have been completed not later than the end of 1969. Preparations for the transfer were made and Bank Ekspor Impor Indonesia was designated to take over the commercial operations of Bank Indonesia's branch offices in West Irian. Bank Indonesia's branch office in Djajapura would continue to exist; its commercial operations, however, would be transferred to a branch office of Bank Ekspor Impor Indonesia which was as yet to be established. The branch offices of the Central Bank which were located in Biak, Sorong, Manokwari and Merauke would be closed down and wholly be taken over by the aforementioned bank on September 1, 1969 or not later than the end of 1969.

Besides transfer of commercial operations, during the year under report the Central Bank opened 2 branch offices in Denpasar (Province of Bali) and Kendari (Province of South East Sulawesi), respectively, as well as 2 representative offices, i.e. in Singapore and Kuala Lumpur (Malaysia). With inclusion of the newly opened branch/representative offices, at the end of 1968 the Central Bank had 32 branch offices in Indonesia and 5 representative offices abroad. Meanwhile, preparations were initiated for the opening of branch offices in Bengkulu (Province of Bengkulu) and Palu (Central Sulawesi). Preparations for opening of a branch of-

TABLE 10 — NUMBER OF OFFICES OF STATE - OWNED COMMERCIAL BANKS
(BY PROVINCE)

	End of 1967						End of 1968					
	Bank Negara Indonesia Unit II		Bank Negara Indonesia Unit III	Bank Negara Indonesia Unit IV	Bank Dagang Negara	Total	Bank Negara Indonesia Unit II		Bank Negara Indonesia Unit III	Bank Negara Indonesia Unit IV	Bank Dagang Negara	Total
	Rural	Export- Import					Rural	Export- Import				
1. Atjeh	7	—	11	—	4	22	7	—	11	—	4	22
2. North Sumatra	10	1	13	4	4	32	10	1	13	5	4	33
3. West Sumatra	5	1	25	1	1	33	6	1	25 ²⁾	1	1	34
4. Riau	7	1	13	1	1	23	7	1	11	1	1	21
5. Djambi	3	1	7	1	2	14	4	1	6	1	1	13
6. Bengkulu	3	—	—	—	—	3	3	—	—	—	—	3
7. South Sumatra	11	1	5	1	3	21	11	1	5	2	3	22
8. Lampung	3	1	4	1	1	10	3	1	4	1	1	10
9. Djakarta Raya	8	2	41	5	4	60	8	3	40	8	4	63
10. West Djawa	28	2	47	4	3	84	28	2	45	4	2	81
11. Central Djawa	35	2	45	2	3	87	36	2	39	3	4	84
12. Jogjakarta	6	—	7	—	—	13	6	—	6 ¹⁾	—	—	12
13. East Djawa	30	3	23	6	5	67	30	3	22	6	3	64
14. Bali	8	1	5	—	—	14	8	1	5	1	1	16
15. West Nusatenggara	5	—	4	—	—	9	5	—	3 ¹⁾	—	—	8
16. East Nusatenggara	6	2	—	—	1	9	6	—	—	—	1	7
17. West Kalimantan	2	—	7	1	1	11	2	2	6	1	1	12
18. Central Kalimantan	3	—	8	—	2	13	3	1	5	—	2	10
19. South Kalimantan	10	1	7	1	1	20	10	1	7	1	1	20
20. East Kalimantan	4	—	5	—	1	10	3	—	4	—	1	8
21. North Sulawesi	7	1	8	1	6	23	7	1	8	1	6	23
22. Central Sulawesi	4	—	3	—	3	10	4	—	3	—	3	10
23. South Sulawesi	9	1	12	1	1	24	9	1	12	1	1	24
24. South East Sulawesi	1	—	4	—	—	5	1	—	4	—	—	5
25. Maluku	2	—	4	—	1	7	2	—	3	—	1	6
26. West Irian	—	—	—	—	—	—	—	—	—	—	—	—
Total	217	21	308	30	48	624	219	22	287	37	46	611

¹⁾ One sub-branch office closed; however, revocation of operating permit still under consideration.

²⁾ Three sub-branch offices closed; however, revocation of business permit still under consideration.

fice in Palangka Raya would be started in due course, each province would then have a branch office of the Central Bank

State Commercial Banks

As explained before, the state banks which had been merged into Bank Negara Indonesia became independent banks as of December 1968 in the basis of Acts. In this context should be mentioned that Bank Dagang Negara which had not been merged into Bank Negara Indonesia, continued its operations under the same name based upon its new Act. Moreover, pursuant to Acts No. 21 and 22 of 1968, on December 31, 1968, Bank Rakjat Indonesia shall transfer the rights and obligations as well as the property and acquisitions of the former Bank Negara Indonesia Unit II (Ekspor-Import) to Bank Ekspor Import Indonesia.

In accordance with the national order of priorities as determined in Decision No. XXIII/MPRS/1966 of the Provisional People's Consultative Congress, each of the state banks should give priority to certain activities in the context of their credit operations. This measure was designed to increase productive capacity and to meet the demand for credits of farmers, fishermen and small-scale industry. Besides commercial banking activities, each bank should grant credits to the following sectors in particular:

1. Bank Negara Indonesia 1946: industry;
2. Bank Dagang Negara: mining;
3. Bank Bumi Daya : estate agriculture and forestry;
4. Bank Rakjat Indonesia: cooperative, farmers and fishermen;
5. Bank Ekspor Import Indonesia: production, processing and marketing of export commodities.

The designation in respect of credit operations is flexible and would be implemented by the banks in accordance with their ability. This means that credits to a particular sector may be granted by more than one state bank.

The location of the offices of state commercial banks all over Indonesia specified by province is reported in Table 10. The number of offices was reduced by 13 in 1968, making the total 611 at the end of the year. The reduction was the result of the opening of branch offices and the closing of some others, viz:

	<i>Number of branch offices opened</i>	<i>Number of branch offices closed</i>
B.N.I. Unit II—Rural	3	1
B.N.I. Unit II—Ekspor Impor	1 *)	—
B.N.I. Unit III	—	21
B.N.I. Unit IV	7	—
Bank Dagang Negara	2	4**)

*) Permission granted for 4 offices, only was opened,

***) In the report for 1966/1967 included in the list of offices to be opened; the opening, however, was cancelled

Besides branch offices in Indonesia, Bank Negara Indonesia Unit II had branch offices abroad, i.e. in Hongkong and in Singapore. The Minister of Finance approved the opening of a branch office in Tokyo also; which, however, at the end of 1968 was not yet opened.

National private commercial banks

The conditions for the establishment of private bank (inclusive of their branch offices) as stipulated in Decision No. 020/SK/DUPBMS/1966 of the Deputy Minister of Control of Private Banks and Capital were considered incompatible with the then prevailing conditions. Therefore, the Minister of Finance, c.q. the Director of Banking, in his letter No. D.15.6.1.2.25. of March 25, 1968, established the policy that for the time being—i.e. as of November 1967 until about the end of the

TABLE 11 — NUMBER OF OFFICES OF PRIVATE COMMERCIAL BANKS (BY PROVINCE)						
	1 9 6 7			1 9 6 8		
	Head offices	Branch offices	Total	Head offices	Branch offices	Total
1. Atjeh	—	4	4	—	4	4
2. North Sumatra	9	16	25	10	14	24
3. West Sumatra	2	5	7	2	6	8
4. Riau	—	—	—	—	—	—
5. Djambi	—	1	1	—	1	1
6. South Sumatra	2	3	5	1	3	4
7. Bengkulu	—	—	—	—	—	—
8. Lampung	2	5	7	2	4	6
9. Djakarta Raya	58	31	89	61	27	88
10. West Djawa	17	14	31	15	16	31
11. Central Djawa	7	27	34	8	26	34
12. Jogjakarta	2	4	6	2	4	6
13. East Djawa	7	34	41	6	33	39
14. West Kalimantan	1	3	4	1	3	4
15. Central Kalimantan	—	7	7	—	7	7
16. East Kalimantan	1	4	5	1	4	5
17. South Kalimantan	4	2	6	4	2	6
18. North Sulawesi	3	8	11	3	8	11
19. Central Sulawesi	—	4	4	—	4	4
20. South Sulawesi	5	7	12	5	4	9
21. South East Sulawesi	—	2	2	—	2	2
22. Bali	1	2	3	1	2	3
23. West Nusatenggara	—	1	1	—	—	—
24. East Nusatenggara	—	1	1	—	1	1
25. Maluku	—	2	2	—	2	2
26. West Irian	—	—	—	—	—	—
Total	121	187	308	122	177	299

first half of 1968—applications for the establishment of new private commercial banks as well as of their branch offices would not be taken into consideration. An exception was made for applications which had been approved in principle before the said Decision of the Minister of Finance was issued.

In 1968, operating permits were issued for 7 new national private commercial banks and 2 branch offices out of the number of applications that had been approved in principle. Besides, in the course of 1968, 5 head offices and 12 branch offices of national private commercial banks were closed down.

The 1967 Banking Act also provided for joint banks to be established between a foreign bank and an Indonesian bank as a limited liability company incorporated under the Indonesian law. By virtue of this provision, one national private bank became a joint bank in August 1968, it was thenceforth classified as a foreign bank and subject to the regulations governing foreign banks.

The development and location of national private commercial banks is reported in Table 11. As a consequence of the changes referred to above, at the end of 1968 there were 122 head offices and 177 branch offices of national private commercial banks in Indonesia. Out of this total, the number of 3 foreign exchange banks with inclusion of their 21 branch offices remained unchanged in 1968.

Foreign banks

The 1966/1961 Annual Report mentioned the permissions in principle which were granted to 11 foreign banks for the opening of branch offices in Djakarta. The regulation of the legal aspects in respect of the opening of branch offices of foreign banks as well as the establishment of joint banks in Indonesia was supplemented by Government Regulation No. 3 of 1968 concerning Foreign Banks and Decision No. KEP. 034/MK/IV/ 2/1968 of the Minister of Finance regarding territory of operations, field of activities and procedure governing the application for permits. Consequently, in 1968 the opening of 8 branch offices of foreign banks inclusive of their 3 sub branch offices and of 6 representative offices of banks was approved. Besides, in 1968 approval in principle was also given for the opening of 3 branch offices of other foreign banks.

Development banks

There are still three types of development banks in Indonesia, i.e.

- the state-owned development Bank (Bank Pembangunan Indonesia):

- the privately owned development bank;
- development banks owned by Local Government or jointly owned by Local Governments and private individuals (Local Development Banks) .

In 1968 the number of development bank offices remained unchanged. At the end of 1968 there were still 23 Local Development Banks with 28 branch offices.

Savings banks

Savings banks operating in Indonesia may be distinguished into the state owned savings bank (i.e. Bank Negara Indonesia Unit V) and the privately owned savings banks. As of the effective date of Act No. 20 of 1968 concerning Bank Tabungan Negara as referred to before, Bank Negara Indonesia Unit V which was part of Bank Negara Indonesia became Bank Tabungan Negara. The Act determined that the duties and operations of Bank Tabungan Negara be directed towards improvement of the social economy and towards national economic development through the attraction of funds from the society primarily in the form of savings.

Until the end of 1968 the number of Bank Negara Indonesia Unit V offices remained unchanged and was made up of one head office and 7 branch offices. The operation permit of one private savings bank was revoked in 1968 and consequently at the end of 1968 there were 11 head offices and 10 branch offices of private savings banks.

Other secondary banks

Other secondary banks in this context include:

- village banks;
- paddy banks;
- market banks;
- employees banks;

- cooperative banks;
- other banks of a similar type, or comparable to those mentioned above.

TABLE 12 --- NUMBER OF SECONDARY BANKS		
	1967	1968 *)
1. Village banks	3,917	3,149
2. Paddy banks (lumbung desa)	2,854	2,393
3. Market banks	8	131
4. Cooperative banks	—	94
5. Personnel banks	—	1
6. Other similar banks	—	—
T o t a l	6,779	5,768
*) Provisional figures.		

Source: Bank Negara Indonesia Units I and II.

In connection with the implementation of the 1967 Banking Act, a census of secondary banks was completed in 1968. As revealed in Table 12 the number of such banks in Indonesia decreased by 1010 in 1968. The number of other secondary banks as per the end of 1968 was 5,768, specified into 5,542 village banks and paddy banks, 131 market banks, 94 cooperative banks and 1 employees bank. In 1968 the number of village banks and paddy banks decreased by 768 and 461, respectively, since they only referred to village banks and paddy banks actually in operation. The number of the latter varies depending upon the harvest season. On the other hand, on account of more comprehensive data the number of market banks, cooperative banks and employees banks in 1968 increased by 123,94 and 1, respectively. It should be added that the number of market banks and cooperative banks shown in the table referred to above includes those of which the establishment was not yet based upon permission from the Minister of Finance.

Supervision and guidance of banks

The measures taken in 1968 for the regulation and guidance of banks were a continuation and an improvement of those taken in previous years.

On April :15, 1968, the Consulting Body of Banks (BMP = Badan Musjawarah Perbankan) established in 1967 was inaugurated by the Governor of the Central Bank as the social institute in the field of banking. The inauguration was an implementation of article 47 of the 1967 Banking Act. The Central Bank would confer and consult with this Body concerning various problems in the field of banking.

The previous annual report mentioned that until the end of 1967, 20 regional BMPs were established in the operation areas- of the Central Bank's branch offices. In the course of 1968; -7 regional BMPs were established, making a total of 27 at the end of 1968. Therefore, with the exception of West Irian, regional BMPs were established in each operation area of the Central Bank's branch offices.

In 1968, BMP established two teams, i.e. a Clearing Team and a Banking Team. The Clearing Team should draft a clearing regulation for substitution of the one currently in effect. The Banking Team should approach the chairman of the Supreme Court, the Department of Justice as well as other relevant official institutions to discuss civil lawsuits in the field of banking and to attempt to accelerate their settlement.

In an effort to solve the problems of particular banks, both in Djakarta and in the provinces, a series of meetings was held between the management of the Central Bank and the management of the respective banks. Both parties provided details of the problems encountered by the banks and, insofar as possible, jointly formulated solutions. The banks were also provided with directives and advice to improve their condition. Moreover, they were recommended to appoint an auditor for audit and survey in order to provide their board of directors with a basis for the introduction of ameliorative steps.

In order to increase the standard as well as the ability of management and employees of the banks, upgrading courses were held in 1968 in the context of cooperation between PERBANAS (Association of National Banks), the banks concerned and Bank Indonesia.

In 1968 the Central Bank intensified both routine and special examinations in connection with the increasing number of contraventions in respect of cash ratio and required deposit with the Central Bank. On the basis of the outcome recommendations were made and, where necessary, the Central Bank would also offer financial assistance in the form of liquidity credits on certain conditions. As a result of the measures mentioned above, the financial position of the banks could gradually be improved.

In the context of guidance and control, in 1968 the Central Bank issued a number of circular letters to the banks, inter alia regarding changes in regulations in respect of cash ratio and methods of control to be exercised by the council of commissioners of the banks concerned.

Payments transactions by checks

During 1968, efforts to promote payments transactions by checks were intensified; the basis for such efforts was laid in 1967 and before. Inter-bank balances were cleared through the head office of the Central Bank in Djakarta as well as through some of the branch offices, depending upon the circumstances in the province concerned. In towns with only a few banks and a small number of transactions, however, individual balances were centrally settled. At the end of 1968 inter-bank balances were cleared in 17 towns and individual balances were centrally settled in 9 towns.

The figures on the clearing of interbank balances in Djakarta reported in Table 13 reveal that the volume of clearing transactions—both with regard to number

TABLE 13 — CLEARING TRANSACTIONS		
	1967	1968
Number of participating banks	109	124
Number of days on which clearing transactions were effected	221	297
Total clearing transactions		
— Number of instruments	3,823,731	4,162,450
— Nominal value (Rp million)	554,560	1,309,286
Daily average of clearing transactions		
— Number of instruments	17,302	14,015
— Nominal value (Rp million)	2,509	4,408

of instruments and with regard to nominal value—increased from 3,823,731 instruments of a nominal value of Rp. 554.6 billion in 1967 to 4,162,450 instruments of a nominal value of Rp. 1,309.3 billion in 1968.

Development of banking activities

State-owned commercial banks

Total assets and liabilities on the consolidated balance sheet of the state-owned commercial banks as reported in Table 14 increased considerably in 1968, i.e. from Rp. 27,514 million at the end of 1967 to Rp. 88,003 million at the end of 1968, which was an increase of Rp. 60,489 million or 220%

The items on the liabilities side which mainly contributed to the increase were Bank Negara Indonesia Unit I, foreign currency of third parties and balances on current account which increased by Rp. 19,695 million, Rp. 15,950 million and Rp. 15,435 million, respectively; the said items contributed 84% to the increase in total liabilities.

TABLE 14 — CONSOLIDATED BALANCE SHEET OF STATE-OWNED COMMERCIAL BANKS
Bank Negara Indonesia Units II, III and IV and Bank Dagang Negara
(in million Rupiahs)

ASSETS			LIABILITIES		
	December 1967	December 1968		December 1967	December 1968
Cash in hand	2,335	5,979	Paid-up capital	1	1
Bank Negara Indonesia Unit I	4,181	6,366	Reserves and profit & loss account	964	4,753
Foreign exchange banks	99	293	Loans	326	1,092
Treasury notes and bills	—	—	Time deposits	193	4,167
Securities	4	176	Balances on current account	15,288	30,723
Domestic drafts	113	81	Bank Negara Indonesia Unit I	4,426	24,121
Loans outstanding	14,694	48,388	Foreign exchange banks	18	35
Drafts payable in foreign exchange	9	16	Drafts payable	227	639
Balances abroad	283	16,539	Guarantee deposits	357	1,013
Participations	7	8	Foreign currency of third parties	267	16,217
Premises and inventory	681	1,977	Other	5,447	5,242
Other	5,108	8,180			
Total	27,514	88,003	Total	27,514	88,003

Source : Balance sheets of state-owned commercial banks.

In 1968, loans from Bank Negara Indonesia Unit I to state-owned commercial banks increased by 445 %, whereas their share in total liabilities increased from 16% at the end of 1967 to 27% at the end of 1968. The sizable increase in loans from Bank Negara Indonesia Unit I to state-owned commercial banks was closely related to the fact that Bank Negara Indonesia Unit I was no longer engaged in commercial operations, and should therefore grant credits through commercial banks. Besides revaluation, the same reason as above contributed to the increase in foreign currency balances of third parties.

The liabilities side of the consolidated balance sheet of state commercial banks, also shows that in 1968 time deposits increased by the significant amount of Rp. 3,974 million which was primarily attributable to the increased interest rate payable by state-owned commercial banks.

The assets side of the consolidated balance sheet reveals that the larger deposits with state-commercial banks in 1968 were mainly used to expand loans which increased by Rp. 33,694 million. An amount of Rp.19,695 million or 85% out of the said increase originated from liquidity credit provided by Bank Negara Indonesia Unit I.

Other items on the assets side which also increased significantly were the items in respect of liquid assets, made up of cash in hand, balances with Bank Negara Indonesia Unit I and net balance with other banks. The said liquid assets increased by Rp. 6,023 million or 91% in 1968, viz, from Rp. 6,597 million at the end of 1967 to Rp. 12,603 million at the end of 1968.

The ratio between liquid assets and liabilities payable on demand declined somewhat for the state commercial banks as a whole, i.e. from 43% at the end of 1961 to 40% at the end of 1968. In 1968 also the banks. The said liquid assets increased by Rp. 6,023 million or 91% in respect of cash ratio and required deposit with Bank Negara Indonesia Unit I.

National private commercial banks

The consolidated balance sheet of national private commercial banks in Table 15 includes the balance sheets of 108 banks in 1967 and 121 banks in 1968.

The liabilities side of the consolidated balance sheet reveals that the principal financial resources of national private commercial banks were balances on current account and time deposits which per end of 1968 amounted to Rp. 6,907 million and Rp. 7,604 million, respectively. The two items accounted for 68% of total liabilities.

Loans amounted to Rp. 8,126 million at the end of 1968 and constituted the major share in investments. Liquid assets, i.e. cash in hand, balances with Bank Negara Indonesia Unit I and net balances with other banks added up to a sizable Rp. 4,474 million.

On the basis of the liquid assets mentioned above, the cash ratio of the national private commercial banks as a whole was 57% per end of 1968. This percentage was higher than the minimum percentage required. However, also in 1968 a few banks frequently contravened the provisions in regard of cash ratio and required deposit with Bank Negara Indonesia Unit I.

Private foreign commercial banks

As reported before, in 1968 eight private foreign commercial banks were opened which were branch offices of foreign banks abroad. Only 5 out of the said 8 banks submitted their balance sheets.

From the consolidated balance sheet of the foreign banks as reported in Table 16, it is evident that by the end of 1968, i.e. only a few months since they started business, the foreign banks had successfully attracted funds from third parties in the form of balances on current and time deposits to amounts of Rp. 1,352 million

TABLE 15 — CONSOLIDATED BALANCE SHEET OF NATIONAL PRIVATE COMMERCIAL BANKS

(in million Rupiahs)

ASSETS							LIABILITIES						
	1 9 6 7			1 9 6 8				1 9 6 7			1 9 6 8		
	Foreign Exchange Banks	Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	Non- Foreign Exchange Banks	Total		Foreign Exchange Banks	Non- Foreign Exchange Banks	Total	Foreign Exchange Banks	Non- Foreign Exchange Banks	Total
Cash in hand	23.2	528.4	551.6	69.6	1,217.6	1,287.2	Paid-up capital	101.1	157.4	257.5	100.1	373.7	473.8
Bank Negara Indonesia Unit I	42.0	710.9	752.9	143.7	2,762.6	2,906.3	Reserves and profit & loss account	15.2	63.2	78.4	44.3	204.7	249.0
Foreign exchange banks	10.1	228.5	238.6	35.7	395.9	431.6	Loans	1.1	141.0	142.1	10.7	152.2	162.9
Treasury notes and bills	0.1	—	0.1	—	—	—	Time deposits	147.3	1,712.8	1,860.1	282.6	6,624.6	6,907.2
Securities	—	12.4	12.4	—	119.1	119.1	Balance on current account	178.4	3,324.5	3,502.9	231.6	7,372.8	7,604.4
Domestic drafts	—	87.8	87.8	0.3	24.6	24.9	Bank Negara Indonesia Unit I	5.0	—	5.0	—	—	—
Loans outstanding	276.4	3,706.8	3,983.2	447.6	8,126.2	8,573.8	Foreign exchange banks	—	354.4	354.4	11.1	140.2	151.2
Drafts payable in foreign exchange	0.9	—	0.9	—	—	—	Drafts payable	1.4	97.6	99.0	7.4	171.8	179.2
Balances abroad	0.2	—	0.2	383.0	—	383.0	Guarantee deposits	32.1	—	32.1	94.0	65.9	159.9
Participations	—	0.8	0.8	—	17.1	17.1	Foreign currency of third parties	—	—	—	380.7	—	380.7
Premises and inventory	149.3	423.4	572.7	153.7	849.2	1,002.9	Other	234.8	1,775.1	2,009.9	212.7	3,226.5	3,439.2
Other	213.2	1,927.0	2,140.2	141.6	4,820.0	4,961.6							
T o t a l	715.4	7,626.0	8,341.4	1,375.2	18,332.3	19,707.5	T o t a l	715.4	7,626.0	8,341.4	1,375.2	18,332.3	19,707.5

Sources : Balance sheets of national private commercial banks.

**TABLE 16 — CONSOLIDATED BALANCE SHEET OF BRANCH OFFICES OF
FOREIGN BANKS OPERATING IN INDONESIA**
(in million Rupiahs)

ASSETS		LIABILITIES	
	December 1968		December 1968
Cash in hand	129.8	Paid up Capital	826.0
Bank Negara Indonesia Unit I	944.7	Reserves and profit & loss account	D 62.1
Foreign exchange banks	529.2	L o a n s	—
Treasury notes and bills	—	Time deposits	614.9
Securities	—	Balances on current account	1,351.8
Domestic drafts	—	Bank Negara Indonesia Unit I	—
Loans outstanding	1,156.7	Foreign exchange banks	78.8
Drafts payable in foreign exchange	0.1	Drafts payable	109.5
Balances abroad	4,847.8	Guarantee deposits	—
Participations	—	Foreign currency of third parties	4,852.2
Premises and inventory	299.3	O t h e r	755.9
O t h e r	619.4		
T o t a l	8,527.0	T o t a l	8,527.0

Source : Balance sheets of branch offices of foreign banks.

and Rp. 615 million, respectively, while other financial sources such as foreign currency balances of third parties and paid up capital amounted to Rp. 4,852 million and Rp. 826 million, respectively.

The amount of capital is part of the banks operating capital after conversion into Rupiahs at the rate determined in Government regulation No. 3 of 1968 concerning foreign banks.

Per the end of 1968 loans granted by the foreign banks amounted Rp. 1,157 million.

The foreign banks liquid assets, i.e. cash in hand, balance with Bank Negara Indonesia Unit I and net balance with other banks amounted to Rp. 1,525 million at the end of 1968. On the basis of the said liquid assets per end of 1968 the cash ratio of the foreign banks was 104%. It therefore means that the foreign banks still had the potential to expand their credit operations.

Development banks

The consolidated balance sheet of BAPINDO, the Private Development Bank and the Local Development Banks is contained in Table 17. Total assets and liabilities which were Rp. 2,386 million at the end of 1967 increased by Rp. 13,902 million or 583% and amounted to Rp. 16,288 million at the end of 1968.

The main items accounting for the increase in total liabilities were loans from Bank Negara Indonesia Unit I, Government participation in capital and balances on current account which increased by Rp. 5,374 million, Rp. 4,775 million and Rp. 2,115 million, respectively.

The whole amount of the loan from Bank Negara Indonesia Unit I was granted to BAPINDO; the increase in the said loan was used for the financing of cotton imports under PL 480 during 1968. Besides, in 1968 BAPINDO received Rp.

TABLE 17 —CONSOLIDATED BALANCE SHEET OF DEVELOPMENT BANKS
(In million Rupiahs)

ASSETS									LIABILITIES								
	1967				1968					1967				1968			
	Development Bank of Indonesia	Private Development Bank	Local Development Banks	Total	Development Bank of Indonesia	Private Development Bank	Local Development Banks	Total		Development Bank of Indonesia	Private Development Bank	Local Development Banks	Total	Development Bank of Indonesia	Private Development Bank	Local Development Banks	Total
Cash in hand	41.8	—	134.2	176.0	185.0	1.5	307.1	493.6	Paid-up Capital	60.0	3.1	20.5	83.6	60.0	4.2	35.4	99.6
Bank Negara Indonesia Unit I	243.5	—	343.4	586.9	1,977.0	—	1,022.5	2,999.5	Reserves	130.7	0.3	24.9	155.9	500.0	0.4	73.4	573.8
Other banks	5.1	6.1	121.6	132.8	—	6.6	162.2	168.8	Loans	0.3	—	3.0	3.3	17.0	—	153.6	170.6
Securities	—	—	—	—	—	—	—	—	Government participation in capital	—	—	—	—	4,775.0	—	—	4,775.0
Domestic drafts	—	—	—	—	—	—	—	—	Time deposits	123.8	4.8	205.0	333.6	457.0	5.9	339.6	802.5
Loans outstanding	668.0	3.7	570.7	1,242.4	10,659.0	9.9	1,348.4	12,017.3	Bank Negara Indonesia Unit I	150.0	—	—	150.0	5,524.0	—	—	5,524.0
Participations	—	—	0.1	0.1	—	—	—	—	Balance on current account	401.8	—	913.9	1,315.7	1,357.0	7.9	2,066.2	3,431.1
Premises and inventory	32.2	0.1	40.4	72.7	140.0	0.1	66.2	206.3	Bank holdings on current account	—	—	2.0	2.0	—	—	—	—
Other	94.1	0.9	79.8	174.8	210.0	4.0	188.2	402.2	Drafts payable	—	—	—	—	—	—	1.1	1.1
									Other	218.1	2.6	120.9	341.6	481.0	3.7	425.3	910.0
Total	1,084.7	10.8	1,290.2	2,385.7	13,171.0	22.1	3,094.6	16,287.7	Total	1,084.7	10.8	1,290.2	2,385.7	13,171.0	22.1	3,094.6	16,287.7

Source : Balance sheets of Development Bank of Indonesia, Private Development Bank and Local

4,774 million from the Government which constituted its share in BAPINDO's capital.

In 1968 there was an increase in balances on current account with BAPINDO as well as with the Local Development Banks. The increase in balances on current account with the Local Development Banks accounted for 64% of the increase in their total liabilities.

The assets side of the consolidated balance sheet shows a significant increase in loans outstanding, i.e. from Rp. 1,242 million at the end of 1967 to Rp. 12,017 million at the end of 1968 which was an increase of Rp. 10,775 million or 867 %. The major part of the increase was for account of BAPINDO due to liquidity credit from Bank Negara Indonesia Unit I and the increase of the Governments share in BAPINDO's capital as mentioned above. The nominal increase in the amount of loans granted by the Local Development Banks was not large; however, compared with the amount at the end of 1967 the increase was 118%.

Besides loans granted, liquid assets, i.e. cash in hand, balance with Bank Negara Indonesia Unit I and net balance with other banks showed a sizable increase. Liquid assets increased from Rp. 896 million at the end of 1967 to Rp. 3,662 million. In 1968 liquid assets therefore increased by Rp. 2,766 million or 309%.

Savings banks

The growth of savings deposits with Bank Negara Indonesia Unit V and with private savings banks is illustrated in Table 18. The said table reveals that total savings deposits per end of 1968 amounted to Rp. 62,185 thousand, i.e. Rp. 48,922 thousand with Bank Negara Indonesia Unit V ;and Rp. 13,263 thousand with private savings banks. Total savings deposits outstanding at the end of 1967 amounted to Rp. 36,926 million, the increase was therefore Rp. 25,259 thousand or 68%.

**TABLE 18 — DEVELOPMENT OF SAVINGS DEPOSITS WITH BANK NEGARA INDONESIA UNIT V ¹⁾
AND PRIVATE SAVINGS BANKS**
(in thousand Rupiahs)

Year	Bank Negara Indonesia Unit V			Private Savings Banks			Total		
	Amount	Increase	%	Amount	Increase	%	Amount	Increase	%
1960	661	173	40	400	88	28	1,061	261	33
1961	828	167	25	488	88	22	1,316	255	24
1962	1,223	395	48	669	181	37	1,892	576	44
1963	1,601	378	31	847	178	27	2,448	556	29
1964	2,015	414	26	1,116	269	32	3,131	683	28
1965	4,292	2,277	111	1,773	657	59	6,065	2,934	92
1966	10,077	5,785	134	4,498	2,725	153	14,575	8,510	140
1967 ²⁾	26,614	16,537	164	10,312	5,814	129	36,926	22,351	153
1968 ³⁾	48,922	22,308	48	13,263	2,951	29	62,185	25,259	68

¹⁾ Excluding West Irian.

²⁾ Revised figures.

³⁾ Provisional figures.

Source : Bank Negara Indonesia Unit V and private savings banks.

TABLE 19 — INVESTMENTS OF BANK NEGARA INDONESIA UNIT V ¹⁾
AND PRIVATE SAVINGS BANKS
(in thousand Rupiahs)

Year	Bank Negara Indonesia Unit V			Private Savings Banks			Total		
	Amount Invested	Increase	%	Amount Invested	Increase	%	Amount Invested	Increase	%
1960	611	113	23	356	132	59	967	245	34
1961	730	119	19	430	74	21	1,160	193	20
1962	1,040	310	42	585	155	36	1,625	465	40
1963	1,243	203	20	771	186	32	2,015	390	24
1964	921	— 322	— 26	1,045	274	35	1,966	— 49	— 2
1965	848	— 73	— 8	1,493	448	43	2,341	375	19
1966	524	— 324	— 38	5,929	4,436	297	6,453	4,112	176
1967 ²⁾	10,745	10,221	1,950	25,807	19,878	335	36,552	30,099	466
1968 ³⁾	9,541	—1,204	— 11	61,737	35,930	139	71,278	71,278	98

¹⁾ Excluding West Irian

²⁾ Revised figures

³⁾ Provisional figures

Source : Bank Negara Indonesia Unit V and private savings banks.

The figures in Table 19 further reveal that in 1968 the investments of Bank Negara Indonesia Unit V declined by Rp. 1,204 thousand (11%), while those of the private development banks increased by Rp. 35,930 thousand or 139%.

The savings deposits with the branch office of Bank Negara Indonesia Unit V in West Irian may still be distinguished into two types, i.e.

1. savings deposits with the former Netherlands Post Office Savings Bank before the liberation of West Irian;
2. savings deposits after the liberation of West Irian.

The development of savings deposits after the liberation of West Irian was as follows:

<i>End of</i>	<i>Savings deposits</i>
1965	IB Rp. 1,621,000
1966	IB Rp. 2,298,000
1967	IB Rp. 2,348,000*)
1968	IB Rp. 971,000
*) Revised	

During 1968, withdrawals of savings deposits ,amounted to IB Rp. 2,373 thousand against Rp. 996 thousand of new deposits. Savings deposits outstanding at the end of 1968 therefore amounted to IB Rp. 971 thousand.

PN Pegadaian (State Pawnshop Enterprise)

Pawnbrooking activities developed as follows in 1968:

1. Number of pawn shops

The number of pawn shops declined by 2, i.e. from 440 at end of 1967 to 438 at the end of 1968.

2. Pawning

In 1968 number of pawns declined by 1 million, i.e. from 7 million pieces at the end of 1967 to 6 million pieces at the end of 1968. Despite the decline in the number of pawns, the amount of loans increased continuously from Rp. 369.5 million in 1967 to Rp. 1,016.9 million. The average loan per pawn was Rp. 169.48 in 1968 against Rp. 52.79 in 1967.

3. Redemptions

In 1968 the number of pawns redeemed was 6 million which was the same as in 1967, whereas repayments increased from Rp. 249.9 million in 1967 to Rp. 932.5 million in 1968. The average repayment per pawn increased from Rp. 41.64 in 1967 to Rp. 155.41 in 1968.

TABLE 20 — STATE PAWNSHOP ENTERPRISE						
Year	Number of Pawnshop	Pawned		Redeemed		Outstanding Loans (Rp millions)
		Articles (millions)	Rupiahs (millions)	Articles (millions)	Rupiahs (millions)	
1954	410	38	1.20	38	1.20	0.40
1955	414	42	1.60	38	1.40	0.60
1956	422	46	2.—	45	1.80	0.70
1957	430	46	2.—	45	2.10	0.70
1958	435	45	2.40	48	2.30	0.80
1959	440	40	3.90	40	3.20	1.50
1960	443	45	9.—	39	6.10	4.40
1961	443	49	12.20	47	11.—	5.60
1962	442	47	24.70	52	20.30	10.—
1963	443	49	33.80	45	30.60	13.30
1964	445	47	54.—	54	48.70	18.50
1965	444	40	148.40	44	138.90	28.—
1966	444	23	235.20	28	209.90	53.40
1967	440	7	369.50	6	249.90	173.10
1968	438	6	1,016.90	6	932.50	257.40

Source: State Pawnshop Enterprise.

4. Outstanding loans

The balance of loans outstanding increased from Rp. 173.1 million at the end of 1967 to Rp. 257.4 million at the end of 1968 which was an increase of Rp. 84.4 million or 49%.

Stock exchange

The development, i.e. the improvement in the field of money and banking which should have opened up new prospects for capital investments and banking, as well as the changes in the organization and supervision of the stock exchange in 1968, for the time being apparently did not have a positive impact upon the stock exchange and related activities. Similar to the preceding year, trade at the Djakarta Stock Exchange was slack, the sales volume of Rupiah securities (bonds issued by the Government/state banks) was even considerably lower than in 1967. The decline was inter alia the result of general slackness as well as lack of demand for such bonds from the side of stock brokers and investors as a consequence of the monetary measures in the preceding years (nationalization of enterprises, revaluation of Government bonds, etc.). Meanwhile, other opportunities were provided to earn higher yields on more attractive and secure terms through time deposits at a monthly interest rate of 6% which were introduced by the Government on October 1, 1968.

The measures of the Government—supported by the Central Bank—designed to reactivate the money and capital market in Indonesia were gratifying in view of the apparent decline of the trade in stocks. The said measures were initiated in the middle of 1968 with the introduction of a “Money and Capital Market Team” established by Decision No. 4/16 Kep. DIR of the Board of Directors of BNI Unit I and dated July 26, 1968. At the end of 1968 the Team completed its assignment, viz. prepared a comprehensive report for submission to the Governor of the Central Bank which contained a statement of affairs as well as recommendations. The statement of affairs inter alia dealt

with the legal and institutional aspects, taxation, equipment, personnel, etc, whereas the recommendations were related to :

- establishment of primary markets;
- expansion of a capital market with financial instruments;
- reactivation of the Association of Trade in Capital and Securities; creation of long-term financial instruments that are sufficiently attractive;
- intensification of control on issue of securities;
- amendment of the corporation Act;
- creation of a climate conducive for the trade in securities;
- intensification of training regarding the money and capital market.

By lack of experience and on account of speculations from the side of participants, the Stock Exchange dealings in call money, loans upon collateral of securities etc. could not yet be activated in 1968.

In 1968 the stock market opened with fairly careful bids due to the reasons mentioned above. Besides, there was no statement yet regarding the redemption of Government bonds, even the redemption of the 3 1/2 % RI 1969 had to be postponed on account of technical RI consolidated bonds 1959 had to be postponed on account of technical administrative reasons. At the same time there were a few bids and offers for bonds of certain loans, particularly which were relatively attractive such as the 6% RI lottery bonds 1959 and foreign securities. The first transactions were concluded not before March; they were confined to 3% RI bonds 1950 at a rate of 15% and involved a nominal value of Rp. 141,300. In the following months the trade in such bonds gradually became brisk—although cautious—and the rate increased to 27%. However, the rate declined to 20% in July, whereas the volume of transactions during the months of April through July were still below the level of March (i.e. of a nominal value of Rp. 100,330). The sale of the said 3% RI bonds was followed by a few sales of 6% RI lottery bonds 1959 in June and September at a rate of 40%—45% to involving a nominal value of Rp. 51,500. Thenceforth there were no sales of such bonds, since the sellers persisted at rates above 50%.

TABLE 21 — TRADE OF SECURITIES AT THE DJAKARTA STOCK EXCHANGE

	Domestic Securities						
	3% R.I. 1950	3½% R.I. 1959 Consolidated	6% R.I. 1959 Lottery loan	3% and 5% B.I.N.	12% B.N.I. 1962 and 1963	12% B.I. 1964/1969	Other
1964	(in '000 Rp) 96,893.9	(in '000 Rp) 800.0	(in '000 Rp) 4,073.5	(in '000 Rp) 3,330.7	(in '000 Rp) 16,302.5	(in '000 Rp) —	(in '000 Rp) —
1965	31,789.3	2,333.63	21,701.0	11,447.76	21,468.0	76,352.0	0.5
1966	660.1 ¹⁾	1,186.16 ²⁾	353,541.0 ²⁾	2,085.76 ³⁾	3,045.0 ⁴⁾	712,551.0 ⁵⁾	—
1967	959.5 ¹⁾	—	2,051.0 ²⁾	—	—	26,200.0 ⁵⁾	—
1968	2,416.3 ¹⁾	—	1,030.0 ²⁾	—	—	—	—
	Rupiah shares	Foreign Securities					
		N. Guilder bonds	N. Guilder shares	Dollar bonds	Dollar Share Certificates	Stock dividend/claims etc.	Other
1964	(in '000 Rp) 122.0	(in '000 Nfl) 51.0	(in '000 Nfl) —	(in '000 US\$) 1.0	(certificates) 152 (1332½/₂)	(certificates) —	—
1965	5.0	101.7	—	—	45 (301½/₂)	—	—
1966	—	—	—	—	—	—	—
1967	—	—	—	—	—	—	—
1968	—	—	0.5	—	7 (33)	—	—

¹⁾ Former value; revalued at 1000 : 100

²⁾ Former value; revalued at 1000 : 50

³⁾ Former value; revalued at 1000 : 100 (50)

4) Former value; revalued at 1000 : 10 (5)

$$^b) \text{ Former value; revalued at 1000 : } 2.50$$

Since December 13, 1965

Dealings in Government bonds declined and since the middle of the year practically came to a stand still as a consequence of the following :

- a) delayed payments of redemptions;
- b) the market was flat, particularly after the Government c.q. the Central Bank initiated measures to reactivate the money and capital market;
- c) the tendency to switch to foreign securities, right at the moment when prospective sellers entered the market;
- d) the introduction of time deposits at a monthly rate of 6 % on October 1, 1968;
- e) the foreign exchange market which also dealt with DP and BE transactions. (Nearly all members of the stock exchange were concurrently members of the Foreign Exchange Bourse).

Other domestic bonds were off the market, due to unattractive terms. Some domestic bonds were not quoted and sold at the Djakarta Stock Exchange any longer on account of redemption in 1968 or before (12% BNI bonds 1962 - 1967 and 12% BNI bonds 1963 - 1968) or on account of accelerated redemption in 1968 (12% Bank Indonesia bonds 1964— 1969).

Pending the settlement of the nationalization of Netherlands/ foreign enterprises in 1958, rupiah shares which were nearly all subject to the sales prohibition could not yet be sold at the stock exchange.

Foreign securities were still in great demand. However, there were only very few buyers and/or sellers at the stock exchange, since many of such shares were traded abroad after their export was banned and their trade at the Djakarta Stock Exchange suspended. It was not surprising that sales transactions of such securities were concluded in September immediately after a few shares or share certifi-

cates of HVA, Shell Oil and Southern Pacific Rw. were offered for sale. One HVA share certificate of a nominal value of Nfl 500 was traded at the rate of 273% (the rate quoted in Amsterdam was around 108%, 2 Shell Oil share certificates of 1 share each were traded ,at the rate of \$ 158 per share and 3 Southern Pacific Rw. share certificates of 10 shares each were traded at the rate of \$ 83 per share. The aforementioned rates were 2 to 2 1/2 times as high as abroad (Amsterdam/New York).

The volume of trade in this sector declined rapidly and in the following months there was only one transaction in Shell Oil share certificates at a rate which increased to \$ 185 per share. The said rates were computed on the basis of conversion rates in use at the stock exchange which were determined on December 27, 1967, i.e. US \$ 1 = Rp. 165,—and Nfl. 1 = Rp. 45,—

In this context may also be mentioned that early in the year under report the second interim agreement on securities was concluded between Indonesia and the Netherlands. However, the said agreement did not much affect the development of the stock exchange in Djakarta.

IV. CREDIT

General

In 1968, the credit policy was still based upon Cabinet Presidium Instruction No. 15/EK/IN/10/1966 of October 3, 1966, inclusive of amendments and supplements. Credits were granted on a selective and directed basis with due regard to their bankability. The selective credit policy was designed to divert bank credits to the production sectors for which priority was given to the production of foodstuffs, textiles and export goods.

Regulation No. 5/1960 of the Minister of Finance still served as the basis of the quantitative credit restrictions. According to the said regulation, the ratio between a bank's liquid assets and its liabilities payable on demand should be not less than 30% not less than one third of such liquid assets, i.e. 10% of the liabilities payable on demand, should be on a current account with Bank Negara Indonesia Unit I.

As mentioned in the previous report, as of July 1, 1967, the lending rates charged by the state banks ranged from 3% to 5% a month. The range was modified on the basis of Presidential Instruction No. 28/1968 of September 19, 1968, and thenceforth varied from 3% to 7% a month. Provisions for the implementation of the Presidential Instruction mentioned above were issued by Bank Negara Indonesia Unit I with effect from October 1, 1968. According to the said provisions, the interest rates applicable to the respective economic sectors were as follows:

Category I

3% monthly:

1. production and distribution of the 9 essential commodities, i.e.:
 - a. foodstuffs (rice, granulated sugar, edible oil, salted fish);
 - b. petroleum, laundry soap, textiles, batiks;

2. production of textiles (weaving, knitting, spinning, batik etc.);
3. production of export commodities;
4. development credits to local governments upon collateral of ADOs.

Category II

4% monthly :

1. export, exclusive of collecting trade;
2. a. public transportation (land, sea and air transportation),
b. production of transportation equipment for public use (assembling, production of spare parts etc.);
3. animal husbandry, agriculture, fishery and production of other foodstuffs;
4. pharmaceutical industry; ;
5. paper production/industry;
6. handicraft
7. mining industry;
8. production of building material.

Category III

5% monthly :

1. production and industries other than those included in categories I and II;
2. export, inclusive of collecting trade.

Category IV

Over 5% to 7% monthly :

Trade and distribution other than of the 9 essential commodities and services not included in categories I, II and III above.

The aforementioned interest rates included a commission which amounted to 1% of the credit ceiling. The commission was levied upon signing of the credit agreement and each time upon prolongation.

Exclusively in regard of export credits for tobacco the interest rate was afterwards reduced to 3% a month, in connection with the long interval between tobacco processing and actual export. Besides, export credits to producing exporters became subject to a monthly interest rate of 3 1/2 %. Producing exporters in this context mean exporters who are in the possession of equipment for the processing of export goods.

The monthly interest rate of 1% applicable to credits for fertilizer, chemicals, etc. as mentioned in the previous report remained unchanged in 1968.

With effect from November 1, 1968 provisions were issued regarding the percentage allocation of state bank credits. The total amount of credits granted by the state banks out of their own funds should be allocated as follows: not less than 60% should be granted to categories I, and II, not less than 90% to categories I, II and III and not more than 10% to category IV.

Presidential Instruction No. 28/1968 referred to above also determined the interest rates on time deposits with state banks, i.e. 11/2% monthly for 1 month deposits, 4% monthly for 3- months deposits, 5% monthly for 6-months deposits and 6% monthly for 1-year deposits. Time deposits of 6 month and 1 year could be withdrawn before maturity with the understanding that the interest rate would become 4% a month if the amounts had been outstanding for not less than 3 months, and 5% a month in the case of 1-year deposits outstanding for not less than 6 months.

Besides the high interest rate payable on time deposits, attractive facilities were provided by Bank Negara Indonesia Unit I. Repayment of the deposits on the date of maturity was fully guaranteed by the Central Bank; the banks concerned would also adhere strictly to the rules of bank secrecy in regard of the

holders of the deposits. The Government would not investigate the origin of the deposits for tax purposes. The amounts deposited were exempt from property tax and interest proceeds were exempt from payment of income tax.

It should be mentioned that the Central Bank subsidized 33 1/3% of the amount of the interest paid by state banks on 6-months and 12-months deposits.

The high rate of interest and the very attractive terms referred to above were designed to encourage the public to deposit their moneys with banks. The action was initiated for the financing of development activities which would be implemented in due course.

In 1968 no major changes were introduced in regard of export credit regulations. Liquidity credits to state banks on account of credits for the collecting trade of single crops in a particular province were enabled since the end of 1967 and were actually granted in 1968 for the purchase/export of shorea (tengkawang) nuts in West Kalimantan.

Export credits for 1968 after-harvest Besuki tobacco were granted on more selective terms. Liquidity credits to state banks were only provided in connection with exports of high grade tobacco, i.e. tobacco fetching an average price of not less than DM 4. - at the latest auction. The said selective provision was designated to encourage exporters to improve the quality of their export tobacco in order to fetch higher auction price.

In 1967 importers could avail themselves of the facility to postpone payment of the aid-BE countervalue. This facility was substituted by import pre-financing and import post-financing credits in 1968.

As of April 2, 1968, pre-financing credits for category A imports and category B imports amounted to 50% and 25% of the BE countervalue, respectively. Pre-financing credits covered the period from the date of L/C opening to the arrival date of the import documents. Post-financing credits were repayable within 3

months after the arrival date of the documents. The maximum amounts of credits granted were 40% and 20% in regard of category A and category B imports, respectively. The amount of credit could be increased to 100% in the event of particular goods such as fertilizer, sprayers, insecticides, rice, newsprint and raw cotton imported by the Government or upon guarantee of the Government. Pre-financing and post-financing credits in connection with Government imports as well as those granted to producer importers were subject to a monthly interest rate of 3%. Pre-financing and post-financing credits to non-producer importers were subject to a monthly interest rate of 3% and 5% respectively. Banks providing credits in connection with imports financed by slow selling aid-BEs from certain countries were eligible for liquidity credit from Bank Negara Indonesia to an amount of not more than 80% of the import credit granted.

As of September 18, another provision exclusively applied to aid-BE imports from the USA: importers were permitted to postpone payment of the countervalue until arrival of the goods. Permission for postponement was granted on the basis of a bank guarantee from the foreign exchange bank which opened the L/C. The importers were moreover eligible for post financing credit to an amount of 75% of the aid-BE countervalue with a term of repayment of 2 months.

As of November 5, 1968, the provisions in regard of credits for imports from donor countries other than the USA were changed. Prefinancing credits could be granted to an amount of 60% and 50% of the aid BE: countervalue in connecting with imports in category A and B, respectively. The pre-financing credits were granted for the period from the date of L/C opening and the arrival date of the goods. A prolongation of not more than 2 months after the arrival of the goods could be taken into consideration. Pre-financing credits were subject to a monthly interest rate of 1% whereas the monthly interest rate applicable to post-financing credits was 7%. However, if the import transaction was effected on the basis of an indent order of an industrial enterprise, the post-financing credit was subject to the interest rate applicable to the category in which the industrial enterprise concerned was listed. The same provision also applied to post financing credits for aid-BE imports from the USA.

As of November 1, 1968, industrial enterprises could apply for medium term credit in connection with capital goods (machinery and spare parts) imported by means of aid-BEs from the USA for rehabilitation, modernization or construction of factories. Such medium term credits would cover the full countervalue of the aid-BEs, they were granted for a period of no longer than 3 years with a grace period of no longer than 1 year, and interest should be paid quarterly at an annual rate of 8%. Payments of interest and instalments were subject to the dollar clause, i.e. dependent upon the BE rate effective on the date of payment.

Presidential Instruction No. 1 of 1968 concerning the financing fund for rice supply in 1968 inter alia designated Bank Negara Indonesia Unit I as the single financing agency in regard of rice supplies to Government personnel, personnel of state agricultural and mining enterprises as well as in regard of additional free market supplies. Consequently, Joint Instruction of the Minister of Finance, the Governor of Bank Negara Indonesia Unit I and the Head of the Body of Logistic Affairs No. 1 of 1968 was issued which contained directives in regard of the purchase/ procurement procedure of rice in 1968. On the basis of the said procedure, the system of payments through the Sub-Treasuries as well as directly by the Body of Logistic Affairs was substituted by a system of L/Cs opened with Bank Negara Indonesia Unit I. The payment procedure was changed in the context of the Government policy in regard of control, utilization and audit of public moneys.

In order to stabilize the flow of goods to West Irian, on May 15, 1968, a Joint Instruction of the Minister of Finance, the Minister of Home Affairs and the Governor of the Central Bank was issued which contained executive regulations regarding the financing of goods for use in West Irian during 1968; the said Joint Instruction inter alia designated Bank Negara Indonesia Unit I, as the single financing agency.

As of October 1, 1968, the foreign exchange banks were moreover permitted to grant short term foreign exchange credits for economic activities listed in categories I and II. Such foreign exchange credits were repayable within 1 year and

subject to the international rate of interest. The amount of credit provided should not exceed 70% of the foreign exchange deposits of the banks concerned.

Credit control

Basically, passive as well as active credit control was exercised.

Active control was exercised primarily on the basis of information and written reports in the field of credit which were requested and supplied by the banks, such as :

1. organizational structure of credit operations;
2. credit files;
3. periodical reports on credits granted, specified by economic sector and source of financing;
4. information considered necessary, e.g. lending and borrowing rates of interest, type, and character of deposits;
5. procedure of credit operations from assessment of credit applications through administration of credits.

Active control in order to have a better look at the matter was also exercised by means of ad hoc examinations or investigations of credit operations and could either be general or special. Such investigations were generally based upon information/reports received from the banks concerned.

Development of Central Bank credits

At the of 1968, credits granted by state banks and private banks amounted to Rp. 131,973.3 million which was an increase of Rp. 99,967,1 million or 312% over the amount per end of 1967 (i.e. Rp. 32,006.2 million). The nominal increase in 1968 was higher than in 1967 when it amounted to Rp. 25,093.6 million; the percentage increase, however, was lower (the percentage increase in 1967 was 363%).

In 1968 bank credits increased at a higher rate than money supply, both in nominal and in percentage terms. The increase was attributable to Central Bank credits in respect of PL 480 imports as well as to other foreign credits. As mentioned in Chapter I, such credits in fact did not add to the money supply.

The specification of bank credit specified by category of banks, public and private sector as well as economic sector per end of 1968 was as follows :

End of 1968			
Banks:			
State banks:			
— Central Bank	Rp.	91,996.4 mln.	
— State Banks *)	Rp.	28,898.0 mln .	Rp. 120,894.4 mln. (92%)

National private banks **)			Rp. 9,922.2 mln (7%)
Foreign banks			Rp. 1,156.7 mln (1%)

Total			Rp. 131,973.3 mln (100%)
Public sector			Rp. 83,417.1 mln. (63%)
Private sector			Rp. 48,556.2 mln. (37%)

Total			Rp.131,973.3 mln. (100%)
Production			Rp. 57,776.0 mln. (44%)
Export			Rp. 10,663.8 mln. (8%)
O t h e r			Rp. 63,543.5 mln. (48%)

Total			Rp.131,973.3 mln.(100%)

*) Including BAPINDO, but excluding Bank Tabungan Negara (i.e. State Savings Bank)

*) Including Local Development Banks and Private Development Bank, but excluding private savings bank

TABLE 22 — LOANABLE FUNDS OF BANKS (In million Rupiahs)			
End of	State banks ¹⁾	Private banks ²⁾	Total
1964 ³⁾	208.2	50.0	258.2
1965 ³⁾	713.1	234.6	947.7
1966 ³⁾	6,080.7	2,100.4	8,181.1
1967 ³⁾	16,583.9	6,617.7	23,201.6
1968	38,302.2	19,172.1	57,474.3
¹⁾ Exclusive of the Central Bank, but inclusive of BAPINDO ²⁾ Inclusive of Local Development Banks, Private Development Bank and foreign banks, but exclusive of private savings banks. ³⁾ Revised figures.			

Source : State banks and private banks.

Table 22 shows the funds which the banks were able to collect and which served as a source of bank credits (except of Central Bank credit). At the end of 1968 such loanable funds amounted to Rp. 57,474.3 million which was an increase of Rp. 34,272.7 million or 148% during the year. Since the amount of bank credit (exclusive of Central Bank credit) increased by Rp. 25,097.5 million or 168% loanable funds therefore increased in the same direction.

Development of credits granted by state banks

The development of credits granted by state banks, i.e. the Central Bank and other state banks, during the year under report is shown Table 23.

As reported in the aforementioned table, at the end of 1968 state bank credits amounted to Rp. 120,894.4 trillion, specified into Rp. 91,996.4 million of Central Bank credit and Rp. 28,898.0 million of credits granted by other state banks. Compared with the corresponding amounts at the end of 1967, in 1968 Central Bank credits increased by Rp. 74,869.6 million or 437% and credits from other state

TABLE 23 — CREDITS GRANTED BY STATE BANKS (In million Rupiahs)			
End of	Central bank	State banks	Total
1964 *)	96.6	109.4	206.0
1965 *)	575.5	328.0	903.5
1966 *)	3,110.2	2,589.2	5,699.4
1967 *)	17,126.8	10,325.5	27,452.3
1968 *)	91,996.4	28,898.0	120,894.4
*) Revised figures			

Source : Central Banks and state banks.

banks increased by Rp. 18,572.5 million or 180%. The increase in Central Bank credits was therefore mainly responsible for the expansion of state bank credits as a whole

Development of Central Bank credits

The development of Central Bank credits, consisting of direct credits and liquidity credits, is reported in Table 24. Liquidity credits are credits granted to credit institutions, whereas direct credits are credits granted directly by the Central Bank in line with the policy of the Government.

Direct credits and liquidity credits granted by the Central Bank increased by Rp. 49,757.3 million (412%) and Rp. 25,112.3 million (499%), respectively. The substantial increase of direct credits was in line with the foodstuffs supply policy of the Government. Out of the amount of direct credits, Rp. 37,223.9 million or 60% was granted to BULOG for rice imports, domestic rice purchases as well as for activities in this connection. In order to increase the production of foodstuffs, credits to PN PERTANI increased by Rp. 11,065.2 million and were mainly granted

TABLE 24 — CREDITS GRANTED BY THE CENTRAL BANK (In million Rupiahs)						
End of	Direct credits		Credits to banks		Total amount	%
	Amount	%	Amount	%		
1964 *)	21.7	22	74.9	78	96.6	100
1965 *)	279.0	48	296.5	52	575.5	100
1966 *)	1,607.9	52	1,502.3	48	3,110.2	100
1967 *)	12,090.6	71	5,036.2	29	17,126.8	100
1968	61,847.9	67	30,148.5	33	91,996.4	100
*) Revised figures						

for supply of fertilizer, pesticides and sprayers in the context of the BIMAS program. Besides, Rp. 3,215.1 million of credits was granted for wheat imports under PL 480, and Rp. 1,178.4 million was granted for supply of goods in West Irian.

In the year under report, the amount of credit to the Government in connection with deferred payments of importers for aid-BE imports decreased to Rp. 606,4 million from its position of Rp. 8,215.2 million at the end of 1967.

Credits to banks (i.e. liquidity credits) also increased by an appreciable Rp. 25,112.3 million or 49% The said credits specified by bank are reported in Table 25.

In 1968 BNI Unit IV accounted for the largest share in the increased amount of liquidity credits granted, i.e. Rp. 12,222.9 million or 49%. This substantial increase was primarily attributable to credits for imports of yarn under PL 480, textile imports in connection with Lebaran as well as other aid-BE imports which increased by Rp. 5,749.4 million, Rp. 1,366.6 million and Rp. 347.2 million, respectively Besides, credits to BNI Unit IV in connection with sugar production increased by Rp. 3,353.5 million and in connection with estate agriculture increased by Rp. 682.6 million.

TABLE 25 — CENTRAL BANK CREDITS TO BANKS (In million Rupiahs)								
End of	BNI Unit II	BNI Unit III	BNI Unit IV	BNI Unit V	BDN	BAPIN- DO	Private banks	Total
1964	62.4	0.3	10.5	—	1.7	—	—	74.9
1965 *)	144.9	0.5	143.3	—	7.4	—	0.4	296.5
1966	14.1	42.4	1,415.7	22.4	7.4	—	0.3*)	1,502.3 *)
1967 *)	273.7	207.0	4,093.4	51.4	124.6	160.1	126.0	5,036.2
1968	4,439.2	1,303.3	16,316.3	51.8	2,439.4	5,459.2	139.3	30,148.5
*) Revised figures.								

In 1968, the increase of Rp. 4,165.5 million in the amount of credit granted to BNI Unit II was primarily related to BIMAS and other activities in the field of agriculture. The amount of credit to BAPINDO increased by Rp. 5,299.1 million which was almost wholly granted in connection with raw cotton imports under PL 480. The increase in liquidity credit to BNI Unit III and to Bank Dagang Negara was related to export credits.

The amount of credit granted to private banks in 1968 did not change much. Such credits constituted emergency credits to overcome a cash shortage of the banks.

Development of state bank credits

As reported in Table 26, state bank credits granted out of their own funds increased by Rp. 18,572.5 million (180%) in 1968. The said increase was closely related to the increase of Rp 21,718.3 -million (131%) in loanable funds. The major part of the loanable funds was made up of balances on current account and time deposits which in 1968 increased by Rp. 16,390.3 million (104%) and Rp. 4,308.0 million (1,361%), respectively.

TABLE 26 — DEPOSITS WITH STATE BANKS ¹⁾ (in million Rupiahs)								
End of	Demand deposits		Time deposits		Other		Total amount	%
	Amount	%	Amount	%	Amount	%		
1964 ²⁾	188.3	90	3.3	2	16.6	8	208.2	100
1965 ²⁾	596.5	84	38.9	5	77.7	11	713.1	100
1966 ²⁾	5,581.7	92	42.2	1	456.8	7	6,080.7	100
1967 ²⁾	15,689.9	95	316.5	2	577.5	3	16,583.9	100
1968	32,080.2	84	4,624.5	12	1,597.5	4	38,302.2	100
¹⁾ Exclusive of the Central Bank ²⁾ Revised figures								

Source : State banks.

The relatively large increase in time deposits with state banks started since October 1, 1968, i.e. since the introduction of efforts to attract funds by means of time deposits at monthly interest rates of 6% and 5% in the case of 1 year and 6-months time deposits, respectively. At the end of 1968, time deposits with state banks increased to Rp. 4,624.5 million.

Specification of state bank credits by public and private sector.

The specification of credits granted by the state banks (inclusive of the Central Bank) by public and private sector-in 1968 is reported in Table 27. The afore-said table reveals that state bank credits to the public sector as well as to the private sector increased in 1968, i.e. by Rp. 65,573.1 million (367%) and Rp. 27,869.0 million (290%) respectively.

Basically, Instruction No. 15/EK/IN/10/1966 of the Cabinet Presidium dated October 30, 1966, still served as the basis of the credit policy implemented in 1968. According to the said Instruction the public sector does not enjoy priority in

TABLE 27 — CREDITS GRANTED BY STATE BANKS TO PUBLIC AND PRIVATE SECTORS (In million Rupiahs)						
End of	Public sector		Private sector		Total Amount	%
	Amount	%	Amount	%		
1964 *)	136.0	66	70.0	34	206.0	100
1965 *)	704.7	78	198.8	22	903.5	100
1966 *)	4,217.6	74	1,481.8	26	5,699.4	100
1967 *)	17,844.0	65	9,608.3	35	27,452.3	100
1968	83,417.1	69	37,477.3	31	120,894.4	100
*) Revised figures.						

Source : Central Bank and state banks.

this respect. Nevertheless, the public sector still accounted for the major part of total state bank credits compared to the private sector.

The significant increase of state bank credits to the public sector was mainly attributable to direct Central Bank credits to BULOG for foodstuffs supply, to PN PERTANI for supply of fertilizer, pesticides and sprayers, as well as to liquidity credits in connection with the import financing of yarn and raw cotton.

The increase in state bank credits to the private sector in 1968 was mainly enabled by liquidity credits which were granted by the Central Bank in connection with export credits; they also consisted of direct credits for the supply of import goods in West Irian. The other state banks in general mainly provided credits to the private sector out of their own funds.

Specification of Central Bank credits by economic sector

State bank credits specified by economic sector, i.e. product export and other are reported in Table 28.

<p>TABLE 28 – CREDITS GRANTED BY STATE BANKS SPECIFIED ACCORDING TO ECONOMIC SECTOR (In million Rupiahs)</p>								
End of	Production		Export		Other		Total amount	%
	Amount	%	Amount	%	Amount	%		
1964 *)	146.3	71	37.1	18	22.6	11	206.0	100
1965 *)	650.5	72	198.8	22	54.2	6	903.5	100
1966 *)	3,818.6	67	1,139.9	20	740.9	13	5,699.4	100
1967 *)	12,902.6	47	3,568.8	13	10,980.9	40	27,452.3	100
1968	54,402.5	45	9,671.5	8	56,820.4	47	120,894.4	100
*) Revised figures.								

Source : Central Bank and state banks.

Compared with the position per end of 1967, the amounts of credit granted to the aforementioned sectors in 1968 increased as follows:

production : + Rp. 41,499.9 million (322%)
 export : + Rp. 6,102.7 million (171%)
 other : + Rp. 45,839.5 million (417%)

The increase in credits to the production sector in 1968 was inter alia attributable to agricultural and BIMAS credits to an amount of Rp. 2,679.3 million, credits for the financing of PL 480 imports of raw cotton and yarn to an amount of Rp. 10,550.8 million and credits for fertilizer supply to an amount of Rp. 11,065.2 million. In connection with the Government's policy of export promotion, export credits granted by state banks increased also.

The amount of credit granted to the miscellaneous (i.e. Other") sector increased in nominal terms as well as in comparison to the increase in production and export credits. In 1968 Central Bank credits to BULOG amounting to Rp.

37,223.9 million and credits for PL 480 imports of wheat to an amount of Rp. 3,215.1 million were mainly responsible for the increase in credits to the miscellaneous sector.

Development of credits granted by national private banks

The development of credits granted by national private banks 1968 is reported in Table 29.

The figures in the aforesaid table reveal that credits granted by national private banks in 1968 increased by Rp, 5,368.3 million or 118% compared with the position at the end of 1967. The total amount as well as the increase in credits granted by national private banks in 1968 are low compared with state bank credits, inter alia since the credit potential of the national private banks is confined to the loanable funds derived from balances on current account and time deposits. Until then, the Central Bank provided financial assistance to the aforesaid banks in the form of emergency liquidity credits only.

TABLE 29 — CREDITS GRANTED BY NATIONAL PRIVATE BANKS ¹⁾ (In million Rupiahs)								
End of	Production		Export		Other		Total amount	%
	Amount	%	Amount	%	Amount	%		
1964 ²⁾	14.8	52	2.0	7	11.7	41	28.5	100
1965 ²⁾	43.1	27	6.4	4	110.3	69	159.8	100
1966 ²⁾	533.8	44	109.2	9	570.2	47	1,213.2	100
1967 ²⁾	1,502.8	33	1,366.2	31	1,684.9	36	4,553.9	100
1968	3,373.5	34	992.3	10	5,556.4	56	9,922.2	100
¹⁾ Inclusive of Local Development Banks and Private Development Bank. ²⁾ Revised figures.								

Source : Balance sheets and liquidity reports of private banks.

TABLE 30 — DEPOSITS WITH NATIONAL PRIVATE BANKS (In million Rupiahs)								
End of	Demand deposits		Time deposits		Other		Total Amount	%
	Amount	%	Amount	%	Amount	%		
1964 *)	38.1	76	9.8	20	2.1	4	50.0	100
1965 *)	179.1	76	40.5	17	15.0	7	234.6	100
1966 *)	1,701.9	81	299.7	14	98.8	5	2,100.4	100
1967 *)	4,416.7	67	2,069.9	31	131.1	2	6,617.7	100
1968	9,678.5	56	7,252.7	42	274.2	2	17,205.4	100
*) Revised figures.								

Source : Balance sheets and liquidity reports of national private banks.

Such credits were provided in the event of cash shortage in clearing operations. Per end of 1968 emergency liquidity credits provided by the Central Bank amounted to Rp. 139.3 million.

The breakdown of national private bank credits by economic sector in 1968 was different from 1967. Per end of 1967, the percentage allocation of credits to the respective sectors was almost equal. At the end of 1968, however, export credits declined and were 10% of total credits only. On the other hand, credits to the miscellaneous sector constituted 56% of the total amount.

Table 30 reports the development of demand deposits and time deposits in 1968 and moreover reveals that the financial resources increased by Rp. 10,587.7 million or 160% in 1968. The said increase was primarily attributable to demand deposits and time deposits which increased by Rp. 5,261.8 million (119%) and Rp. 5,182.8 million (250%), respectively. In this context may be mentioned that unlike in 1967, the actual amount of credits granted by national private banks in 1968 was below the potential enabled by their loanable funds.

Foreign banks

As mentioned in Chapter III, in 1968 branch offices of foreign banks abroad started business in Indonesia. At the end of 1968, eight foreign banks were in operation; they attracted funds to an amount of Rp. 1,966.7 million consisting of Rp. 1,351.8 million in demand deposits and Rp. 614.9 million in time deposits. Almost all credits were granted to the miscellaneous sector and amounted to Rp. 1.156.7 million per end of 1968.

V. FOREIGN TRANSACTIONS AND ARRANGEMENTS

Indonesia's balance of payments

Indonesia's balance of payments statistics for the period under report are presented in Table 31 which also includes the balance of payments for 1966 and 1967.

The system of presentation is the same as in the report for the financial year of 1966 --- 1967. Since the underlying considerations remain unchanged.

The availability of more comprehensive data moreover enabled the revision of the balance of payments figures for 1967.

As shown by the table mentioned above, the goods and services account incurred a deficit of US\$ 132 million, US \$ 282 million and US\$ 251 million in 1966, 1967 and 1968 respectively. which were attributable to the following developments.

Based on available data the total export value (fob) during the relevant years increased favorable i.e. by US.\$ 714 million US\$ 770 million and US\$ 872 million.

In 1967, total proceeds increased by approximately 8% over and in 1968, the increase was about 13% over 1967.

It should be noted that said increases cover both the oil exports as well as the non-oil exports. The fob value of oil exports amounted to US\$ 215 million, US\$ 244 million and US\$ 303 million in 1966 and subsequent years. Whereas non-oil exports amounted to US\$ 499 million, US\$ 326 million and US\$ 569 million.

In 1967 and 1968 the annual increase in oil exports was 13.5% and 24% respectively. while the increase in non-oil exports was approximately 5.5% and 8.0%.

TABLE 31 - BALANCE OF PAYMENTS OF INDONESIA
(in millions US dollars)

	1966	1967 ¹⁾	1968 ²⁾
<i>A. Goods and Services:</i>	-- 132	-- 282	-- 251
1. Merchandise goods: Exports f.o.b.	+ 714	+ 770	+ 872
Imports f.o.b.	-- 604	-- 805	-- 831
2. Non-monetary gold	--	--	--
3. Freight and insurance related to imports	-- 63	-- 86	-- 92
4. Other transportation	-- 7	-- 9	-- 3
5. Travel	-- 18	-- 4	-- 14
6. Investment income	-- 47	-- 63	-- 78
6.1. Direct investment income	(-- 40)	(-- 62)	(-- 74)
6.2. Other	(-- 7)	(-- 1)	(-- 4)
7. Government, not included elsewhere	-- 35	-- 23	-- 23
8. Other services	-- 72	-- 62	-- 82
Balance of goods and services (1 through 8)	-- 132	-- 282	-- 251
Balance of goods (1 and 2)	-- 110	-- 35	+ 41
Balance of services (3 through 8)	-- 242	-- 247	-- 292
<i>B. Transfer payments:</i>	15	-- 28	+ 26
9. Private	--	--	--
10. Government	+ 15	+ 28	+ 26
Total (1 through 10)	-- 117	-- 254	-- 225
<i>C. Capital and Monetary Gold:</i>	+ 126	+ 284	+ 229
Non-monetary sector:	+ 115	+ 275	+ 217
11. Private sector	+ 34	+ 84	+ 26
11.1. Long term liabilities	-- 16	-- 10	+ 3
a. Direct investments	(-- 16)	(-- 12)	(-- 3)
b. Other	(--)	(+ 2)	(+ 6)
11.2. Long term assets	+ 50	+ 66	+ 35
a. Direct investments	(--)	(-- 2)	(--)
b. Other	(-- 50)	(+ 68)	(+ 35)
11.3. Short term liabilities	--	+ 28	-- 12
11.4. Short term assets	--	--	--
12. Government sector:	+ 81	+ 191	+ 191
12.1. Long term liabilities	-- 51	+ 187	+ 179
12.2. Long term assets	--	--	--
12.3. Short term liabilities	-- 30	+ 4	+ 12
12.4. Short term assets	--	--	--
Monetary sector:	+ 11	+ 9	+ 12
13. Central Bank	--	--	--
13.1. I.M.F. (net)	--	-- 14	+ 15
13.2. Short term liabilities (net)	+ 6	+ 9	-- 3
13.3. Movement in foreign exchange holdings (-- = increase)	-- 2	-- 8	+ 20
13.4. Movement in monetary gold holdings (-- = increase)	--	--	--
14. Foreign exchange banks	--	--	--
14.1. Short term liabilities (net)	--	--	--
14.2. Movement in foreign exchange reserves (-- = increase)	+ 7	+ 22	-- 20
Net errors and omissions	-- 9	-- 30	-- 4
¹) Revised figures			
²) Provisional figures			

The substantial increase in the value of oil exports was *inter alia* due to the Government policy whereby the rate applicable to transactions of oil companies was adjusted to the prevailing BE rate.

As of February 1, 1968, the oil rate was increased from Rp. 85 to Rp 240 per US\$ and on October 1, 1968, the rate became Rp. 300 per US\$. The local operational expenses of the oil companies in Indonesia could therefore be adjusted properly which appeared to have encouraged production as was later reflected in the value of oil exports.

In 1968, production sharing contracts were signed for oil exploration as well as for exploitation of new fields.

The results of these activities, however, would probably be known only after 1970.

Exports other than oil also increased favorably. The Government policy in this respect mainly aimed at two objectives, i.e. to simplify the export procedure and to provide with exporters adequate incentives.

Such measures as abolition of the BE certificates, the unification of the export-BE rate and the aid-BE rate, the centralization of BE transactions at the Foreign Exchange Bourse, an adequately flexible overprice policy and measures; in the field of export credit may be mentioned in this context.

In September 1968, the exporter's share in the proceeds of category A export was increased from 75% to 85%, reducing the share receivable by the Government. The rate of interest for export credits was further lowered in 1968. The Central Bank was moreover prepared to extend liquidity credits to state owned foreign exchange banks in the context of the latter's export credit operations. Credit policy measures were also introduced in other sectors which either directly or indirectly support export activities, such as measures in the field of production and collection of export commodities transaction, etc.

In 1968, the development of world market prices for Indonesia's export products was slightly more favorable than in the preceding year.

Inclusive of the period under report, the export of finished products was still confined to a small volume of handicrafts. It may also be noted, that mineral products will constitute an increasingly important share in Indonesia's export.

Import in 1966, 1967 and 1968 amounted to US\$ 604 million, US\$ 805 million and US\$ 831 million respectively. The value of imports in 1967 increased by approximately 33% over 1966, whereas the increase in 1968 was about 3% over 1967. The substantial increase in the 1967 import value was enabled by the availability of foreign loans as well as other Foreign short term credits.

Import credit facilities to accelerate the absorption of aid foreign exchange to finance imports such as made available from July through November 1967, were provided again in February 1968. The relevant terms and conditions of the facility were gradually improved during the year.

The centralization of BE transactions at the Foreign Exchange Bourse was a marked improvement in the procedure to obtain BE certificates for imports; the single rate for BE certificates quoted at the Bourse promoted a better cost calculation alia reduced speculations.

Table 32 presents a breakdown of imports recorded in the balance payment by type of financing.

In 1966 and 1967, the deficit on services account was nearly unchanged and amounted to US\$ 242 million and US\$ 217 million, respectively.

In 1968, however, the deficit on services account was US\$ 292 million. which represents an increase of US\$ 45 million over 1967.

TABLE 32 — IMPORTS (F.O.B.), 1966 — 1968 (in million US dollars)			
	1966	1967	1968
1. Imports financed by export BEs	340	384	426
2. Imports financed by aid BEs	128	238	240
— Program aid		(145)	(103)
— Food aid	(96)	(6)	(30)
— PL 480	(32)	(25)	(89)
— Project aid	(—)	(62)	(18)
3. Imports financed by DPs and free foreign exchange	68	114	94
4. Imports in the context of direct investment		1	1
Sub-total	536	737	751
5. Imports of oil companies	68	68	80
Total	604	805	831

For the year under report, freight and insurance payments related to imports shows a net increase along with the increase in imports, Other mayor components of the services account are ‘investment income’ and “Government, not included elsewhere”. In 1968, investment income shows a net increase in outflow of US\$ 15 million over 1967. This category almost wholly contained transfers of foreign oil companies, and therefore will move in the same direction as exports of crude oil and oil derivatives.

Long term foreign loan receipts amounted to US\$ 240 million in 1968 and receipts of grants amounted to US\$ 26 million which constituted approximately 9.7% of the total amount of foreign aid utilized in the said year. The corresponding percentages for 1967 and 1966 were 10.6% and 11.7%. respectively.

A specification of the grants received is given below :

1966 **US\$ 15 million** from Japan (reparations)

1967 **US\$ 28 million**

US\$ 6 million from Australia.

US\$ 17 million from the Netherlands

US\$ 3 million from Japan

US\$ 2 million from the United Kingdom

1968 **US\$ 26 million**

US\$ 5 million from Australia

US\$ 14 million from the Netherlands

US\$ 7 million from Japan.

Capital movements in the non-monetary sector were as follows :

Net receipts of the private sector moved erratically and amounted to US\$ 34 million, US\$ 84 million and US\$ 26 million in 1966, 1967 and 1968, respectively. Capital receipts and payments of the private sector were mainly related to depreciations of foreign oil companies and repatriation of capital through DP and free foreign exchange imports. Moreover, in 1967 there was a net receipt of short term credit in the context of BE imports without cover.

Depreciations of foreign oil companies, recorded as an expenditure in the aforementioned years, amounted to US\$ 16 million, US\$ 16 million and US\$ 13 million.

Net receipts from capital repatriation constituted the balance of DP payments over receipts which amounted to US\$ 50 million. US\$ 66 million and \$ 35 million in the corresponding years.

The possibility of contracting short term trade credits to finance imports was opened for the private sector known as BE without cover imports. In 1967 there was a net inflow of US\$ 28 million on account of such credits. However the said

policy was gradually suspended and there was a net outflow of US\$ 12 million in 1968.

The main components of capital movements in the Government sector were foreign credits obtained and utilized, repayments of debts and receipts and repayments of short term credits related to imports of rice and fertilizer.

TABLE 33 — LONG TERM FOREIGN LOANS (in million US dollars)			
	1966	1967	1968
1. Australia	—	—	—
2. United States of America	35	59	144
3. Japan	30	50	54
4. Netherlands		27	3
5. Belgium		—	—
6. Federal Republic of Germany	25	49	19
7. France		8	2
8. Italy		13	8
9. United Kingdom		—	2
10. India	—	13	—
11. Bulgaria		—	—
12. German Democratic Republic		8	1
13. Poland	23	—	—
14. Czechoslovakia		—	—
15. Hungary		—	3
16. Yugoslavia		10	4
Total	113	237	240

Utilization of foreign loans amounted to US\$ 113 million, US\$ 237 million and US\$ 240 million (see table 33). Foreign debt repayments amounted to US\$ 62 trillion US\$ 49 million and US\$ 61 million, resulting in net receipts of long term foreign loans in the Government sector to the amount of US\$ 51 million, US\$ 187 million and US\$ 179 million for the years 1966, 1967 and 1968 and net receipts of short. term credits were US\$ 30 million, US\$ 4 million and US\$ 12 million.

Consequently, the 1968 deficit on goods and services account of US\$ 251 million was financed by transfer payment received amounting to US\$ 26 million

TABLE 34 - GOLD AND FOREIGN EXCHANGE HOLDINGS (in millions US dollars)							
End of	Gold holdings of Central Bank and Foreign Exchange Fund	Ready foreign exchange position of Foreign Exchange Fund		Sub-total	Other Banks' balances abroad	Grand total	Quarterly and annual movements
		Assets	Liabilities				
1961	44	89	11	122	158	280	— 134
1962	45	63	14	94	46	140	— 140
1963	37	21	74	— 16	63	47	— 93
1964	4	21	74	— 49	58	9	— 38
1965	4	17	94	— 73	70	— 3	— 12
1966	4	19	100	— 77	63	— 14	— 11
1967 ¹⁾	4	27	109	— 78	41	— 37	— 23
1968	5	6	106	— 95	61	— 34	— 3
1966							
March	4	13	108	— 91	43	— 48	— 45
June	4	13	100	— 83	37	— 46	+ 2
September	4	27	102	— 71	37	— 34	+ 12
December	4	19	100	— 77	63	— 14	+ 20
							— 11
1967							
March	4	13	94	— 77	53	— 24	— 10
June	4	16	92	— 72	51	— 21	+ 3
September	4	15	92	— 73	46	— 17	— 6
December	4	27	109	— 78	41	— 37	— 10
							— 23
1968							
March	4	17	105	— 84	43 ²⁾	— 41	— 4
June	4	7	105	— 94	41	— 53	— 12
September	4	7	105	— 94	49	— 45	+ 8
December	5	6	106	— 95	61	— 34	+ 11
							+ 3
¹⁾ Revised figures ²⁾ Inclusive of Stabilization Fund and Banking Department of Bank Negara Indonesia Unit 1.							

and capital and monetary gold account amounting to US\$ 229 million, allowing, US\$ 4 million for Net Errors and omissions.

The three years period covered in the presentation could be considered as the rehabilitation stage of Indonesia's economy and certain pronounced features could

be observed viz. first, the relative strong revival of the export and import sector indicating increased economic activity, second. the increase of capital inflow and third the rescheduling of Indonesia's pre-1966 debt payments.

Balance of Trade

On the basis of data from the Bureau of Statistics, there was a surplus on the balance of trade for 1966 and 1967: in 1968 however. the balance of trade showed a deficit of US\$ 21 million according to data which were still provisional.

The surplus on the balance of trade despite the large annual increase of imports was attributable to the relatively strong revival of the export sector and availability of new grants and foreign loans.

TABLE 35 — BALANCE OF TRADE ¹⁾ (in million US dollars)						
Y e a r	T o t a l			Excluding oil (crude & products)		
	Exports	Imports	Balance	Exports	Imports	Balance
1964	725	678 ²⁾	+ 47	457	672 ²⁾	— 215
1965	707	695 ²⁾	12	435	682 ²⁾	— 247
1966	678	527 ²⁾	151	475	525 ²⁾	— 50
1967	658	649 ²⁾	9	420 ²⁾	637 ²⁾	— 217
1968	691	712 ³⁾	21	399	693 ³⁾	— 294
¹⁾ Exports f.o.b.; imports c.i.f. ²⁾ Revised figures. ³⁾ Provisional figures.						

Source : Central Bureau of Statistics.

Improvement of infrastructure, gradual restoration of monetary stability, an effective credit policy ,and favorable conditions in the development of world market prices were factors which favorably affected the export performance.

Shortcomings and obstacles which were considered as impediments such as lengthy and complication clearance procedures, smuggling, non institutionalized livies etc. should gradually be reduced or eliminated in the near future.

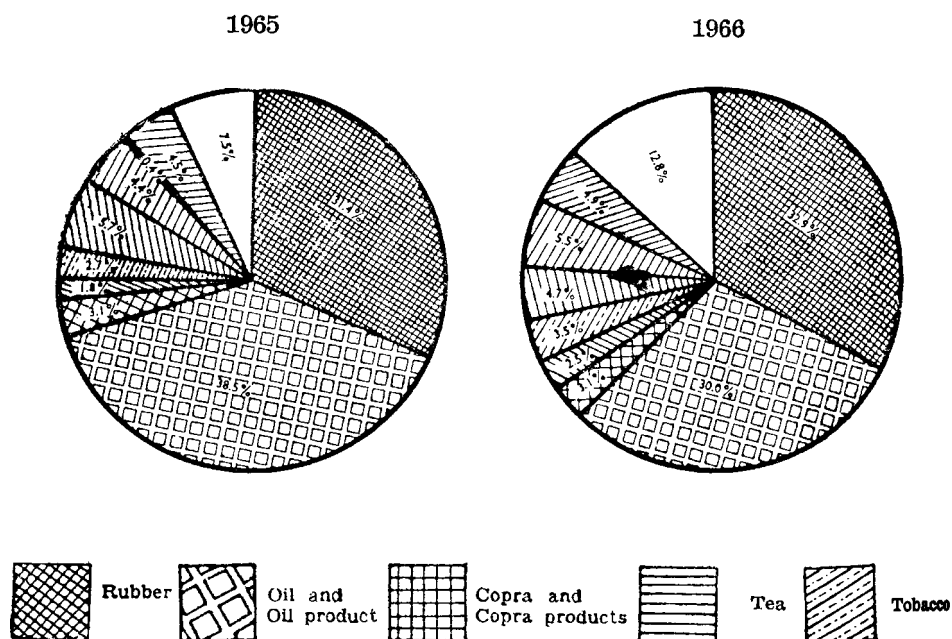
Exports

Table 36 reports the volume of export according to data compiled by the Bureau of Statistics. The table reveals that the annual increase in the volume of exports in 1967 and 1968 was about 16% and 20% respectively.

TABLE 36 — VOLUME OF EXPORTS (in thousand tons)				
Commodities	1965 ¹⁾	1966 ¹⁾	1967 ¹⁾	1968 ²⁾
1. Rubber	709	680	642	728
— Estate	(221)	(238)	(210)	(217)
— Small-holder's	(488)	(442)	(432)	(511)
2. Petroleum and petroleum products	17,524	15,892	18,562	22,434
3. Tin (tin in concentrate and tin ore)	20	13	22	35
4. Copra	124	119	112	155
5. Copra cakes	126	143	165	161
6. Coffee	108	98	137	82
7. Tea	37	37	30	36
8. Sugar	79	28	—	—
9. Tobacco	14	13	10	9
10. Palm oil	126	177	131	142
11. Palm kernels	33	32	38	35
12. Pepper	12	21	37	24
13. Hard rope fibers	2	4	9	6
14. Rattan	36	21	32	32
Total	18,950	17,278	19,927	23,879
15. Other export products	931	1,014	1,376	1,871
Total exports	19,881	18,292	21,303	25,750
Total exports excluding petroleum and petroleum products	2,357	2,400	2,741	3,316
¹⁾ Revised figures. ²⁾ Provisional figures.				

Source : Central Bureau of Statistics.

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



It could be expected that in the coming years, mineral products will occupy a larger share in the country's total export. On the other hand, the traditional agricultural produce for export will demand continuous attention in order to maintain its relative position in the world markets.

Since the third quarter of 1968 the price of natural rubber was increasing; it was slightly higher than in 1967 and tended to increase further. However, the price movement is most unpredictable and should therefore be watched closely. The coffee price was practically stable on account of the marketing regulations of the International Coffee Agreement. The price of black pepper was practically stable and even increased slightly, but the price of white pepper declined rather appreciably. The prices of other export products did not change significantly in 1968.

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

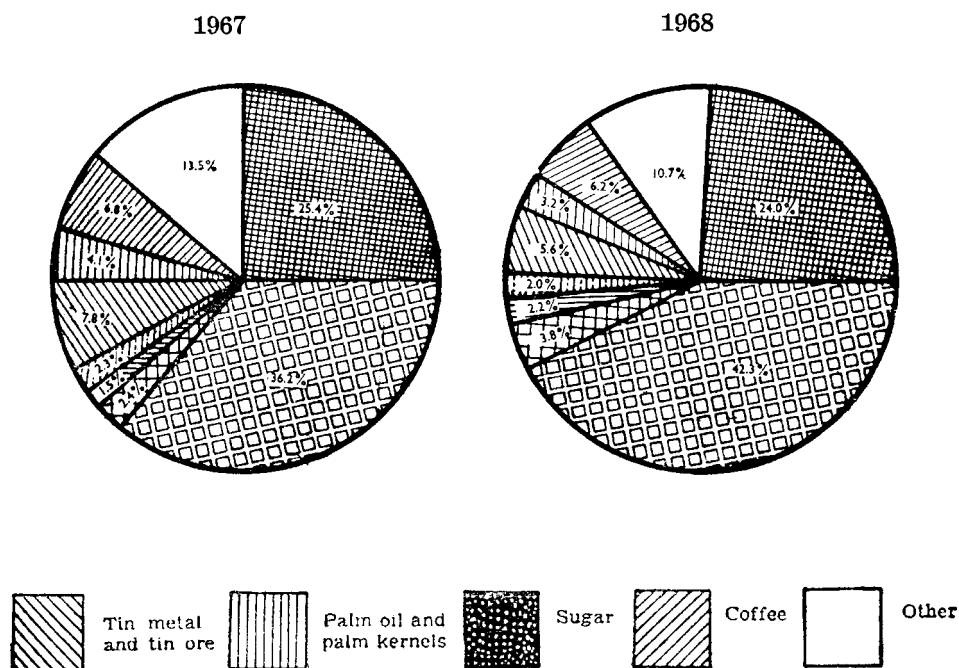


Table 37 reveals Indonesia's exports by country of destination which also reflects changes in the export pattern.

After 1966 the European Common Market directly affected imports from Indonesia; in 1967 and 1968 the share of Indonesia's exports to Europe in percentage of total exports declined by 8% and 11.2%, respectively. The share of exports to America declined by 5.4% in 1967 and increased by a negligible 0.8% in 1968. There were almost no exports to Africa, since Africa generally produced the same goods as Indonesia. Asian countries, on the other hand, gained in significance in the context of Indonesia's export trade. Singapore, Japan and the Philippines in particular were the major buyers of Indonesia's export products.

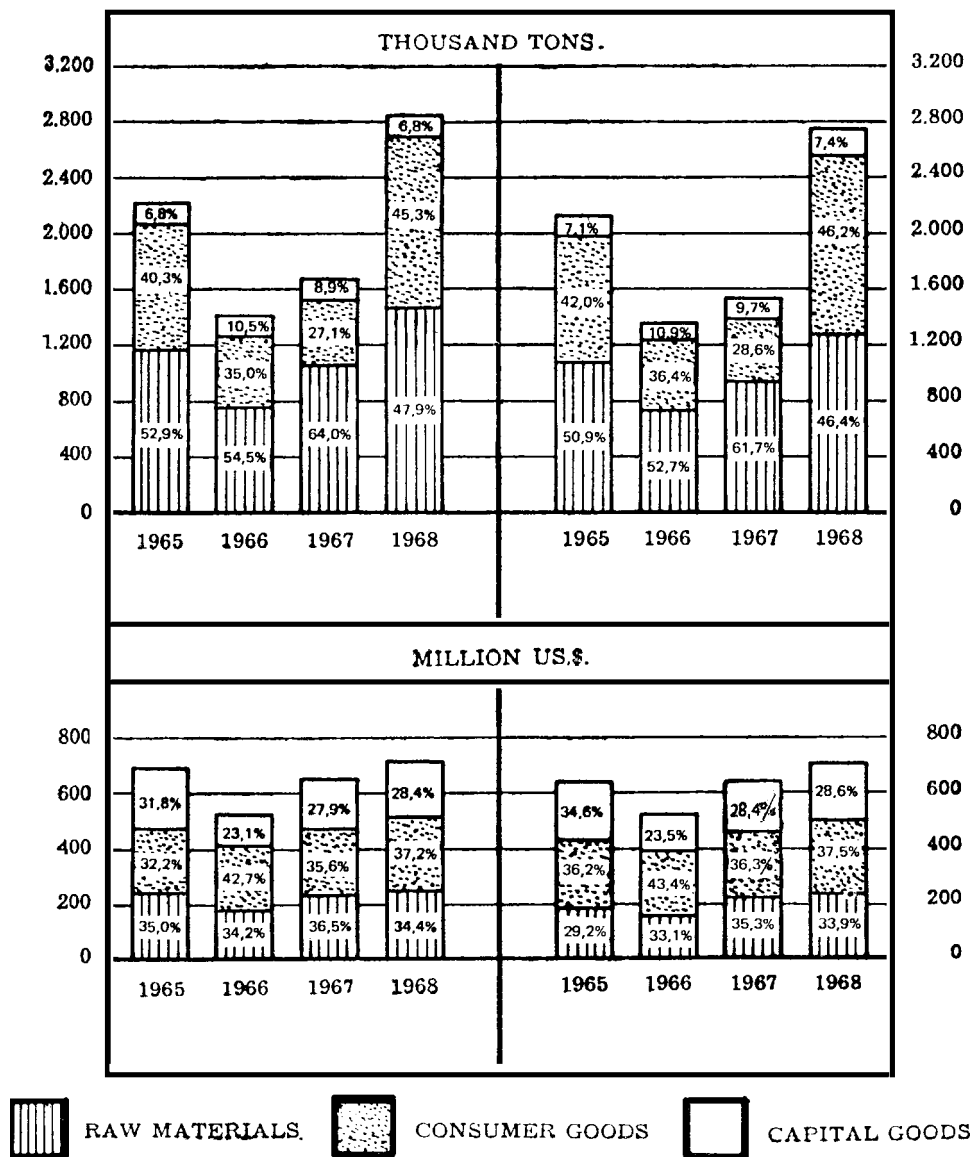
TABLE 37 — EXPORTS BY COUNTRY OF DESTINATION (in million US dollars)				
Country of destination	1965 ¹⁾	1966 ¹⁾	1967 ²⁾	1968 ²⁾
<i>Europe</i>				
United Kingdom and Republic of Ireland	6	16	24	9
Germany	54	77	55	48
France	6	13	7	3
Belgium and Luxemburg	10	14	9	10
Netherlands	92	94	80	44
Italy	9	9	6	5
Denmark	2	1	1	1
Norway	2	1	1	1
Sweden	1	—	—	—
Other	42	45	26	21
Total exports to Europe	224	270	209	142
Per cent of total export value	31.7%	39.8%	31.8%	20.6%
<i>America</i>				
Canada	—	—	—	—
United States	153	138	101	113
Other	6	6	3	2
Total exports to America	159	144	104	115
Per cent of total export value	22.5%	21.2%	15.8%	16.6%
<i>Africa</i>				
United Arab Republic	1	—	—	—
Other	2	1	1	1
Total exports to Africa	3	1	1	1
Per cent of total export value	0.4%	0.2%	0.2%	0.1%
<i>Asia</i>				
Iraq	—	1	1	—
India	2	—	—	—
Pakistan	1	6	2	—
Burma	3	—	—	—
Thailand	3	4	7	6
Malaysia	—	—	1	6
Penang	—	—	—	22
Singapore	6	18	65	116
Vietnam	1	—	—	1
Hongkong	9	14	13	9
China	40	9	1	—
Japan	112	121	156	172
Philippines	18	22	22	24
Other	61	7	4	4
Total exports to Asia	256	202	272	360
Per cent of total export value	36.2%	29.8%	41.3%	52.1%
<i>Australasia</i>				
Australia	56	55	60	68
New Zealand	1	2	1	1
Oceania - Hawaii	8	4	11	4
Total exports to Australasia	65	61	72	73
Per cent of total export value	9.2%	9.0%	10.9%	10.6%
Via free ports: Sabang. Tandjung	—	—	—	—
Uban and ports not specifically mentioned	—	—	—	—
Per cent of total export value	—	—	—	—
Grand total:	707	678	658	691
1) Revised figures.				
2) Provisional figures.				

Source : Central Bureau of Statistics.

CHART III — IMPORTS

INCLUDING
PETROLEUM COMPANIES

EXCLUDING
PETROLEUM COMPANIES



Import

The composition of Indonesia's imports based upon data of the Central Bureau of Statistics is reported in Table 38.

In 1966, consumer goods accounted for the major share in total imports. The following year showed a decline in the percentage of consumer goods imports and an increase in capital goods imports.

At the end of 1967 and early 1968, the Government imported foodstuffs such as rice and wheat flour to maintain adequate stocks in order to meet shortages, if any. Therefore, in 1968 the percentage of consumer goods imports increased slightly.

During the last three years there was an improvement in the commodity composition of imports, in the sense that imports of raw materials for domestic indus-

TABLE 38 — IMPORTS OF INDONESIA Including oil (Crude & Products)								
	V a l u e (in million US dollars)				P e r c e n t o f t o t a l i m p o r t v a l u e			
	1965 ¹⁾	1966 ¹⁾	1967 ¹⁾	1968 ¹⁾	1965	1966	1967	1968
Consumer goods	231	225	231	265	33.2	42.7	35.6	37.2
Raw materials/auxiliary goods	243	180	237	245	35.0	34.2	36.5	34.4
Capital goods	221	122	181	202	31.8	23.1	27.9	28.4
T o t a l	695	527	649	712	100.0	100.0	100.0	100.0
¹⁾ Revised figures. ²⁾ Provisional figures.								

Source : Central Bureau of Statistics.

TABLE 39 — IMPORTS BY COUNTRY OF ORIGIN
(in million US dollars)

Country of origin	1965 ¹⁾	1966 ¹⁾	1967 ¹⁾	1968 ²⁾
<i>Europe</i>				
United Kingdom and Republic of Ireland	27	13	22	19
Federal Republic of Germany	62	48	81	70
German Democratic Republic	4	3	5	2
France	11	10	7	17
Belgium and Luxemburg	3	3	3	1
Netherlands	23	26	48	49
Italy	31	30	16	22
Czechoslovakia	15	8	1	1
Switzerland	3	2	4	4
Sweden	2	1	1	2
Spain	—	—	—	5
Other	47	31	21	20
Total imports from Europe	228	175	209	212
Per cent of total import value	32.8%	33.2%	32.2%	29.8%
<i>America</i>				
Canada	1	—	1	—
United States	66	49	52	115
Other	2	2	1	3
Total imports from America	69	51	54	118
Per cent of total import value	9.9%	9.7%	8.3%	16.6%
<i>Africa</i>				
United Arab Republic	2	1	1	8
British East Africa	—	—	1	7
Union of South Africa	—	—	—	—
Other	5	6	9	9
Total imports from Africa	7	7	11	24
Per cent of total import value	1.0%	1.3%	1.7%	3.4%
<i>Asia</i>				
India	4	7	8	12
Pakistan	13	9	7	13
Burma	40	13	3	5
Thailand	52	26	8	7
Malaysia	—	—	1	4
Singapore	—	1	17	32
Cambodia	1	—	2	—
Hongkong	14	49	60	32
China	99	41	54	40
Japan	159	141	182	158
Philippines	—	—	1	7
Other	5	3	18	27
Total imports from Asia	387	290	361	337
Per cent of total import value	55.7%	55.0%	55.6%	47.3%
<i>Australasia</i>				
Australia	4	4	14	21
New Zealand and Oceania	—	—	—	—
Total imports from Australasia	4	4	14	21
Per cent of total import value	0.6%	0.8%	2.2%	2.9%
Via free port: Sabang, Tandjung Uban and ports not specifically mentioned	—	—	—	—
Per cent of total import value	—	—	—	—
Total imports of Indonesia	695	527	649	712
¹⁾ Revised figures. ²⁾ Provisional figures.				

Source : Central Bureau of Statistics.

tries such as yarn, raw cotton, paper, fertilizer, motorized vehicles and spare parts gained in importance.

The Five Year Development Plan presently under preparation aims at self-sufficiency in foodstuffs, so that imports of raw materials/auxiliary goods and capital goods would account for the major share in Indonesia's imports.

The development of imports specified by country of origin is reported in Table 39. After 1966 the specification of imports by country of origin was most affected by imports financed by foreign aid (i.e. loans and grants).

Terms of trade

Export indices computed on the basis of data reported by the Bureau of Statistics is presented as recorded export indices. Since the data did not include bor-

TABLE 40 — TERMS OF TRADE (1960 = 100)					
	Price indices			Terms of trade	
	Exports, f.o.b.		Imports c.i.f.	Recorded	Adjusted
	Recorded	Adjusted			
1961	85	83	99	86	84
1962	80	86	98	82	88
1963	85	89	98	87	91
1964	81	93	99	82	94
1965	76	87	101	75	86
1966	76	85	102	75	83
1967	72	81	101	71	80
1968 ¹⁾	65	67	100	65	67
1968					
I st Quarter	70	68	101	69	67
2 nd Quarter	70	69	100	70	69
3 rd Quarter	66	71	100	66	71
4 th Quarter	66	62	100	66	62
¹⁾ Provisional figures.					

der trade, actual proceeds of consignment exports and the value of overprices earned by exporters, revised value of exports were computed also on the basis of international market price quotations of the same commodities produced by other countries. The indices so obtained are to be found in the column of revised export indices.

The unit price of Indonesia's imports was computed as the weighted average of export prices from (1) Europe (2) United States and Canada (3) Japan and other countries in Asia viz. 50%, 20% and 30% respectively which basically agrees with the distribution of imports by country of origin as reported in table 39.

The resulting terms of trade derived from the recorded indices declined significantly since 1960. Computed on the basis of the revised indices, however, the decline was somewhat less, giving the minimum and maximum range between which the actual terms of trade are located.

Foreign exchange system and measures in the field of foreign exchange

In 1968 the Government policy in the field of foreign trade was focused on export promotion and import regulation to accelerate the flow of goods. Various regulations were issued for the execution of the aforesaid policy.

1. Export

The export regulations issued were designed to provide an incentive to exporters on the one hand and to regulate the trade as well as the utilization of export BEs on the other.

- a. On July 12, 1968, Decision No. 13a/KP/7/68 of the Minister of Trade was issued in order to provide a stimulus to exporters. The said decision prescribed the publication of check prices for Category A exports.

The check prices were to be effective for one month and adjusted in a manner which left exporters a flexible margin with respect to the conclusion of export declarations. Moreover, by Presidential Decree No. 283 of 1968 dated September 19, 1968, the presentage allocation of export proceeds was revised as follows :

	Category A	Category B
— Exporters (in Rupiahs)	85%	90%
— Foreign Exchange Fund (as export tax)	5%	—
— A D O	10%	10%

- b. In order to regulate the trade as well as the utilization of export BEs, the Government decided to reduce the validity of BEs from 3 months to 3 weeks with the intention to induce holders of BEs to materialize their right to import in order to expedite the flow of BE imports. After 21 days BEs were overdue, and the holders only received from Bank Indonesia the Rupiah countervalue based upon the rate determined for such overdue BEs. The validity of BEs was further reduced to 10 days by Notification No. Peng. 17/DIR/68 dated April 24, 1968, issued by the Board of Directors of Bank Negara Indonesia Unit I. Finally, Presidential Decree No. 176/1968 of May 22, 1968, changed the sales procedure of BEs fundamentally. Until the effective date of the staid Decree, exporters were free to use or to sell their BEs; thenceforth, however, they had to sell to a foreign exchange bank the whole export proceeds allocation to which they are entitled The foreign exchange banks bought the BEs when negotiating the export draft and had to put them up for sale at the Foreign Exchange Bourse. The latter provisions was meant to make foreign exchange proceeds from exports readily available in a simple manner in order to meet the public's demand for foreign exchange. Moreover, in such manner' a single BE transaction rate will prevail at the Foreign Exchange Bourse where total demand and supply of BEs meet each other.

2. *Import*

Besides expediting the flow of goods, the import policy was also designed to rationalize the use of foreign exchange to protect domestic production and to increase customs receipts. Consequently, on January 29, 1968, Decision No. 05/SK/I/68 of the Minister of Trade was issued by which a reclassification of imports was introduced, i.e. imports to be financed with BE and DP exchange, and goods of which the import is banned.

In 1968, aid-BEs were integrated into the BE system and their sale was at certain times stimulated by providing importers with the opportunity for delayed payment of import duties as well as part of the rupiah countervalue of the goods.

Following the BE manipulations with respect to imports from Hongkong and Singapore, a Joint Decision of the Minister of Trade, the Minister of Finance and the Governor of the Central Bank

No. 39/Kpb/8/63

No. Kep. 148/M/4/8/1968 was issued on August 7, 1968. According to

No Kep. 14/GBNI/68

the said Joint Decision a surveyor's report was required for payments of BE imports from Hongkong and Singapore.

Finally, in connection with the regulation and the data collection of import financed with free foreign exchange, a Joint Decision of the Minister of Trade

No Kep 378/MIIII/ I0/1968

----- was issued on October 17, 1968.

No. 81/Kpb/10/1968

The aforementioned Joint Decision provided for a procedure by means of Import Declarations and Import Certificates in connection with such free foreign exchange imports.

3. Services

The following regulations on services were issued in the year under report :

- Notification of the Bureau of Foreign Exchange Transactions No. 1/Inv/BLLD of January 12, 1968, according to which the maximum amount of rupiahs to cover expenses at the time of departure from/ arrival in Indonesia is increased from Rp 500,—to Rp. 2,500,—
- Notification of the Bureau of Foreign Exchange Transactions No. 19/ Inv/ BLLD of September 13, 1968. The said notification determines that a special licence of the Bureau of Foreign Exchange Transactions is not required for service payments (such as charter hire of aircraft) financed with DP exchange in the context of foreign capital investment while only an ordinary licence is required for transfers of profit/ dividends, hire purchase or purchase on instalments of vessels/aircraft, as well as capital repatriation and depreciation
- Notification of the Bureau of Foreign Exchange Transactions No. 23/ Inv/ BLLD/68 of November 28, 1968, which determines that insurance premiums for imports financed with aid-BEs are payable with export BEs. Enterprises earning DP exchange should use their DP exchange for payments of insurance premiums.

Foreign Exchange Bourse

Every Monday, Wednesday and Friday, BE transactions were eluded at the BE call of the Foreign Exchange Bourse.

The BE sales and purchases were effected by closed bids.

Moreover, as of July 16, 1968, representatives of foreign exchange banks as well as other members of the bourse met daily at the Foreign Exchange Bourse for the conclusion of DP transactions. Unlike the BE calls, the DP calls were effected by open bids whereby the rates demanded/ offered were quoted.

The volume of BE (export BE and aid-BE) transactions concluded at the Foreign Exchange Bourse during the year under report was as follows :

<i>1968</i>	<i>Export BE</i> <i>(in '000 US.\$)</i>	<i>Aid BE</i> <i>(in '000 US.\$)</i>	<i>Total</i> <i>(in '000 US.\$)</i>
January	6,721.9	4,083.6	10,805.5
February	8,718.5	3,896.0	12,614.5
March	10,488.6	5,998.0	16,486.6
April	10,513.1	6,930.1	17,443.2
May	19,179.3	5,163.0	24,342.3
June	38,466.2	—	38,466.2
July	45,459.4	29,731.9	75,191.3
August	46,339.4	3,093.7	49,433.1
September	38,682.1	6,237.1	44,919.2
October	43,148.9	5,895.8	49,044.7
November	38,511.5	17,990.4	56,501.9
December	28,812.7	9,478.9	38,291.6
	-----	-----	-----
	335,041.6	98,498.5	433,540.1

As is well known, as of May 29, 1968, the sale of aid BEs was unified with the sale of export BEs; the intention was to utilize such aid as a stimulus for balance of payments purposes.

It was determined that imports from creditor countries should, insofar as possible, be financed by aid BEs from such countries. Transactions would in princi-

ple only be financed by export BEs if they cannot be financed with aid BEs. The integration of aid BEs into export BEs further resulted in a uniform rate for aid BEs and export BEs.

The volume of DP transactions during the year under report was as follows:

<i>1968</i>	<i>Transactions through the Bourse (‘000 US.\$)</i>	<i>Transactions outside the Bourse (‘000 US.\$)</i>	<i>Total (‘000 US.\$)</i>
January	5.3	—	5.3
February	39.6	—	39.6
March	55.6	—	55.6
April	108.6	—	108.6
May	32.1	—	32.1
June	17.0	—	17.0
July	3,153.5	209.2	3,362.7
August	1,776.0	65.9	1,841.9
September	697.0	115.9	812.9
October	2,489.3	469.4	2,958.7
November	9,541.3	260.7	9,802.0
December	5,992.6	631.1	6,623.7
	-----	-----	-----
	23,907.9	1,752.2	25,660.1

The lowest as well as the highest BE and DP rates quoted during 1968 are reported below:

<i>Rate Quotations</i>				
	<i>BE</i>		<i>DP</i>	
	<i>Lowest</i>	<i>Highest</i>	<i>Lowest</i>	<i>Highest</i>
January	266	285	290	295
February	260	264	283	288

March	259	280	285	311
April	263	286	294	325
M a y	289	310	300	353
June	300	306	328	351
July	300	306	380	440
August	305	310	357 ^{1/2}	416
September	311	321	437	448 ^{1/2}
October	321	326	449	481
November		326	414	456 ^{1/2}
December		326	412	415 ^{1/2}

Foreign trade and payments agreements

1. Spain

On January 9, 1968, the Trade Minister of Spain arrived in Djakarta to explore the possibility of cooperation between Indonesia and Spain with respect to trade, fishery, tourism and other fields. The discussions, resulted in the signing of "Agreed Minutes of Discussions" which would serve as the basis for the intensification and extensification of the economic and trade relations between the two countries.

There was no implementation yet until the end of the year under report.

2. South Korea

A Government delegation of South Korea arrived on February 26, 1968. The said delegation which also included representatives of trade, industrial and banking sectors intended to expand economic and trade relations between South Korea and Indonesia. On March 2, 1968, the Government of Indonesia and the Government delegation of South Korea issued a Joint Communique.

3. Singapore

Following the meetings of the Joint Commission in Singapore and Djakarta on March 24, 1967, and June 30, 1967, respectively, a third meeting of the said Joint Commission was held in Singapore on April 25, 1968. Matters related to unrequited exports, border trade, shipping, and exchange of statistical data were discussed in the meetings mentioned above.

4. Yugoslavia

On April 6, 1968, a Government delegation of Yugoslavia arrived to discuss matters in connection with measures to intensify economic and trade relations as well as matters in regard of payments between the two countries.

5. Bulgaria

On May 18, 1968, the Governments of Indonesia and Bulgaria signed a Trade Agreement in Djakarta. The said Trade Agreement was effective for a period of one year and was automatically considered prolonged for another year, unless either one of the parties expresses its desire to terminate the agreement.

6. Finland

Following the trade relations between Indonesia and Finland regulated in :

- a Trade Protocol of June 20, 1950;
- a Commercial Agreement signed in The Hague on April 11, 1951;
- Trade Protocols which were signed in Helsinki on June 17, 1952 and September 16, 1958;

a Joint Press Release was signed in Djakarta on November 2, 1968. In the said Press Release the two parties expressed their desire to promote trade relations as well as economic cooperation. Direct trade between the two countries was particularly desired with respect to exports, since until then Finland bought Indonesian goods on the European market.

7. Malaysia

The panel for cooperation, i.e. the “Indonesia-Malaysia Commission on Trade and Economic Relations” which was established pursuant to the Basic Agreement between Indonesia and Malaysia of May 11, 1967, held its first meeting in Djakarta during July 1—5, 1968. The said meeting *inter alia* prepared Agreed Minutes for approval by the respective Governments.

The main resolutions contained in the Agreed Minutes were among :

- To review the procedure of trade and payments between Indonesia and Malaysia after been implemented for one year (i.e. the year ending mid-November 1968).
- Agreement on measures to regulate the border trade between Indonesia and Malaysia.
- Agreement to cooperate in the fields of rubber industry and export, tin industry, palm oil, pepper, other agricultural produce, forestry, shipping, etc.

8. Inter-Governmental Group on Indonesia

In 1968, the IGGI (Inter-Governmental Group on Indonesia) convened in Rotterdam (April 22—24) and in Scheveningen (October 21—23). The purpose of the conference is to review Indonesia’s economic development and prospects to

determine the foreign aid requirement. The conference would be held regularly; it was held for the first time in February 1967.

The participating countries of the conference were Australia, Belgium, France, the Federal of Germany, Italy, Japan, the Netherlands, the United Kingdom, and the USA, whereas Austria, Canada, Denmark, Norway, New Zealand and Switzerland attended the conference as observers. IMF, IBRD, ADB, OECD and UNDP were also represented at the conference.

For 1968, the IGGI conference agreed to provide Indonesia foreign aid to an amount of US. \$ 325 million.

In Paris a “Multilateral Conference on Indonesia’s Debt” was also held in October 1968. This conference would likewise be organized regularly; the first conference was held in September 1966 in Tokyo to discuss the possibility of rescheduling Indonesia’s due foreign debt and to formulate a proper solution to this end.

The Paris Conference of October 17—18, 1968, agreed to a rescheduling of Indonesia’s foreign debt due in 1969; repayments were to be made during the period of 1973-1980.

The countries participating in the Paris Conference were France, the Federal Republic of Germany, Australia, the USA, Italy, Japan, the United Kingdom and the Netherlands, while Switzerland attended the Conference as an observer. Representatives of IMF, IBRD and OECD also joined the discussions.

International Financial Institutions

1. International Monetary Fund (IMF)

a. During the period under report, a number of Fund missions visited Indonesia to consult with the Government. The first mission arrived in January 1968 to

discuss the possibility to obtain financial assistance from the Fund through a stand by arrangement which would be the first one after Indonesia rejoined the Fund.

In February 1968, the Fund approved Indonesia's request to draw US \$ 51.75 million during the period of February 19, 1968 to February 19, 1969 in the context of the stand-by agreement.

With regard to the outstanding drawings of US. \$ 50.8 million, the Fund approved settlement on the basis of a repurchase schedule which would end in February 1970. At the end of the period under report, Indonesia effected drawings and repurchases of US \$ 45 million and US \$ 30 million, respectively.

In May 1968, a Fund mission held Article XIV consultations with the Government. Besides review and appraisal of Indonesia's economic development achieved so far, discussions were held on policy matters which could contribute to the success of the stabilization and rehabilitation program in 1968.

Fund missions also visited in July and November 1968 to discuss revision of certain provisions of the stand by arrangement. Such revision was needed in view of the developments of Indonesia's economy particularly as a consequence of BULOG's rice supply policy.

b. In connection with the establishment of Special Drawing Rights (SDRs), in mid-June 1968 Indonesia accepted the amendment of the Fund Articles of Agreement pursuant to the Decision of the Board of Governors on May 31, 1968, approving the proposed amendment of the Articles of Agreement.

According to the amended Articles of Agreement, each member country intending to participate in the Special Drawing Account should take the required legislative action and submit an Instrument of Participation to the Fund. The Government of Indonesia did comply with the aforementioned conditions.

The SDRs which will be allocated to the Fund member countries participating in the Special Drawing Account are in fact a new type of international reserve asset, complementary to gold, convertible foreign currency and reserve position in the Fund.

Although SDRs are a new reserve asset, they cannot be used directly for financing of imports or be sold at the foreign exchange bourse. Instead, SDRs should be exchanged for “currency convertible in fact”. Participating member countries having sufficiently strong balance of payments and reserve positions will be designated by the Fund to provide the said currency. SDRs are mainly designed for use by participating member countries to finance balance of payments deficits and not to change the composition of their reserves.

The value of each SDR is specified as a certain weight of gold which makes it equal to US \$1.00.

2. International Bank for Reconstruction and Development (IBRD)

a. During the annual meeting of the International Monetary Fund and the International Bank for Reconstruction and Development in Rio de Janeiro in September 1967, the Board of Governors adopted a resolution regarding stabilization of prices of primary commodities. The resolution was followed by a study undertaken by the staff of the Fund and the Bank to propose measures which the two institutions could take in this context.

b. The President and the Vice President of the Bank visited Indonesia for observation of Indonesia’s economic development, and to gather information on current problems as well as on the measures which had been taken or would be taken.

In connection with its activities in Indonesia, a Bank resident mission was stationed in Djakarta since May 1968. The said resident mission would assist the

Government of Indonesia with respect to research and planning of development projects.

3. International Development Association (IDA)

By Act No. 3 of 1968, on August 1968, Indonesia officially joined the International Development Association with a capital subscription of US \$ 11.1 million which was specified as follows :

- 10% US \$1.11 million was paid in convertible currency;
- 90% or US \$ 9.99 million was paid in Rupiah.

The Association is an affiliate of the World Bank and its objectives are to promote economic development, to increase productivity and therefore to increase the standard of living of developing member countries by means of soft loans, i.e. interest free loans repayable in 50 years (including a grace period of 10 years) for which only a service charge of 3/4% need be paid.

The loans are granted out of the Association's funds which primarily originate from subscriptions, contributions from developed member countries as well as non member countries (e.g. Switzerland), and transfers from the Bank's profit.

During the year under report, two loan agreements were signed with the Association. The first agreement for a loan of US \$ 5 million was signed on September 9, 1968; the loan was designated for rehabilitation of the irrigation system in Djawa and Sumatra. The second loan agreement was signed on December 27, 1968 in Washington and concerned US \$ 2 million for financing of a number of surveys in the context of the Association's technical assistance to Indonesia.

4. International Finance Corporation

On behalf of the Government, the Ambassador of the Republic of Indonesia in Washington, DC signed the Articles of Agreement of IFC on April 23, 1968; by which Indonesia rejoined IFC with a capital subscription of US \$ 1.21 million. As is known, in 1961 Indonesia resigned from membership in the Corporation. Activities in the private sector are expected to increase with the prospect of financial assistance from the Corporation.

During the period under report, the Corporation conducted a survey of development banks in Indonesia in order to expand the scope of BAPINDO's role with respect to the disbursement of funds from the World Bank and to assess the problems generally faced by the development banks in Indonesia. Besides, another IFC mission took a survey of the cement project in Tjibinong, the development of the textile industry in Indonesia and the gas works in Tjirebon.

5. International Center for Settlement of Investment Disputes (ICSID)

After signing of the ICSID Convention and deposit of the Instrument of Ratification, Indonesia officially became a Contracting State of ICSID on October 28, 1968. It should be mentioned that no subscription is required in joining this Convention.

The said institution is a World Bank affiliate and was established in October 1966 on the basis of the Convention on the Settlement of Investment Disputes between States and Nationals of other States.

The objective of ICSID is to promote private foreign investment for economic development through intermediating on an international level in the event of disputes arising between investors and the countries where capital has been invested.

6. Asean Development Bank (ADB)

The visit of ADB's technical team to Indonesia at the end of 1967 was followed by a number of Bank missions in 1968 in the context of project surveys and technical assistance.

For three months since September 1968 a mission for survey of the rural credit system stayed in Indonesia. Afterwards, in October and November 1968, Bank missions visited Indonesia for survey and evaluation of the Tadjum Irrigation Project, reconstruction of the Sempor water reservoir in Central Djawa and the palm oil project in North Sumatra.

Besides, in the context of technical assistance, an Advisory Team of 3 experts has been stationed at the Department of Agriculture; the Team will advise the Government on agricultural matters in general and on foodstuffs production in particular.

VI. PRODUCTION, PRICE LEVEL AND SOCIAL DEVELOPMENTS

Food producing agriculture

Production and supply of foodstuffs

Data for 1965 through 1968 on the production of the main foodstuffs are indicated in Table 41.

The table shows the declining trend of foodstuff production (except rice) in 1968 in comparison to the 1966 and 1967 output levels. Since the lengthy draught of 1967 considerably affected foodstuff production causing total output to drop below normal levels, it would be necessary in order to obtain a more objective picture of the situation, to compare the 1968 production figures not only with those of 1967, but with the data for 1966 as well.

The start of 1968 marked by heavy rainfall had a substantial effect on foodstuff production. The lengthy rainy season permitted the expansion of area for paddy culture, thus favorably affecting the production of rice. On the other hand, the production of other foodstuffs suffered due to the crowding out of the cultivated area by paddy, but also because of the adverse effect of the very wet climate on catch crops; consequently, the output of maize, cassava, sweet potatoes and soya beans declined.

The production of *paddy* in 1968 estimated at 20,546 thousand tons showed in comparison to the output levels of 1966 and 1967 ,an increase of 16.9% and 14.6% respectively. The improved paddy output was i.e. caused by the following factors :

1. the lengthy rainy season;
2. the availability of current input (fertilizer, insecticides, agricultural implements etc.), and credits;

3. the favorable rice price—especially at the year's beginning—which boosted paddy production, particularly with a view to the seasonal shortages endured in the preceding year;

TABLE 41 — PRODUCTION OF THE MOST IMPORTANT FOODSTUFFS (in thousand tons)					
	1964	1965 ¹⁾	1966 ¹⁾	1967 ²⁾	1968 ³⁾
<i>Djawa and Madura</i>					
Paddy					
on irrigated fields	7,905	8,921	8,484	9,456	11,031
on non-irrigated field	508	501	471	394	602
Total of paddy	8,413	9,422	8,955	9,850	11,633
Maize	2,889	1,704	2,336	2,083	1,893
Cassava	9,103	10,073	10,367	9,300	7,175
Sweet potatoes	2,293	1,408	1,173	1,170	1,151
Ground nuts	200	192	206	196	197
Soya beans	329	331	311	319	261
<i>Other than Djawa and Madura</i>					
Paddy					
on irrigated fields	6,085	6,091	6,761	6,302	7,211
on non-irrigated fields	1,694	1,614	1,854	1,778	1,701
Total of paddy	7,779	7,705	8,615	8,080	8,912
Maize	880	657	884	877	801
Cassava	3,120	2,970	2,984	3,620	2,433
Sweet potatoes	1,638	1,203	1,101	990	1,006
Ground nuts	61	49	57	46	54
Soya beans	63	67	64	44	72
<i>Indonesia</i>					
Paddy					
on irrigated fields	13,990	15,012	15,245	15,758	18,242
on non-irrigated fields	2,202	2,115	2,325	2,177	2,303
Total of paddy	16,192	17,127	17,570	17,930	20,545
Maize	3,769	2,361	3,220	2,960	2,693
Cassava	12,223	13,043	13,351	12,920	9,608
Sweet potatoes	3,931	2,611	2,274	2,160	2,137
Ground nuts	261	241	263	242	251
Soya beans	392	398	375	363	333
¹⁾ Provisional figures. ²⁾ Estimates. ³⁾ Second forecast.					

Source: Departement of Agriculture.

4. the intensification efforts and the guidance provided by the Government through BIMAS, INMAS and the like.

The aforesaid factors caused the average yield per hectare to increase from 24.92 quintals per hectare in 1966 and 23.67 quintals per hectare in 1967 to 25.07 quintals per hectare in 1968; likewise, the harvested area expanded favorably from 7,574 thousand hectares in 1967 and 7,782 thousand hectares in 1966 to 8,194 thousand hectares in 1968.

The production of maize in 1968 estimated at 2,693 thousand tons showed in comparison to the 1966 output of 3,220 thousand tons and the 1967 output of 2,960 thousand tons, a drop of 16.4% and 9% respectively. The reduced output was primarily caused by a decline of the average yield, viz., from 9.19 quintals per hectare (1966), and 11.18 quintals per hectare (1967) to 8.38 quintals per hectare in 1968. Climatic conditions were the principal factor behind the low average yield. During the early stages of its growth, the wet season crop of maize generally harvested at the beginning of the year suffered from the prolonged drought of 1967, while the dry season crop was badly affected by the 'heavy rainfall.

As far as the harvested area is concerned, the 3,212 thousand hectares harvested in 1968 showed a sufficiently large increase as compared with the 2,648 thousand hectares in 1967, although it was less than the 3,503 thousand hectares harvested in 1966.

In 1968, there was a reduction in the area under the maize intensification program (BIMAS djagung) managed ,and guided by the Government. In the year under report, BIMAS djagung in Central Djawa was suspended, whereas BIMAS djagung in the preceding year covered all area of 7,000 hectares. Concurrently, 1968 saw a slight activity in the intensification of maize in East Djawa covering an area of approximately 77 hectares.

The production of cassava in 1968 was estimated at 9,608 thousand tons. In comparison to the output levels of 1966 and 1967 which amounted to 13,351 thousand tons (1966) and 12,920 thousand tons (1967), cassava production in 1968 dropped considerably, namely by : 28 % and 25.6%.

The rather drastic decline in the output was not only caused by a reduction of the harvested area, but by a decline in the average yield per hectare as well. The estimated harvested area in 1968 was only 1,423,757 hectares in comparison to 1,450,000 hectares in 1967 and 1,523,909 hectares in 1966, while the average yield per hectare dropped from 89 quintals per hectare (1967) and 87.61 quintals per hectare (1966) to a mere 61.48 quintals per hectare in 1968.

The decline in output was inter alia caused by the fact that in certain areas, the cassava was harvested before its time, to be subsequently replaced by the more profitable paddy cultivation, thus resulting in a drop of both output and quality. The adequate rainfall in 1968 made the shift to paddy feasible at a time when the fields used to be reserved for catch crops. Another cause of importance was the market price decline of cast save.

The production of sweet potatoes in 1968 estimated at 2,137 thousand tons was still below the output levels of 1966 and 1967, which amounted to 2,274 thousand tons in 1966 and 2,160 tons in 1967, implying a respective decline of 6% ,and 1% in 1968. The low output had as its principal cause the substantial reduction of the harvested area, viz. from 412 thousand hectares in 1966 and 416 thousands hectares in 1967 to 375 thousand hectares in 1968. Although the average yield of 57.54 quintals per hectare in 1968 improved the output per hectare in 1966 (55.18 quintals/hectare) and in 1967 (52 quintals/hectare), the increased average yield per hectare failed to offset the decline in production resulting from the reduction of the harvested area.

As far as the production of tubers is concerned, the Government has aimed at increasing the average yield per hectare in order to arrive at a gradual reduction of the cultivated area, henceforth to facilitate ,the subsequent shift to paddy as the

main crop. Concurrently, efforts were made for a more even distribution of high-yielding tuber seeds to the areas concerned.

The production of ground nuts in 1968 estimated at 251 thousand tons showed an increase of 3.7% in comparison to the output of 1967 which amounted to 242 thousand tons; however, the 1968 output was still 4.6% below that of 1966 (263 thousand tons). The improved output of 1968 caused by the increased average yield from 6.21 quintals per hectare in 1967 to 6.42 quintals per hectare in 1968 was also the result of an expansion of the harvested area from 389 thousand hectares to 391 thousand hectares. However, as compared with 1966 the figures for the year under report showed a declining trend with respect to harvested area and average yield; the harvested area in 1966 amounted to 405 thousand hectares and the average yield was 6.50 quintals per hectare.

The production of soya beans in 1968 amounted to 333 thousand tons and also showed a declining trend in comparison to the output levels of the preceding years, namely 8.3% below the output of 1967 (363 thousand tons) and 4.6% below that of 1966 (375 thousand tons). Although the harvested area showed an increase from 621 thousand hectares in 1967 and 661 thousand hectares in 1966 to 663 thousand hectares in 1968, the substantial reduction in the average yield per hectare of 5.02 quintals per hectare in 1968 as compared with 5.67 quintals per hectare and 5.76 quintals per hectare in 1966 and 1967 respectively, was mainly responsible for the reduced output.

The increase in domestic demand and prices of pulses which reflected the increase in world market demand caused an expansion of the harvested area. On the other hand, the lengthy rainy season adversely affected the output of pulses, forcing it to remain below the level of the preceding years. The current output was attributable to the intensive efforts of the Government in the field of pest control and the application of high yielding seeds.

For 1969/1970—the initial Year of the implementation of the Five Year Development Plan (REPELITA)—the following targets of foodstuffs production have been determined :

	<i>Cultivated Area</i> <i>(Hectares)</i>	<i>Production</i> <i>(Tons)</i>
Rice	7,600,000	10,520,000
Maize	3,150,000	3,370,000
Tubers	1,960,000	15,660,000
Pulses	1,270,000	950,000

As is well known, the Plan emphasizes upon the agricultural sector with the following main objectives: to increase foodstuffs production (especially rice), to increase exports, to diversify exports commodities and to expand employment opportunities in the agricultural field.

The efforts to increase foodstuff production aim at Indonesia's self sufficiency in rice within the next five years. They further aim to improve the composition of the diet and the consumption pattern through the production increase of foodstuffs which are rich in animal as well as vegetable protein, particularly fish and tubers.

Efforts in the next five years will be directed to increase rice output to 15.40 million tons in 1973. With respect to other foodstuffs, the following targets have been determined: 4.23 million tons of maize, 1.40 million tons of pulses and 18.09 million tons of tubers.

Measures taken by the Government to increase the production of foodstuffs

The food situation remains a difficult problem for Indonesia. The major problem is the high rate of population growth which cannot be met with increased foodstuff production, especially of rice.

The growth of the population has been as follows :

*Total population of Indonesia *)*

1961 — 1971

<i>Year</i>	<i>T o t a l</i>
1961	97,387,000
1962	99,656,000
1963	102,007,000
1964	104,445,000
1965	106,972,000
1966	109,593,000
1967	112,311,000
1968	115,130,000
1969	118,054,000
1970	121,089,000
1971	124,237,000

*) 1961 figures are the result of the population census
1962 - 1971 figures are projected.

Source : Central Bureau of Statistics.

Aside from being the staple food, rice takes the role of price leader in the Indonesian economy. It is therefore not surprising that the Government has accorded marimum priority to efforts made to increase foodstuffs production in general and rice production in particular. To achieve the said objective, the Government outlined its work program comprising a short term and a long term program.

The short term program for 1968 stresses upon intensification efforts, whereas the long term program emphasizes upon intensification and extensification on a large scale, successive development of research activities, training and information, improvement of marketing of agricultural produce, extension of credits and so forth.

Similar to the preceding years, the intensification efforts in 1968 were implemented through BIMAS programs. On account of the positive results —especially in the field of production—the BIMAS program was developed into BIMAS Baru. BIMAS and BIMAS Gotong Rojong (see page 106 for relevant data).

	Planned (ha)			Implemented (ha)			Implemented (%)		
	BIMAS	BIMAS Baru	INMAS	BIMAS	BIMAS Baru	INMAS	BIMAS	BIMAS Baru	INMAS
Rainy season, 1964/'65	11,000	—	—	9,985	—	—	90,8	—	—
Total	11,000	—	—	9,985	—	—	90,8	—	—
Rainy season, 1965/'66	150,000	—	—	172,488	—	—	115,0	—	—
Dry season, 1966	200,000	—	—	168,129 ¹⁾	—	—	84,1	—	—
Total	350,000	—	—	340,617¹⁾	—	—	97,3	—	—
Rainy season, 1966/'67	495,000 ¹⁾	—	—	510,676 ¹⁾	—	—	103,2	—	—
Dry season, 1967	15,000 ²⁾	—	—	11,268 ¹⁾	—	—	75,2	—	—
Total	510,000¹⁾	—	—	521,962¹⁾	—	—	102,3	—	—
Rainy season, 1967/'68	500,000	250	500,000	498,219	—	568,368	97,8	—	113,7
Dry season, 1968	413,000	21,500	200,000	247,298	17,317	207,520	59,9	80,5	103,8
Total	913,000	21,750	700,000	736,517	17,317	775,888	80,7	79,6	110,8
¹⁾ Revised figures. ²⁾ Originally planned at 600,000 ha.									

Source : Department of Agriculture.

Although the area under cultivation had since 1965 continued to expand, the ratio between actual and planned area under cultivation was declining, viz. for the rainy season BIMAS in 1965/1966, 1966/1967 and 1967/1968 the ratios were 115%, 103% and 98% respectively, and for the dry season BIMAS in 1966, 1967 and 1968 the ratios were 84%, 75% and 60%.

The aforementioned data reveal that the implementation of the dry season BIMAS in particular fell short of the target. This is ascribed to the fact that difficulties arising from the intensification began to multiply as additional areas were included in the BIMAS program; the main difficulties were as follows :

1. The limited financing made available by the Government.
2. The as yet imperfect condition of infrastructure in general and of irrigation and transportation in particular.
3. The inadequacy of qualified instructors.
4. The difficulties encountered in prescribing a proper credit procedure i.e. a procedure which may easily be followed by the farmers and which secures repayment of the loans.

From the point of view of: the increase in paddy output, the results achieved by the BIMAS program were satisfactory. Based upon provisional figures, the rainy season of 1967/1968 produced an increase of the average yield per hectare which was 54.4% above non BIMAS production.

In 1968, the actual area cultivated under the BIMAS Baru and INMAS programs were 17,317 hectares and 775,888 hectares respectively. In comparison to the initial target of respectively 21,750 hectares and 700,000 hectares, the actual areas under cultivation were 79.6% and 110.8% of their targets. It should be noted, however, that the figures concerning the actual cultivated area under the INMAS program must be read with some reservation.

The high output and the enthusiasm shown for the intensification of the paddy culture in 1968 were i.e. caused by the following factors :

- (a) the very favorable climatic conditions;
- (b) the impact of the high rice price from the middle of 1967 to the beginning of 1968;
- (c) the preparations regarding the supply of current input were better than in the preceding years.

Towards the end of 1968 agreements were signed for cooperation between the Government and a number of foreign enterprises such as CIBA, HOECHST, COOPA and A.H.T. The agreements known as “BIMAS Gotong Rojong” stipulated that the relevant foreign enterprises were to supply current input to the Government on terms of credit. Subsequently, the supplies in the form of current input packages comprising fertilizer, chemicals and implements for production were to be distributed by the Government to the farmers on the basis of credit. Part of the packages containing such items as fertilizer and chemicals were made available directly to the farmers, while the other part made up of implements such as sprayers, light traps and vehicles were provided for use to the various entities involved in the project (Agricultural Services, DEPOLOG and Local Governments).

In the rainy season of 1968/1969, BIMAS Gotong Rojong in cooperation with CIBA was implemented for the first time in West, Central and East Djawa and covered an area of 100,000 hectares in each region. In carrying out its task, CIBA utilized aerial spraying for its pest control operations on a mass scale. The value of the current input package provided by CIBA and which included the cost of aerial spraying amounted to US \$ 40,00 per hectare

Besides the current input packages supplied by CIBA on credit terms, the Government i.e. BULOG extended Rupiah credits to cover cost of living expenses, management fee, purchase of high-yielding PB-5 and PB 8 paddy seeds and additional fertilizer required for areas on which these paddy varieties were to be cultivated.

Aside from providing of guidance to the farmers as a means to increase production through the application of modern agricultural techniques, the BIMAS

Gotong Rojong program was concurrently tied up with the rice supply program of the Government (BULOG). The repayment of the credit by the farmer to the Government was determined at 1/6 of gross output.

The aforementioned cooperation is for the present considered profitable since it is expected to be able to meet the following problems :

1. financial problems of the Government;
2. supply of current input which should coincide with the requirements schedule of the farmers at village level;
3. the simultaneous and mass scale operations in the field of pest control.

In addition to the joint undertaking with CIBA, BIMAS Gotong Rojong in conjunction with HOECHST, COOPA and A.H.T. is expected to be introduced in the dry season of 1969 covering the following areas and locations :

- a. with CIBA: 150,000 hectares in West Djawa and Central Djawa;
- b. with HOECHST: 100,000 hectares in East Djawa;
- c. with COOPA: 150,000 hectares in West Djawa and 100,000 hectares in Central Djawa;
- d. with A.H.T. 50,000 hectares in West Sumatra.

The value of the credit packages per hectare ranged between US \$ 52.50 to US \$. 59.20.

The Government program emphasized on the increase of foodstuffs production by means of intensification efforts, since these could raise production within a short time in order to meet urgent needs.

Activities to be undertaken in 1969 and the production targets of paddy/rice were determined as follows :

	<i>Harvested area (hectares)</i>	<i>Average yield (tons/hectare)</i>	<i>Paddy output (tons)</i>
I. Basic output :			
1. Wet fields	6,306,000	2.43	15,323,580
2. Non-irrigated fields	1,479,000	1.46	2,159,340
II. Expansion of acreage :			
1. Dry field paddy	48,000	2.00	96,000
2. Wet field paddy	26,000	2.32	60,320
Total I + II	7,859,000		17,639,240
III. Increase in output due to intensification :		<i>Added yield (tons/hectare)</i>	<i>Increase in paddy output (tons)</i>
1. BIMAS	370,000	1.60	592,000
2. BIMAS Baru	780,000	3.00	2,340,000
3. INMAS			
(a) with PB-5/8	50,000	1.40	70,000
(b) with other high-yielding seeds	1,000,000	0.80	800,000
4. BIMAS Gotong Rojong	30,000	1.60	480,000
Total III	2,500,000		4,282,000
Total paddy production (target)		21,921,240 tons	
Less seeds and wastage (7.5%)		1,644,093 tons	
Paddy production available for consumption (target)		20,277,147 tons	
Rice production in 1969 (target)		10,544,116 tons	

Source : Department of Agriculture.

Besides intensification efforts, the Government in its attempt to overcome the food shortage in 1968 introduced measures for expansion of rice land (extensification) in the near future through surveys mapping and research on the condition of the soil in particular regions. A field survey completed this year in the Lampung region concerned the condition of the soil, land use, climatic condition, agronomy, irrigation, hydrology and forestry. A similar survey has been conducted in South Sulawesi.

In the field of seed selection, research activities were directed towards the development of seeds with even higher yields and more specifically, the development of paddy varieties having the following characteristics: high yield, favorable response towards fertilization, short maturing period, great resiliency and resistancy to pests and plant diseases. Research programs were adjusted to Government efforts to increase rice production without, however, neglecting other foodstuffs such as maize, pulses, tubers and vegetables.

Because of their high yields, the PB 5 and PB-8 seeds developed by the International Rice Research Institute and grown in Indonesia since 1965 were distributed to the farmers (experiments produced yields averaging 4.6 to 7.8 tons of paddy per hectare). The aforesaid paddy varieties showed a favorable response to large doses of fertilizer and were therefore well suited to the intensification program of the Government.

The Government found it further necessary to improve the processing of rice. It is well known that at present approximately 80% of the output is processed manually i.e. pounded by hand, whereas the remaining 20% is processed by rice mills (approximately 6%) and by rice hullers (approximately 14%). The conversion rates of the said methods of rice processing are as follows: 47% for hand pounding, 49% for rice hullers and 52% for rice mills.

In its effort to improve the processing of rice, during the year under report the Government conducted a research on the conversion rates of rice mills and hand pounding, and also demonstrated the use of rice hullers and rice mills. Experiments conducted with modern rice hullers on paddy of the Synthia and PB-5 varieties resulted in provisional conversion rates of 67—68% (starting from rice in the husk) and 55—56% (starting from stalked paddy). Rice losses could thus be avoided by changing the present methods of processing which proved to be inefficient. Consequently, the Government has drawn up a long term program for the gradual shift to mechanized rice processing.

Having considered the sufficiently large potentials of the floating rice fields in Kalimantan and Sumatra, the Government— within the framework of the

REPELITA — worked out a program designed to increase the paddy output and concurrently, to alleviate the population problem. Marshy areas in Indonesia are estimated at approximately 34 million hectares and are mainly found in Sumatra, Kalimantan and West Irian. Out of the said area an estimated 12 million hectares are convertible into floating rice fields.

The present area of floating rice fields in South Kalimantan, Central Kalimantan, Djambi and South Sumatra covers a mere 70,000 hectares, and the South Kalimantan area is already producing a paddy surplus. In the year under report the Government also introduced a series of measures designed to develop cultivation on floating rice fields, viz. selection of high yielding paddy varieties suitable for cultivation on such fields, control of pest and plant diseases and improvement of the draining system. The application of the *kuda* and *kwatik* paddy varieties in the Djambi region produced an average yield of respectively 29 and 27.5 quintals per hectare. In the Central and South Kalimantan regions, in addition to the *lemo* paddy variety—a locally developed high yielding seed—experiments were also conducted with PB-5 and PB-8.

Data provided by the Directorate General of Basic Irrigation show that after the new primary and secondary canals began to function, a new area of floating rice fields was created in 1968 covering approximately 22,000 hectares. In addition to the above, the Directorate General of Basic Irrigation completed the following projects :

	<i>Target</i> (hectares)	<i>Actual</i> (hectares)
1. Rehabilitation of irrigation	183,180	146,400
2. Rehabilitation of rivers	35,000	38,500
3. Extensification of irrigation	—	17,971
4. Floating rice fields	16,050	22,149
5. Expansion of dry paddy fields	90,000	130,000

Besides the efforts to improve the abovementioned basic infrastructure (irrigation, tidal land, etc.), in 1968, the Government sponsored the rehabilitation of irrigation at village level, while in conjunction with foreign countries, it also conducted research activities on the expansion of arable land and the increase of paddy output. Another problem which received much attention was the timely supply of current input (fertilizer, insecticides and other) in adequate amounts.

In connection with the intensification efforts conducted by the Government (BIMAS, BIMAS Baru and INMAS) the demand for fertilizer was increasing annually. In 1968, for purposes of intensification only, the demand for fertilizer amounted to approximately 250,000 tons.

The aforesaid demand could only partly be met by the output of P.N. PUSRI (urea fertilizer). Figures for 1968 and the preceding years concerning the output of P.N. PUSRI are as follows :

	<i>Production of urea fertilizer (tons)</i>	<i>Available for smallholder's agriculture (tons)</i>
1964	103,500	79,997
1965	94,000	54,566
1966	93,000	50,000 x)
1967	93,337	56,000 x)
1968	95,528	...

x) Estimates.

Source : Department of Agriculture.

Fertilizer imports required for smallholder's agriculture over past 5 years were as follows :

	<i>Volume (tons)</i>	<i>Value (in US \$)</i>
1964	91,597	6,955,655
1965	84,650	6,700,000
1966	67,738	6,375,000
1967	119,000	9,259,600
1968	399,000	...

Source : Department of Agriculture.

In connection with the efforts to increase foodstuffs production, It may be noted that during the year under report several crops were damaged on account of natural disasters, such as:

(a) Floods

Several areas in Djawa namely the areas of Malang, Blitar, Kediri, Ngandjuk and Modjokerto were inundated (January 1968), and tile crops were damaged to a rather large extent. The flood in the Bekasi area inflicted damages on the paddy and catch crops covering respectively 8,500 hectares and 1,000 hectares. The flooding of the Bengawan Solo which inundated the areas of Bodjonegoro, Tuban, Lamongan and Surabaya affected a paddy crop of approximately 32,200 hectares and a catch crop of approximately 7,600 hectares.

(b) Pest and diseases.

In the Tegal, Pemalang, Pekalongan and Batang areas, 114,000 hectares were affected by the gandjur and sundep pests. Likewise, in the Bodjonegoro, Tuban and Lamongan areas the sundep pest attacked 16,000 hectares and destroyed approximately 35% of the crop.

(c) Drought

An area of 28,400 hectares in the Atjeh region suffered a drought which destroyed part of the crop.

Rice

Data on domestic rice procurement by the Government over the period of 1966 through 1968 are reported below :

<i>Year</i>	<i>Target (ton)</i>	<i>Actual procurement (tons)</i>	<i>(% of target)</i>
1966	780,000	641,290	82.2
1967	597,000	503,704	84.4
1968	600,000	597,583	99.6

Source : BUL.

The figures for 1968 show that actual rice procurements did meet the target.

The successful domestic rice procurement in 1968 was inter alia attributable to the following factors :

1. The determination of a sufficiently realistic procurement price derived from the “rumus tani” (farmer’s formula).
2. Better preparations which included improved procurement procedures by means of Letters of Credit opened by Bank Indonesia.
3. Procurement was restricted to rice producing regions and regions with sufficient experience in this respect.
4. A paddy output which was higher than in The preceding years.

The aforementioned figures indicate, however, that the total volume of rice procured in 1968 was still less than in 1966. The reasons can be found in the higher target and larger purchasing area determined for 1966, viz. a target of 780,000 tons covering 21 purchasing areas. Rice procured in the said year totalled approximately 641,000 tons or 82.2% of the target.

Experiences proved that in regions where the (Government had been procuring rice for some time, better results were achieved in comparison to newly desig-

nated procurement areas. Therefore, the Government determined a lower target and a smaller procurement area in order to obtain a higher rate of efficiency, viz. 597,000 tons for 1967 and 600,000 tons for 1968 covering 10 and 12 procurement areas, respectively. The results achieved in the aforesaid years were 598 thousand tons in 1968 and 504 thousand tons in 1967 or approximately 99.6%, and 84.4%, of the respective original targets.

In 1967 and 1968, rice procurements of the Government were effected by Badan Urusan Logistik (BUL) which succeeded other agencies formerly engaged in the field of rice supply, viz. Badan Pelaksana Urusan Pangan (BPUP—Food-stuffs Procurement Agency) and Komando Urusan Logistik Nasional (KOLOGNAS - National Command of logistics). BUL was established in 1967 by Cabinet Presidium Decision No. 114/ U/ Kep/ 5/1967 dated May 10, 1967 and has the following principal duties :

- (1) to coordinate the activities of the entities engaged in the supply and distribution of essential commodities, or in a field of activity closely related thereto;
- (2) to supply and distribute rice in accordance with the regulations established by the Government, particularly to civil servants, personnel of state enterprises and the Armed Forces;
- (3) to execute the instructions of the Government with respect to logistic affairs.

In the context of its duties, BUL, procured rice domestically and imported rice as well. For 1968, BUL projected a rice supply of 1,342,000 tons of which approximately 600,000 tons was to be imported, another 600,000 tons to be procured domestically and the balance of 142,000 tons to come from stocks. The total projected rice supply was determined after due consideration of the following :

1. The potential of the Government and its policies with regard monetary sector and rice production;
2. The demand for rice in accordance with BUL's mission;
3. The feasibility of its implementation.

If the volume of the rice supply were to be calculated on the basis of actual demand, the total supply would become approximately 2 million tons.

The volume of the rice supply in 1968 originating from domestic procurements as well as imports was determined by the level of domestic rice production and the following factors :

1. the existing milling capacity of the rice hullers;
2. the efficiency of transportation (including inter-island transportation);
3. the availability of imported rice;
4. the potential of the Budget and the Government's cash position with regard to foreign exchange.

With respect to domestic rice purchases, in line with the policy of the Government to increase paddy output by means of an effective price policy, BUL introduced the following measures :

- a. to refrain from imposing a rice price which could harm the farmers;
- b. to actively participate in the providing of incentives to rice producing farmers through the determination of an attractive procurement price derived from the "farmer's formula".

The procurement procedure was further improved by the implementation of a domestic rice procurement procedure through L/C openings with the Bank. The aforesaid stipulation became effective as of March 1, 1968 pursuant to Joint Instruction No. 1/1968 of the Minister of Finance, the Governor of BNI Unit I and the Chairman of BUL. The Instruction contained positive elements such as a more intensive use of cash, since payments to suppliers were effected through the Banks (cash would cease to accumulate at BUL's branch offices), and the financial administration of the rice procurements could be controlled by the Bank. The objectives of the rice distribution in 1968 being the principal duty of BUL are specified below :

1. Direct distribution :

- a. to civil servants in minus areas, members of the Armed Forces and their families;
- b. to Local Government personnel;
- c. to personnel of PNKA, PERMINA, and other;
- d. to PPN in North Sumatra.

2. Free market sales :

Free market sales were effected at times of dangerous increases of rice prices. In such situations, BUL sold certain quantities of rice to influence the market i.e. :

- the rice was to be sold at 10% —15% below market price.
- the sales were continued until the market price returned to its normal level.

TABLE 42 — VOLUME OF RICE UNDER GOVERNMENT CONTROL (in tons)				
	Domestic purchases	Imports	Stock at beginning of year	Total stock
1964	341,510	1,025,451	80,528	1,447,489
1965	318,270	193,066	532,884	1,044,220
1966	641,290	306,066	79,877	1,027,233
1967	503,704	346,488	206,130	1,056,322
1968	597,583	625,478	152,117	1,375,178

Source : BUL.

Figures on rice imports for the period of 1964 through 1968 are reported in Table 42. The data show that total imports in 1968 amounted to 625 thousand tons, far more than had been imported annually during the period of 1965 through 1967. Total imports in 1968 plus total domestic rice procurements of 597,583 tons and the rice stock of 152,117 tons at the beginning of the year added up to a total of 1,375,178 tons, a record volume of rice under Government control during the period of 1965 through 1968.

The figures above reflect the Government's intention to control an adequate volume of rice in order to prevent the recurrence of the hazardous rice price increase of 1967 which, in turn, affected prices of other goods.

World market supply of rice

Provisional data of FAO indicate that world output of paddy in 1968 amounted to 284 million metric tons which was an increase of 2.8% over 1967.

It must be noted that the FAO figure includes a rather low estimate of paddy output in Indonesia, i.e. 15,249 thousand tons (the estimate of the Department of Agriculture for 1968 was 19,880 thousand tons or the equivalent of 10,340 thousand tons of rice).

Based upon the FAO figures, Indonesia's paddy output constituted approximately 5% of world paddy output. The principal reasons for the said increase in paddy output were as follows :

- 1) in 1968, climatic conditions were satisfactory in most of the paddy producing countries;
- 2) improved methods were applied to the cultivation of paddy
- 3) high-yielding seeds were used.

The phenomenon of increased output was also observed in the rice producing countries which were concurrently rice importers, such as Ceylon, India, Indonesia, Malaysia, Pakistan, the Philippines, Cuba and the USSR. The Philippines did not only cease to import rice in 1968, but even managed to export rice.

In 1968, the volume of world trade in rice was 3.6% less than in 1967. This decline was inter alia attributable to the increased paddy output of the main rice producing countries.

TABLE 43 — PADDY OUTPUT OF THE MAIN PRODUCING COUNTRIES
(in thousands of tons)

	1948-1952	1966	1967	1968 ¹⁾
<i>Asia</i>				
Burma	5,481	6,636	7,714	8,485
Cambodia	1,635 ⁶⁾	2,376	2,457	3,251
Ceylon	479	955	1,150	1,349
Taiwan	1,771	3,117	3,162	3,275
India	33,382	45,657	56,787	58,500 ²⁾
Indonesia ³⁾	9,441 ⁶⁾	14,503	13,932	15,249
Japan	12,736	16,552	18,770	18,765
Korea	3,385	5,297	4,869	4,286
Malaysia	532 ⁷⁾	913	886	1,005 ²⁾
Pakistan	12,399	16,410	19,005	19,515
Philippines	2,767	4,094	4,561	4,832
Thailand ⁸⁾	6,846	11,975	9,595	10,895
South Vietnam	2,395 ⁷⁾	4,336	4,688	4,366
People's Republic of China	58,188 ³⁾	88,000 ¹⁰⁾
Other countries in Asia	3,617	3,818	4,263	...
<i>Europe</i>				
France	46	100	115	91
Italy	723	621	745	639
Portugal	114	154	146	153
Spain	280	375	366	363
USSR	202 ⁴⁾	712	895	1,047
Other countries in Europe	119	190	223	126
<i>America</i>				
Cuba	164 ⁵⁾	51	93	182
Dominican Republic	65	178	147	169
United States	1,925	3,856	4,066	4,777
Brazil	2,921	5,802	6,792	6,932
Colombia	248	621	662	784
Ecuador	135 ³⁾	185 ²⁾	173	155 ²⁾
Guyana	101	249	198	180 ²⁾
Peru	191	374	461	400
Other countries in America	525	854	1,005	1,140
<i>Africa</i>				
Madagascar	829	1,360	1,700	1,400
Sierra Leone	274	690 ²⁾	400 ²⁾	...
United Arab Republic	971	1,678	2,316	2,586
Other countries in Africa	268	332	178	43
<i>Oceania</i>	84	197	234	239
World Total	167,336	253,560	276,018	283,514
¹⁾ Provisional figures. ⁶⁾ 3-year average. ²⁾ Unofficial figures. ⁷⁾ 2-year average. ³⁾ 4-year average. ⁸⁾ Data supplied by the Rice Department of Thailand. ⁴⁾ Output in 1950. ⁹⁾ Data different from those of the Department of Agriculture. ⁵⁾ Output in 1952. ¹⁰⁾ FAO estimate.				

Source: FAO.

TABLE 44 — RICE EXPORTS SPECIFIED ACCORDING TO MAIN EXPORTING COUNTRIES (in thousands of tons)				
Countries	1962-1964 Average	1966	1967	1968
<i>The Far East</i>				
Burma	1,595	1,100	544 ¹⁾	335 ¹⁾
Cambodia	329	168	223	247
Taiwan	100	178	122	120
Philippines	—	—	—	41
Pakistan	127	187	122	73
Thailand	1,527	1,510	1,480	1,022
Other ³⁾	200	51	71 ¹⁾	72 ¹⁾
Total	3,878	3,237	2,562	1,910
People's Republic of China ²⁾	661	1,197 ¹⁾	1,192	1,025 ¹⁾
North Korea ²⁾	8	72	125	100 ¹⁾
North Vietnam ²⁾	8	13	3	3 ¹⁾
<i>Other Countries</i>				
France	11	7	39	69
Italy	123	81	150	188
Spain	51	56	109	100 ¹⁾
USA	1,200	1,352	1,838	1,898
Brazil	19	289	32	90 ¹⁾
Guyana	81	100	96	100 ¹⁾
Suriname	18	21	22	33
United Arab Republic	350	347	435	600 ¹⁾
Madagascar	35	21	40	50 ¹⁾
Australia	62	86	98	94
Other	127	176	195	197 ¹⁾
Total	2,077	2,536	3,054	3,419
World Total	6,632	7,055	6,936	6,457
¹⁾ Unofficial figures. ²⁾ Computed on the basis of the quantities imported by other countries. ³⁾ Excluding People's Republic of China, North Korea and North Vietnam.				

Source: FAO.

TABLE 45 — RICE IMPORTS SPECIFIED ACCORDING TO MAIN IMPORTING COUNTRIES
(in thousands of tons)

Countries	1962-1964 Average	1966	1967	1968
<i>The Far East</i>				
Ceylon	491	184	376	338
Taiwan	13	2	6	—
Hongkong	368	367	397	307
India	526	787	453	446
Indonesia	1,065	269	347	625
Japan	272	794	489	264
South Korea	39	32	118	216
Malaysia	465	365	390	300 ¹⁾
Pakistan	175	139	149	35
Philippines	185	105	182	—
Singapore	163	151	177	265
South Vietnam	14	475	749	650
Other ²⁾	193	215	280	280 ¹⁾
Total	3,969	4,185	4,113	3,726
<i>Other Countries</i>				
France	59	108	97	128
West Germany	120	159	107	110 ¹⁾
Netherlands	43	67	33	49
United Kingdom	112	112	106	122
Other countries in West Europe	177	146	181	190 ¹⁾
USSR	289	275	397	300 ¹⁾
Other countries in East Europe ⁴⁾	188	231 ¹⁾	183	230 ¹⁾
C u b a	223	250 ¹⁾	157	150 ¹⁾
Arab states ³⁾	222	240	214	250 ¹⁾
Mauritius	69	61	67	62
Senegal	134	147	153	175 ¹⁾
Poland	68	—	65	63
Other	801	1,056	816	850 ¹⁾
Total	2,551	2,852	2,617	2,756
World Total!	6,520	7,037	6,730	6,482

¹⁾ Unofficial figures.

²⁾ Includes People's Republic of China, North Korea and North Vietnam.

³⁾ Saudi Arabia, Yemen, Kuwait, Bahrein, Qatar, Muskat and Oman.

⁴⁾ Albania, Bulgaria, Czechoslovakia, East Germany, Hungary and Rumania.

Source: FAO.

TABLE 46 — RICE PRICES*)		
	1967 £ / 1000 kg	1968 £ / 1000 kg
January	65.5	94.5
February	68.2	101.0
March	73.8	98.0
April	73.5	90.0
M a y	77.0	86.0
June	86.0	83.2
July	86.0	83.2
August	84.0	81.5
September	90.0	79.5
October	90.0	72.5
November	86.0	72.5
December	92.0	75.0
*) Thai Quality: White, 5%—7% broken, Government standard, f.o.b. Bangkok.		

Source : FAO.

The rise in world paddy output and consequently the increase in the rice supply affected the world market price of rice. Until the month of December 1968, the rice price was continuously declining and was only followed by a slight increase at the close of the year. The movement of the rice price in 1968 was just the opposite of 1967 when the price was, continuously increasing.

In January 1967, the price of Thailand rice, white 5—7% broken FOB Bangkok was quoted at £ 65/10/ —per metric ton; it thenceforth increased to £ 92/—/ —at the end of the year. In contrast, the rice price in January 1968 was £ 94/10/—, but then declined to £ 72/10/— in November, and slightly increased to £ 75/—/ —at the end of the year.

Beside the larger rice supply, the drop in the rice price was also effected by the efforts to substitute rice by less expensive foodstuffs such as wheat. The excessive rice price in 1967 encouraged the aforesaid efforts to a large extent.

With respect to the use of high-yielding seeds to achieve a higher output of paddy, attention should be paid to the swift progress made by the Philippines in the development of high- yielding paddy varieties. In the Philippines experiments on new paddy varieties are conducted by the International Rice Research Institute (IRRI), which inter alia introduced the IR5 and IR8 paddy variety, in Indonesia known as PB-5 and PB 8.

Through the period under report, the Philippines were the major supplier of high-yielding paddy seeds in the world,

Forestry

The data supplied by the Directorate General of Forestry show a sharp increase in timber output namely from 4,350 thousand M3 rough timber equivalent in 1967 to 5,299 thousand M3 in 1968 which was an increase of 21.8%. The increase in output was inter alia caused by the following factors :

1. The increased interest of foreign as well as domestic entrepreneurs to invest their capital in the field of forestry.
- 2 . The constant increase in world market demand for timber, particularly from Japan.
3. The improved sea transportation facilities as well as the economic situation in general.

Compared with other countries such as the Philippines and Malaysia, forest exploitation in Indonesia is not yet sufficiently developed due to the following obstacles: inadequate capital, skill and experience, inadequate logging facilities and the bad condition of the infrastructure. To meet the inadequacy of capital, skill

TABLE 47 — TIMBER OUTPUT IN VARIOUS REGIONS (in thousand m ³ rough timber equivalent)							
Year	Djawa & Madura	Sumatra	Kali- mantan	Sulawesi	Maluku & West Irian	Nusa- tenggara	Indonesia
1964	1,561 ¹⁾	1,300	267	50	34	101	3,313 ¹⁾
1965	1,360 ¹⁾	1,317	98	18	4	88	2,885 ¹⁾
1966	1,446 ¹⁾	1,470	440	30	15	106	2,507 ¹⁾
1967	1,678 ¹⁾	1,832 ¹⁾	615 ¹⁾	59	17	149	4,350 ¹⁾
1968 ²⁾	2,294	1,859	871	65	25	185	5,299
¹⁾ Revised figures. ²⁾ Provisional figures.							

Source: Directorate General of Forestry.

and experience, joint ventures with foreign investors having vast experience in the field of tropical forest exploitation are considered effective, besides efforts to attract domestic capital for forest exploitation. In connection with the efforts to increase timber output in the near future through foreign as well as domestic capital investments and having in mind the disappointing experiences of Thailand and the Philippines in this context, a reforestation program should be one of the conditions to be stipulated in the forest exploitation contracts.

In 1967, the Government promulgated Act No. 1 /1967 concerning Foreign Capital Investment, as well as the Act concerning Principal Regulations on Forestry which inter alia regulates the issue of licences for forest exploitation. Through the end of the year under report, to 20 foreign and domestic enterprises such licences for forest exploitation were issued. Out of the aforesaid enterprises, 5 were Production Sharing projects covering an area of 896,95 thousand hectares, 5 others operated under the Act on Domestic Capital Investment over an area of 554 thousand hectares, 10 were joint ventures subject to the Act on Foreign Capital Investment, 4 out of which covered an area of 495 thousand hectares (3 joint ventures were still provided with Provisional Concessions for Forest Exploitation) while 6 others were straight investments over an area of 665 thousand hectares (2 of them were still operating under Provisional Concessions for Forest Exploita-

TABLE 48 — TIMBER OUTPUT SPECIFIED ACCORDING TO KIND (in thousand m ³ rough timber equivalent)				
Year	Lumber	Firewood	Charcoal	T o t a l
1964	1,952 ¹⁾	1,020	341	3,313 ¹⁾
1965	1,770 ¹⁾	930	185	2,885 ¹⁾
1966	1,983 ¹⁾	1,161	363	3,507 ¹⁾
1967	2,853 ¹⁾	1,133	363 ¹⁾	4,350 ¹⁾
1968 ²⁾	3,828	1,105	366	5,299
¹⁾ Revised figures. ²⁾ Provisional figures.				

Source : Directorate General of Forestry.

tion). Besides, some more applications for forest exploitation were under consideration by the Government.

With the increasing activity in forest exploitation outside Djawa effected by means of both domestic and foreign capital, timber output for the period of 1969 /1970 -- 1973/1974, according to the Five Year Development Plan, is expected to increase as follows :

Timber output, 1969/1970 — 1973/1974

<i>Year</i>	<i>Teak ('000 m³)</i>	<i>No -teak ('000 m³)</i>
1969/1970	400	2,500
1970/1971	400	3,200
1971/1972	400	4,200
1972/1973	400	5,800
1973/1974	400	7,500

Source : BAPPENAS.

Data provided by PN PERHUTANI concerning domestic marketing of timber in 1968 showed an increase in the average price of timber in general and of lumber in particular. This was i.e. caused by the resumption of construction projects which were temporarily suspended in the previous years. As a whole, however domestic sales of timber declined due to the sharp drop in demand for firewood by PNKA (State Railway Enterprise) as a consequence of the increased use of diesel locomotives.

TABLE 49 — IMPORTS AND EXPORTS OF THE PRINCIPAL PRODUCTS AND KINDS OF WOOD (in tons)					
Year	I m p o r t			E x p o r t	
	Triplex board and cases	Wood pulp	Newsprint	Teak	Other kinds of timber
1964	2,376	696	29,572	7,711	62,072
1965	7,134	1,342	28,565	9,679	123,806
1966	1,708	1,826	16,090	14,828	192,425 ⁴⁾
1967 ¹⁾	3,760	...	42,705 ³⁾	12,256	395,863
1968 ¹⁾	167 ²⁾	...	23,357 ^{2) 3)}	27,680	809,850
¹⁾ Provisional figures. ²⁾ January through June. ³⁾ Including cardboard and Writing paper. ⁴⁾ Revised figures.					

Source : Central Bureau of Statistics.

In 1968, exports of teak wood and of other kinds of wood increased sharply. The export of teak wood rose by :125.8% i.e. from 12,256 tons in 1967 to 27,680 tons in the following year and exports of other kinds of wood increased from 395,863 tons to 809,850 tons or by 104.6%. The said increase in 1968 was not only attributable to the higher domestic timber output (especially of non-teak wood), but also to the continuous rise in foreign demand. The demand for low grade teak logs and conversion rose sharply especially at the Hongkong and Singapore markets, although both types failed consistently to gain a market in the previous years.

In connection with the efforts to increase exports, measures were introduced to promote sales to Taiwan. Meanwhile, Europe's demand for high grade teak logs and conversion started to rise also. The main country of destination for non teak wood exports was Japan.

TABLE 50 --- EXPORTS OF AUXILIARY FOREST PRODUCE (in tons)				
Year	Copal	Dammar	Rattan	Shorea nuts
1964	2,046	5,886 ¹⁾	37,839	892
1965	1,995 ¹⁾	5,710 ¹⁾	35,861 ¹⁾	673
1966	2,123 ¹⁾	4,223 ¹⁾	20,778 ¹⁾	7,753
1967	2,207	6,601	32,231	1,092
1968 ²⁾	2,503	5,420	32,421	21,413
¹⁾ Revised figures. ²⁾ Provisional figures.				

Source : Central Bureau of Statistics.

The export of other forest produce, such as copal, dammar and rattan remained virtually unchanged. The export volume of tengkawang (shorea nuts) however, jumped from 1,092 tons in 1967 to 21,413 tons in the following year—an increase of 1,861%—, which was mainly ascribed to the increased output of tengkawang in 1968.

Like in the preceding years, during the year under report PN PERHUTANI succeeded in reforesting 25,521 hectares and 24,955 hectares located in Central Djawa and East Djawa, respectively. In 1968 the condition of the forests in Djawa was apparently better than in the preceding years. The damages inflicted upon the forests were less severe, hence permitting reforestation efforts to achieve better results. During the preceding years, reforestation was lagging behind wood cutting with the result that increasing areas were bare.

Livestock

The Cattle Survey and Cattle Census of 1967 conducted by the Central Bureau of Statistics in conjunction with Department of Agriculture/Directorate General of Animal Husbandry provide more reliable data on the number of livestock. According to the survey figures, in 1967 there were 6,829 thousand cows, 2,729 thousand water buffaloes, 633 thousand horses, 10,815 thousand goats and sheep and 2,568 thousand pigs.

Although data for 1965 and 1966 were not available, the figures for 1963 and 1964 provided by the Central Bureau of Statistics reveal that the present (1967) cattle population—with the exception of cows—is tending to decline. In 1963 and 1964, there were approximately 6.5 million cows, which in comparison to the 6.8 million cows in 1967 implies a mere increase of 4.6% over a period of 3 years. On the other hand the number of water buffaloes, horses, goats/sheep and pigs was declining during the same period, viz. by approximately 3.8%, 3.1%, 1.3% and 12.7%, respectively.

TABLE 51 — LIVESTOCK (in thousand heads)					
Year	Cows	Buffaloes	Horses	Goats and sheep	Pigs
1964 ¹⁾	6,537	2,836	653	10,951	2,940
1965 ²⁾
1966 ³⁾
1967 ³⁾	6,829	2,729	633	10,815	2,568
1968 ⁴⁾	6,710	2,560	—	10,570	2,180
¹⁾ Revised figures. ²⁾ Data not available. ³⁾ Revised figures based upon 1967 Cattle Survey and Cattle Census. ⁴⁾ Estimates of BAPPENAS.					

Sources : Central Bureau of Statistics, Directorate General of Animal Husbandry, and BAPPENAS.

Based upon the average figures over the period of 1961- 1967, the factors affecting the cattle population were different for each type of cattle; with the exception of cows and sheep, however, the other principal types of livestock showed a declining trend, caused by the imbalance between the birth rate on the one hand and the death rate and rate of consumption on the other hand.

The following figures reflect the abovementioned situation for each type of livestock :

<i>Type of livestock</i>	<i>Rate of increase</i>	<i>Birth rate</i>	<i>Death rate</i>	<i>Rate of consumption</i>
C o w s	+ 0.80	16.05	1.97	13.28
Water buffaloes	— 1.79	16.43	5.23	12.99
G o a t s	— 1.89	31.0()	4.03	28.86
S h e e p	+ 0.40	24.02	3.10	20.52
P i g s	— 3.16	45.40	14.49	34.17
Chickens	— 1.128	63.00	13.00	31.18

From the abovementioned figures may be concluded that if present conditions remain unchanged, while the Government does not introduce measures to change those conditions, chances are that the population of livestock will further decline in the future.

Table 51 presents an estimate of the population of the livestock in 1968 according to BAPPENAS. The figures show that in 1968, the number of livestock including cows is also declining. According to the BAPPENAS estimate, the production of cows and water buffaloes in 1968 dropped from 6,829 thousand cows and 2,729 thousand water buffaloes in 1967 to respectively 6,710 thousand and 2,560 thousand in 1968, while the population of goats, sheep and pigs dropped also from 10,815 thousand goats and sheep and 2,568 thousand pigs in 1967 to respectively 10,570 thousand and 2,180 thousand in 1968.

In the efforts to increase the population of the aforesaid livestock in order to increase products of animal husbandry such as meat, eggs and milk various impediments were encountered, such as :

1. Unavailability of select breeding stock, particularly for the production of eggs (chickens) and milk (milk cows). Present domestic chicken varieties are merely able to produce between 50 to 60 eggs per year, which in comparison to the annual output of the chicken varieties in foreign countries is extremely low. As far as the domestic cows are concerned, these are generally not considered good milk producers.
2. The relatively high death rate, especially in the case of chickens, on account of diseases. An estimated one third of the chicken population dies annually because of the tetelo disease.
3. The limited supply of grass and catch crops for cattle fodder in Djawa, Madura and East Nusatenggara. The present livestock population in Djawa has reached its optimum in proportion to the fodder supply potential (66% of the total livestock is found in Djawa). On the other hand, there is practically no cattle breeding in Kalimantan and the Moluccas, and neither in West Irian. Their livestock population is estimated at approximately 0.16 heads of cattle per square kilometer as against 59 heads per square kilometer in Djawa.
4. Inadequate production incentives on account of the relatively low demand and the weak financial position of the cattle breeders.
5. Credit institutions are not yet in the position to meet the demand for capital required to promote animal husbandry.
6. The cattle breeder's limited knowledge of modern techniques of animal husbandry caused the low rate of output in cattle breeding. At present, cattle breeding is generally conducted as a side job.

In order to meet the abovementioned principal difficulties, and to increase the production and the population of livestock, the Government - in the context of the Five Year Development Plan—inter alia plans to introduce the following measures :

- (1) Initiation of a BIMAS Peternakan Program (Mass Guidance Program for Animal Husbandry) which inter alia would cover the following activities :
 - (a) Prevention and repression of animal diseases. The principal supplies to be made available in adequate amounts are S.E. vaccine, Au trax Bentvaur and N.C.D.
 - (b) Supply of select breeding stock.

Select breeding stock of chickens and milk cows should still be imported. The first four years of the BIMAS Peternakan activities will concern the distribution of the said breeding stock to cattle breeding areas.
 - (c) Improvement and expansion of credit facilities.
 - (d) More effective guidance.
- (2) Further development of the activities of research institutions. Research activities should be directed primarily towards the development of select breeding stock, the production of better vaccines which are more economical and effective in use than the earlier type.
- (3) Provision of adequate incentive to entrepreneurs in the field of animal husbandry through expansion of the domestic markets and increase in exports. Better inter-island transportation facilities would expand inter-island trade, while improved port facilities and improved communication with foreign livestock markets would cause exports to increase.
- (4) Movement of livestock from areas with a dense cattle population through the development of new cattle breeding areas.
- (5) Provision of more intensive guidance in the field of animal husbandry.

On the basis of the livestock population as mentioned above, the production of meat, milk and eggs in 1968 is estimated at 283.2 thousand tons, 64.7 thousand tons and 33.6 thousand tons, respectively. Converted into protein, the production would be: 56.64 thousand tons, 1.94 thousand tons and 4.27 thousand tons, respectively. Based upon the total number of people in 1968, the daily output of meat, milk and eggs per capita is respectively, 6.74 grams, 1.54 grams, and 0.80 grams, or a total daily output of only 9.08 grams per capita in 1968. The minimum requirement for a healthy diet as recommended by the "Workshop on Food" seminar is an average daily intake of 20 grams of meat and poultry, 5 grams of milk and 5 grams of eggs (i.e. a total of 30 grams per capita a day).

In the framework of increasing- foodstuffs production, it should be noted that besides the difficulties mentioned above, the efforts of the agricultural sector were concentrated on rice production to meet an urgent need; less attention could therefore be devoted to animal husbandry. On the other hand, the general economic situation was reflected in the low buying capacity of consumers, which in turn restricted the marketing of livestock products, Within this context, attention should be given to the fact that with regard to the demand for animal protein and its prominent role in the composition of a healthy diet, efforts to increase the production of: livestock should be considered mandatory. It may also be expected, that with a successful development of the economy, the consumption of livestock products will increase at a higher rate than before. To meet the increasing demand for livestock products and to improve the present diet, the Five Year Development Plan has provided for the basis and the target of livestock production which contain measures to increase the livestock population and the production of meat, milk and eggs as well.

The estimated production of meat, eggs and milk to be achieved through the implementation of the Five Year Development Plan is as follows (in million kilograms):

<i>Y e a r</i>	<i>M e a t</i>	<i>Eggs</i>	<i>Milk</i>
1969/1970	321.70	37.52	67.32
1970/1971	396.25	52.40	83.49
1971/1972	425.65	76.40	108.57
1972/1973	472.05	96.56	157.41
1973/1974	539.50	120.96	167.97

The estimated livestock population during the same period is as follows (in million heads of cattle) :

<i>Y e a r</i>	<i>Cows</i>	<i>Water buffaloes</i>	<i>Goats</i>	<i>Sheep</i>	<i>Pigs</i>	<i>Chickens</i>
1969/1970	6.77	2.54	6.81	3.75	2.18	69.88
1970/1971	6.86	2.55	6.81	3.84	2.20	82.67
1971/1972	6.98	2.55	6.90	3.96	2.26	106.07
1972/1973	7.13	2.62	7.04	4.10	2.36	146.70
1973/1974	7.33	2.74	7.33	4.28	2.50	217.54

Domestic marketing and export of cattle and products of animal husbandry met with many difficulties. The low buying capacity and the inadequate interisland transportation facilities were the principal obstacles to domestic marketing, whereas exports met with the following difficulties :

- (a) an inadequate number of cattle ships, and inadequate facilities for proper accommodation of the cattle at export harbors;
- (b) the low quality of the cattle;
- (c) the absence of specialized institutions to supervise export activities;
- (d) the limited foreign demand.

At present, cattle from Indonesia is primarily exported to Hongkong and Singapore.

In 1968, the export of cattle increased which was gratifying in comparison to the preceding years. In the year under report 15,777 water buffaloes were exported against 10,614 and 4,353 in 1967 and 1966, respectively. The said buffaloes were exported to Singapore (4,127 heads) and Hongkong (11,250 heads).

In 1968, 34,856 cows were exported as compared with 10,000 in 1967 and 23,496 in 1966. The said cows were primarily exported to Singapore 15,993 heads) and Hongkong (28,213 heads), while a small number was exported to Sabang (650 heads). No activity was observed with regard to the export of pigs; there was, however, some export of goats (400 heads) to Singapore, which had never occurred before.

It should also be noted that the export volume of cattle in the preceding year dropped below normal levels. This was caused by the outbreak of the “djembrana” disease in 1965 on the island of Bali. Spreading at a very fast pace, the disease claimed many victims among the cows and water buffaloes in the aforesaid region. Because of the outbreak of the “djembrana” disease which was strongly suspected to be rinder pest, the export of cattle from Bali was discontinued early in 1967.

At present, the disease has been successfully kept in check, and the number of cattle affected by the disease could be prevented from increasing. Aside from the resumption of cattle exports to Hongkong and Singapore, improved export regulations favorably affected export activities in 1968; consequently, cattle exports in the said year were more satisfactory.

Fishery

The production of inland fishery which in 1966 and 1967 was 482 thousand tons and 502 thousand tons respectively, is estimated to have dropped to 450 thousand tons in 1968. Complete production figures may be observed in Table 52.

TABLE 52 — PRODUCTION OF FISHERIES (in thousand tons of fresh fish)			
Year	Sea fishery	Inland fishery	T o t a l
1964	590	403	993
1965	665	437	1,102
1966 ¹⁾	720	482	1,202
1967 ¹⁾	678	502	1,180
1968 ¹⁾	726	450	1,176
¹⁾ Provisional figures.			

Sources : Directorate of Sea Exploitation.
Department of Agriculture.

The output of inland fishery originated from public waters (marshes and lakes) and from fish farming, viz. fish ponds, wet paddy fields and irrigation reservoirs. With regard to their respective share in the production process, the public waters produced 75% of the output of inland fishery, while the balance was produced by fish farms. Public waters cover an area of approximately 12 million hectares, whereas fish farming activities—limited to fish farms and fish ponds—presently include an estimated area of 150,000 hectares. In proportion to the size of the productive area, the actual output is far below the potential output; the output in 1968 was approximately 52 thousand tons (10.4%) less than in the preceding year.

The following factors affected the output level in 1968 :

1. the limited supply of fishing gear (fishing rods, fishing nets, etc.);
2. the price of fishing gear was rather high for the farmers whose average earnings were low;
3. the inadequate river and road transportation facilities connecting production centers with the consumers;
4. irresponsible fishing activities by means of explosives and poison thus killing the fry;

5. fishing was impeded by the extensive growth of *Echornia* which blocked the flow of water to the fishing grounds, while efforts to weed out the said growth were still unsuccessful.

In addition to the aforementioned difficulties, the following problems affected the output level of fish farms in particular :

- a. the decline in the average yield per hectare of the fish farms on account of alluvial deposits which caused the fish farms to become shallow;
- b. control of pests and plant disease of the paddy crop by means of insecticides killed an increasing number of fish (farmed in the fields together with paddy);
- c. insufficient development of fish farming techniques;
- d. The limited supply of select fry, whereas the Balai Benih Ikan (Select Fry Institute) was not yet able to meet the demand in full

The output of sea fishery is reported in Table 53.

In contrast to the production of inland fishery, the production of sea fishery increased in 1968, i.e. from 678 thousand tons in 1967 to 726 thousand tons in 1968, indicating an annual increase of 7.1%. The production in 1968 was almost equal to 1966 when it amounted to 720 thousand tons.

Similar to inland fishery, the output of sea fishery was far below the existing production potential. The topographical location and the composition of the Indonesian archipelago is such that approximately 70% or about 5,500,000 km² of the total area is covered by sea with an annual production capacity estimated at 4,500,000 tons of fish. The output level of 700,000 tons currently achieved represents, therefore, only 15.6% of the existing potential.

TABLE 53 — PRODUCTION OF SEA FISHERY (in tons)					
	1964	1965 ¹⁾	1966 ¹⁾	1967 ¹⁾	1968 ²⁾
1. Atjeh	19,541	25,625	32,440	18,468	20,500
2. North Sumatra	44,036	50,026	55,007	60,091	68,000
3. West Sumatra	3,220	4,000	15,060	12,262	13,000
4. R i a u	120,000	130,000	143,000	146,000	154,000
5. Djambi	2,504	3,004	3,500	3,614	5,000
6. South Sumatra	23,442	32,734	35,000	27,460	28,500
7. Lampung	4,574	3,835	4,800	2,854	6,500
8. Djakarta Raya	2,115	2,318	2,400	3,020	3,300
9. West Djawa	30,410	40,467	41,500	56,178	56,500
10. Central Djawa	29,500	21,396	34,400	27,741	29,500
11. East Djawa	96,796	98,000	94,800	53,827	65,000
12. West Kalimantan	19,639	40,300	32,200	35,400	33,200
13. Central Kalimantan	10,992	12,660	13,200	13,000	11,000
14. South Kalimantan	15,446	18,895	21,300	17,065	20,000
15. East Kalimantan	13,222	19,864	21,900	22,528	20,000
16. North Sulawesi }		19,404	24,200	18,000	25,000
17. Central Sulawesi }	22,597	4,500	6,000	3,000	5,000
18. South Sulawesi		80,000	96,000	90,000	86,500
19. Southeast Sulawesi }	90,000	4,000	6,000	7,000	6,000
20. B a l i	2,169	2,046	2,120	2,545	3,500
21. West Nusatenggara	12,876	14,709	14,390	19,650	20,500
22. East Nusatenggara	6,088	7,730	7,530	7,730	9,000
23. Maluku	16,768	16,144	19,819	24,500	27,000
24. West Irian	4,070	3,150	4,700	6,000	6,500
T o t a l	590,000	665,107	720,236	677,933	726,000
¹⁾ Provisional figures. ²⁾ Estimates.					

Source: Directorate of Sea Exploitation.

The following constraining factors limited the catch of the Indonesian fishermen :

1. The most primitive fishing gear utilized by the fishermen
2. Since both fishing gear and fishing techniques were most primitive, the area for fishing was restricted.
3. The limited availability of production facilities such as storage facilities, processing plants and transportation facilities.

4. Since most fishing gear had to be imported, such gear was not always available and was beyond the financial capacity of the fishermen.

More than 90% of the fishing boats were sail boats of 2 to 10 cubic meters. In the year under report, there were about 235,000 of such fishing boats which were equipped with suitable fishing gear. There were only 3,202 motorized fishing boats of which 1,550 were powered by outboard motors. The average tonnage of the motorized fishing boats was not more than 8 tons.

On the basis of the condition explained above it must be obvious that fishing activities had to be confined to the coastal waters, whereas concentrations of fish of economic value were to be found in the off shore areas and/or in deep sea.

The number of fishermen operating in 1968 was estimated at 919,000 people; inclusive of their dependants it would be 5,000,000 people, or approximately 4.2% of Indonesia's total population. Taking into consideration the equipment and techniques applied in their fishing operations, it may be concluded that the fishermen are fairly skilled, hard working people who easily adopt new fishing techniques. The latter trait is reflected in their attitude towards the implementation of the gill net made of synthetic fiber which is presently most popular with the fishermen. Most of them however, have a very low standard of living which hampers the potential establishment of a modern fish catching industry. In 1968, the output of inland and sea fish amounted to 1,176 tons which was an annual average of 10 kg per capita available for consumption. Since the annual minimum requirement of protein is about 17 to 18 kilograms per capita (including meat and other), the actual output was still far below the minimum level required.

The policy of the Government in the field of fishery was designed to achieve the following objectives :

1. to increase the production of fish in order to satisfy public demand;
2. to improve the fishermen's earnings and material welfare.

A comprehensive program is contained in the Five Year Development Plan which i.e. covers the following projects :

1. intensification of sea fishery;
2. rehabilitation and development of fishing ports;
3. fishery research;
4. development of fishing grounds for inland fishery;
5. development of select fry for inland fishery;
6. development of infrastructure for fishery.

The production level to be reached in 1969/1970 i.e. the first year of the Five Year Development Plan is determined at 1,423 thousand tons of fish, comprising 898 thousand tons of sea fish and 525 thousand tons of inland fish. At the end of the Plan period, i.e. in 1973/1974, the production level is expected to reach 1,969 thousand tons comprising 1,331 thousand tons of sea fish and 638 thousand tons of inland fish.

As has been explained earlier, fishing operations are currently confined to coastal waters; hence, the quality as well as quantity of the fish is restricted to particular types. A larger output of fish necessitates the implementation of more advanced fishing techniques, however, such project requires large investments and high skill. As far as the current situation of capital and skill in Indonesia is concerned, and particularly with regard to the fishermen themselves, the probability for the establishment of the aforesaid project is slight. Therefore, the Government has found it necessary to take the initiative by establishing modern fishery projects such as has been provided for by the Five Year Development project, viz. the Tjakalang (skip jack) Project operating in the waters east of the Straits of Makassar; the Tuna Project operating in the Indonesian Ocean and the Banda Sea, and the Udang (shrimp) Project operating in the Sunda Shoal and Sahul Shoal.

As a matter of fact, the efforts to modernize sea fishery were introduced in 1961, i.e. with the establishment of Perusahaan Perikanan Negara (State Fishery

Enterprise) in the said year. The development of the enterprise, however, met with many difficulties and the result were therefore minimal. The principal factors which caused the activities of the enterprise to be less successful were i.a. :

1. weaknesses in management and organization:
2. lack of capital:
3. equipment which need rehabilitation:
4. marketing problems.

In order to encourage more intensive fish production in the context of the foreign investment policy, the Government permitted a number of foreign enterprises to operate in Indonesia

The aforesaid foreign investments were generally joint venture with domestic enterprises, or straight foreign investments (100%). Per end of 1968, 8 fishing projects operating under the Foreign Investment Act were approved by the Government i.e. :

1. PT Cora-cora. Ambon (Indonesia). joint with Arafuru Pearl Co. Ltd (Japan);
2. Toyo Menka Kaisha Ltd. (Japan):
3. Fincon Incorporated (Philippines).
4. PT Minapaya: (Indonesia) joint with The Gulf Fisheries Co Kuwait International Fisheris (USA).
5. CV Bonito Indonesia, joint With Skips A/S Kar Aslo (Norway)
6. Nusantara Djaja Coy (Indonesia), joint with Shin Hung Refrigeration Coy Ltd. (South Korea)
7. PT Pelindo (Indonesia) joint with Toho Busan.
8. PT Jalamina (Indonesia), joint with Nihon-Kinkei

The amount of invested capital ranged from 1 to 2.5 million U.S. dollars for each project, mainly for the cultivation of pearls and the catching of schrimps and fish of economic value.

Export crops

Rubber

According to data of the Central Bureau of Statistics, the production of estate rubber in 1968 rose slightly compared with the preceding year. viz. from 200 thousand tons in 1967 to 205 thousand tons in the following year. The increase was i.a. attributable to the rehabilitation of the foreign estates which were returned to their original owners as well as to fertilizing, although the doses was less than required.

The production in 1968 was slightly higher than in the preceding year, it was, however, still below the target of the Department of Agriculture. The failure to reach the 1968 target of 224,000 tons was inter alia caused by the following factors :

- 1) the uncompleted process of regrouping within the structure of the state owned plantations:
- 2) frequent rainfall in the morning hours

TABLE 54 — PRODUCTION AND EXPORT OF ESTATE RUBBER (in tons)		
Y e a r	P r o d u c t i o n	E x p o r t
1964	231,691	240,753 ¹⁾
1965	227,763	220,554 ¹⁾
1966	216,669 ¹⁾	238,019
1967 ²⁾	200,565	209,579
1968 ³⁾	205,008	216,875
¹⁾ Revised figures. ²⁾ Revised provisional figures. ³⁾ Provisional figures.		

Source : Central Bureau of Statistics.

The problems still faced by the rubber estates were i.a.: inadequate fertilizing, overaged trees, rising production costs and the low world market price of rubber. The aforesaid condition was responsible for the low average yield per unit of area. It should be noted that the world market price development in 1968 was slightly better than in the preceding year. Therefore, the first stage of the Five Year Development Plan (1969/1970— 1973/197b) provides for efforts to increase the average yield per hectare in order to reduce production costs through rejuvenation and fertilizing. To this effect, medium term financing will be made available on reasonable terms. Since the available funds are limited, priority will be given to the most efficient estates to ensure repayment of the loans within the stipulated period. With the availability of the said funds, rejuvenation and fertilizing are expected to be conducted more intensively.

The production of *smallholder's* rubber in 1968, according to the figures of the Department of Agriculture, declined by about 26 thousand tons compared with the preceding year, viz. from 538 thousand tons in 1967 to 512 thousand tons in the following year. The decline was inter alia caused by inadequate maintenance, the increasing age of the rubber trees and the unfavorable climatic conditions (too much rainfall in the early hours of the day). The aforesaid conditions caused the low output to decline even further.

Intensive rejuvenation will be undertaken during the first Five Year Development Plan period. Efforts will also be made to provide intensive information regarding cultivation methods and marketing. Marketing efficiency will be increased in order to secure a reasonable share of the export price of smallholder's rubber for the producers concerned.

In 1968, the domestic as well as world market price of rubber increased over the preceding year. In December 1967, RSS I was quoted at Rp. 43.30 per kg in Djakarta, but in the beginning of the following year the price increased to Rp. 63.00 per kg; during 1968, the price rose steadily until it became Rp. 128.40 per kg in the month of December. The increase was inter alia ascribed to the increasing domestic demand for export rubber due to the

rising trend of rubber prices at foreign markets, as well as to the increasing domestic production costs.

In 1968, the volume of estate as well as smallholder's rubber exports increased compared with the preceding year. The increase was attributable to the rising world market price of rubber in 1968. Although production failed to reach the target, the volume of estate rubber exports in 1968 was 216,875 tons of a value of US \$ 59 million against 209,570 tons of a value of US \$ 63 million in the preceding year. The export volume of smallholder's rubber in 1968 was 511,129 tons of a value of US \$ 107 million; in 1967, the export was 431,691 tons of a value of US \$ 104 million.

In the framework of the efforts to improve the quality of smallholder's rubber, pursuant to the Decision of the Minister of Trade No. 93/Kp/11/68, dated November 5, 1968, the export of raw material for remilling plants/smoke houses was prohibited, viz. slabs, lumps scraps, earth rubber, unsmoked sheets, blankets, smoked sheets lower than V, blankets D off, remilled 4, flat bark crepe and cuttings C. Further efforts concerned the improvement of the quality of smallholder's rubber by establishing processing plants to meet world market demand. At present, sheets produced by smallholders are of the following composition: 30% of sheets IV, 50% of sheets V and 20% of sheets VI. In 1973, the composition of smallholder's rubber is expected to be as follows: 30% of sheets II, 50% of sheets III and 20% of sheets IV.

The development of the world market price of rubber remained a matter of grave concern. Efforts to alleviate the situation through a concerted effort with other rubber producing countries of natural as well as synthetic rubber were still impeded by the reluctance of synthetic rubber industries to be bound by obligations which were inherently restrictive in character. Consequently, the natural rubber producing countries should emphasize on national efforts designed to strengthen the position of natural rubber towards synthetic rubber, and to be prepared for possible price drops of natural rubber in the future.

Efforts which should be emphasized are inter alia :

- a. to increase the yield per unit of area and to reduce the cost of production;
- b. to present natural rubber in an attractive form in compliance with modern technological standards and with the smallest deviation from the technical point of view;
- c. to intensify research and information;
- d. to introduce an effective and well planned sales and trade promotion.

TABLE 55 — WORLD PRODUCTION AND CONSUMPTION OF NATURAL RUBBER (in thousands of long tons)			
Production	1966	1967 ²⁾	1968 ²⁾
Malaysia	983 ¹⁾	985	1,090
Indonesia	704	750	740
Thailand	204	211	254
Ceylon	129	141	146
Vietnam	48	39	28
Other countries	330	327	337
World total	2,398 ¹⁾	2,453	2,595
Consumption	1966	1967 ²⁾	1968
United States of America	546 ¹⁾	489	576
J a p a n	213	239	...
United Kingdom	181	175	...
West Germany	155	139	...
France	124 ¹⁾	126	...
Italy	90	98	...
Other countries	1,241	1,197	...
World total	2,550 ¹⁾	2,463	2,730 ³⁾
¹⁾ Revised figures. ²⁾ Provisional figures. ³⁾ Estimates.			

Source : Rubber Statistical Bulletin.

In the context of the abovementioned efforts, the Government initiated the production and marketing of crumb rubber. To this end by Presidential Decree No. 293 dated October 11, 1968 the “Panitya Kerdja Crumb Rubber” (Working Committee on Crumb Rubber) was established.

The duty of the Working Committee is to assist the Government in the planning and development of the crumb rubber industry as well as in the production and marketing of crumb rubber.

TABLE 56 – WORLD PRODUCTION AND CONSUMPTION OF SYNTHETIC RUBBER (in thousands of long tons)			
Production	1966	1967 ²⁾	1968
United States of America	1,970	1,912	2,131
J a p a n	229	276	...
Canada	200	197	193
United Kingdom	191	200	232
West Germany	182	180	...
F r a n c e	161	186	...
Other countries	397	464	...
World total	3,330	3,415	3,940 ³⁾
Consumption	1966	1967 ²⁾	1968
United States of America	1,666	1,628	1,888
J a p a n	219	269	...
Canada	107	109	104
United Kingdom	190	196	...
West Germany	209	197	...
France	172 ¹⁾	185	...
Other countries	687	764	...
World total	3,250 ¹⁾	3,348	3,863 ³⁾
1) Revised figures. 2) Provisional figures. 3) Estimates.			

Source : Rubber Statistical Bulletin.

According to the data of the International Rubber Study Group, the world output of natural as well as synthetic rubber was still increasing. The world output of natural rubber in 1966, 1967 and 1968 was respectively 2,398 thousand, 2,453 thousand and 2,595 thousand long tons. The main natural rubber producing nations were successively Malaysia, Indonesia, Thailand and Ceylon.

TABLE 57 — RUBBER PRICES (RSS I)					
	Djakarta Rp/Kg	London sh.d/lb cif	New York US \$ cts/lb	Singapore Sin. \$ cts/lb	Colombo Rupee cts/lb
1964	0.42	1 8 1/4	25.24	68.14	89.5
1965	1.54	1 8 3/4	25.69	70.02	91.4
1966	12.59	1 7 1/2	23.62	65.36	89.1
1967					
January	19.50	1 5 12/16	21.55	59.15	84.5
February	20.31	1 5 3/16	20.67	56.78	81.2
March	23.61	1 5 1/32	20.67	56.68	81.1
April	25.44	1 5 7/32	20.77	57.10	81.9
May	28.13	1 4 29/32	20.72	56.08	80.1
June	32.70	1 5 9/32	21.84	57.07	81.6
July	34.81	1 4 3/4	20.63	55.36	79.3
August	35.60	1 3 7/8	19.35	52.04	73.8
September	36.25	1 3 11/32	18.87	50.66	72.1
October	36.44	1 2 3/4	18.38	50.22	71.3
November	35.60	1 3 1/8	17.62	49.20	74.0
December	43.33	1 5	17.64	49.63	
1968					
January	63.—	1 4 11/16	17.01	48.18	81.4
February	58.40	1 3 7/8	16.54	45.39	77.3
March	61.25	1 5 7/32	17.60	49.45	85.9
April	69.33	1 5 1/2	17.86	49.79	86.1
May	79.40	1 5 31/32	19.10	51.42	88.4
June	90.87	1 7 9/32	21.06	55.30	91.2
July	99.—	1 7 1/16	20.81	54.27	90.5
August	100.50	1 7 7/16	20.90	55.22	89.9
September	104.80	1 7 9/32	20.44	54.73	90.1
October	125.60	1 8 1/32	21.61	56.95	92.0
November	131.—	1 8 15/32	22.95 N	57.98	92.8
December	128.40	1 8 7/16	22.42 N	57.79	92.0
N = 3 - months forward price excluding current month.					

Source : Rubber Statistical Bulletin.

The production of synthetic rubber in 1966, 1967 and 1968 was respectively 3,330 thousand, 3,415 thousand and 3,940 thousand long tons. The main producer of synthetic -rubber was the United States, followed by Japan, the United Kingdom, Canada and West Germany. Although Japan was not the largest producer, in 1967 it was the country with the highest rate of growth in the production of synthetic rubber.

In 1968 the share of natural rubber expressed in percentage of to (natural and synthetic) rubber production declined slightly.

Year	<i>World production of natural and synthetic rubber (in '000 long tons)</i>	<i>Share of natural rubber (%)</i>	<i>Share of synthetic rubber (%)</i>
1966	5,728	41.86	58.14
1967	5,868	41.80	58.20
1968	6,535	39.71	60.29

World consumption of natural rubber in 1967 and 1968 was 2,463 thousand and 2,730 thousand long tons, respectively. The main consumers of natural rubber in 1968 were successively the United States, Japan, the United Kingdom, West Germany and France. World consumption of synthetic rubber in 1967 and 1968 was respectively 3,348 thousand and 3,863 thousand long tons. The main consumers were the United States, Japan, West Germany, the United Kingdom and France.

According to the data of the International Rubber Study Group, the world market price of natural rubber in 1968 showed an increase compared with the preceding year. At the London, New York and Singapore markets, the rubber price was continuously increasing in 1968, the highest price was quoted in the London market in November, viz. 1 sh 8 15/32 d per lb, whereas at the beginning of the year the price was still quoted at 1 sh 4 11/16 d per lb. In the New York market the

highest price was also recorded in November, viz. US \$ cts 22.95 per lb (three months forward price excluding current month) whereas at the beginning of the year the price was still US \$ 17.01 per lb. Similarly, the highest price in the Singapore market was quoted in the month of November.

Factors which caused the rubber price to increase recently were inter alia the discontinuation of releases from the rubber stockpile of the United States, as well as the increase in the demand for natural rubber at the Singapore and Malaysian markets from socialist countries in general and from the USSR and the People's Republic of China in particular

Despite the recent increase in the world market price of rubber, it is necessary to be on guard against possible price drops in the future, particularly in connection with the competition of synthetic rubber which is getting nearer to perfection in all kinds of application. Consequently, natural rubber producing countries should increasingly realize that national efforts to strengthen the position of natural rubber against synthetic rubber should be emphasized, as has been explained earlier.

Copra

Data concerning the sales of copra by IKKI (Induk Koperasi Kopra Indonesia = Central Copra Cooperative of Indonesia) though the end of the year under review were not yet complete, since reports from the regions were still forthcoming. However, since the current condition of cooperatives (inclusive of copra cooperatives) in Indonesia was generally slack, mainly on account of inadequate working capital, it may be expected that copra sales by IKKI in 1968 declined compared with the preceding year.

The number of copra cooperatives in Indonesia in the year under report showed a significant reduction compared with the preceding year (see Table 58). The aforesaid reduction was inter alia attributable to the measures taken by the copra cooperatives themselves in order to improve their efficiency. Several joint copra coop-

eratives were demoted to the level of central copra cooperatives because of their failure to meet the production quota determined for joint copra cooperatives. Similarly, a number of central copra cooperatives were merged into one central copra cooperative, whereas many primary cooperatives just ceased to be recorded because of their incapability to produce their monthly quota, which for areas outside Djawa was determined at 30 tons per month and for Djawa at 10 tons per month. The declining number of members of the copra cooperatives was mainly ascribed to the fact that in some regions the copra farmers almost lost their confidence in the copra cooperatives as a means to improve the standard of living of their members. The cooperatives frequently paid the copra farmers by means of vouchers, whereas the exchange of the said vouchers into cash was also delayed. Moreover, the price which the farmers received for their product was very low compared with the free market price.

The regulations governing the copra trade (the latest was the Regulation of the Minister of Trade No. 009/Sk/I/1967) were not yet successful in controlling production, marketing and prices. Article 5 of the aforementioned Regulation stipulated that the farmers should receive not less than 60% of the copra price off-warehouse. In practice, however, it was found that the farmers never received more than the said minimum price. On the other hand, copra exporters were always subject to the highest rate of regional levy (i.e. 10%).

TABLE 58 — DEVELOPMENT OF COPRA COOPERATIVES				
	Number of Joint Copra Cooperatives	Number of Central Copra Cooperatives	Number of Primary Copra Cooperatives	Number of members of Copra Cooperatives
1964	15	86	1,618	184,604
1965	19	88	1,865	159,529
1966	20	105	1,785	140,311
1967	20	107	2,000	203,671
1968	13	76	1,388	160,091

Source : IKKI (Central Copra Cooperative of Indonesia)

The low earnings of the copra farmers resulting from domestic sales encouraged smuggling to abroad. Whereas the large number of livies and the administrative expenses of the copra cooperatives more or less discouraged export and production. Therefore, the complete removal of the aforesaid impediments and the introduction of a realistic price protection to the copra farmers would help to solve the copra problem.

The low earnings of the copra farmers from the copra sales in proportion to their efforts was a disincentive to maintain and rejuvenate coconut plantations. Consequently, the age composition of the plantations became disproportional and more than 50% of the trees were found to be over 50 years old. The aforesaid situation caused the continuous decline of the copra output. The Food and Agriculture Organization (FAO) in its evaluation of the copra situation in Indonesia inter alia mentioned that the copra situation in Indonesia was serious since there was no rejuvenation. It further referred to the excessive local government interference in copra matters' and the imbalance between the earning of the copra farmers and their efforts.

The declining copra production and the continuous increase in domestic consumption caused a reduction in the exportable surplus of copra. Rejuvenation of the plantations and intensive fertilization have been planned in order to prevent a further decline in production.

TABLE 59 — EXPORT OF COCONUT PRODUCTS (in tons)		
	C o p r a	Copra cakes
1964	175,468	157,703 ¹⁾
1965	123,811	125,816
1966	119,409 ²⁾	142,796
1967 ²⁾	112,239	165,286
1968 ²⁾	155,473	160,908
¹⁾ Revised figures. ²⁾ Provisional figures.		

Source : Central Bureau of Statistics.

The export of copra in 1968 both with respect to volume and to value, showed a distinct increase compared with the preceding year, viz from 112,239 tons of a value of US \$ 13,882 thousand in 1967 to 155,473 tons of a value of US \$ 24,187 thousand in 1968, which was a 29.670 increase in volume and a 74.2% increase in value. The export of copra canes in 1968 was approximately the same as in the preceding year. The increased copra export in 1968 was mainly caused by the increase in the world market price of copra following a reduction in the supply from the Philippines.

In 1967, Indonesia mainly exported copra to the Netherlands (55,155 tons), Singapore (18,358 tons), Japan (17,644 tons), West- Germany (9,714 tons) and

Copra Prices ¹⁾
(US \$/2,240 lb)

	1966	1967	1968
January	221	187	266
February	215	186	265
March	198	187	276
April	191	179	276
M a y	184	185	286
June	187	204	253
July	188	207	198
August	185	195	215
September	170	198	200
October	172	224	193
November	165	250	197
December	184	262	...

1) European port : Philippine bulk, nearest forward shipment, c.i.f.
Source : FAO Monthly Bulletin

Sabang (5,428 tons), whereas copra exports in January through June 1968 were mainly bound for the Netherlands (59,680 tons), Japan (25,372 tons), Singapore (20,203 tons), West-Germany (7,871 tons) and Belgium & Luxemburg (4,350 tons).

In contrast to palm oil, copra exports to member countries of the European Common Market were not subject to higher import duties. Besides, the world market price of copra was more favorable than of palm oil. To prevent a further decline of Indonesia's copra exports on account of reduced copra output and increased domestic consumption, efforts should be made to promote the substitution of copra by palm oil in industrial use.

Palm oil

According to the data of the Central Bureau of Statistics, the production of palm oil in 1968 amounted to 179,981 tons compared with 173,999 tons in the preceding year. This indicates a mere increase of 3% in the production of palm oil, whereas the output of palm kernels increased by 12%, i.e. from 34,746 tons in 1967 to 38,952 tons in the following year.

The increase in the production of palm oil and palm kernels in 1968 was inter alia caused by a better age composition of the trees which was achieved through a systematic rejuvenation with the Tenera variety and the Tenera/Dura hybrid during the preceding years. There was moreover some fertilization in 1968, although less than optimum.

In the preceding years through the year under review, proper fertilization was not possible due to a shortage of working capital. Proper fertilization does not only refer to quantity, but to type of fertilizer as well. The latter requires intensive research. Through proper fertilization, the average yield per hectare is expected to increase by 40%.

In the context of the Five Year Development Plan covering 1969/ 1970—1973/1974, rejuvenation and expansion of the palm oil estates will be continued whereby high yielding X5 seeds will be used which are able to produce 4 tons of palm oil per hectare. Concurrently, rubber estates which have ceased to be profitable will be converted into palm oil estates.

TABLE 60 — PRODUCTION AND EXPORT OF PALM OIL AND PALM KERNELS (in tons)				
	P r o d u c t i o n		E x p o r t	
	Palm oil	Palm kernels	Palm oil	Palm kernels
1964	160,649	34,256	133,191	33,024
1965	156,516	32,468	125,898	32,855
1966	174,433	34,993	177,084	31,523
1967*)	173,999	34,746	131,424	37,714
1968*)	179,981	38,952	141,937	35,454
*) Provisional figures.				

Source : Central Bureau of Statistics.

Besides the aforementioned activities, fertilization of the existing trees will be intensified. Through the aforesaid intensification, the average yield per hectare is expected to increase. Since fertilization will show its effect only after 2 years, the output is expected to increase not before 1970/1971. Consequently, the total production of palm oil and palm kernels in the forthcoming 5 years will be as follows :

Production of Palm Oil and Palm Kernels

1969/1970 — 1973/1974

<i>Year</i>	<i>Palm oil (tons)</i>	<i>Palm kernels (tons)</i>	<i>Increase (%)</i>
1969/1970	172,000	41,000	8.18
1970/1971	199,000	50,000	15.70
1971/1972	220,000	55,000	10.55
1972/1973	246,000	61,000	11.82
1973/1974	275,000	68,000	11.79

Source : BAPPENAS

In the framework of the aforementioned efforts designed to increase production, the present processing plants will be rehabilitated in order to increase the quantity and the quality of their product; subject to rehabilitation is i.e. the palm oil processing plant of the Sabarang estate in North Sumatra.

In connection with the activities to expand the palm oil acreage. Efforts will be made to increase the domestic consumption of palm oil; palm oil may serve as raw material for the production of cooking oil and soap as a substitute for copra. Such policy is necessary since the domestic copra production is declining continuously and world market price of copra far exceeds the average price of palm oil. Besides, as is well known. The import duty on Indonesia's palm oil exported to the European Common Market countries has been increased from 5.4% to 9% as of July 1, 1961. Since the major part of Indonesia's palm oil is exported to ECM member countries, a decline is expected because of the less competitive position. Besides the lower export earnings from palm oil due to the aforesaid increase in import duties, the competition from the associate ECM member countries is a matter of even more serious concern. In this context should be mentioned that an increasing volume of palm oil from Africa enters the European Common Market on the basis of preferential treatment.

It may therefore be concluded that besides efforts to encourage domestic consumption of palm oil, it becomes increasingly necessary to find new markets and to sell palm oil and palm kernels in the form of finished products and semi-finished products.

The export of palm oil in 1968 was 141,937 tons of a value of USX. 18,332 thousand, whereas the export volume in the preceding year amounted to 131,424 tons a value of US\$. 23 220 thousand. The aforesaid figures show that the export volume increased by 10,513 tons or 8% in 1968, but the value declined by US\$ 4,888 thousand or 21% compared with the preceding year. This phenomenon was attributable to the continuous decline in the world market price of palm oil during 1968; at the beginning of the year, the price was still quoted at £. 81.0 per long ton, but thenceforth declined continuously until it was only £. 60.0 per long ton in the month of October.

The following factors were inter alia responsible for the price decline :

- the release of a large volume of Malaysia's excess output;
- rumours that Nigeria held large stocks of palm oil which at any moment could be released;
- the increasing supply of fish oil and other oil.

Unlike palm oil, the export volume of palm kernels in 1968 declined slightly from 37,714 tons in 1967 to 35,454 tons in the following year, while the value rose from US\$ 3,897 thousand to US\$ 4,395 thousand on account of a slight increase in the world market price of palm kernels during the period under review.

In 1968, the main countries of destination for palm oil exports were the Netherlands (36,766 tons), Japan (22,537 tons), the United States (21,380 tons), West Germany (20,402 tons) and Italy (5,683 tons). In the said year, Indonesia's palm kernels were mainly imported by Japan (15,034 tons), West Germany (7,919 tons), the Netherlands (7,235 tons) Belgium & Luxemburg (1,802 tons) and Czechoslovakia (2,012 tons).

The aforementioned figures reveal that with inclusion of the year under report, Indonesia's palm oil was primarily exported to member countries of the European Common Market. Therefore, the increase in duties imposed upon palm oil imports from Indonesia on the one hand and the preferential treatment enjoyed by associate member countries (e.g. Nigeria) on the other, makes the competitive position of Indonesia's palm oil in the European Common Market most vulnerable.

Fibers

According to the data of the Central Bureau of Statistics, the production of hard fibers in 1968 reached 9,311 tons. Although approximately the same as in the preceding year, the production in 1968 was only about 69%, of the target. The

failure to meet the target (13,138 tons) was inter alia attributable to the shortage of labor for cutting of agave.

Unlike hard fibers, the development of the cotton production was disappointing. In recent years, the average annual output was only about 300 tons of sorted cotton. The low domestic price of cotton compared to the prices of other commodities was inter alia responsible for the production performance, since farmers found it more profitable to grow food crops or export crops instead of cotton. Moreover, the average yield of cotton per hectare was still low, resulting in high

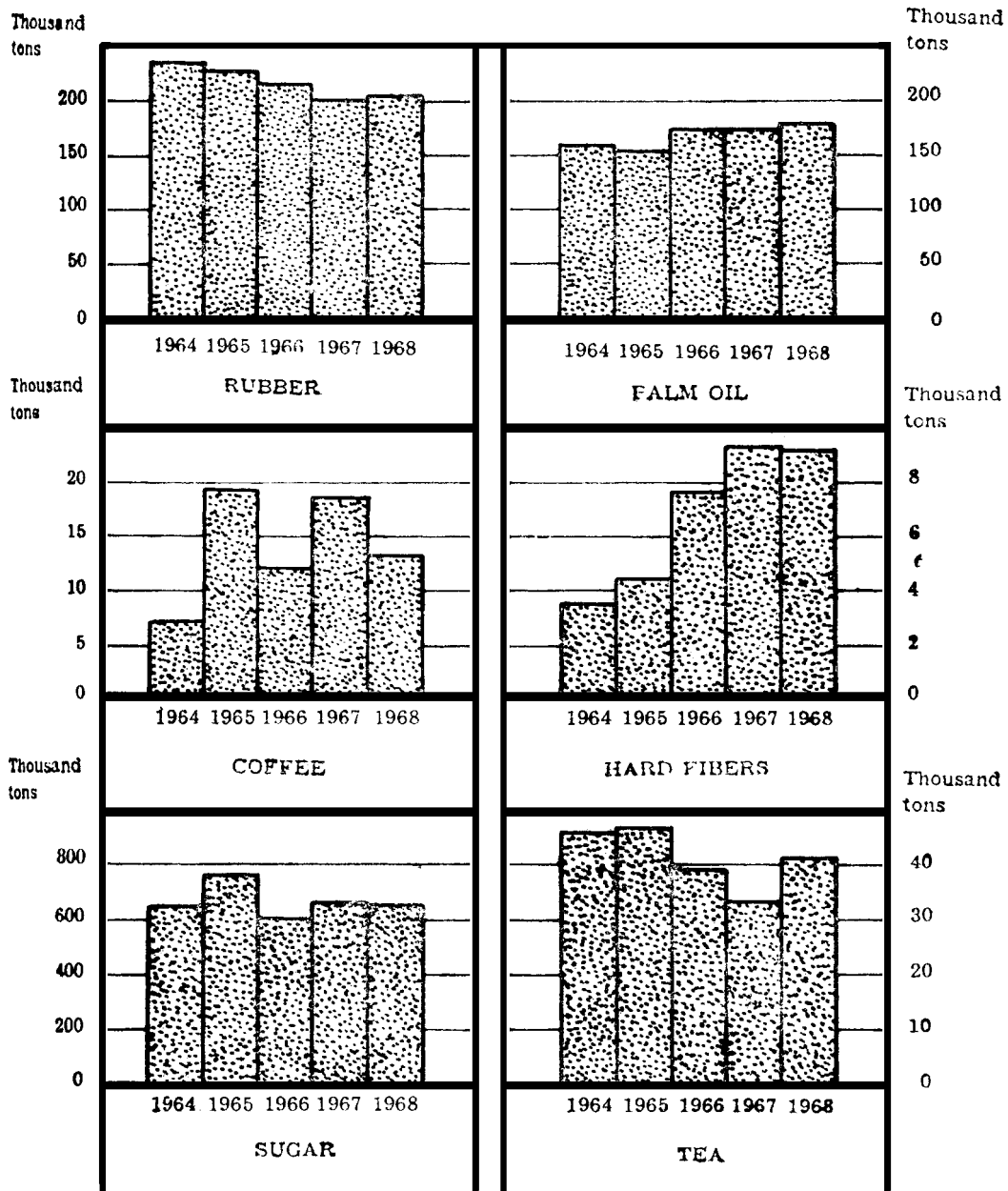
TABLE 61 --- PRODUCTION AND EXPORT OF HARD FIBERS (in tons)		
	Production	E x p o r t
1964	3,578	1,578
1965	4,499	2,463 ¹⁾
1966	7,664	4,142 ¹⁾
1967 ²⁾	9,422	8,139
1968 ²⁾	9,311	5,789
¹⁾ Revised figures. ²⁾ Provisional figures.		

Source : Central Bureau of Statistics.

production costs per unit of area, whereas the quality of the cotton was far from satisfactory. Other factors which adversely affected the output of cotton were the inadequate supply of fertilizer and the frequent attacks by pests and plant diseases.

The Five Year Development Plan, covering the period of 1969/1970. 1973/1974, provides for measures in the field of cotton production designed to increase the average yield per unit of area, to intensify research activities for the development of high yielding seeds and the determination of the proper types of fertilizer, and to provide for more intensive guidance in the field of cotton production.

CHART IV — OUTPUT OF AGRICULTURAL ESTATES



The export of hard fibers declined markedly in 1968 compared with the preceding year, viz. from 8,139 tons in 1967 to 5,789 tons in the following year, indicating a drop of 28.9%. In 1968, hard fibers were mainly exported to West Germany (2,662 tons)' the United States (1,140 tons) and the Netherlands (698 tons).

According to figures of the Department of Agriculture, the production of capok in 1968 declined by 8,250 tons (27%) compared with the preceding year, viz. from 30,114 tons to 21,864 tons.

The decline in the production of capok was mainly ascribed to unfavorable weather in 1968, i.e. too much rainfall when the capok fruits were ripening and therefore started to rot.

In the world market, capok from Indonesia has to compete against capok from Thailand. Although the quality of Indonesian capok is actually better than of Thai capok' the continuity of supply, and the sorting as well as packing of Thai capok are far better; the world market position of Thai capok is therefore better than of Indonesian capok. Indonesian capok may acquire a better market position if Indonesia could remove the aforesaid shortcomings particularly with respect to sorting and continuity of supply.

TABLE 62 — EXPORT OF CAPOK AND CAPOK SEEDS (in net tons)		
	C a p o k	Capok seeds
1964	2,592	16,140
1965	1,362	18,326
1966	2,690	16,321
1967*)	2,075	—
1968*)	2,284	—
*) Provisional figures.		

Source : Central Bureau of Statistics

The export volume of capok in 1968, viz. 2,284 tons, was about the same as in the preceding year. In 1968, capok was mainly exported to the United States and Japan.

Production figures of rami were not available since production was only in its initial stage.

Cinchona

Based upon figures of the Central Bureau of Statistics, the production of cinchona bark in 1968 was 1,754 tons, against 1,104 tons in the preceding year which was an increase of 56.4%. The increased output was mainly ascribed to intensive rejuvenation. Production declined persistently from 1964 through 1967. To prevent a further decline, in 1964 PPN Aneka Tanaman started to rejuvenate the cinchona plantations. According to plan, 100 to 200 hectares will be rejuvenated annually, so that in 1967 production would reach 5,540 tons. The implementation, however, was unsatisfactory on account of financial problems. In the forthcoming years the cinchona plantations will be subject to expansion as well as to intensified rejuvenation as provided for in the Five Year Development Plan.

Until to date, in the world market of cinchona, Indonesia has to compete against the Congo, South America and other cinchona producing countries. The currently declining output should therefore be checked to maintain Indonesia's position in the world market.

As of September 1, 1964, the Government has prohibited the export of cinchona bark, since the export of quinine salt was more profitable. The prohibition was still in effect during the period under report; **however**, in order to prevent domestic overstocking of cinchona bark, the Department of Trade would in certain events issue special licences for cinchona bark exports. In 1967, the exports licencies issued covered a volume of 3,500 tons; actual exports however, were

TABLE 63 — PRODUCTION AND EXPORT OF CINCHONA PRODUCTS (in tons)			
	Production of dry bark	Export	
		Cinchona bark	Quinine
1964	2,051 ¹⁾	1,415	151
1965	1,705	497	123
1966	1,389	1,205	82
1967	1,104 ¹⁾	1,629	1
1968 ²⁾	1,754	1,640	121
¹⁾ Revised figures. ²⁾ Provisional figures.			

Source : Central Bureau of Statistics.

less. On the other hand, export licences in 1968 covered 1,000 tons of cinchona bark which was all shipped.

Following the increase in domestic production, the export of cinchona bark in 1968 rose by 0.68% over the preceding year, viz. from 1,629 tons in 1967 to 1,640 tons in the following year, while the export of quinine salt leaped from 1 ton in 1967 to 121 tons in the following year. The extreme drop in the export volume of quinine salt in 1967 was mainly ascribed to the world market price decline of quinine salt from an average of US \$ 70.00 per kg; in 1966 to US \$ 20.00- \$ 30.00 in the following year. Since Biro Lalu Lintas Devisa (Bureau of Foreign Exchange Transactions) maintained a check price of US \$ 70.00 per kg, the exports in the said period met with many difficulties. The main countries of destination for cinchona exports from Indonesia were: the United States, the Netherlands, Germany and the United Kingdom.

Thus far, the foreign demand for natural cinchona has been unsteady. In 1963, it was learned that the malaria parasite had become increasingly resistant against synthetic anti-malaria drugs. It was moreover found out that quinine, formerly

applied exclusively for the curing of malaria, was also effective for the curing of other diseases. The demand from the United States for natural cinchona therefore rose considerably, particularly to meet the requirements of their troops in Vietnam. However, the technological progress in the pharmaceutical field discovered new antimalaria drugs which are more effective than those prepared from natural cinchona, and the demand for natural cinchona is therefore expected to decline again.

The total domestic demand for cinchona depends upon the requirement for the domestic anti-malaria campaign and the requirement of PNF Bhineka Kina Farma for the production of pharmaceutical products prepared from cinchona. In this context, and also for purposes of efficiency, PNF Bhineka Kina Farma is planning to buy modern extracting equipment with an annual capacity of 1,500 to 2,000 tons of dry cinchona bark.

S u g a r

According to the figures of the Directorate General of Plantations, the production of sugar in 1968 declined compared with the preceding year, viz. from 669 thousand tons in 1967 to 660 thousand tons in the following year. The said decline was inter alia attributable to:

- a) the lengthy rainy season and heavy rainfall;
- b) inadequate supply of fertilizer.

The lengthy rainy season and heavy rainfall at pre-harvest time delayed the process of sugar formation in the cane and resulted in a decline of the sugar percentage. In addition, inadequate supply of fertilizer resulted in less than optimum fertilizing. Other impeding factors responsible for the reduced sugar output were the same as in the preceding year, viz. the unsatisfactory condition of the irrigation system, problems of land lease and obsolete machinery. The said impediments and the high cost of labor were responsible for the high sugar price off-mill.

Considering the high average yield of paddy per hectare currently achieved as well as the advancing methods of cultivation, especially those known under “Pantja Usaha Tani” (the five efforts in agriculture), sugar cane cultivation is expected to face increasing competition from paddy cultivation. This in turn may result in an increase in land rent and would restrict the efforts to expand the sugar acreage around the existing sugar mills. For the said reasons, and as provided for in the Five Year Development Plan for 1969/1970—1973/1974, the effort to increase sugar production, especially in Djawa, — will emphasize upon intensification through fertilizing.

For the 1967/1968 planting season, the land rent paid in cash amounted from Rp. 12,500 to Rp. 35,000 per hectare. The method of payment was maintained for the 1968/1969 planting season, but the land rent was increased and ranged from Rp. 25,000 to Rp. 40,000 per hectare. Leasing of land is a most difficult problem for the sugar mills on account of the high rent and the frequent delay in the surrender of the land which adversely affects the growth of cane.

One of the factors responsible for the relatively high cost price of sugar in Djawa is the cultivation system applied thus far and known as the “Reynoso”

TABLE 64 — ACREAGE OF SUGAR PLANTINGS AND PRODUCTION OF SUGAR							
	Acreage of cane plantings worked (ha)			Production (tons)		Production of granulated sugar (qt/ha)	
	Factory cane	Small-holder's cane	Total	Total	Of which State Sugar Enterprise	Factory cane	Small-holder's cane
1964	65,884	22,460	88,344	648,561	624,980	80.4	52.5
1965	71,030	16,378	87,408	775,950	686,095	96.6	54.9
1966	67,546	12,000	79,546	605,389	562,449	82.4	36.3
1967 ¹⁾	69,347	9,684	79,031	669,220	626,901	88.8	43.7
1968 ¹⁾	65,495	11,465	76,960	660,168	585,168	85.1	37.9
¹⁾ Provisional figures.							

Sources : Central Administrative Board of State Sugar Plantations.
Directorate General of Plantations.

system. This system requires the planting of a new crop after each harvest. The “Ratooning” system which permits 3 to 4 harvests from a single planting as generally applied in other sugar producing countries cannot be implemented in Djawa on account of the aforementioned difficulties concerning land lease. In the forthcoming years, the “Ratooning” system will be implemented in connection with the expansion of the sugar cane acreage outside Djawa, in conjunction with the cultivation of sugar cane on non-irrigated fields.

Within the context of the implementation of the Five Year Development Plan, approximately 12 of the least efficient sugar mills in Djawa will be successively

TABLE 65 -- WORLD PRODUCTION OF SUGAR (in thousand tons)					
	1964	1965	1966	1967 ²⁾	1968
Indonesia ¹⁾	650	809	640	712	...
Philippines	1,733	1,659	1,443	1,599	...
Rest of Asia	6,789	8,231	8,859	7,511	...
Asia	9,172	10,699	10,942	9,822	...
United States of America	3,998	3,767	3,670	3,722	...
Cuba	4,590	6,082	4,867	6,236	...
Rest of America	12,278	15,050	13,750	14,861	...
America	20,866	24,899	22,827	24,819	...
Europe	22,969	23,414	23,665	24,828	...
Africa	3,382	3,490	3,951	4,387	...
Australia (Oceania)	3,288	2,389	2,768	2,757	...
World Total	59,677	64,891	64,154	66,613	...
¹⁾ Data differ from those of Central Administrative Board of State Sugar Plantations. ²⁾ Provisional figures.					

Source : International Sugar Council.

examined in connection with the rising costs and the increasing difficulty of maintenance and replacement of obsolete machinery. Moreover, current studies are attempting to discover by-products of the sugar mills.

At present, 55 sugar mills are located in Djawa, 3 of which are privately owned. The construction of the Tjot Girek sugar mill in Atjeh which is financed with a loan from Poland was not yet completed at the end of the year under report, and is expected to start operations not before 1970. The construction of the Bone sugar mill in South Sulawesi was delayed on account of financial problems, while the plans for the construction of a sugar mill in Makariki (on the island of Ceram) on the basis of a production sharing contract with Japan¹⁾ was cancelled entirely for technical reasons.

TABLE 66 — SUGAR PRICES IN LONDON AND NEW YORK					
	London sh/cwt	New York US \$ cts/lb		London sh/cwt	New York US \$ cts/lb
1966					
January	22 11	2.47	July	18 9	1.90
February	22 0	2.45	August	16 11	1.68
March	21 0	2.17	September	16 11	1.80
April	20 3	2.09	October	18 11	2.15
May	20 1	2.09	November	— ¹⁾	2.32
June	17 2	1.72	December	24 3	2.17
July	17 4	1.78			
August	16 3	1.69	1968		
September	14 10	1.55	January	23 9	2.20
October	15 2	1.59	February	23 6	2.17
November	14 1	1.48	March	22 0	1.93
December	13 9	1.41	April	20 6	1.84
1967			May	21 5	1.98
January	13 3	1.35	June	20 7	1.78
February	16 6	1.72	July	19 3	1.71
March	15 9	1.61	August	18 2	1.66
April	19 9	2.09	September	17 2	1.45
May	24 0	2.59	October	20 4	1.90
June	24 8	2.52	November	25 8	2.39
			December	30 1	2.77
¹⁾ On November 18, 1967, the pound sterling was devalued from £ 1 \$ 2.80 to £ 1 = \$ 2.40.					

Source: International Sugar Council.

Similar to the preceding year, in 1968 there were no sugar exports at all, inter alia on account of the reduced Output on the one hand, and the increasing domestic consumption on the other. It should be noted that in 1968, like in the preceding year, there was an overproduction of sugar in the world. The narrowing market—since each country was protecting its own sugar industry—made the export of sugar increasingly difficult.

In contrast, Indonesia's imports — mainly designated for regions outside Djawa—in the period of January through June 1968, reached a volume of 71,130 tons, indicating an increase of 36,797 tons or 107% over the corresponding period in 1967. In 1968, there was no export of nongranulated sugar, whereas the export of molasses (through the month of November) reached 177,155 tons of a value of US\$ 4,691 thousand.

On the average, in 1968 the sugar price recorded in London as well as in New York increased slightly over the preceding year. Early in 1968, the sugar price in London was quoted at 23 sh 9 d per cwt, then started to drop continuously to 17 sh 2 d per cwt in September, and finally increased to 30 sh 1 d per cwt at the end of the year. In a similar fashion, the New York sugar price which was US \$ cts 2.20 per lb in the beginning of the year dropped continuously in the following months until the lowest price was recorded in September, viz. US \$ cts 1.45 which then rose to US \$ cts 2.77 per lb in December.

T e a

The production of tea by estates as well as smallholders increased markedly during the year under report. According to the data of the Central Bureau of Statistics, the output of estate- grown tea (black tea) in 1968 was 41.4 thousand tons against only 33.3 thousand tons in the preceding year, indicating an increase of 24.3%. The production of smallholder's tea (green tea) in 1967 reached 46.6 thousand tons and increased by 15.1 thousand tons or 32.4% to 61.7 thousand tons.

The higher tea output in 1968 was mainly attributable to favorable weather conditions (much rain which was almost evenly distributed over the year) which benefited the development and growth of the tea leaves. In 1969, estate- grown tea is expected to reach 42 thousand tons of black tea, while smallholder's tea is expected to reach 40 thousand tons of green tea.

Similar to the rubber and palm oil trees, since 1962 the tea plantations have never been fertilized properly.

TABLE 67 — PRODUCTION AND EXPORT OF TEA (in thousand tons)			
	P r o d u c t i o n		Export
	Estates ¹⁾	Smallholders	
1964	46.3 ³⁾	41.2	35.9
1965	47.0	42.3	36.5
1966	39.7 ³⁾	42.3	37.4
1967	33.3 ³⁾	46.6 ³⁾	29.6
1968 ²⁾	41.4	61.7	36.0
¹⁾ Includes fresh tea leaves purchased from smallholders, averaging 2 to 3 thousand tons annually. ²⁾ Provisional figures. ³⁾ Revised figures.			

Sources: Central Bureau of Statistics and Department of Agriculture.

It is estimated that annually only 30% of the culture was fertilized properly which thus resulted in the decline of the average yield per hectare. Furthermore, pests and plant diseases which affected the tea were responsible for the development of bare spots amidst the culture, in some instances over quite a significant area.

In connection with the abovementioned factors, in the coming years fertilizer will be increasingly used to raise the average yield per hectare, while the bare areas will be replanted. In general, replanting in the true sense has seldom been done as long as the shrubs are not yet very old. The usual practice is to rehabilitate the tea culture by pruning, the shrubs and not picking the leaves for several years.

To improve the quality of the tea in order to fetch a higher price, selective picking and rehabilitation of tea factories will be continued in the forthcoming years. Measures will also be introduced to increase the production of smallholder's tea, especially for domestic consumption.

Concerning the tea production in other countries may be reported that in 1968, the tea output in India (the largest tea producer) reached 875 million lbs, in Ceylon 422 million lbs, in Kenya 74 million lbs and in Pakistan 60 million lbs, while the estimated world output of tea in the same year was 1,776 million lbs against 1,699 million lbs in 1967. The world output of tea in the forthcoming years up to 1975 is expected to increase by 3.2% per annum on the average, while the annual consumption is expected to increase by only 2.2% to 2.7%. It is feared that in the forthcoming years there would be an oversupply of tea which would cause the world market price of tea to decline further. Efforts to surmount the aforesaid problem which should receive the most attention are inter alia :

- a. Cooperation between producing countries to coordinate production and to avoid an oversupply of tea;
- b. Cooperation between producing and consuming countries to regulate international trade to the mutual benefit of both parties,
- c. Cooperation between producing countries to increase the world consumption of tea.

Indonesia's export volume of tea in 1968 reached 36,056 tons of a value of US \$ 15,342 thousand, while the export volume of the preceding year was 29,637

tons of a value of US \$ 9,616 -thousand: there was therefore a 21.6% increase in volume and a 59.5% increase in value. The favorable increase in volume as well as in value was attributable to the distinct increase in domestic output, the quality of the tea which was better than in the preceding years and the faster and more orderly shipments of the product. Efforts were also made to attract buyers other than those in the Netherlands who for several years had practically been the main buyers of Indonesia's tea. The sales to Australia could be increased and the price fetched was better than in other markets. This market should be given special attention, particularly in connection with the irregular schedule of the shipping lines.

In 1968, the average world market price of "high grown" tea quoted in Colombo was slightly higher than in the preceding year, viz. Rs. 1.85 per lb in 1967 against Rs 1.95 per lb in the following year. The price fluctuated during 1968, it was Rs. 1.98 per lb in the beginning and Rs 1.73 per lb at the end of the year; the highest price was recorded in September i.e. Rs. 2.17 per lb. The price of "plain tea" also fluctuated in the London market; the highest price was recorded in May (3 sh 8 d per lb) while the price in the beginning of the year was still quoted at 3 sh to 3 sh 2 d per lb.

Coffee

The production of coffee in Indonesia originates from 2 sectors, viz estates and smallholders. The estates produce mainly Arabica coffee, while the smallholders primarily produce the Robusta variety which has a lower value than the Arabica coffee. The major part of Indonesia's coffee is produced by smallholders.

In 1968, the output of coffee produced by estates as well as smallholders showed a decline. According to the data of the Central Bureau of Statistics, the production of estate-grown coffee in 1968 was only 13,352 tons compared with 18,805 tons in the preceding year and therefore declined by 29%. Figures of the Department of Agriculture indicate that the output of smallholder's coffee in 1968

TABLE 68 — PRODUCTION AND EXPORT OF COFFEE (in tons)			
	P r o d u c t i o n		E x p o r t
	E s t a t e s	S m a l l h o l - d e r s	
1964	7,396	80,227	62,362
1965	19,473 ¹⁾	92,288	108,410 ¹⁾
1966	12,288 ¹⁾	106,902	98,540 ¹⁾
1967 ²⁾	18,805	143,132	136,821
1968 ²⁾	13,352	143,341	82,087
¹⁾ Revised figures. ²⁾ Provisional figures.			

Source : Central Bureau of Statistics.

was approximately the same as in the preceding year, viz. 143,132 tons in 1967 and 143,341 tons in 1968, despite an expansion of the area under cultivation. The lower output in 1968 was attributable to unfavorable climate marked by excessive rainfall in the blossom time which disrupted the process of fructivication.

In the forthcoming years, in accordance with the Five Year Development Plan (1969/1970 - 1973/1974), particularly in areas where conditions of climate and soil permit, smallholders will be advised to grow Arabica coffee which has a higher average yield per hectare than Robusta. Besides, in order to increase the earnings of smallholders and the foreign exchange earnings of the Government, coffee growers will also be advised to grow vanilla as a supplementary culture. The vanilla culture was selected on the basis of the following characteristics: quick yield high value per hectare and large export potential.

Indonesia's coffee export in 1967 amounted to 136,821 tons and was mainly bound for Japan (52,495 tons), the United States (28,076 tons), Thailand (11,352 tons), France (9,719 tons). Singapore (8,845 tons), and the Netherlands (5,736 tons).

In 1968, the export volume reached only 82,087 tons which was a decline of 54,734 tons or 40% compared with the preceding year. The main countries of destination in 1968 were the United States (34,932 tons), Japan (16,980 tons), Singapore (10,732 tons), the Netherlands (5,366 tons), Belgium & Luxemburg (5,027 tons) and the United Kingdom (2,693 tons).

Indonesia's export volume of coffee is very low in proportion to world coffee exports. However, figures of the Central Bureau of Statistics indicate that coffee was Indonesia's second most important foreign exchange earner of the agricultural sector; in 1968 foreign exchange proceeds from coffee amounted to US \$ 42,970 thousand only slightly less than in 1967.

As a member country of the International Coffee Organization which established the International Coffee Agreement, Indonesia's coffee export are currently subject to the export quota determined by the ICO. The ICO quotas are meant to stabilize the world market price of coffee. On the other hand, coffee consuming countries which are members of the ICO are prohibited to import coffee which has been exported not in accordance with the stipulations of the aforesaid agreement. Indonesia's export quota for 1967/1968 amounted to 1,163,223 bags of 60 kg each, whereas the export quota for 1968/1969 was 1,159,497 bags of 60 kg each.

Indonesia's annual output of coffee in recent years reached a volume of approximately 150 thousand tons. Net of domestic consumption and the ICO export quota there was an overproduction of about 30 thousand tons for which a market in non-quota countries need be sought.

Therefore, to encourage coffee exports to non-quota countries, the Minister of Trade determined that coffee exporters were only entitled to receive ICO coffee stamps for export of coffee after they have had exported to non-quota countries. Besides finding new markets in non quota countries, it would be necessary for Indonesia to apply for an increase in the annual export quota with the International Coffee Organization in accordance with the actual export potential.

On account of the quota system, the export of low-grade coffee such as Robusta—mainly produced by smallholders—is less profitable. The export of the high-grade Arabica coffee would be more profitable.

In order to improve the export quality of smallholders coffee, plans have been made for the establishment of coffee processing plants in the producing regions viz. Lampung, South Sumatra, East Djawa and Bali.

World market prices of coffee
(US : Spot, New York : Brazilian Santos No. 4)
in US \$ cents/lb

	1966	1967	1968
January	43.1	38.6	37.4
February	42.2	38.1	37.2
March	41.7	37.8	37.3
April	41.6	38.3	37.6
M a y	40.9	39.3	37.5
June	40.6	39.0	37.5
July	40.5	38.2	37.4
August	40.4	37.6	37.2
September	40.2	37.3	37.4
October	39.8	36.4	37.5
November	39.6	36.5	37.5
December	39.3	36.8	...

Source: F.A.O. Monthly Bulletin

The domestic market price of Lampung Robusta coffee during the year under report was rather steady and ranged between Rp. 130,—and Rp. 145,—per kg. Similarly, the world market price of coffee during the year under report was within the range of US \$ cts 37.2 and US \$ cts 37.6 per lb as listed above.

The world coffee output in 1967 reached a volume of 2.7 million tons and increased to 3.2 million tons in the following year. The output is expected to increase continuously in the forthcoming years.

Since world production of coffee is increasing at a higher rate than world consumption, the marketing of coffee will become increasingly difficult. Consequently, Indonesia's membership in the International Coffee Organization becomes increasingly important, since it secures the marketing of Indonesia's coffee, even more so as Indonesia's coffee is mainly exported to coffee consuming member countries of the ICO.

Thus far, ICO's role in stabilizing the world market price of coffee has been significant indeed; on the other hand, it caused increasing stocks of coffee in the producing countries.

In order to reduce the world coffee supply, the ICO has recommended the diversification of the coffee culture in favor of other culture which have better prospects for the future. Diversification, however should be introduced with due regard to the future of other cultures in order to prevent their over-production.

Cocoa

Indonesia's cocoa production -- grown on estates and by smallholders - currently account for a mere 0.05% of world output as a whole. The production of

TABLE 69 — PRODUCTION AND EXPORT OF COCOA (in tons)		
	Production	Export
1964	669	201
1965	653 ¹⁾	20
1966	735 ¹⁾	248
1967	717 ¹⁾	497 ¹⁾
1968 ²⁾	708	386
¹⁾ Revised figures. ²⁾ Provisional figures.		

Source: Central Bureau of Statistics.

cocoa in 1968 reached 708 tons compared with 717 tons in the preceding year. Similar to coffee, the decline in output was attributable to the unfavorable weather conditions in 1968, viz. too much rainfall when the trees were blossoming which therefore adversely affected the fructivication process.

In order to improve the cultivation of cocoa in Indonesia and in the context of the Five Year Development Plan, plans have been made to undertake the following activities: rejuvenation of the culture, expansion of the current cocoa acreage and fertilization of the culture of state-owned plantations, so that in the forthcoming five years the cocoa output is expected to be as follows :

Cocoa Production of State-owned Plantations

<i>Year</i>	<i>Area under cultivation (in hectares)</i>	<i>Production (in tons)</i>	<i>Production Increase (in percentages)</i>
1969/1970	2,944	815	16.00
1970/1971	2,984	1,008	23.68
1971/1972	2,919	1,106	9.72
1972/1973	3,034	1,257	13.65
1973/1974	3,401	1,625	29.28

Source: BAPPENAS

The world output of cocoa in 1967/1968 was estimated at 1,293 thousand tons; the output in the preceding years was 1,331 thousand tons. The main producing countries were successively: Ghana, Nigeria and the Ivory Coast.

*World Cocoa Production
(in '000 tons)*

	<i>1966/1967</i>	<i>1967/1968 ¹⁾</i>
Africa	964.6	916.0
North America	76.1	78.9
South America	257.4	261.8
A s i a	33.0	36.3

1) Estimated figures

Source : Het Financiële Dagblad

The export of cocoa in 1968 reached a volume of 386 tons against 497 tons in the preceding year, indicating a decline of about 22.3%. The decline in the export volume was i.e. ascribed to the lower output and the increased domestic demand for consumption. The main countries of destination in 1968 were the Netherlands (212 tons), West Germany (116 tons), Belgium & Luxemburg (25.4 tons) and Singapore (5.4 tons).

According to the figures of International Financial Statistics, the world market price of cocoa in 1968 increased from an average of US \$ 29.39 per 100 pounds in 1967 to an average of US \$ 34.78 in the following year.

Cocoa Prices
(US \$/100 pounds)

	<i>1967</i>	<i>1968</i>
January	27.90	31.49
February	30.43	30.18
March	30.16	29.98
April	29.34	30.45
M a y	28.26	30.20
June	28.43	30.16
July	27.98	30.53
August	28.62	31.60
September	30.57	35.45
October	30.75	40.07
November	29.26	47.18
December	31.07	50.16

Source : International Financial Statistics.

The increase in the world market price of cocoa was inter alia attributable to a reduction in the supply of cocoa from African countries (Nigeria in particular) on account of armed clashes: many cocoa estates were therefore neglected.

Tobacco

Tobacco in Indonesia is produced by two sectors: estates and smallholders. Smallholder's tobacco is mainly used by the domestic cigarette industry. Estate-grown tobacco is mainly exported and comprises Deli tobacco, Vorstenlanden tobacco and Besuki tobacco. Deli tobacco has retained its superior quality as binder for cigars; however, it is at present severely competed by Cameroon tobacco.

Although the production of estate tobacco has been increasing, the techniques of cultivation and processing have not reached their optimum. Through an improvement of the said techniques, production is expected to show a further increase. In the forthcoming years, it is planned to apply sprinkler irrigation over an area of 2,000 hectares which would increase the output by 8%.

TABLE 70 — PRODUCTION AND EXPORT OF TOBACCO (in net tons)					
	Produced by State Tobacco Plantation				Export
	Deli	Besuki	Vorstenlanden	Virginia	
1964	2,478	1,696	1,173	1,965	27,451
1965	3,289	3,794	2,089	2,401	19,267
1966	2,792	3,166	1,735	2,867	30,098
1967	...	...	...	...	21,116
1968 ¹⁾	3,687	5,159		1,098	18,537
¹⁾ Provisional figures.					

Sources: Department of Agriculture.
Tobacco Institute.

The production of estate tobacco in 1968 slightly increased over the preceding year, viz. from 9,329 tons to 9,944 tons (+ 6.6%), while smallholder's tobacco (particularly Virginia tobacco) dropped from 58,512 tons to 43,243 tons (—26.4%). The decline was mainly attributable to frequent rainfall close to harvest time which

destroyed many tobacco leaves. Moreover, the quality of part of the tobacco leaves also declined.

According to the data of the Tobacco Institute in 1968 the proceeds of the tobacco sales in Bremen amounted to DM 98,857,000.— for 199,628 bales. A specification follows below :

A. Through auctions at the Tobacco Exchange :

Sumatra/Deli tobacco	:	29,904 bales for DM 41,430,000
Djawa/Besuki tobacco	:	70,777 bales for DM 32,921,000
Djawa/Vorstenlanden tobacco	:	29,629 bales for DM 12,055,000

Total through auctions	:	130,310 bales for DM 86,406,000 x)

B. Not through auctions/by
private contracts

69,318 bales for DM 12,451,000

Total (A + B)		199.628 bales for DM 98.857,000 x)
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x) Proceeds calculated on the basis of pro-forma invoices

Compared with 1967, the total volume of sales through auctions and by private contracts in 1968 declined by 29.7% from 283,817 bales to 199,628 bales, while the proceeds dropped by 30.4% from DM 142,034,530 to DM 98,857,000.

The specification is as follows: sales through auctions rose in volume by 4.6% from 124,576 bales to 130,310 bales; on the other hand, proceeds dropped by 26.8% from DM 118,091,530 to DM 86,406,000. Sales by private contracts dropped in volume by 56.4% from 158,817 bales to 69,318 bales, and proceeds dropped also by 48% from DM 23,943,000 to DM 12,451,000.

The average prices fetched by the Deli, Besuki as well as Vorstenlanden tobacco at the 1968 auctions were lower than in the preceding year. Deli tobacco declined from DM 12.96 to DM 9.23 (- 28.8%), Besuki tobacco from DM 4.06 to DM 2.39 (—41.1%) and Vorstenlanden tobacco from DM 3.50 to DM 2.66 (—24%) per 1/2, kg, respectively. In contrast, the average price fetched by tobacco sold by private contract in 1968 rose from DM 150.76 to DM 179.62 per bale (+ 19.1%)

The price decline at the 1968 auctions compared with the preceding year was *inter alia* due to the quality of the 1967 crop (auctioned in 1968) which was lower than the 1966 crop (auctioned in 1967). Another reason was the regulation issued by the Department of Trade which obliged the sale through auctions of the whole 1967 crop. This resulted in too large volumes offered at each auction which adversely affected the tobacco price. As a result of the price decline, the sales proceeds of Deli tobacco were considerably lower than expected. Although the afore-said regulation has since been revoked, no indications of an improvement in the tobacco price have as yet been observed on account of the reasons mentioned above.

The main buyers of Indonesia tobacco at the Bremen auctions were consecutively, for Sumatra/Deli tobacco: the Netherlands, West Germany, the United Kingdom, Denmark and Belgium; for Besuki tobacco: the Netherlands, West Germany, Belgium, Sweden and Denmark; and for Vorstenlanden tobacco Belgium, the Netherlands and West Germany

In the year under review, Indonesian tobacco in general and Deli in particular met with increasing competition from Cameroon tobacco. Although its quality is presently lower than of Deli tobacco the production and quality of Cameroon tobacco has shown a continuous and regular increase from year to year on account of protection by the French Government. For example, the part of Cameroon tobacco left over from auctions in Paris is wholly bought up by the French Government' the producers therefore do not incur a loss.

Besides, since it is produced by an associate member country of the European Common Market, Cameroon tobacco is exempt from the import duty imposed upon tobacco from Indonesia. As is known, as of January 1, 1968, tobacco from Indonesia imported by member countries of the E.C.M. is charged a 15% import duty subject to an upper limit of US \$ 70.— per 100 kg in the case of tobacco valued at not less than US \$ 280.— per 100 kg. The import duty imposed on tobacco of a value less than US \$ 280.— per 100 kg is 28%, subject to a lower limit and an upper limit of US \$ 29.— and US \$ 38.—, respectively.

Other competitors are tobacco produced by the United States, Italy, Greece, Cuba and Puerto Rico as well as Homogenized Tobacco Leaves of which the quality has become increasingly better.

In the light of the facts mentioned above, in the coming years Indonesia's production of tobacco should be adjusted to the demand in order to avoid overproduction with its adverse effects upon price. The 1969 output is estimated to be approximately equal to the preceding years. Further measures will be designed to improve quality in order to maintain/improve the competitive position in the world market.

Spices

According to the figures of the Central Bureau of Statistics export volume and value of pepper in 1968 showed a conspicuous decline compared with the preceding year.

In 1968, the export volume was 24,422 tons of a value of US 513,390 thousand, whereas the export volume in the preceding year was 37,241 tons of a value of US \$18,049 thousand, thus indicating a decline of 34% and 26%, respectively. Singapore remained the traditional buyer of pepper from Indonesia. Following the resumption of trade with the said country, the 1967 crop—usually exported in the following year—was almost wholly exported in the same year in addition to the

TABLE 71 — EXPORT OF SPICES (in gross tons)					
	White	Pepper Black	Total	Nutmeg and mace	Cinnamon
1964	4,344	18,885	23,229	5,495	8,623
1965	2,172	10,115	12,287	3,900	7,108
1966	2,544	18,171	20,715	4,161	4,342
1967	4,714	32,527	37,241	4,585	3,760 ¹⁾
1968 ²⁾	24,422	3,711	1,506
¹⁾ Revised figures. ²⁾ Provisional figures					

Source: Central Bureau of Statistics

crop of 1966: therefore the export increased in 1967. The volume of pepper exported in 1968 comprised the remainder of the 1961 harvest and part of the 1968 harvest.

Export of pepper in the first half of 1968 were mainly shipped to the following countries: Singapore (2,348 tons), the United States (447 tons), West Germany (108 tons) the United Kingdom (98 tons) and Belgium/ Luxemburg (62 tons).

In 1968, the price of white pepper in New York showed some fluctuations: in December 1967 the price was US \$ cts 38/lb and rose slightly to US \$ cts 38 1/2 /lb at the end of January 1968. The price then declined continuously to US \$ cts 34/lb at the end of September 1968 and afterwards increased to US \$ cts 36/lb at the end of the year

The price of black pepper in New York was US \$ cts 36/lb at the end of January 1968 and US \$ cts 35 1/2/lb at the end of December. The highest price in 1968 was quoted in September viz. US 5 cts 41/lb.

Until to date, pepper in Indonesia is wholly produced by smallholders. In 1968, the output was 46,867 tons and the area under cultivation was 44,683 hectares. In 1967, the area under cultivation was 42,537 hectares and the output amounted to 16,564 tons. The main pepper producing regions are Lampung and Bangka, which together account for almost 90%. Of Indonesia's pepper production. Lampung produces mainly black pepper while white pepper is produced by Bangka. In the world market pepper from Indonesia has to compete against pepper from India and Serawak The production of the three countries combined represents approximately 80% of the world output of pepper

The export of nutmeg and mace in 1968—with respect to volume as well as value—declined compared with the preceding year. In 1967, a volume of 4,585 tons of a value of US \$ 3,752 thousand was exported whereas the export volume of the following year was 3,711 tons of a value of US\$ 1,514 thousand, thus indicating a decline of 19% and 60%, respectively. With respect to the exports from January through June 1968 the main countries of destination were consecutively: the United States (413 tons), Singapore (362 tons), the Netherlands (297 tons), West Germany (269 tons), France (218 tons), Belgium & Luxemburg (160 tons) and the United Kingdom (111 tons) in 1968, the price of nutmeg in Singapore was fluctuating; the highest price was quoted at the end of December (Str.\$ 215/picul) and the lowest price was recorded in August (Str.\$ 165/picul).

The major part of Indonesia's nutmeg is produced by smallholders and is mainly grown in the East part of Indonesia. Together with India, Indonesia is the largest nutmeg producer in the world. In the context of the Five Year Development Plan 1969/1970—1973/1974) efforts will be made to increase nutmeg production through the rehabilitation of the nutmeg culture in Maluku as well as through plant breeding activities.

Similar to pepper and nutmeg, in 1968 the export of cassia vera declined, viz. from 3,760 tons in 1967 to 1,506 tons in the following year. While the value also dropped from US \$ 4,616 thousand in 1967 to US\$ 991 thousand in the following year which was a decline of 60% and 78%, respectively.

The main countries of destination with respect to cassia vera exports in January through June 1968 were consecutively the United States (1,111 tons) and Singapore (350 tons). The main producing regions of cassia vera in Indonesia are West Sumatra and the regency of Kerintji in the province of Djambi. In the world market of cassia vera, Indonesia has to compete against Vietnam which is the principal supplier. However, on account of the war, Vietnam's role has recently declined slightly therefore, the prospect of Indonesia's cassia vera is relatively good. To increase its production and quality, a project has been planned for the intensification of the cassia vera culture and the improvement of processing facilities.

The export of cloves is presently in a stage of development. In 1968, exports reached 59 tons of a volume of US\$ 25 thousand, against 98 tons of US\$ 37.1 thousand in the preceding year. Although it has succeeded to export cloves, Indonesia, however, is still the world's largest importer of cloves. (Cloves are mainly used by the domestic "kretek" cigarette industry). The domestic production of cloves is still far below the quantity demanded. As in initial step toward the increase in the production of cloves, experimental gardens of 10 hectares each will be established in West Sumatra, Lampung, Central Djawa. North Sulawesi and Maluku

The gardens will be used for development of seedlings ,and will also serve as a means to demonstrate techniques of cultivation and maintenance such as fertilization' pest control and picking methods

Mining

In comparison to the preceding year, the development of the mining sector in 1968 was generally satisfactory.

Although the production of certain minerals such as coal and bauxite declined, the output of the minerals which were of major importance to Indonesia's

economy, viz. petroleum and tin, was increasing. Compared with 1967, the production of petroleum and tin in 1968 rose by 18% and 22% respectively.

The production of nickel and natural gas increased by 52% and 53%, respectively, which were considered quite significant increases. The increased production of nickel was inter alia attributable to the acceptance of a lower rejection point on the part of the buyer (Japan) i.e. the buyer had consented to buy nickel ore of a lower nickel content which enabled an increase in the output and sales of Indonesia's nickel.

Special attention should be paid to the use of natural gas, the production of which has increased significantly. A small part of the natural gas output is presently used as raw material for the Sriwidjaja fertilizer plant in Palembang. The establishment of larger projects such as petrochemical plants and additional fertilizer plants is still possible on account of the sufficiently large output of natural gas.

In the period under report, the production of coal and bauxite declined by 16% and 4% respectively. The problem in connection with the production of coal is primarily caused by the narrowing market, since consumers increasingly favor the use of other fuels, such as gasoline diesel fuel and the like.

The export volume of crude oil - one of Indonesia's major foreign exchange earners—increased favorably by 63%. In the chapter on Balance of Payments it was mentioned that the foreign exchange earnings in 1968 originating from the oil sector increased by US\$ 59 million over 1967.

The export volume of tin was slightly less than in 1967. i.e. declined by 3%.

In order to develop the mining sector, in 1967 and 1968 the Government approved three contracts of work based upon Act No 1/1967 on Foreign Capital Investment viz, with Freeport Sulphur Company Inc. (USA) for mining of copper in West Irian, N.V Billiton Maatschappij (the Netherlands) for mining of tin in

Billiton and PT International Nickel Indonesia (Canada) for mining of nickel in Sulawesi.

Further details of the mining sector are provided below :

Petroleum

The production of crude oil in 1968 totalled approximately 219.9 million Bbl, indicating an increase of 33.7 million Bbl (18%) over 1967, while the production of natural gas in 1968 was approximately 116 mcf, or increased by 40.2 million mcf (53%) over 1967.

In general, oil companies did not encounter difficulties in their operations, except that with respect to the transportation of oil, the roads and harbor facilities were found to be inadequate. This became more aggravating as production started to increase.

The swift rise in the production of natural gas, viz, 53% in 1968, gave birth to the problem of its use. At present, natural gas is used as fuel for refineries, while a slight volume serves as raw material of the Sriwidjaja fertilizer plant in Palembang; the remainder, comprising a large volume of the natural gas, is necessarily wasted. In the light of the increased activities in the field of oil exploration, the use of natural gas has become an increasingly urgent problem.

In the effort to increase the production of foodstuffs, the demand for fertilizer will come to the fore. The Government has given the highest priority to efforts designed to use natural gas for the production of fertilizer on a nitrogen basis.

Moreover, the feasibility to apply natural gas in the petrochemical industry, for generating of electric power, for use as fuel etc. has been given serious thought. Since the aforesaid efforts require large capital investments, they are only justified if the natural gas reserves proved to be large enough.

TABLE 72 — PRODUCTION OF OIL AND NATURAL GAS		
	Crude oil (in million Bbls)	Natural gas (in million mcf)
1964	169.2	124.4
1965	176.1	111.5
1966	170.7	72.9
1967	186.2	75.8
1968	219.9	116.0

Source : Department of Mines.

In connection with the above, it should be noted that the construction of a petrochemical plant in Gresik is presently nearing its completion.

The main problem with respect to the production of oil and natural gas is the discovery of new of reserves and oil fields to replace those which are presently under exploitation; in other words: the necessity of exploring and exploiting new oil reserves. In connection with the aforesaid activities in the field of oil exploration and oil exploitation, the Government has given the opportunity for cooperation with foreign enterprises, generally in off-shore areas. The on-shore areas are reserved for the activities of the State Oil Enterprise, exclusive of those areas which are found too difficult to exploit.

Another problem of importance in the future is the marketing abroad. In the East Asian market—which has a sufficiently large demand Indonesia finds itself in a favorable position, since its geographical position makes low transportation cost possible. Another factor also in its favor is the low sulphur content of Indonesia's oil. With the current effort of countries to prevent air pollution through sulphur emitted by oil processing industries, the demand for Indonesia's oil is expected to increase. Efforts to establish markets abroad have already been started and will continue to be developed.

TABLE 73 – IMPORT AND EXPORT OF OIL AND OIL PRODUCTS (in thousand metric tons)				
	Crude oil		Oil products	
	Import	Export	Import	Export
1964	—	13,940	67	3,615
1965	—	13,100	93	4,424
1966	—	11,198	56	3,229
1967	—	12,897	120	3,625
1968	—	19,705	40	2,729

Source Central Bureau of Statistics.

In connection with the export of petroleum, there is a problem concerning the capacity of the oil refineries in Indonesia. Petroleum if exported in the form of derivatives could as a matter of fact, yield more foreign exchange than if exported in its crude form. The existing refineries in Indonesia, however are not yet capable to process the total output of crude oil, and are presently only able to meet the domestic demand, in addition to a slight part of the export demand.

Although the expansion of the present oil refineries is considered profitable, basic changes will not yet be introduced during the forthcoming five years, on account of the heavy investments required to increase the number of oil refineries.

The oil refineries in South Sumatra (situated along the Musi river) are obsolete and incapable to operate at full capacity. Moreover, there are difficulties in the transportation of the oil. New oil refineries will therefore be built in Dumai. Thenceforth, a major part of the crude oil can be transported by means of pipelines, and the petroleum products be shipped by large tankers with an increased shipping schedule.

In the framework of meeting the domestic demand for oil storage facilities at the oil terminals will be expanded and road transportation facilities be improved.

Besides the oil explorations undertaken by PN PERTAMINA in the oil areas of Atjeh, North Sumatra, Djambi, South Sumatra, Kalimantan. East Djawa and West Irian, 3 Contracts of Work have been concluded within the framework of foreign capital investment policy, while 24 undertakings are being conducted based upon production sharing agreements.

The Contracts of Work (Kontrak Karya) involve the following enterprises :

1. PT Caltex Pacific Indonesia (Central Sumatra);
2. PT Stanvac Indonesia (Central Sumatra and South Sumatra)
3. PT Calasiated & Topco (Central Sumatra).

While the Production Sharing agreements involve the enterprises listed below :

1. Asamera (North Sumatra);
2. Refican (North Sumatra);
3. Iiapco (West Djawa);
4. Refican (South East Kalimantan);
5. Kyushu (South Kalimantan);
6. J apex (Bunju and Mahakam)
7. Continental (South Kalimantan);
8. Cities Service Co. USA (East Djawa);
9. Union Oil Co. Exploration (West Atjeh);
10. International Timor Oil Exploration (Timor);
11. Philips & Superior (South West Irian);
12. C.F.P. (Djambi);
13. Indotex (Halmahera);
14. Vico & Huffington (South Sumatra and East Kalimantan);
15. Iiapco (South East Sumatra);
16. Agip S.A. (West Irian);
17. Redco (Sumatra Djawa, Kalimantan);
18. Mobil (North East Sumatra);
19. Continental (South China Sea);

20. Union Oil Co. of Indonesia (East Kalimantan)
21. Frontier (South China Sea);
22. Gulf (South China Sea);
23. Agip S.A. (South China Sea);
24. South East Asia (South Sulawesi and South East Sulawesi).

The output from the oil wells presently under exploitation (PN PERTAMINA, CALTEX, STANVAC) is expected to increase until 1970/1971: thenceforth, the output is expected to decline because of the depletion of the oil reserves. If the explorations are successful, the output is expected to increase again by the end of the Five Year Development Plan. The exploration expenses of the 22 foreign enterprises operating under production sharing contracts will amount to US\$ 184 million and are specified as follows: 1969 US\$ 23 million; 1970 US\$ 35 million; 1971 US\$ 44 million; 1972 US\$ 45 million and 1973 US\$ 37 million.

TABLE 74 — DOMESTIC SALES OF OIL PRODUCTS (in thousand metric tons)			
	Gasoline	Kerosene	Fuel oil etc.
1964	1,095	1,239	1,830
1965	1,275	1,341	2,191
1966	1,087	1,302	1,783
1967	1,288	1,655	1,677
1968	1,151	1,833	1,341

Source : Department of Mines.

Based upon the assumption that the explorations may start yielding in 1972, according to the Five Year Development Plan the production of oil is expected to develop as follows:

Petroleum Production
(in million Bbls)

1969/1970	293
1970/1971	358
1971/1972	364
1972/1973	401
1973/1974	440

The domestic demand for fuel in the forthcoming five years has not yet been assessed exactly. Nevertheless, the demand for fuel is expected to increase from 40 million Bbls in 1969 to 52 million Bbls in 1973 which may be increased to 150.000 Bbls.

Based upon the aforementioned estimate, in 1973 the available oil refineries will cease to meet the domestic demand, therefore, additional refineries will be built in Dumai with a daily capacity of 100,000 Bbls. which may be increased to 150,000 Bbls.

Besides' the oil refineries in Dumai are expected to result in savings and a reduction of costs, i.e. with respect to transportation costs. In order to meet the requirements after 1973 the construction of new refineries in Djawa of a daily capacity of 100,000 to 120,000 Bbls in presently under consideration in connection with the discovery of new fields in the vicinity. If all operations were to be conducted by the State Enterprise itself the required shipping capacity would amount to 130,000 DWT, exclusive of the tonnage for export.

In order to accomodate the domestic supplies in 1973, an overall development/expansion of transportation and storage facilities will be necessary. The current storage capacity is 500.000 Bbls which should be expanded to not less than 1,200,000 Bbls. The said expansions require the construction of seafed terminals

and up-country depots. It should finally also be necessary to dredge the main ports, such as Belawan, Palembang (the Musi river), Pontianak, Bandjarmasin, Surabaya, Djambi and other.

The annual output of asphalt at Pangkalan Susu and Wonokromo will be increased to 60,000 tons, and 30,000 tons, respectively. The construction of a new asphalt plant in Pladju with an annual capacity of 50,000 tons is presently being planned; the major part of the existing facilities will be utilized in the project.

The natural gas produced in a number of places will be used in the order of development priorities and the specific characteristics of the gas. A liquid Petroleum Gas (L.P.G.) Plant and a Carbon Black Plant have been built in North Sumatra with a capital investment outlay of US\$ 5 million. However, an additional investment is needed to achieve the maximum daily capacity of 2,500 Bbls of L.P.G. and 20 tons of Carbon Black.

South Sumatra is presently producing associated and non-associated gas. The gas will enable a 300% expansion of the urea output and will also be used for the production of plastics, e.g. polyethylene.

In the province of Tjirebon, West Djawa, large reserves of natural gas—possibly of non-associated gas—have been discovered which will serve as raw material for a fertilizer plant of an annual production capacity of not less than 500,000 tons.

Tin

Table 75 shows the declining trend of tin output from 1964 through 1966. Thenceforth, production started to rise by approximately 9 % in 1967, which in 1968 was followed by an increase of \pm 22% over the preceding year.

TABLE 75 — PRODUCTION AND EXPORT OF TIN (in metric tons)		
	Production	Export
1964	16,606	14,051
1965	14,933	13,641
1966	12,771	9,883
1967	13,808	13,966 ¹⁾
1968	16,939	13,540
¹⁾ Revised figures.		

Source: Department of Mines.

The decline in output was attributable to a number of problems encountered by the enterprises, inter alia in connection with the obsolete equipment and the depletion of the known tin ore reserves in Bangka, Belitung and Singkep.

Following the rehabilitation and expansion commenced in 1966, the production in the succeeding years rose again; the depleted reserves of tin ore, however, are still a matter of serious concern.

The output of the three enterprises during the past 3 years was as follows (in metric tons) :

	1966	1967	1968
T.T. Bangka	7,767.66	8,644.10	11,634.00
T.T. Belitung	4,262.59	4,508.80	4,609.00
T.T. Singkep	741.23	655.46	696.00
	12,771.48	13,808.38	16,939.00

Source : Department of Mines.

TABLE 76 — WORLD PRODUCTION AND CONSUMPTION OF TIN (in thousand long tons)					
Countries	Production				
	1964	1965	1966	1967	1968
Malaysia	60.0	63.7	68.9	72.1	75.0
Bolivia	24.2	23.0	25.5	27.3 ¹⁾	29.1
Thailand	15.6	19.0	22.6	22.5 ¹⁾	23.6
Indonesia	16.3	14.7	12.5	13.6	16.7
Nigeria	8.7	9.5	9.5	9.3	9.6
Congo	6.5	6.2	6.9	7.0	7.4
Other countries	15.9 ¹⁾	16.0 ¹⁾	18.1 ¹⁾	20.1 ¹⁾	21.3
T o t a l	147.2 ²⁾	152.1 ¹⁾	164.0 ¹⁾	171.9 ¹⁾	182.7
Countries	Consumption ²⁾				
	1964	1965	1966	1967	1968
United States of America	58.6	58.6	60.7 ¹⁾	57.3 ¹⁾	58.1
United Kingdom	19.3	19.3	18.4	17.4	17.1
Japan	17.9	17.2	18.6	20.4 ¹⁾	22.2
West Germany	12.4	11.7	10.8	10.7 ¹⁾	11.6
France	11.0	10.1	10.3	10.4	9.9
Other countries	48.8 ¹⁾	47.7 ¹⁾	47.3 ¹⁾	48.1 ¹⁾	60.8
T o t a l	168.0 ¹⁾	164.6 ¹⁾	166.1 ¹⁾	164.3 ¹⁾	169.7
¹⁾ Revised figures. ²⁾ Primary tin metal.					

Sources : International Tin Council.
Department of Mines.

The world production of tin from 1964 through 1967 showed an upward trend, viz. from 147,200 long tons to 171,900 long tons, indicating an increase of 14.3% over a period of four years.

On the other hand, consumption of tin over the same period declined by 2%, i.e. from 168,000 to 164,000 long tons.

Consequently, the world market price of tin was fluctuating as revealed in Table 77.

At the 7th meeting of the International Tin Council in London, a floor price of £1,280 and a ceiling price of £1,630 per long ton were determined with effect from January 16, 1968.

TABLE 77 — AVERAGE TIN PRICES ¹⁾			
	London Cash £/long ton	New York Prompt US \$ cents/lb	Straits ex-works Sin. \$ /picul
1964	1239.4	157.72	619.42
1965	1412.7	178.17	702.80
1966	1295.8	164.02	645.23
1967	(1205.6) ²⁾ (1353.3) ³⁾	153.14	600.10
1968			
January	1323.1	147.88	561.55
February	1316.7	145.63	558.26
March	1317.5	145.63	561.30
April	1314.9	145.21	559.36
May	1305.8	143.30	558.75
June	1306.0	141.65	556.42
July	1301.7	141.48	554.18
August	1296.8	141.84	549.20
September	1300.0	148.04	562.25
October	1316.9	151.07	571.06
November	1405.4	162.14	605.78
December	1379.5	163.46	588.33
¹⁾ In its 7th meeting, the International Tin Council determined a floor price of £ 1,280 and a ceiling price of £ 1,630 per long ton, with effect from January 16, 1968. ²⁾ January 1 — November 18. ³⁾ November 20 — December 31.			

Source : International Tin Council.

Other Minerals

Over the past five years, coal production declined continuously from 445,000 metric tons in 1964 to 175,000 metric tons in 1968, a drop of approximately 61%.

The conspicuous decline was mainly attributable to obsolete equipment in bad need of repair.

Production of Coal
(in '000 metric tons)

	1964	1965	1966	1967	1968
<i>Bukit Asam coal mine</i>	307	257	185	122	91
<i>Ombilin coal mine</i>	97	93	101	66	68
<i>Mahakam coal mine</i>	41	40	34	20	16
	445	390	320	208	175

Source : Department of Mines.

Furthermore, the swift technical progress of the combustion engine caused the steam engine to be crowded out, which resulted in a shift in the world consumption from coal to petroleum. The railroads are an example of the increased implementation of diesel powered locomotives. Similarly, domestic consumers of coal, such as PELNI, PNKA, PLN and others increasingly shifted to the combustion engine; the prospects of the coal market are therefore dim indeed. With this situation in mind, the mining of coal on an extensive scale will merely aggravate the problem of marketing. Moreover, on account of the poor quality of the coal, the costs of production are relatively high. The only exception is the Ombilin mine which produces coal of good quality and has therefore retained a market abroad. However, the "underground mining" techniques necessary for the production of Ombilin coal result in high production costs. On the other hand, mining on a small scale as is currently applied results in high production costs also. It should be noted that at present the price of imported coal is lower than of coal produced domestically.

Until to date, the State-owned coal mines have been subsidized by the Government.

In 1968, coal exports from Indonesia amounted to of 1,524 metric tons of a value of US \$ 7,000, indicating an average price of less than US \$ 4.60 per metric tons. On the basis of the average exchange rate in 1968, i.e. Rp. 375,—per US \$

1.00, the export price fetched was lower than the cost production which was over Rp. 3,000.— per metric ton.

The only *bauxite* mine in Indonesia is located on the island of Bintan (Riau) where the bauxite reserves are not so large as in other bauxite producing countries such as Australia.

As far as the marketing of bauxite is concerned, a long term contract has been concluded with Japan for the purchase of bauxite to an annual volume of 800 thousand tons. The production is presently adjusted to meet the terms of the said contract, whereas any surplus is sold on an incidental basis.

The distance between the mining area and the port increases from year to year; improvement of transportation equipment is therefore necessary. Moreover, ore reserves with a high bauxite content have greatly diminished. Until to date, ore of a low bauxite content has not been mined because of a marketing problem. Consequently, efforts are being made to induce buyers to accept a lower rejection point which would permit the mining of ore reserves of a lower bauxite content.

Capital investments are necessary for rehabilitation of mining equipment improvement of transportation facilities and dredging of harbors in order to increase output.

Efforts to discover new ore deposits are being undertaken through joint ventures for the increase in exports as well as for the construction of an alumina plant.

According to the Five Year Development Plan the production bauxite in the forthcoming five years will be as follows :

1969-1970	1,000,000 metric tons
1970-1971	1,050,000 metric tons
1971-1972	1,200,000 metric tons
1972-1973	1,200,000 metric tons
1973-1974	1,200,000 metric tons

As far as the mining of *nickel* is concerned“ since the buyer (Japan) has accepted a lower rejection point, i.e. 2.6% Ni, the mining of nickel in Pomala (South East Sulawesi) is expected to increase. The acceptance of a lower rejection point and the annual purchase of 230,000 metric tons of nickel ore by Japan will result in an increase of production and a need for additional investment. It will also be necessary to explore further whether the establishment of a nickel processing plant in Indonesia is justified in the future.

The major *gold* and *silver* mines presently under exploitation by the Government are located in Tjikotok in the province of West Djawa. The production figures are as follows :

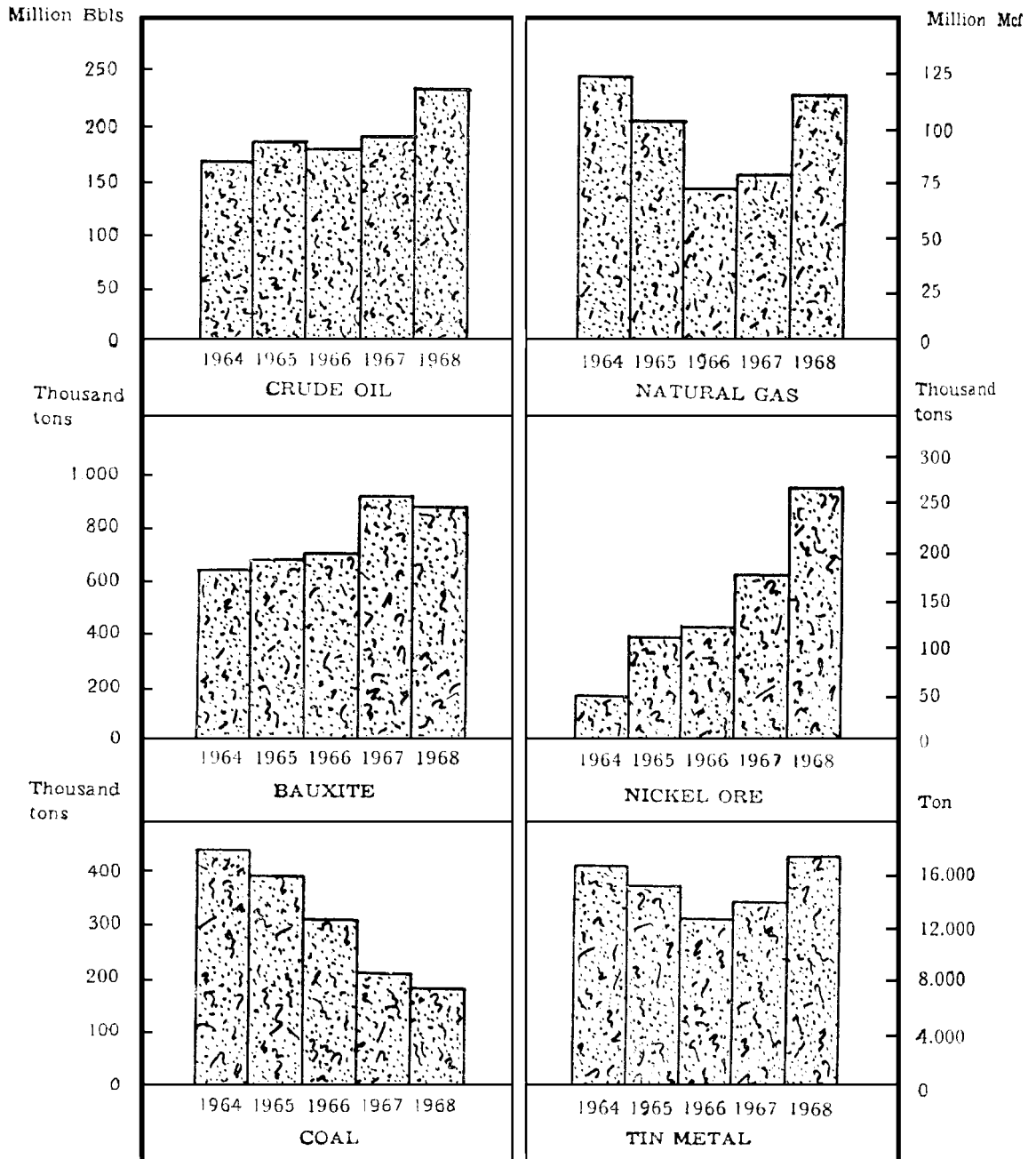
	<i>Gold (in kg)</i>	<i>Silver (in kg)</i>
1964	182	7,897
1965	209	9,294
1966	128	6,867
1967	241	9,611
1968	186	9,613

Source : Department of Mines.

TABLE 78 — PRODUCTION AND EXPORT OF BAUXITE AND NICKEL (in thousand metric tons)				
	Bauxite		Nickel ore	
	Production	Export	Production	Export
1964	648	656	48*)	40
1965	688	577	102	80
1966	701	698	117	134
1967	912	932	172*)	146
1968	879	848	262	241
*) Revised figures.				

Source : Department of Mines.

CHART V — MINERAL PRODUCTION



A state enterprise in Djakarta processes metal concentrate into gold, silver, platinum and other metals. The aforesaid enterprise is presently operating below capacity on account of inadequate supply of raw material.

With rehabilitated equipment, an increase in labor efficiency and increased recovery, the production is expected to increase slightly in the forthcoming years. Although the production of ore is expected to increase, on account of the lower gold and silver content, the increase in production of precious metals will probably cease by the end of the Five Year Development Plan.

Industry

In general, the development of industrial output in 1968 was satisfactory, particularly with respect to the chemical industry. The favorable development was ascribed to several factors which facilitated the growth of the industries, such as rehabilitation of fixed capital and reorganization of management.

For the rehabilitation of the industrial enterprises, in 1968 investment credits were made available through Bank Pembangunan Indonesia (Development Bank of Indonesia). The funds amounted to Rp. 7 billion and originated from the 1968 Budget of Revenue and Expenditure.

Since the establishment of the Development Cabinet in June 1968. The budget of the Department of Industry is a combination of the budgets of the Department of Basic and Light Industries and Power (excluding the Directorate General of Electric Power), the Department of Textiles and Home Industry and the Directorate of Planning and Development of Maritime Industry which was previously part of the Department of Sea Communications.

Through the aforesaid credits, the development of a number of chemical and textile projects could be continued.

The rehabilitation of the basic industries was designed to increase the production of raw material, equipment and machinery for the production of foodstuffs, the processing of agriculture and estate produce, and the infrastructure. As far as the light industries were concerned, rehabilitation was mainly directed towards the production of supplies for the sector of education (books, writing material etc.), textiles. foodstuffs, etc.

Pursuant to Presidential Instruction No. 17 of 1967, preparations were made for the conversion of state enterprises into Public services. Public Enterprises and Public Corporations.

Besides the rehabilitation of the industrial enterprises, efforts were made to protect the domestic industries. It was a concerted efforts of the Department of Trade and the Department of Finance. Such action was found necessary in order to protect the domestic enterprises from competition by imported commodities. Its implementation was based upon a policy which would not adversely affect the consumers, vis. by imposing a duty upon the import of goods which were also produced domestically on the one hand, and by providing guidance to the domestic manufacturers of the aforesaid commodities on the other hand in order to improve the quality of their products. It was thus hoped that the producers would be able to improve the quality of their products and to make them into perfect substitutes of the imported goods.

In the context of the efforts to increase production and to improve the quality of industrial products, in 1968 a number of foreign capital investment projects in the industrial sector were approved e.g. in the field of flour milling and milk.

1. Basic industry

The production figures of the basic industries for 1968 provided by the Directorate General of Basic Industry are as follows :

Sugar miling machinery	272	tons
Rubber processing machinery	12	tons
Road rollers	70	tons
Iron constructions for bridges/containers	266	tons
Miscellaneous iron/steel constructions	417	tons
Nuts and bolts	23	tons
Miscellaneous spare parts	174	tons
Rivets	21	tons

Source: Department of Industry

Activities in the field of production/assembling resulted in the following output :

Automobile assembling	2,403	units
Storage batteris	37,000	units
Radio sets	35,000	units
Light bulbs	4,500,000	units

Pursuant to Presidential Instruction No. 17/1967, the following state enterprises, i.e. Bima, Barata, Boma, Indra, Sabang Merauke and Peprida will be merged into one public corporation.

Besides, in line with the policy on foreign capital, an agreement was concluded between PN Ralin and NV Philips Gloeilampen Fabrieken in the Netherlands regarding a joint venture of the name of PT Philips Ralin Electronics.

PN Metrika also concluded an agreement with Gebr. van Swaay of the Netherlands regarding a joint venture of the name of PT van Swaay Metrika, whereas Gebr. van Swaay concluded a joint venture agreement with a private enterprise under the name of PT van Swaay Indonesia.

In the field of the motor vehicle industry in general and the automotive industry in particular, provisional approvals for the establishment of automotive assem-

bly plants were granted to Citroen (France), Toyota (Japan), Nissan (Japan) and Mitsubishi (Japan). These plants are expected to become the nucleus of Indonesia's automotive industry in the future.

Based upon a decision of the Minister of Basic and Light Industries and Power, PN Gaja Motor will be liquidated and subsequently converted into a corporation, after due reorganization of personnel and capital.

2. Chemical industry

The output of the chemical industry increased as far as paper, cement and fertilizer were concerned. The production of bicycle tires and tubes also increased markedly. The output of automobile tubes increased also. However, the production of automobile tyres declined on account of difficulties with regard to raw material imports. The development of the chemical industry may be illustrated as follows :

<i>Output of Chemical Industry</i>					
<i>Industry</i>	<i>Unit</i>	<i>1965</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>
Gresik cement	ton	389,468	323,425	245,000	304,328
Padang cement	"			77,030	103,637
Padalarang paper	"	11,122	9,866	3,437	5,583
Letjes Paper	"			3,338	3,218
Blabak paper	"			639	2,024
Pematang Siantar duplicating paper	"			298	464
Sriwidjaja fertilizer	"			93,337	95,528
Oxygen	M ³	2,132,467	1,604,888	1,456,878	1,803,307
Nitrogen	"	6,862	5,408	5,772	5,164
Compressed air	"	15,940	10,610	4,992	7,713
Carbonic acid	ton	620	473	349	361
Salt	"	252,000	...	100,000	23,525
Soda solution	"	1,585	1,550	1,252	1,019
Glasses and bottles	"	9,001	...	2,115	5,784
Automobile tyres	piece	123,468	70,737	21,162	5,696
Automobile tubes	"			4,007	6,931
Bicycle tyres	"			252,423	482,304
Bicycle tubes	"			9,946	15,284

Sources : — Central Administrative Board of the State General Mining Enterprise (BPU Perusahaan Tambang Umum Negara).

— 1968 Annual Report, Directorate General of Chemical Industry.

TABLE 79 — DOLLAR SAVING INDUSTRIES					
	Annual output		Foreign exchange requirement based upon C & F value (US \$)	Net Dollar saving (US \$)	Explanation
	Quantity produced	Value (US \$)			
Gresik cement	325,000 tons	6,500,000.—	1,489,183.34	5,010,816.66	Import price US \$ 20.— ton
Padang cement	100,000 "	2,000,000.—	665,551.80	1,334,448.20	" " " 20.— "
Sriwidjaja fertilizer	90,000 "	7,380,000.—	1,312,000.—	6,068,000.—	" " " 82.— "
Padalarang paper	3,000 "	752,250.—	320,223.60	432,026.40	" " " 250.75 "
Letjes paper	3,000 "	752,250.—	205,165.—	547,085.—	" " " 250.75 "
Blabak paper	2,090 "	524,067.50	179,268.—	344,799.50	" " " 250.75 "
Pematang Siantar paper	1,800 "	271,350.—	114,600.35	156,749.65	Duplicating paper 150.75 "
INTIRUB Djakarta	automobile tyres 98,000 pieces	2,524,322.—	1,660,000.—	865,322.—	Estimate of Directorate General of Chemical Industries
	automobile tubes 29,000 "				
	bicycle tyres 1,000,000 "				
	bicycle tubes 350,000 "				
IGLAS, Surabaya	12,100 tons	806,666.67	361,947.62	444,719.50	" " —
Oxygen, Djakarta	1,933,000 m ³	1,496,080.—	165,330.27	1,303,749.75	" " —
Soda, Surabaya	caustic soda 1,800 tons chloric acid 850 "	1,035,568.—	71,886.—	963,682.—	" " —
	bleaching powder 4000 tons				
Salt	220,000 tons	1,140,000.—	652,090.—	487,910.—	Salt briquettes
	1,000,000 briquettes				
Total		25,156,554.17	7,156,245.98	17,959,308.19	

Source : Directorate General of Chemical Industries.

With regard to the production of automobile tyres may be noted that the Goodyear Tire & Rubber Co. Ltd. and the Dunlop Co. (Indonesia) Ltd. jointly own a single factory—i.e. the Goodyear factory in Bogor, West Djawa—which operates on the condition that 25% of the output is designated for the Dunlop Rubber Company and provided with the Dunlop brand. The design capacity of the factory is 430,500 automobile tyres per year. The production in 1967 and 1968 was as follows :

	1967	1968
Automobile tyres	211,258	234,418
Automobile tubes	128,241	150,878
Bicycle tyres	1,915,386	1,702,518
Bicycle tubes	174,332	211,678

The aforementioned foreign tyre companies have also started to produce tyres of a modern type (GS,nylon) and size (700-14, 725-13).

The increased output of the chemical industry which was of a quality equal to imported goods resulted in significant foreign exchange savings. The figures in Table 79 show the aforesaid amounts of savings.

The Directorate General of Chemical Industry also had a number projects in the stage of completion, viz. the paper mills in Banjuwangi, Gowa and Martapura, the cement factory in Tonasa, the tyre factory in Palembang, the superphosphate plant in Tjilatjap and the petrochemical plant in Surabaya.

3. Light Industry and Home Industry

The Directorate General of Light Industry as an agent of the Government functions as the promotor, leader and developer of the industrial sector which comprises industries engaged in the production of finished goods for immediate

use of consumers, such as the furniture industry, foodstuffs industry, construction/building material industry and a variety of other light industries.

Similar to the basic industries, the light industries were also rehabilitated. Rehabilitation was accompanied by improvement of organization and production apparatus, particularly with respect to planning, guidance and collection of statistical data.

In the fields of graphics and printing, the prohibition to import printed material and to print books abroad was designed to protect the printing industry and to encourage the production of printed matter of higher quality.

The mechanization of the "kretek" (clove) cigarette industry initiated by the "Bentul" kretek cigarette factory has now found wide application, while efforts to improve the quality of cigarettes are materialized in the filter cigarettes produced domestically.

The foodstuffs industry has thus far been saved from difficulties on account of raw material imports. However, the problem of domestically produced raw materials, especially copra, is still prevailing.

The production figures of the light industries as contained in the 1968 Report of the Directorate General of Light Industry are as follows :

<i>I t e m</i>	<i>Unit</i>	<i>1967</i>	<i>Target 1968</i>	<i>1968</i>
S o a p	ton	171,000	200,000	171,000
Coconut oil	"	35,000	80,000	64,450
Cooking oil	"	18,631	25,000	19,500
Cardboard 1)	"	2,000	3,000	2,500
Printing ink 1)	"	100	100	100
Printing/graphics 1)	"	30,000	40,000	35,000
Cigarettes	mln. picces	12,680	14,000	12,000
Clove cigarettes	" "	23,165	24,000	22,000
Safety matches	" "	250	300	260
Dental cream	" tubes	9.5	13	21
Bicycle tyres 2)	'000 pieces	500	500	500
Bicycle tubes 2)	" "	3,000	4,000	4,000

1) Cardbord, printing ink and printing are all produced by the private sector.

2) Bicycle tyres & tubes exclusive of Goodyear and INTIRUB products.

Source : Directorate General of Light Industry.

Government projects within the jurisdiction of the Director, General of Light Industry are the following :

- a. PT RIBRANO, a production sharing project financed by a loan of US \$ 1,889,038 from the German Democratic Republic (DIA Invest Export, Berlin). The main product of the project would be cooking oil from rice bran; cattle fooder will be a by- product. The project is located in Krawang, in the province of West Djawa. Construction at the close of 1968 reached the point where completion of the project may be expected in 1969.
- b. The Sunflowerseed Oil Pressing & Refinery (production sharing) project in Djakarta, financed by a loan of US \$ 2,787,328 from the German Democratic Republic repayable in 8 years. The project is designed to produce cooking oil from sunflower seeds at the rate of 17 1/2 tons in 24 hours. Research conducted in Malang and Madura has indicated that approximately 12,000 hectares may produce 40 tons of sunflower seeds daily or about 12,000 tons annually. Construction work on the project has just reached the following stage: clearing of the plant site, construction of a bridge to the plant site and construction of temporary storage rooms. Approximately Rp. 280 million will be needed to complete the project, with an additional \pm Rp. 250 million of working capital. If construction of the project is not resumed immediately, the equipment which have already arrived will be wasted.
- c. The Production Sharing Project between PT Bison and DIA Invest Export Berlin consists actually of 2 projects, viz. a project for the production of cooking oil from rice bran in Djember, East Djawa, with an investment of US \$1,886,574, and a Coconut Oil Pressing & Refinery Project in Bitung, North Sulawesi, with an investment of US \$ 2,944,814. The construction of the two projects which began in 1965 was retarded, and the stage of completion at the close of 1968 was therefore as follows: plant site: 100% (Bitting 4 hectares, Djember 3 hectares); yards 25%, buildings 5%, machinery 80% and transportation equipment 80%. A sizable amount of rupiah financing is needed to complete the projects. It should further be noted that 20 other production

sharing projects in the sector of light industry were cancelled which just reached the stage of planning.

The index numbers on raw material imports for the industrial sector compiled by the Central Bureau of Statistics are reported in Table 80.

TABLE 80 — IMPORT INDICES OF INDUSTRIAL RAW MATERIALS (1950 = 100)				
	1965	1966	1967	1968*)
Beer breweries : malt (including flour and extract)	64	41	82	124
Printing works : paper	202	125	118	122
Paint industry : zinc white	97	59	41	11
: red lead	48	8	281	9
Weaving mills : cotton yarn	279	129	66	49
Batik industry : gray shirting, sheeting and supers	27	49	88	57
: white cambric and shirting	183	198	250	119
: wax (various kinds)	—	—	—	—
Kretek industry : cloves	42	62	126	79
Engineering works: sheet iron	204	158	281	149
: bar iron	167	243	132	90
: profile iron	155	68	41	29
Building industry : cement	239	105	137	65
Miscellaneous : caustic soda	—	166	169	63
*) January through June.				

Source : Central Bureau of Statistics.

4. Textile Industry

The domestic production of yarn and textile was as follows :

<i>Y e a r</i>	<i>Y a r n</i> (in bales of 400 lb)	<i>Textile</i> (in million meters)
1966	46,003	250,6
1967	100,000	225,0
1968	135,300	316,0

In 1968, the production of yarn rose by 35.3% over 1967. The 135,300 bales produced in 1968 indicate that 91% of the target — determined at 147,525 bales— has been reached.

Textile production in 1968 was 316 million meters, an increase of 40% over the output of the preceding year. It is estimated that 179 million meters was produced by mechanized looms, 65 million meters by hand looms and 72 million meters by knitting factories.

The batik sector is estimated to have produced 50 million meters of batik, whereas the output of the finishing sector (inclusive of dyeing and printing) was approximately 100 million meters in 1968.

Although better than in 1967, the activities of the textile industry in 1968 were slack. A survey conducted in Djakarta in June 1963 revealed that out of 143 textile plants, only 78 were still operating; the remaining 65 were closed down.

In the first four months of 1968, the activities in the textile industry were extremely slack, inter alia on account of the market slump after the Idul Fitri and New Year celebrations. Activities started to pick up again in May and continued until August due to the increase in demand at post harvest time, also on account of protection against imported textiles. As of August, production declined since the market became slack again harvest time had long since passed, and imported textile did not cease to flow. Despite the protective measures, the imported textile market remained brisk.

Textile supplies in 1968—exclusive of the remaining stock of the preceding year —were estimated as follows :

Textile imports in the Ist half	237 million meters
Textile imports in the IInd half	237 million meters
Domestic production in the Ist half	132 million meters
Domestic production in the IInd half	183 million meters
T o t a l	789 million meters
Textile imported through unconventional channels	50 million meters
Total in 1968	839 million meters

On the basis of a total population of approximately 115 million people, the above figures indicate a supply of 7.3 meters per capita.

Domestic textile production could only meet a small part of total demand, viz. 37.6% of total supply in 1968, while domestic output and imports of textile were originally expected to be 460 meters (57.1%) and 345 million meters (42.9%), respectively.

According to the data of the Directorate General of Textile Industry, textile prices were as follows :

	<i>Price Index *</i> <i>end of 1967</i>	<i>Price Index *)</i> <i>end of 1968</i>
Yarn	192	400
Low-grade textile	236	559

*) Base : End of January 1967 = 100

Another source provided the following price quotations :

	<i>Price</i> <i>at end of 1967</i>	<i>Price</i> <i>at end of 1968</i>
White shirting	Rp. 45,-/ meter	Rp. 135,-/ meter
Printer shirting	Rp. 50,-/ meter	Rp. 155,-/ meter
Yarn 30/s	Rp. 50,000,-/ bale	Rp. 72,000,-/ bale

Source: Department of Trade.

At the end of 1968, the domestic production of yarn had to compete heavily against yarn imported from Pakistan. The Pakistani yarn of the 20/s type was priced at Rp. 53.000,—/bale, whereas the price of domestically produced yarn was Rp. 65,195,— per bale inclusive of a 10% profit margin. The actual market price of domestically produced yarn ranged between Rp. 56,000,—and Rp. 58,000,—per bale and sales were therefore effected at a loss.

Regarding construction work in the textile industry may be reported that the Bekasi spinning mill with a capacity of 30,000 spindles was officially opened on December 30, :1968, whereas 91% of the construction of the Palembang spinning mill was completed at the close of 1968. With the completion of the Bekasi spinning mill, the total spinning capacity in Indonesia has reached approximately

TABLE 81 — MAIN WEAVING MILLS

	Number of mills		Total yarn used (tons)	Production			
	To which question- naire was sent	Mills respond- ing to question- naire		Sundries (in thou- sand meters)	Blan- kets	Sa- rongs	To- wels
					(in thousand pieces)		
1964	61	60	8,777	47,504	67	2,404	1,587
1965	61	58	7,817	39,768	40	1,953	1,316
1966	61	60	7,273	36,906	54	1,863	1,350
1967	61	59	7,290	39,082	...	...	...
1968							
1st Quarter	61	59	1,886	9,176	24	530	223
2nd Quarter	61	59	1,754	8,659	21	546	240
3rd Quarter	61	59	1,786	8,548	25	537	250
4th Quarter	61	59	1,820	8,777	...	...	...

Source : Central Bureau of Statistics.

450,000 spindles. Construction work on three other spinning mills, viz. in Goa (Makassar), Padang and Madiun was suspended since 1965.

In 1968, the Netherlands provided a grant of NF 11.3 million to finance the modernization of the Institute of Textile Technology, the construction of a fine cambrics weaving mill in Medari (Jogja), and the construction of rotary screen printing plants in West, Central and East Djawa.

The data derived from the questionnaires distributed by the Central Bureau of Statistics are reported in Table 81.

5. Home Industry

About 70% of the Indonesian people are farmers who will their leisure time with some kind of handicraft. Home industry includes large enterprises such as batik and other enterprises as well as smaller enterprises engaged in various handicrafts which actually make up the major part of the home industry.

The bulk of the output of the home industry is designated to meet the daily requirements of the people. Moreover, many products of the home industry have been found useful for the implementation of the programs on food, textile, housing, infrastructure, tourism and other programs, viz. agricultural tools, handwoven textiles, building material and household equipment, simple transportation equipment, etc.

The above activities could also result in foreign exchange savings.

In this context may be mentioned that attention should be devoted to the increase in the export of products of handicraft and home industry which are in demand abroad as well as by foreign tourist, such as woodcarvings, silvercraft and the like.

In 1968, a number of initiatives were taken in the field of handicraft such as silkworm culture, silk weaving, batiks on silk (highly favored abroad and by foreign tourists), as well as development of new designs and new types of wickerwork, woodcarving, silvercraft and other metalcraft.

Data on the production of people's handicraft compiled by the Department of Industry are reported below :

<i>Home industry products</i>	<i>Units</i>	<i>1965</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>
I. Educational tools	piece	117.—	116.—	116.—	171.000
Sports goods	„	3.9	3.5	3.4	4.—
Musical instruments	„	0.04	0.25	0.02	0.05
Toys	„	0.3	0.26	0.27	0.3
II. Hoes	„	2.—	1.8	1.7	2.—
Agricultural tools/ infrastructure	„	2.5	2.5	2.3	3.—
Foodstuffs	kg	14.—	13.95	13.85	14.—
Soft drinks	bottle	12.—	11.83	11.9	12.—
III. Hand made/printed batik	piece	275.—	250.—	240.—	250.—
Low grade batik	„	5.5	5.—	5.—	6.—
Lurik/setagen	„	139.—	135.—	133.—	140.—
Sandals etc.	„	12.—	11.5	11.7	12.—
IV. Repair services : hinges, knives, glues, axles, carts	„	16.—	15.—	15.3	16.3
V. Carpentry : beams, bords, window frames, etc.	m3	23.5	23.3	23.—	24.—
Locks, hinges	piece	4,500.—	4,500.—	4,000.—	5,000.—
Furniture/tables and chairs	m3	6.3	6.—	6.1	6.5
Buckets, kettles, stoves, ets.	piece	259.—	253.—	251.—	260.—
VI. Woodcarvings, etc.	piece	0.29	0.231	0.23	0.3
Hats, bags, sandals, etc.	„	0.9	0.8	0.75	1.—
Cups, trinkets, etc.	„	0.8	0.75	0.75	0.8
Songkets, scarfs	„	3.1	3.—	2.95	3.2
Miscellaneous handicraft products	„	30.—	30.—	29.—	30.—

Source : Department of Industry.

6. Aviation industry

With respect to the aviation industry, planning and efforts have been undertaken for development of maintenance facilities and facilities for the production of aviation equipment. Activities also concerned the training of experts in the aviation industry.

Meanwhile, a number of foreign enterprises in the field of the aviation Industry explored the possibility for establishment of joint ventures with domestic enterprises; the said enterprises included Aviolanda, Fokker, Bouwcentrum and others, all from the Netherlands. Domestic enterprises interested in a joint venture were: PN Garuda, PN PERTAMINA and PN Boma. By Decision of the Minister of Industry, the Project for Survey and Research on Aviation Industry has been established within the jurisdiction of the Directorate General of Aviation Industry; the latter designed a master plan for the establishment of an aviation industry in the coming 30 years.

7. Maritime Industry

The maritime industry within the Jurisdiction of the Department of Industry includes projects for the construction of shipyards in Makassar, Gresik, Padang and Bitung financed by a loan from Poland.

The machinery and equipment which arrived from Poland amounted to 2, 042 tons or covered 70%, of the total. As of 1966, however, deliveries have been suspended.

On account of financial problems, in 1968 construction at the shipyards in Gresik, Padang and Bitung was suspended. In Makassar, however, the construction of slipway, power house and a number of workshops could be continued.

Electric Power and Gas

1968 was the year of rehabilitation in the field of electricity and gas. Activities constituted efforts to regain the peaks of achievements reached in the past and to increase the overall efficiency, to recover past capacities through an increase in the number of skilled personnel as well as through training in the field of power generating, particularly in connection with the construction of micro hydro-generated electric power stations (PLTM).

The target for 1968 with respect to the installation of electric power generating sets was as follows :

Diesel-generated sets	184.8 MW
Steam-generated sets	125.2 MW
Hydro-generated sets	284.8 MW
Gas-generated sets	42.0 MW

Total	636.8 MW

whereas the estimated output of electric power was as follows :

Diesel-generated sets	365.1 x 10 ⁶ KWh
Steam-generated sets	337.4 x 10 ⁶ KWh
Hydro-generated sets	663.3 x 10 ⁶ KWh
Gas-generated sets	75.0 x 10 ⁶ KWh
Other sources	449.2 x 10 ⁶ KWh

Total	1,890.0 x 10 ⁶ KWh

Table 82 illustrates the electric power situation in 1967 and 1968.

TABLE 82 — ELECTRIC POWER										
	Diesel-generated		Steam-generated		Hydro-generated		Gas-generated		T o t a l	
	Number of engines	KW	Number of engines	KW	Number of engines	KW	Number of engines	KW	Number of engines	KW
<i>1967</i>										
Installed capacity	516	181,511	18	125,194	67	282,599			601	589,304
Out of order	85	44,134	7	18,182	1	800			93	63,116
Potential capacity	431	137,377	11	107,012	66	281,799			508	526,188
<i>1968</i>										
Installed capacity	540	191,665	9	108,832	68	309,874	3	42,000	622	652,371
Out of order	102	39,367	—	—	5	13,030	—	—	107	52,397
Potential capacity	438	152,298	9	108,832	63	296,844	3	42,000	515	599,974

Source : State Electricity Enterprise.

A summary of the electric power capacity in 1968 is provided below :

<i>Type of station</i>	<i>Number</i>	<i>Capacity (in KW)</i>	<i>In percentage of total</i>
Diesel-generated	438	152,298	30%
Steam-generated	9	108,832	18%
Hydro-generated	83	296,844 *)	46%
Gas-generated	3	42,000	6 %
	-----	-----	-----
T o t a l	513	599,974 *)	100%

*) Inclusive of 5 hydro-electric power units of Djatiluhur with a capacity of 125 MW.

The distribution of electric power in Indonesia is reported in Tables 83 and 84. The tables also reveal the areas of heavy power consumption in accordance with the population density and the stage of industrial progress. Areas of insignificant power consumption are also shown in order to attract attention in the context of overall planning.

The Djatiluhur hydro-electric power station (PLTA)

The construction of the Djatiluhur hydro-electric power station was followed by the construction of a power transmission network which included the construction of sub- stations, switchgear and the installation of high tension links for the transmission of approximately 100,000 KVA in West Djawa and Djakarta. The construction of the aforementioned works required an investment of Rp. 263 million and US \$ 2.5 million for the financing of :

- I. Survey & design.
- II. Preparations/site.
- III. Civil engineering.
- IV. Electrical/mechanical engineering.
- V. Transmission/distribution.

TABLE 83 — ELECTRICITY — INSTALLED CAPACITY AND ACTUAL CAPACITY (in KW)							
Territory of operation	Region	Installed capacity			Actual capacity		
		1966	1967	1968	1966	1967	1968
I	North Sumatra	24,415	24,365	39,884	9,100	12,900	29,927
II	South Sumatra (Palembang, Djambi and Lampung)	22,276	22,526	38,666	10,000	11,950	30,191
III	West Kalimantan	4,322	4,322	5,390	2,580	3,100	5,390
IV	Central & South Kalimantan	7,229	7,842	10,289	2,370	4,450	6,489
V	North Sulawesi	7,122	7,372	7,728	5,530	5,800	7,550
VI	South Sulawesi	14,232	14,457	14,693	3,300	4,650	12,046
VII	Maluku	4,192	4,292	3,340	1,100	1,400	2,769
VIII	Nusatenggara	5,513	6,513	6,593	3,000	4,790	5,295
IX	East Djawa	122,771	122,771	115,439	85,450	89,300	100,981
X	Central Djawa	63,793	63,893	77,893	39,500	50,480	75,773
XI	Eastern part of West Djawa	293,802	293,802 *)	60,566	198,500	204,530 *)	60,566
XII	Western part of West Djawa and Djakarta			127,561			121,561
XIII	Atjeh	3,742	3,742	3,882	1,820	2,350	3,154
XIV	West Sumatra and on shore Riau	12,402	13,407	15,447	5,550	8,490	13,282
Total		585,811	589,304*)	527,371	367,800	404,190*)	474,974
*) Includes 125,000 KW of Djatiluhur State Enterprise.							

Source : State Electricity Enterprise.

At the end of 1968, construction work which was completed comprised the civil/mechanical/electrical engineering work on the sub-stations in Karet (Djakarta), East Bandung, Padasuka (Bandung) and Angke (Djakarta), while work on the sub-stations in Kebajoran, West Bandung, Gambir, Pulo gadung, Pulomas and Madjalaja had either just started or was in the process of being started.

TABLE 84 — OUTPUT OF ELECTRICITY (in KWH)				
Territory of opera- tion	R e g i o n	Delivered to consumers		
		1966	1967	1968
I	North Sumatra	51,486	51,288	59,979
II	South Sumatra (Palembang, Djambi and Lampung)	63,152	57,042	58,376
III	West Kalimantan	11,014	12,022	10,370
IV	Central and South Kalimantan	10,388	10,166	11,236
V	North Sulawesi	14,484	15,170	15,567
VI	South Sulawesi	21,594	23,499	26,623
VII	M a l u k u	4,649	4,777	4,913
VIII	Nusatenggara	9,233	10,815	10,809
IX	East Djawa	252,196	248,127	255,351
X	Central Djawa	135,558	190,169	169,858
XI	Eastern part of West Djawa	266,680	224,947	239,803
XII	Western part of West Djawa and Djakarta	349,462	311,306	321,484
XIII	A t j e h	6,885	7,677	7,506
XIV	West Sumatra and on shore Riau	21,728	26,623	29,611
T o t a l		1,218,509	1,193,628	1,221,492

Source : State Electricity Enterprise.

The high-tension transmission link between Tjigereleng and East Bandung was completed, while work on the transmission links between Tjigereleng—West Bandung; Tjigereleng—Madjalaja and Gambir — Pulogadung had only been started or was under preparation.

The steam-generated electric power station (PLT) in Tandjung Priok

The steam-generated electric power station in Tandjung Priok was operating with 2 units of a capacity of 25,000 KW each; 2 more units would be added as a complementary source of power and substitute of the Djatiluhur station in the rainy season. As is known, the Djatiluhur reservoir catches and stores water in the rainy season for distribution in the dry season. Therefore, the peak in power production occurs in the dry season. The installation of the 2 additional units (each of a capacity of 50 MW) requires an investment in foreign exchange estimated at US

\$12 million. In connection with the construction of these additional units, negotiations will be resumed with the contractor, i.e. Sumitomo Shoji Kaisha, which signed the contract in 1965. A previous contractor i.e. MAN & Siemens is presently completing the installation of the first 2 units which also includes road building and other constructions.

The steam-generated electric power stations (PLTU) in Makassar Palembang

The construction of both projects is being carried out by Energo Invest of Yugoslavia, and involves an investment in foreign exchange of £ 3,126,069 for each project. The capacity of each power plant is 2 x 12.5 KW.

The power project in Makassar is almost completed. For the project in Palembang—which is of the same capacity and requires an equal amount of investment in foreign exchange as the Makassar project— only the plant site has been cleared.

The steam-generated electric power stations may either operate on fuel supplied by PN. PERTAMINA or on coal. Particularly in the case of the power station in Palembang, the use of coal may be taken into consideration in order to increase the sales of Bukit Asam coal, provided that coal is more economic in use.

The Riam Kanan and Karangkates/Kalikonto projects (the 3-K projects)

The Riam Kanan Project in Bandjarmasin and the Karangkates/ Kalikonto projects in East Djawa are all multi- purpose projects, similar to the Djatiluhur project in West Djawa.

Work on the Riam Kanan project is being carried out by Japanese contractors under coordination of Nippon Koei Co., Ltd. Consulting Engineers. Besides its function as a power station, the Riam Kanan project also has a role in irrigation,

flood prevention, inland fishery, water preservation and tourism. The project is expected to be completed in 1971. At the close of 1968, 90% of the work was completed, while work on the dam and the reservoir was in the initial stage.

Besides the construction of reservoir, dam, substations and other, it is necessary to build a power transmission network with high-tension transmission poles. After completion, the Riam Kanan project will be able to generate 140 million KW annually and to irrigate an area of 29,000 hectares.

Expenditures on the project have thus far amounted to US \$ 3,671,000 plus an approximate Rp. 350 million. The financing of the final stage is estimated at US \$13.5 million and Rp. 3.3 billion.

The Government also decided to complete the Karangates/Kalikonto projects and to adhere to the original time table i.e. 1970/1972.

As mentioned in the ' preceding report, the completion of the three projects require an estimated expenditure of US \$. 61,900,000, which includes local expenses expressed in US dollars.

The gas-generated electric power stations (PLTG) in Medan, Palembang and Semarang

The gas-generated electric power stations in Medan, Palembang and Semarang, each of a capacity of 12.25 MW, were all constructed by A.E.G. of West Germany as the contracting firm. The financing in foreign exchange amounted to DM 6,578,825 and was for account of the Central Government, the costs above the said amount were for account of the local governments.

The power station in Medan was completed in March 1968, while the installation of the machinery in Palembang was completed in February 1968 and was followed by other work of lesser importance

The power station in Semarang was officially opened in June 1968 and power was already transmitted to the city by means of temporary power lines, which are, however, continuously being improved

The steam-generated electric power station (PLTU) in Semarang

This project was initially planned to be built in 1962 with a loan from the Exim Bank of the United States. However, on account of a number of difficulties at that time, the execution of the project had to be postponed.

The power station in Semarang mentioned above was intended to become the basis for the electrification of Central Djawa. Since work on the project was postponed, a gas-generated power station was built especially for Semarang, as explained above.

The hydro-generated electric power station (PLTA) in Asahan

This project is located in the Asahan river basin in North Sumatra, and its construction was tied up with the production of aluminium out of bauxite ore from the island of Bintan. The planned capacity was 4 x 40,000 KW; the construction was started in 1961 and financed with a loan from the Soviet Union.

In the middle of 1966, however, work on the project was slowed down. Work under construction which involved housing, bridges, inroads, etc. started to deteriorate, since the available finances could only meet personnel and administrative expenses.

Diesel-generated electric power stations under a contract with SKODA

The diesel-generated electric power stations built under a contract with Strojexport (SKODA) of Czechoslovakia are reported below :

1. Singkawang (West Kalimantan)	1 x 500 KW
2. Pematang Siantar (North Sumatra)	2 x 500 KW
3. Denpasar (Bali)	2 x 500 KW
4. Tahuna (Sulawesi)	1 x 100 KW
5. Lubuklinggau (South Sumatra)	1 x 250 KW
6. Kendari (Sulawesi)	1 x 150 KW
7. Ampenan (Lombok)	2 x 250 KW
8. Bima (Nusa Tenggara)	2 x 250 KW
9. Ternate (Maluku)	2 x 150 KW
10. Palu (Sulawesi)	1 x 250 KW
11. Samarinda (Kalimantan)	2 x 500 KW

The new engines were installed by the State Electricity Enterprise (PLN) itself; installation also included the construction of power houses as well as engineering and electrical engineering work. Besides, the State Electricity Enterprise also rehabilitated the diesel-generated electric power stations in Bukittinggi, Djambi, Pontianak, Bandjarmasin, Menado, Makassar, Ternate, Klungkung and Medan.

Micro hydro-generated electric power stations (PLTM) in the context of the Village Electrification Research project

In accordance with the policy of the Government, the Village Electrification Research project of the Institute of Power constructed 4 demonstration centers for technical and economic research in the field of village electrification.

The undermentioned micro hydro-generated electric power stations served as demonstration centers:

a) Bumiaju (Central Djawa)	± 20 KVA
b) Karangasem (Bali)	± 30 KVA
c) Tjupak Padang (West Sumatra)	± 30 KVA
d) Singkawang (West Kalimantan)	± 30 KVA

Regarding the electricity rate should be mentioned that as of May 1968 the average rate was increased from Rp. 2.59 to Rp. 6.02 per KVVH.

The financial problems encountered by the State Electricity Enterprise concerned the collection of unpaid bills for delivery of electricity to customers in general and to the public sector in particular.

The State Gas Enterprise

State gas works are located in Medan, Bogor, Makassar, Djakarta, Bandung, Tjirebon, Semarang and Surabaya and produce gas from solar as well as coal.

In 1968, the gas works in Medan, Bogor and Makassar exclusively produced gas from solar, since the equipment for the production of coal gas was out of order; the other gas works in Djakarta, Bandung, Tjirebon, Semarang and Surabaya produced gas from solar as well as coal.

Coke and tar are also produced in addition to gas. The equipment of the gas works is absolute, as far as production and distribution equipment are concerned.

The necessary replacement of equipment was not yet carried out through the end of 1968 on account of financial problems. It is feared that if an extensive rehabilitation program is not carried out immediately, undesirable effects may occur if the employees are less careful in the performing of their duties.

After rehabilitation of equipment, the following maximum capacities could still be achieved :

1. Medan	12,000 m ³ /day
2. Djakarta	48,000 m ³ /day
3. Bogor	9,600 m ³ /day
4. Bandung	36,000 m ³ /day

5. Tjirebon	4,800 m3/day
6. Semarang	31,200 m3/day
7. Surabaya	64,000 m3/day
8. Makassar	4,800 m3/day

	210,400 m3/day

The production in 1968 was as follows (in m³) :

	<i>Coal gas</i>	<i>Solar gas</i>	<i>Total</i>	<i>Sales</i>
Medan	145,680	2,432,145	2,577,825	1,787,730
Djakarta	2,509,980	8,917,330	11,427,310	8,289,417
Bogor	—	1,720,026	1,720,026	1,477,966
Bandung	3,940,050	3,932,625	7,872,675	6,701,459
Tjirebon	321,919	529,442	851,361	761,185
Semarang	735,863	2,304,387	3,040,250	2,375,136
Surabaya	884,400	7,435,580	8,319,980	5,730,228
Makassar	—	931,407	931,407	696,306
Total :	8,537,892	28,202,942	36,740,834	27,819,427

Source : State Gas Eenterprise

During the preceding years, production declined as follows:

	('000 m ³)
1962	57,698
1963	54,434
1964	52,043
1965	47,866
1966	43,120
1967	39,844
1968	36,740

Production of coke, breeze and tar in 1968 was as follows:

coke	4,988	tons
breeze	1,730	tons
tar, pure	1,122	ton liters
tar oil	16.2	„ „

Communications

Due to the important role of transportation as an economic infrastructure, the activities of the Department of Communications rank high in the order of priorities determined by the Government in the context of the efforts designed to improve the economy.

Inland transportation

Exploitation of inland transportation, comprising intercity transportation, city transportation, river and waterway transportation, is governed by regulation drawn up on principles of equal opportunity as well as fair and orderly competition between the private sector and the Government sector. The daily schedule of operations of PN DAMRI per October 1968 is reported below:

<i>Province</i>	<i>Number of routes</i>	<i>Number of buses</i>	<i>Number of runs</i>	<i>Total distance covered (in km)</i>
Djakarta Raya	20	36	161	13,499
West Djawa	70	105	265	23,998
Central Djawa	23	31	89	7,598
D.I. Jogjakarta	30	56	161	12,089
East Djawa I	34	53	146	16,057
East Djawa II	13	26	72	7,210
Nusa Tenggara	20	20	57	2,826
South Sumatra	11	10	19	1,688
West Kalimantan	3	8	10	1,190
South Sulawesi	12	8	16	1,724
Lampung	11	18	90	3,686
Express units	6	10	14	4,400

Source : Department of Communications.

The targets determined in the context of the program of work for 1968 were: 13.8 million km/bus and 2 million km/truck; the actual performance, however, was 12.27 million km/bus and 1.3 million km/truck, i.e. 89% and 65% of the respective targets.

From the aforementioned figures may be concluded that the services provided by PN DAMRI were \pm 300 million km/passenger and \pm 3.25 million km/ton.

In 1968, gross income of PN DAMRI amounted to Rp. 243.4 million against expenditure of Rp. 228.1 million which resulted in a surplus of Rp. 15.3 million.

On the other hand, the State Railway Enterprise (PNKA) still operated at a loss; in the areas of Atjeh and West Sumatra in particular, the enterprise had to operate on a monthly deficit. Income and expenditure of PNKA in 1967 and 1968 were as follows :

	<i>Income</i>	<i>Expenditure</i>
1967	Rp. 3,525.1 million	Rp. 3,158,0 million
1968	Rp. 7,113.0 million	Rp. 7,582,2 million

The number of passengers and the volume of cargo carried by train 1966, 1967 and 1968 are reported in Table 85.

TABLE 85 — RAILWAY TRANSPORTATION		
	Passengers (in thousand persons)	Cargo ¹⁾ (in thousand tons)
1964	135,214	3,793
1965	136,987	3,536
1966	95,153	2,950
1967 ²⁾	74,079	2,115
1968	73,116	3,397
¹⁾ Ordinary cargo (excluding parcels and personal baggage). ²⁾ Revised figures.		

Source : State Railway Enterprise.

In 1968, the income of the State Railway Enterprise could not meet the target on account of the following reasons :

- the target was determined on the basis of the new fares which would become effective on April 1, 1968; the new fares, however were introduced not before May 5, 1968;

- for social-economic reasons, the new fares were reduced again in a number of areas;
- fares for the second class of the BIMA express train were reduced again in order to attract more passengers.

Before May 5, 1968, the railway fares were very low, viz. 30 cents per kilometer as against 50 to 56 cents per kilometer for bus fares. In the effort to make ends meet, as of May 5, 1968, the passengers fares were tripled throughout Indonesia with the exception of Sumatra. In Sumatra, the railway fares were only doubled, on account of the local situation and the condition of the trains. Besides, as of May 9, 1968, the freight rates were also raised by an average of 80% for short distance runs and an average of 115% for long distance runs.

In 1968, only the following replacements were undertaken, viz.:

- 131 thousand sleepers,
- 318 thousand m³ of ballast (only 7% of the target), and
- 57 km of rails, which was only 35% of the length of rails scheduled for replacement.

It should be noted that in 1943, there were 8,469 thousand sleepers in Djawa and 3,233 thousand sleepers in Sumatra which should all have been replaced in 1962. According to plan, 5 % of the total number of sleepers should be replaced annually. On account of financial problems, however, the annual target could never be achieved which resulted in a backlog of $\pm 5,000,000$ sleepers in 1968.

Sea transportation

The national shipping fleet may be distinguished into:

- a. ocean shipping;
- b. short-distance ocean shipping and interinsular shipping.

The ocean shipping sector comprised 8 shipping lines, viz. :

	<i>Number of vessels</i>		<i>D. W. T.</i>	
	<i>wholly owned</i>	<i>hire purchase</i>	<i>wholly owned</i>	<i>hire purchase</i>
PN Djakarta Lloyd	14	9	105,517	110,455
PT Trikora Lloyd	2	1	12,927	8,567
PT Gesuri Lloyd	2	44	7,550	39,575
PT Ampera Lloyd	2	—	12,404	—
PT Arafat	1	4	8,800	38,400
PT Samudera Indonesia	—	2	—	15,590
PT Bhinneka Lines	—	1	—	7,200
PT Karana Lines	—	1	—	9,160
	21	22	147,198	228,947

Source : Department of Communications.

There were therefore 43 vessels of 376,145 DWT in total.

The following shipping lines were engaged in short-distance ocean shipping (e.g. to Singapore) and interinsular shipping :

	<i>Short-distance ocean shipping</i>		<i>Interinsular shipping</i>	
	<i>Number of vessels</i>	<i>DWT</i>	<i>Number of vessels</i>	<i>DWT</i>
PN PELNI	42	78,881	41	59,635
PN Bachtera Adiguna	6	6,480	6	6,480
Private shipping lines	42	37,857	133	121,780
Local shipping	173	30,000	57	10,000
	263	153,218	237	197,895
Sailboats (proahs)			1,249	36,641
	263	153,218	1,486	234,536
PN Pertamina	4	13,812	4	13,812
PN Garam			15	14,160
	267	169,030	1,505	257,508

Source : Department of Communications.

Besides promotion of sea transportation and development of the national shipping fleet, the sea communications sector was engaged in the following activities:

- a. maintenance of buoys and coastal lights;
- b. control of safety in shipping;
- c. providing of transportation to the Government;
- d. search and rescue operations;
- e. construction, maintenance and rehabilitation of harbors;
- f. marine telecommunication.

Maintenance of buoys and coastal lights — The available finances permitting—was carried out regularly. Early 1968, only 45% of the buoys and coastal lights could meet the standards whereas routine maintenance operations covered only 38.7% of the scheduled task. For purposes of comparison it may be noted that maintenance operations in 1967 covered 20% of the target.

The regular dredging of harbors and shipping channels resulted in a volume of 12 million m³ at the end of October 1968. It is estimated that in 1968, dredging will reach a volume of 15 million m³ which is rather satisfactory compared with only 10.8 million m³ in the preceding year. In this context may be noted that in 1961, dredging operations resulted in a volume of 17 million m³, which was a very good achievement.

In 1968, the facilities of 18 harbors were rehabilitated such as quays, warehouses, roads and miscellaneous harbor equipment. It may further be reported that—within the limits of the available finances—a new harbor was constructed in Lembar (Lombok), the quay in Pandjang was expanded, while the harbors of Teluk Bajur and Tjilatjap were cleared of ship wrecks. Finally, it may be reported that the marine telecommunication network throughout Indonesia was served by 37 mobile coastal stations and 58 harbor stations. Maintenance of the equipment was generally satisfactory; besides, equipment was received from abroad under financial assistance from the World Bank.

Maritime production and services

In 1968, the Directorate General for Maritime Production and Services was established under the jurisdiction of the Department of Communications and was given the following duties, viz: construction of new vessels, either unmotorized (tongkangs, etc.) or motorized, repair of ship, construction/completion of shipyards/dockyards, and performing of salvage operations.

In 1968, 58 iron/wooden vessels of $\pm 2,574$ tons in total were delivered. The vessels were made to order, mostly for Departments and Government entities. Besides, the following projects were under construction :

1. Makassar shipyard project;
2. Bitung shipyard project;
3. Padang shipyard project;
4. Gresik shipyard project;
5. Pakin II shipyard project;
6. Alir Mendjaja shipyard project;
7. Ambon dockyard project.

Air transportation

In 1968, the air transportation sector aimed at decreasing the flight hours and carrying capacity in order to increase operational income. To achieve the said objectives, it was necessary to rehabilitate, upgrade and develop air transportation and meteorological facilities. The aeronautical telecommunications network was complete in October 1968, and enabled swift communication by means of teletype between the airports in Djakarta, Medan, Palembang, Surabaya and Tuban/Denpasar, as well as those between Medan and Palembang.

In the field of meteorology, through assistance of the World Meteorological Organization, 15 telephony transceiver sets were installed at the stations in Djakarta, Banda Atjeh, Sibolga, Bengkulu, Palembang, Djambi, Tandjungkarang, Tandjung Pandan, Tandjung Pinang, Pangkalpinang, Pontianak, Banjarmasin,

Balikpapan , Tarakan and Makassar . It may be also reported, that in 1968, heavy repairs were carried out on the airstrips of Medan, Banda Atjeh, Palembang, Makassar and Kemajoran, while the available finances only sufficed to meet maintenance expenses for airstrips at 12 ,airports.

In the field of civil air transportation, the condition and the operational results of PN Garuda in the year under review should first of all be reported. Data on domestic as well as foreign operations of PN Garuda are reported in Table 86.

TABLE 86 — TRANSPORTATION SERVICE PROVIDED BY PN GARUDA					
	Unit	1965	1966	1967*)	1968
1. Output	thousand tons/km	108,500	113,600	135,199	223,246
2. Sales	thousand tons/km	61,000	53,600	59,470	74,400
3. Percentage of load	%	57	47	44	33
4. Flying hours	hours	35,287	30,565	34,300	46,875
5. Distance covered	thousand km	13,532	12,314	14,106	19,405
6. Number of passengers	persons	419,104	353,375	406,318	485,515
7. Cargo	tons	3,864	4,317	10,155	6,750
8. Mail	tons	939	1,486	993	712
*) Revised figures.					

Source : PN Garuda Indonesian Airways.

In 1968, Garuda's fleet was reduced by one Convair 990A jet aircraft on account of an accident in Bombay.

The fleet of PN Garuda at the end of 1967 and 1968, was composed as follows:

Type of aircraft	1967	1968
Dakota	16	16
Convair-340	8	8
Convair-440	3	3
Lockheed Electra	2	2
Convair 990A jet	3	2
DC-8 jet	1	1
Total	33	32

Source : Department of Communications.

In order to increase carrying capacity as well as labor efficiency and to reduce operational expenses, the management of PN Garuda plans to replace a number of aircrafts in 1969.

Besides PN Garuda, PN Merpati Nusantara (with 25 aircraft) and 6 other privately owned airlines mentioned below are engaged in air transportation:

<i>Enterprise</i>	<i>Number of aircraft</i>
— PT Air Indonesia	1
— PT Derayu	1
— PT Indonesia Air Transport	4
— PT Zamrud Airlines	6
— PT Bristow Masayu	5
— PT Seulawah Air Service	2

It may finally be reported that in 1968, the following foreign airlines included Djakarta in their flight schedule: Japan Airlines, Thai International Airlines, Aeroflot, Union Transport Aeriens, KLM, Czechoslovakian Airlines, Pan American World Airways, Air India International, SAS, Qantas Empire Airways, Malaysia Singapore Airlines and Lufthansa.

Postal service and telecommunications

The Directorate General of Postal Service and Telecommunications supervises 2 state enterprises, viz. PN Pos den Giro (State Enterprise of Postal Service and Postal Check and Transfer System) and PN Telekomunikasi (State Enterprise of Telecommunications).

In 1968, the operations of PN Pos den Giro were directed toward the following objectives:

- a. to expedite postal communications;
- b. to improve safety with respect to mail deliveries;
- c. to increase operational income.

In order to improve its customers service, in 1968 PN Pos den Giro established Joint Postal Chek and Transfer Centers in Tjirebon and Telukbetung, while the establishment of similar centers in Jogjakarta, Pematangsiantar, Samarinda and Ambon was under preparation.

At the end of November 1968 the total balance of accounts outstanding amounted to Rp. 8,409 million which included Rp. 4,242 million of PN Pos den Giro and Rp. 2,800 million on account of deposits for pilgrimage.

In 1968, money transfers through post offices amounted to Rp. 66,405 million against Rp. 29,134 million in the preceding year, which was mainly attributable to the increase in salaries and pensions.

PN Telekomunikasi is engaged in domestic as well as international telephone, telegraphic and telex communications. Domestic long distance calls increased from 7,387 thousand in 1967 to 7,726 thousand in 1968. The increase was attributable to the introduction of a direct dialing connection between Djakarta and Bandung. Meanwhile, the number of domestic cables increased from 1,062 thousand in 1967 to 1,231 thousand in 1968.

International radio telephonic communications also increased from 224 thousand in 1967 to 308 thousand in 1968, whereas the number of cables sent abroad rose from 874 thousand to 882 thousand.

In 1968, the following activities in the field of communications should be mentioned :

- a. the radio-telephonic connection between Djakarta-Makassar was expanded from 2 to 4 channels;
- b. the radio-telephonic connection between Djakarta-Singapore was expanded to 2 channels;

- c. the telex connection between Djakarta-Amsterdam was expanded to 2 channels;
- d. the telex connection between Djakarta-Hongkong and Djakarta Manila was opened;
- e. direct international connections were established with Medan, Makassar, Padang, Pekanbaru, Bandjarmasin, Ambon and Djambi;
- f. the long distance connection between Djakarta-Semarang was expanded with 2 channels;
- g. the expansion of the telephone exchange in Surabaya (with 1,000 numbers), Tandjung Priok (with 1,000 numbers) and Kebajoran (with 2,000 numbers) was completed.

Tourism

The main objectives of the promotion and development of tourism in Indonesia are the following:

- a. to promote understanding of the Indonesian way of life;
- b. to increase public revenue in general and foreign exchange earnings in particular.

Djakarta was designated as a pilot project in the context of tourist promotion. Besides, regional priorities were established in the effort to attract tourists; the said regions were successively: Bali, Central Djawa, West Djawa, East Djawa, West Sumatra and South Sulawesi.

At the same time, services in the field of tourism (accommodation and transportation in particular) were improved, while much attention was also paid to the security aspect. In 1968, the total number of hotel rooms increased over the preceding year, as illustrated by the following figures :

<i>Total Number of Hotel Rooms</i>		
<i>Province</i>	<i>1967</i>	<i>1968</i>
Djakarta Raya	1,813	2,218
West Djawa	677	677
East Djawa	450	450
Central Djawa	478	478
B a l i	370	488
Sumatra	410	410
	-----	-----
Total	4,198	4,721

Source : Department of Communications.

It may finally be reported that 40,000 foreign tourists were expected to visit Indonesia in 1968; at the end of November, however, the number of foreign tourists already reached 46,315 and foreign exchange earnings from tourism were estimated at US \$ 9,236,000. For purposes of comparison it may mentioned that 25,107 foreign tourists visited Indonesia in 1967.

Prices and wages

Prices

In 1968, the development of prices of goods and services was generally better than in the preceding year, although price increases still occurred in a number of economic sectors. In January 1968, the increase in the general price level was still fairly substantial, primarily on account of the effects of 1967. Thereafter, developments improved and prices tended to become stable.

The following policies of the Government should be mentioned in this context:

- a. achievement of balanced budget of public revenue and expenditure;

- b. adjustment of prices of certain goods and services, e.g. the price of petroleum, transportation rates, postal, telephone and telegraph rates were increased a number of times;
- c. introduction of a new system with respect to the supply of foodstuffs through BULOG — originating from domestic purchases as well as from imports—in which payments were effected through BNI Unit I;
- d. adequate supply of credits/foreign aid for the supply of essential commodities as well as for development.

Besides the aforementioned factors, the improved price development was caused by the higher output of foodstuffs (of rice in particular) and the recovery of domestic security. A more detailed illustration of the price developments is provided by the cost of living index, prices of selected essential commodities (especially rice), domestic prices of selected import and export goods/commodities and foreign exchange rates.

Table 87 shows the cost of living index which includes 62 kinds of goods and services consisting of foodstuffs, housing, clothing and miscellaneous items in selected cities in Indonesia; in 1968 the index indicated a rate of increase which was lower than in 1967. The cost of living index for Djakarta in 1968 (base: March '57 through February '58 = 100) was 930,312 on the average, i.e. an increase of 125% over 1967 which was recorded at 412,867 on the average. The rate of increase in 1967 was 170%, i.e. from an average of 153,180 in 1966 to an average of 412,867 in 1967; the price developments in 1968 were therefore much better. Similarly, the 1968 increase in the cost of living index for other cities such as Makassar, Pontianak and Medan was generally below the rate of increase in 1967. Nevertheless, the price increases in the first quarter of 1968 were significant. The cost of living index for Djakarta which usually serves as a means to measure the rate of inflation in Indonesia increased by 39.8%, 9.2% and 3.1% in January, February and March 1968 respectively. The rather significant increase in the cost of living index in

TABLE 87 — COST OF LIVING INDEX BASED UPON 62 GOODS AND SERVICES

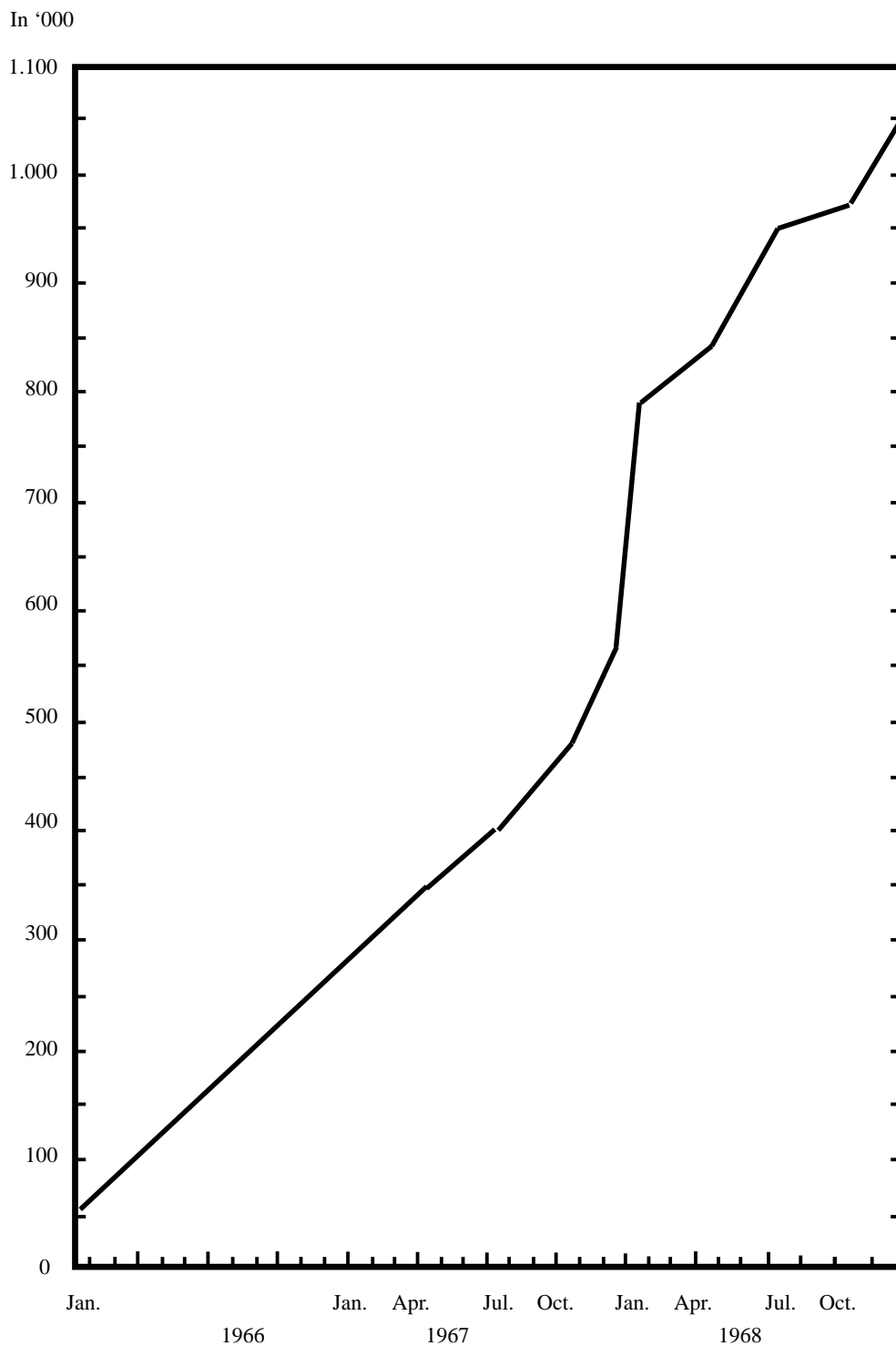
(Djakarta, March 1957 — February 1958 = 100)

	Category and number of goods and services				
	Food (29)	Housing (6)	Clothing (12)	Other (15)	General (62)
<i>DJAKARTA</i>					
1966 : January	58,851	42,443	65,378	49,497	56,020
1967 : January	271,348	216,084	387,984	366,244	291,748
April	352,709	273,020	390,250	443,861	348,566
July	366,414	328,728	441,858	461,363	402,950
October	493,111	351,395	471,781	497,877	476,858
December	611,908	413,329	535,595	514,054	567,088
1968 : January	915,018	437,776	660,821	631,060	792,834
April	907,546	471,939	796,484	846,253	840,570
July	1,001,361	582,531	1,053,379	951,510	952,051
October	986,456	572,741	1,164,324	1,100,366	976,754
December	1,007,827	700,977	1,380,455	1,257,444	1,049,698
<i>MAKASSAR</i>					
1966 : January	40,032	22,723	47,207	35,731	38,034
1967 : January	224,657	143,806	344,530	491,035	272,260
1968 : January	...	...	...	...	...
April	...	...	...	...	...
July	...	...	...	...	...
October	...	...	...	...	...
December	...	...	...	...	...
<i>MEDAN</i>					
1966 : January	36,383	36,448	54,169	43,552	39,144
1967 : January	256,239	198,988	342,883	568,198	311,447
1968 : January	573,753	430,722	555,126	906,469	614,357
April	...	...	...	...	...
July	873,134	607,918	870,214	1,253,400	910,145
October	935,327	483,396	1,062,810	1,425,058	982,275
December	907,809	483,396	1,160,629	1,450,835	977,612
<i>PONTIANAK</i>					
1966 : January	38,519	23,845	56,964	53,827	41,158
1967 : January	335,100	214,648	417,172	418,772	343,595
1968 : January	...	...	...	...	...
April	...	...	...	...	...
July	...	...	...	...	...
October	...	...	...	...	...
December	...	...	...	...	...

Source : Central Bureau of Statistics.

CHART VI - PRICE INDICES OF 62 FOOD ARTICLES IN DJAKARTA

(March 1957 through February 1958 = 100)



January was mainly attributable to inadequate stocks of rice in 1967 as well as to the New Year and Lebaran celebrations.

The price of medium quality rice — “Tumbuk Bulu” No. 2 — at the end of December 1967 was still quoted at Rp 27,—/liter; at the end of January 1968 and in the first week of February 1968, however, the price rose by 131% to Rp. 62.50/liter. The price of first quality rice in selected cities was as follows :

	<i>Djakarta</i>	<i>Makassar</i>	<i>Medan</i>	<i>Pontianak</i>
1965 : December	2.37	... 1)	2.—	... 1)
1966 : December	15.63	6.80	10.50	... 1)
1967 : January	16.86	6.88	13.—	... 1)
February	21.88	8.75	13.—	13.—
March	20.—	7.50	14.—	... 1)
April	17.50	8.75	15.—	18.—
M a y	17.50	9.50	18.—	....
June	18.75	9.50	22.—	18.—
July	20.63	11.50	20.—	18.—
August	21.88	11.88	27.—	18.—
September	30.—	11.25	32.—	37.50
October	35.—	12.75	44.—	37.—
November	46.25	... 1)	44.—	33.—
December	47.50	... 1)	33.—	... 1)
1968 : January	86.25	32.—	40.—	... 1)
February	93.75	30.—	39.—	... 1)
March	75.—	42.—	45.—	60.—
April	68.75	46.50	59.—	... 1)
M a y	62.50	46.50	62.—	55.—
June	67.50	46.20	65.—	75.—
July	68.75	42.50	65.—	68.—
August	67.50	35.—	70.—	69.—
September	65.63	35.—	70.—	67.—
October	62.50	35.—	63.—	58.—
November	60.—	35.—	48.—	... 1)
December	62.50	35.—	46.—	... 1)

1) No reports received.

Source : BUL.

Besides the rice price, in January the price of other foodstuffs, in general increased markedly. These price increases caused the foodstuffs index in January 1968 to increase by 49.5% over the preceding month. Similarly, the prices of a number of items in the clothing sector, viz. shirts, sarongs, batiks, textiles and shoes increased also. These increases caused the index of the clothing sector to

rise by 23.3% in January 1968. The index of the miscellaneous sector also increased rather markedly in January 1968, viz. by 22.7% which was mainly attributable to the price increase of several consumer goods such as laundry soap, cigarettes, and other necessities of which the price increased slightly. In February, however, the rate of increase started to slow down. The rate of increase in the prices, of goods and services was generally lower than in January. In January, the indices of the foodstuffs, clothing and miscellaneous sectors increased by 49.5%, 23.3% and 22.75, respectively; in February the rate of increase declined to 10.5%, 5.8% and 10.3%, respectively.

Meanwhile, in April and May 1968, the Government introduced higher prices/rates for a number of goods/services.

The establishment of the new prices/rates was basically designed to effect an adjustment of the prices of certain goods to the general price level; it was also meant as a means to increase public revenue. Despite the new prices, however, the cost of living index for June and subsequent months did not increase significantly. During the period from June through December, the increase in the cost of living index never exceeded 4%, and in October it even declined by 1.3%. It may therefore be concluded that the developments in the cost of living index during 1968—except in January—were generally better than in the preceding year. Measured by the cost of living index for Djakarta (base: March '57 through February '58 = 100) the rate of inflation in Indonesia was 85% in 1968, viz. an increase in the cost of living index from 567,088 in December 1967 to 1,049,698 in December 1968 which was 7% per month on the average. In 1967, the rate of inflation was 112 %, as reflected by the increase in the cost of living index from 237,363 in December 1966 to 567,088 in December 1967 which was 9.3% per month on the average.

The price development of the 9 essential commodities is reported below (end of year figures in Rupiah) :

	<i>Unit</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>
Rice	liter	7.16	27.—	32.50
Salted fish	Kg	37.50	80.—	157.14
Cooking oil	bottle	23.67	40.—	75.—
Granulated sugar	Kg	19.86	26.21	65.—
S a l t	briquet	2.50	7.50	11.50
Kerosene	bottle	1.40	3.85	4.20
Laundry soap	bar	14.—	21.93	38.57
Low-grade textile	meter	25.—	43.57	108.57
Low-grade batik	piece	190.—	207.14	421.43

Source : Central Bureau of Statistics.

The prices above (quoted in Djakarta at the end of the year) reveal that in 1968 the rate of increase in the prices of particular goods such as cooking oil, granulated sugar, laundry soap, low-grade textile and low-grade batik was higher than in 1967.

The following may be reported regarding the price development of the principal export commodities :

The price of rubber — the most important export commodity — increased continuously in 1968. At the end of December 1967, the prices of RSS I, II and III in Djakarta were still quoted at Rp. 46,—/kg, Rp. 45.50/kg and Rp. 45,—/kg and increased to Rp. 128,—/kg, Rp. 127,—/kg and Rp. 126,—/kg, respectively, at the end of December 1968. Consequently, in 1968 the prices of RSS I, II and III increased by 178%, 179% and 180%, respectively, or by 179% on the average, against an average of 141% in 1967. The fairly significant increase in the rubber price was mainly attributable to the increase in export demand. In 1968, the world market price of rubber also increased continuously and pushed the domestic market price upward.

During the same period, the price of Robusta coffee in Djakarta also increased fairly fast. The price at the end of December 1967 and 1968 was quoted at Rp. 45,—/kg and Rp. 145,—/kg, respectively, indicating an increase of 222% for 1968 which was conspicuous compared with the 18% increase in 1967, viz. from Rp. 38,10/kg in December 1966 to Rp. 45,—/kg in December 1967.

It may therefore be concluded that in 1968 the prices of certain important export commodities, particularly rubber and coffee, increased at a higher rate than in 1967.

With regard to the domestic prices of imported articles may be reported that the price of printed shirting which was quoted at Rp. 50,—/ m in December 1967 rose to Rp. 155,—per meter in December of the following year. The rate of increase was therefore 210% in 1968 against 82% in 1967.

The prices of other imported articles such as cement and automobile tyres (750 x 20/10 ply) which at the end of December 1967 were quoted at Rp. 250,— per bag and Rp. 5,420 per piece, respectively, increased to Rp. 700,—per bag (+ 180%) and Rp. 18,000,—per piece (+ 232%) at the end of December 1968. In 1967, the price of cement remained constant, whereas the price of automobile tyres increased by 287 %. In contrast, the price of wheat flour tended to decline in 1968. The price of wheat flour in Djakarta was quoted at Rp. 45,— per kg in December 1967 and declined by 11% to Rp. 40,—in December 1968.

In 1967, the price of wheat flour was steadily increasing at an average monthly rate of 16.6% or at an annual rate of 200%.

In 1968, the development of the free market rate of the US dollar in Djakarta was better than in 1967. In December 1967, the rate was quoted at Rp. 290,—per US dollar and increased by 50% to Rp. 435,— at the end of December 1968, i.e. at a monthly rate of 2.4%. In 1967, the US dollar rate increased by 138% or by 11.5% a month on the average, i.e. from Rp 122,—per US dollar at the end of December 1966 to Rp. 290 at the end of December 1967.

The development of the BE (i.e. export-BE as well as aid- BE) rates in 1968 was generally better than in 1967. At the end of December 1956, the export-BE rate was Rp. 85,—per US dollar and increased to Rp. 235,— (+ 176.5%) at the end of December 1967, i.e. at a monthly rate of 14.7%. In 1968, the rate of increase was 38.7% per annum or 3.2% per month on the average, i.e. from Rp. 235,—per

US dollar at the end of December 1967 to Rp. 326,—at the end of December 1968. The aid-BE rate was quoted at Rp. 140 and Rp. 326 per US dollar at the end of December 1967 and December 1968, respectively, which was an increase of 132.8% or an average monthly increase of 11%.

Since May 27, 1968, export-BE imports and aid-BE imports were effected at a uniform rate. Therefore, there was only a single rate quotation during the period of July through December 1968.

In short: the price development of goods and services in 1968 was slightly better than in 1967, although the prices of particular goods increased at a higher rate. In other words: the cost of living index, the price index of 9 essential goods, the prices of export and import goods and the foreign exchange rate generally increased at a lower rate, except for a number of items. With the exception of January and February there were no conspicuous price movements in 1968.

W a g e s

In 1968, wages paid in a number of economic sectors were generally higher than in 1967. As reported in the table 88 the minimum as well as maximum wages paid by the estate, mining, industrial, construction, electric power, communications, services and government sectors in January 1968 were 50% to 380% higher than in January 1967. Despite these wage increases, the cost of living which was considered too high by the workers—as reflected by the price increases of goods and services in the last quarter of 1967 and the first quarter of 1968—provoked demands for wage increases in a number of economic sectors in general and in the industrial sector in particular.

In connection with the aforesaid demands, effective as of September 1968, the Department of Manpower approved a 20 % and 73 % wage increase payable in cash by the oil sector and the cigarette industry, respectively.

**TABLE 88 — MINIMUM AND MAXIMUM WAGES PAID BY SELECTED TYPES OF ENTERPRISES
PER LABORER (MARRIED, WITH 2 CHILDREN)
(in Rupiahs)**

	January 1967						January 1968					
	Minimum			Maximum			Minimum			Maximum		
	In cash	In kind	Total	In cash	In kind	Total	In cash	In kind	Total	In cash	In kind	Total
<i>Estate agriculture</i>												
1. PPN. in Sumatra	90	799	889	10,258	1,873	12,131	225	1,690	1,915	29,014	1,690	30,704
2. PPN. in Djawa	90	413	503	3,423	644	4,067	180	711	891	6,182	2,916	9,098
<i>Petroleum</i>												
1. PN. PERTAMINA.	970	694	1,664	9,729	694	10,423	5,346	2,170	7,516	30,326	2,170	32,496
2. PT. STANVAC.	893	1,176	2,069	15,956	1,320	17,276	4,401	3,912	8,313	50,953	6,062	57,055
<i>Manufacturing industry</i>												
1. Unilever	898	1,637	2,535	21,592	15	21,607	1,437	3,686	5,123	25,350	3,620	29,150
2. B.A.T.	996	202	1,198	12,072	3,602	15,674	1,433	1,645	3,078	8,958	1,647	10,605
<i>Building industry</i>												
1. Biro ASRI.	1,300	—	1,300	1,500	—	1,500	1,948	—	1,948	5,200	—	5,200
2. PN. Hutama Karya	386	463	849	4,672	463	5,135	496	1,584	2,080	6,349	1,584	7,935
<i>Electricity</i>												
1. State Electricity Enterprise	872	—	872	2,227	—	2,227	3,538	—	3,538	7,289	—	7,289
<i>Transportation</i>												
1. PN. Garuda	512	912	1,428	4,682	912	5,594	376	2,770	3,146	3,282	2,770	6,052
2. Qantas	1,266	532	1,798	17,434	532	17,966	3,080	3,120	6,200	32,249	3,120	35,369
<i>Services</i>												
1. Hotel Indonesia	529	721	1,250	3,802	—	3,802	1,729	920	2,649	7,605	920	8,325
Government service	142	438	580	1,538	438	1,976	777	1,780	2,257	7,450	1,780	9,230

Source : Department of Manpower.

Meanwhile, effective as of January 1968, the Government promulgated new salary regulations for civil servants, members of the armed forces and personnel of state enterprises.

Labor affairs

Legislation

Effective as of January 1, 1968, the Government promulgated regulations on salaries which revoked and substituted regulations which were considered out of date.

Besides, in so doing, the Government intended to introduce the same principles applicable to salaries of civil servants, members of the armed forces and personnel of state enterprises. The motives were inter alia that the said categories of personnel were essentially equal, since they all serve the country; it was therefore justified that the salary regulations of the said categories were drafted upon uniform principles with due regard to the democratic aspects of wage policy. The said regulations had the following features in common :

- a. besides a basic salary, employees were entitled to a number of allowances, such as family, cost of living, foodstuffs/clothing allowances, special, executive and representation allowances;
- b. foodstuffs/clothing allowances, if found necessary, could be provided in kind;
- c. the basic salaries of employees in each category ranged from Rp. 400,— (minimum) to Rp. 10.000,— (maximum).

Based upon the foregoing, effective as of January 1, 1968, the Government issued Government Regulation No. 12/1967 dated December 28, 1967, which was called the 1968 Salary Regulation for civil Servants of the Republic of Indonesia.

The said Regulation was further amended and supplemented by Government Regulations No. 1 and No. 4, both of 1968.

The aforesaid salary regulation contained a number of principles which were considered necessary to rehabilitate the government apparatus as far as capable and efficient civil servants were concerned.

Presidential Decree No. 269 of 1967 was issued after the 1968 Salary Regulation, the said Decree provided for the adjustment of rank, salary and years of service from the 1961 Salary Regulation to the 1968 Salary Regulation.

To achieve a uniform salary scale for all members of the armed forces (i.e. military and police forces), Government Regulation No. 14 of 1967 dated December 28, 1967 was issued concerning Salary Regulation for Members of the Armed Forces. The said regulation was further amended and supplemented by Government Regulation No. 2 of 1968 and Government Regulation No. 5 of 1968.

Government Regulation No. 14 of 1962 regarding salaries paid by state enterprises could not be implemented or was implemented in different ways by the state enterprises. Therefore, Government Regulation No. 23 of 1967 dated December 30, 1967 was issued concerning Principal Regulations on Salaries Payable by State Enterprises. The said regulation provided for basic salaries and allowances payable by state enterprises established pursuant to Act No. 19 Prp of 1960.

Besides the aforementioned salary regulation, Presidential Decree No. 272 of 1967 dated December 30, 1967 was issued regarding the distribution of essential goods/commodities to civil servants; it also contained the policy with respect to the distribution of food rations and extra rations to regular personnel and day workers in Government service, personnel of state enterprises as well as personnel of important/large private enterprises.

Labor disputes

Statistical data on labor disputes and strikes provided by the Department of Manpower showed that the number of labor disputes and labor strikes in 1968 was less than in the preceding year. In 1967, there were 108 disputes which involved 152,946 workers: in 1968 there were only 82 disputes which involved 71,067 workers. In 1968, the number of labor disputes and the number of workers involved therefore declined by 24% and 53.5%, respectively.

The specification of the labor disputes by economic sector (in 1968) was as follows: industry (28), agriculture (24), trade (18), other sectors (12). The data for 1967 were as follows : industries (45), agriculture (32), trade (11), and other sectors (20). It may thus be concluded that with the exception of the trade sector, the number of labor disputes in the other economic sectors declined in 1968. In general, the labor disputes in 1968 were caused by problems related to dismissals/appointments (41), wages (29) and conditions of employment (8). The specification for 1967 was 47, 33 and 26, respectively; 1968 therefore showed an improvement in this respect. Demands for minor wage increases were generally settled by the enterprises concerned, without intervention by the Government.

In 1968, the Department of Manpower settled 15 disputes pursuant to Act No. 22/57 concerning Settlement of Labor Disputes, and 221 disputes pursuant to Act No. 12/64 concerning Termination of Employment with Private Enterprises. The settlements pursuant to Act No 22/ 57 inter alia concerned textile rations, wage increases, labor agreements and changes in working hours.

A number of private enterprises availed themselves of the services of the Government, i.e. the Department of Manpower, to settle disputes with their personnel, i.e. PT FAROKA; PT CALTEX; PT BATA; PT B.A.T.; PT UNILEVER and PT STANVAC. Besides, in order to settle labor problems of state enterprises, joint committees were set up by the Department of Manpower and the Departments responsible for the said enterprises, viz.: the Department of Agriculture (regarding wages and conditions of employment at plantations), the Department

of Trade (regarding rationalization of state trading enterprises), the Department of Communications (regarding reorganization of PN PELNI and rationalization of PN PAKIN), the Department of Basic and Light Industry (regarding rationalization of PN Gaja Motor, PN METRICA, and PT Philips-Ralin Electronics); and the Department of Mines (regarding settlement of labor problems of the state enterprises under its jurisdiction) . In 1968, wage problems accounted for 23% of the labor disputes settled by the Department of Manpower.

Although the Government basically disapproved mass dismissals, on the basis of certain considerations and conditions the Government could approve the reduction of personnel by a number of enterprises. The Government may justify a reduction of personnel on economic considerations, i.e. in connection with the viability and continuity of the enterprise, but the persons affected should be provided with an allowance, certain facilities' etc.

Moreover, such dismissals could only be effected after due consultations with the Department of Manpower and the labor unions in the enterprises concerned. In 1968, requests for termination of employment submitted by state enterprises to the Government i.e. the Department of Manpower, involved 27,035 employees the said state enterprises were inter alia: BPU Perkebunan (8,000 persons), PN PERTANI (4,350 persons) , PN PERTANI (new) (1,769 workers), PN PELNI (4,100 workers), PN Garuda (2,694 workers), Dana Tanaman Keras (1,184 workers), PN Gaja Motor (900 workers) and PN' Ralin (608 workers). The requests were mainly in connection with rationalization; voluntary termination of employment as well as those mutually agreed upon involved 5,184 workers.

Besides the aforesaid labor disputes, there were 2 labor strikes in 1968, one in the agricultural sector and the other one in the transportation sector, involving a total' of 220 employees. In contrast, in 1967. 6 strikes in the agricultural sector were recorded which involved 1,172 workers; the number of strikes and the number of workers involved in the strikes in 1968 were therefore lower. In 1968, there were 1,270 working hours lost on account; of strikes (1,078 hours in the agricultural sector and 192 hours in the transportation sector). In 1967, there were 10,887

working hours lost on account of strikes, the number of lost working hours in 1968 therefore declined by 88%. In 1968, the strikes were mainly caused by demands for wage increases, whereas the strikes in 1967 concerned demands for wage increases as well as other matters.

Unemployment

According to the estimates of the Department of Labor, in 1968 the population of Indonesia amounted to 116.4 million, which was an increase of 2.8% over 1967. Out of said total, 76.5 million people (or 65.7%) may be classified as Manpower, whereas 42.2 million people (or 36.2%) belonged to the labor force. Manpower includes individuals able to work, whether or not for an employee, with the objective to produce goods/ services for the market. The labor force includes any individual actively employed and/or any individual looking for employment. The number of unemployed people in 1968 could not be known with certainty, since complete data were not yet available. However, based upon certain economic events in 1968 as well as upon data for 1967—year in which the number of unemployed was estimated at 13%-15% of the labor force — the number of unemployed people in 1968 was estimated to range between 5.5 million to 6.3 million. Indonesia's economic structure had not changed much in 1968 it was still predominantly agrarian and not yet able to provide for new employment opportunities. The annual rate of economic growth measured by the Gross National Product was less than 2% and was lagging, behind the growth of population which was over 2% annually (2.3% - 2.8%). Besides in 1967 and 1968, there were a number of obstacles and bottlenecks in the government and private sector in general which hampered an increase in employment opportunities. Capital investments — by the government as well as by the private sector—were not yet significant. The potential of the Government was limited, and Government entities/offices were no longer in the position to provide for large scale employment opportunities. Meanwhile, the impact of foreign enterprises operating in Indonesia upon the level of employment was not yet perceptible. Capital investment does not always imply an expansion of employment opportunities. Investments in machinery, for example, may

TABLE 89 — PROJECTED GROWTH OF POPULATION MAN- POWER AND LABOR FORCE ¹⁾ (in million Persons)			
	Popula- tion ²⁾	Manpower	Labor force
1964	104.2	68.6	37.8
1965	107.1	70.5	38.8
1966	110.1	72.5	39.9
1967	113.2	74.5	41.0
1968	116.4	76.5	42.2
¹⁾ No family planning assumed. Exclusive of West Irian. ²⁾ Population growth: 2.8% annually from 1965 through 1968 and 2.3% for preceding years.			

Source : Department of Manpower.

even result in a reduction of employment opportunities, unless matched by a proportional increase in output. Moreover, the rationalization measures introduced by a number of large enterprises in 1968 through reducing the number of employees resulted in increased unemployment. It is therefore be obvious, that there was no increase in employment opportunities in 1968; consequently, the number of unemployed was higher than in the preceding year. The number of people in search of employment in 1968 could not be known for certain, since those registered with the Department of Manpower comprised only part of the people looking for work (see Table 90). In the period of January through September 1968, 39,668 people looking for work were registered with the Department of Manpower, while only 11,754, or 33.7% could be employed. The number of people in search of work who were not registered with the Department of Manpower was estimated to be much higher. In 1968, there were 1,640 university graduates who registered with the Department of Manpower in search of employment; only 527 or 32% could be employed. Out of the said 1,640 university graduates, 67% were graduates in social sciences and the remaining 33% graduated in sciences. Out of the 527 graduates

TABLE 90 — NUMBER OF UNEMPLOYED PERSONS REGISTERED WITH THE DEPARTMENT OF MANPOWER			
	Registered	Employed	Vacancies
1964	104,714	37,739	40,671
1965	98,755	35,500	38,553
1966	93,239	29,035	32,811
1967	50,528	13,019	13,208
1968 ¹⁾	39,668	11,754	14,736
¹⁾ January through September			

Source : Department of Manpower.

who were provided with employment, 35% were graduates in sciences, and 65% graduated in social sciences. The number of graduates who did not register with the Department of Manpower but succeeded in finding employment on their own was not known; however, their number was estimated to be fairly high. In general, the Department of Manpower gave priority to graduates—i.e. graduated in Indonesia or abroad—who had signed up for employment with the Government. The said graduates, however, constituted only a small part of the total number of graduates registered with the Department of Manpower.

The efforts of the Government to utilize unemployed or disguised unemployed farmers in the “Padat Karya” (i.e. labor intensive) projects should also be mentioned in this context. As is known, in 1967 several “Padat Karya” projects were executed in order to recruit the unemployed and disguised unemployed farmers for activities that may increase the standard of living of the local population. Besides the projects under completion (digging of irrigation canals), such as the Demak Project and the Djatiluhur Project, in 1968, 5 other projects were approved for execution with the assistance of the Agency for International Development (AID), viz. the projects in Jogja, Solo, Kediri, Bodjonegoro and Bali. While the Tjikunten project in Tasikmalaja was also approved and would be executed with the aid of a

private American organization i.e. CARE. In 1968, the “Padat Karya” projects could accomodate and provide useful employment to 64,672 people.

Farmers who used to work an average of 4 months a year’ could be provided with an additional 5 months or 150 days of work. Consequently, the said 64,672 people were fully employed for 9 months in a year. The “Padat Karya” projects did not only provide for engagement of the unemployed, disguised unemployed and seasonal workers, they also increased production. Other benefits of the „Padat Karya” projects were the increased earnings of the farmers during the off-season, the fact that the financing of the projects did not burden the Budget, and finally, that the employment opportunities provided could reduce urbanization

As far as foreign nationals in Indonesia were concerned, in 1968, 3,776 foreigners held a labor permit which was an increase of 2,043 people or 178% over December 1967. This rather significant increase was inter alia attributable to the following factors :

- a. the increased foreign capital investments;
- b. the improved economic/trade relations with a number of countries induced many foreign enterprises to establish a representative office in Indonesia.

With regard to the supervision of foreign nationals employed/to be employed in Indonesia, the relevant Government entities, i.e. the Service for Employment of Foreign Personnel/Department of Manpower, the Directorate of Immigration, and the Consular and Legal Bureau of the Department of Foreign Affairs agreed that visas of foreign nationals working in Indonesia would only be issued or renewed upon presentation of a labor permit or a declaration issued by the Department of Manpower

The aforesaid policy was applicable to all foreign workers, i.e. surveyers as well as those who were actively engaged (with inclusion of the free profess-one pursuant to Presidential Instruction No. 10/1968). Besides the procedure with respect to the issue of labor permits by the Minister of Manpower, the

aforementioned Presidential Instruction also stipulated that labor permits should be issued with due regard to the requirements of the national economic development process whereby, in the field of employment and economic activities, priority should be given to Indonesian nationals;

APPENDICES

APPENDIX A

BANK NEGARA INDONESIA UNIT I					
CONDENSED BALANCE SHEET AS AT DECEMBER 30, 1968 ¹⁾					
(in thousand Rupiahs)					
ASSETS			LIABILITIES		
1. Gold coins and bullion		771,339	1. Banknotes issued		86,285,802
2. Foreign exchange assets		29,019,666 ²⁾	2. Foreign exchange liabilities		53,977,339 ²⁾
3. Claim on Government:			3. Balances on current account:		
a. Advances	42,824,207		a. Government	9,171,936	
b. Consolidated debt	2,900		b. Government (foreign aid counterpart funds)	5,991,550	
c. Payments on account of membership in international financial institutions			c. International financial institutions	7,180,240	
— in gold	715,000		d. Third parties:		
— in Rupiahs	7,129,411		— banks	10,057,922	
d. Promissory notes	4,872,939	55,544,457	— other	3,394,253	13,452,175
					35,795,901
4. Loans			4. Capital and reserves		1,000,000
a. Banks	28,374,423		5. Miscellaneous liabilities		63,517,793
b. Other	64,199,552	92,573,975			
5. Premises and inventory		887,364			
6. Miscellaneous assets		61,780,034			
		<u>240,576,835</u>			<u>240,576,835</u>
¹⁾ Under examination by the State Audit Directorate. ²⁾ US \$ 1 = Rp. 325.					

APPENDIX B

BANK NEGARA INDONESIA UNIT I PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR ENDING DECEMBER 30. 1968 (in thousand Rupiahs)			
EXPENDITURE		REVENUE	
Operational expenses	2,505,805		
Cost of making banknotes	1,273,480	Interest	6,878,917
Miscellaneous expenses	280,908	Commissions	1,315,141
Depreciation of premises and inventory	550,000	Miscellaneous revenue	241,998
Dotation to Pension Fund	200,000		
	<u>4,810,193</u>		
PROFIT			
Taxable profit	3,625,863		
	<u>8,436,056</u>		
	<u><u>8,436,056</u></u>		<u><u>8,436,056</u></u>

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APPENDIX C

BANK NEGARA INDONESIA UNIT I MANAGEMENT AS PER DECEMBER 30, 1968

BOARD OF MANAGING DIRECTORS

Radius Prawiro	: Governor
M. Djoeana Koesoemahardja	: Managing Director/Deputy Governor
Rachmat Saleh	: Managing Director/Deputy Governor
Sudiarso	: Managing Director/Deputy Governor
R.A. Kartadjoemena	: Managing Director
Marathon Wirija Mihardja	: Managing Director
Pranowo Soewandi	: Managing Director
Soeksmono Besar Martokoesoemo	: Managing Director

REPRESENTATIVES

R. Sulaksana Suparto	: Representative for Europe in London
Sulwan S. Astradiningrat	: Representative in New York
H.P. Toar	: Representative in Tokyo
R. Martojo Koento	: Representative in Kualalumpur and Singapore

DEPARTMENT HEADS

D. Wisaksana	: Credit Department
A.C. Tjahjadi	: Credit Planning and Credit Supervision Department
R.S. Natalegawa	: Foreign Department
E.J. Hartoko	: Foreign Exchange Fund Department
R. Soejatno Soemardjo	: Issue Department
M. DJoko Soedomo	: Banking Supervision and Guidance Department
J.A. Sereh	: Accounting and Organization Depart- ment
Arko Baksono	: Internal Audit Department
Samali T. Budimulia	: Department Research
Eddy Suwardi	: Personnel Department
R. Soemartono M.S.	: General Service Department
R. M. arkoern Djojohadisoeparto	: Board of Managing Director Bureau
T. Surjawidjaja	: Budget Department

APPENDIX D

REGULATIONS/ACTS ON MONEY AND BANKING

Effective date of the Banking Act

Pursuant to Decision No. Kep. 01/MK/IV/1/1968 of the Minister of Finance dated January 10, 1968, Act No. 14 of 1967 concerning Principal Regulations on Banking became effective on January 1, 1968.

Requests for assistance from World Bank, IMF and ADB

Decision No. Kep/14/Mekuin/3/1968 of the State Minister of Economics, Finance and Industry dated March 7, 1968, inter alia contained the following provision :

Ministries should indicate the use of the assistance to be requested from World Bank' IMF or ADB. A proposal of the request should be submitted to BAPPENAS (i.e. the National Development Planning Council) for assessment in the context of the current development plan; copies of the said proposal should be sent to the Governor of the Central Bank and the Minister of Finance. After assessment, BAPPENAS would return the proposal to the relevant Ministry. The final request should be submitted by the Ministry according to the following procedure:

1. through the Minister of Finance in his position of Governor for Indonesia with IBRD as far as assistance from the World Bank is concerned;
2. through the Governor of the Central Bank in his position of Governor for Indonesia with IMF as far as assistance from IMF is concerned;
3. through the Minister of Finance in his position of Governor for Indonesia with ADB as far as assistance from ADB is concerned

Effective import rate

Decision No. D.15.4.3-053-4-68/MPS-MPO of 1968 issued by the Director General of Taxation on April 3, 1968 inter alia stipulated that the effective rate of all imports for the imports for the imposition of MPO (i.e. withholding tax) was determined at Rp. 400 per US dollar.

Prohibition to hold public moneys on an account with private banks

Instruction No. IN/11/Mekuin/2,/1968 of February 10, 1968, in alia contained the following provision :

Public moneys should be held on an account with BNI Unit I or, upon approval from the Minister of Finance, on an account with another state bank in the absence of a BNI Unit I office.

The official in charge should inform his Minister as well as the Director General of the Budget, the Director General of Finance and the Director General of Public Financial Control of the Department of Finance concerning the implementation of the matter.

Effective date of the Acts on Central Bank and state banks

Pursuant to Decision No. Kep. 600/M/IV/12/1968 of the Minister of Finance dated December 18, 1968,

Act No. 13 of 1968 concerning the Central Bank,
Act No. 17 of 1968 concerning Bank Negara Indonesia 1946,
Act No. 18 of 1968 concerning Bank Dagang Negara,
Act No. 19 of 1968 concerning Bank Bumi Daya,
Act No. 20 of 1968 concerning Bank Tabungan Negara,
Act No. 21 of 1968 concerning Bank Rakjat Indonesia, and
Act No. 22 of 1968 concerning Bank Ekspor Impor Indonesia became effective on December 31, 1968.

Bonded warehouses

By Presidential Instruction No. 32 of 1968 dated October 28, 1968.

1. the Minister of Trade,
2. the Minister of Finance,
3. the Minister of Communications,
4. the Governor of the Central Bank, and
5. the Chief of Staff of Defence and Security,

were instructed to take preparatory measures required for the establishment of bonded warehouses in the nearest future which would facilitate the import of goods needed in Indonesia.

Free foreign exchange imports

Joint Decision No. Kep. 378/M/III/10/1968 and No. 81/Kpb/10/1968 of the Minister of Finance and the Minister of Trade dated October 17, 1968, inter alia contained the following provisions:

Revocation of Decision No. 137/M/III/7/68 of the Minister of Finance, dated July 31, 1968.

Registered importers should submit an import statement in connection with imports to be financed with free foreign exchange (i.e. foreign exchange not subject to the surrender requirement).

The afforesaid provision however, did not apply to imports mentioned in :

1. a) articles 3, 5 and 6 of Decision No. Kep. 47/MEKKU/IV/1967 of the State Minister of Economics and Finance dated June 27, 1967;
- b) Act No. 1 of 1967 and Act No. 6 of 1968;

- c) Government Regulation No. 8 of 1957 (Official Gazette No. 17 of 1957) juncto Government Regulation No. 40 of 1955 (Official Gazette No. 19 of 1955);
 - d) article 23 of the Import Duty Ordinance, Official Gazette No. 471 of 1931;
 - e) Government imports in the context of foreign aid/grants.
2. Passenger goods of a f.o.b. value of less than US \$ 300.— per trip; Government Regulation No. 7 of 1965 concerning free foreign exchange imports was, however, still applicable.

Membership in Committee on Foreign Aid Policy

Presidential Decree No. 311 of 1968 dated November 25, 1968, inter alia contained the following amendment with respect to membership in the Committee on Foreign Aid policy as provided for in Decision No. 100/EK/Kep/12/1966 of the Cabinet Presidium, i.e. Chairman, concurrently member :

a Director of Bank Negara Indonesia Unit I/the Chairman of the Management Bureau of Foreign Exchange Transactions.

Members :

- a Director of Bank Negara Indonesia Unit I, representatives of:
- the Directorate General of Finance,
- the Directorate General of the Budget,
- the Technical Team of Capital Investments,
- the Secretariate of the State Minister of Economics, Finance and Industry,
- the Directorate General of Foreign Economic Relations, Department of Foreign Affairs
- BAPPENAS.
- the Department of Trade.
- the Department of Home Affairs.
- the Department of Defence and Security.

Revision of lending and borrowing rates of state banks

Presidential Instruction No. 28 of 1968 dated September 19, 1968 contained the following instruction to the Central Bank:

1. to revise the structure of interest rates to be charged by state banks subject to a lower limit of 3% and an upper limit of 7% a month:
2. to introduce the following rates payable on time deposits:
 - 1 1/2% monthly on deposits of less than 3 months,
 - 5% monthly on deposits of 6 months,
 - 6% monthly on deposits of 12 months.

APPENDIX E

PRINCIPAL REGULATIONS ON BANKING

Chapter 1

GENERAL, PROVISIONS

Article I

In this Act

- a. “Banks” means financial institutions, the main operations of which are the extension of credit and the rendering of services in the field of financial transactions and money supply.
- b. “Financial institutions” means all entities which through their operations in the financial field attract money from and channel money to the public.
- c. “Credits” means the provision of money or claims considered indential thereto, based upon a credit agreement between the bank and another party, whereby the debtor is obliged to repay the debt after a certain period with the interest as determined.
- d. “Short-term credits” means credits to be repaid within 1 (one) year maximum, provided always that short-term credits may also include credits for seasonal crops having a term of repayment exceeding 1 (one) year.

“Medium-term credits” means credits with a repayment term of 1 (one) year to 3 (three) years, exclusive of credits for seasonal crops mentioned above.

“Long-term credits” means credits with terms of repayment exceeding 3 (three) years

- e. “Demand deposits” means deposits of third parties with banks, subject to withdrawal at any time by means of cheques, or other payment orders or by means of transfers.
- f. “Time deposits” means deposits of third parties with a bank, subject to withdrawal only within a certain period according to an agreement between the third party and the bank.
- g. “Savings deposits” means deposits of third parties with banks subject to withdrawal only upon certain conditions

Article 2

The laws and regulations of Indonesia shall apply to -all banks established by this Act.

Chapter II

TYPES OF BANKING INSTITUTIONS

Article 3

- 1. According to their function, banks may be distinguished as :
 - a. The Central Bank, i.e. the Bank Indonesia, as provided for in the 1945 Constitution and which is subject to a separate Act.
 - b. Commercial Banks, i.e. banks collecting funds primarily in the form of demand and time deposits and the main operation of which is the lending of money by means of short-term credits.

- c. Savings Banks, i.e. banks collecting funds primarily as deposits in the form of savings and investing such funds primarily in securities.
 - d. Development Banks, i.e. banks collecting funds primarily as time deposits and/or through the issue of medium and long- term securities, the main operation of which is the granting of medium and long-term credits in the field of development.
- 2. The utilization of demand deposits, if any, deposited with development banks, is subject to the direction of the Bank Indonesia.
 - 3. Other types of banks may be determined by this Act, in accordance with the requirements and development of the economy.

Article 4

An entity or an individual, conducting business similar to banking business, shall be called a “Bank”

Chapter III

ESTABLISHMENT AND MANAGEMENT OF BANKS

Article 5

State-owned Commercial Banks

- 1. State-owned commercial banks shall be established by a special Act, based upon provisions in this Act.
- 2. Branch offices and representative’s offices of state-owned commercial banks may only be opened with permission of the Minister of Finance, after prior consultations with the Bank Indonesia.

Article 6

1. A state-owned commercial bank shall be managed by a Board of Directors. The composition of the Board, the number of members and their duties, authority and responsibilities shall be laid down in the Act governing the establishment of the aforesaid bank.
2. Members of the Board of Directors shall be Indonesian nationals, appointed and discharged by the President upon the recommendation of the Minister of Finance.
3. The appointment mentioned in paragraph (2) will be for a term of 5 (five) years, after which period any member of the Board of Directors may be reappointed.
4. Members of the Board of Directors mentioned in paragraph (1) should have expert knowledge of their duties and should be of good character and moral standing.

Article 7

1. The Supervisory Council of a state-owned commercial bank shall supervise the banking operations conducted by the Board of Directors.
2. The duty, authority, responsibility and composition of the aforesaid Supervisory Council of paragraph (1) shall be laid down in the Act governing the establishment of the respective bank.
3. The Board of Directors of a state-owned commercial bank shall be responsible to the respective Bank Supervisory Council as far as the execution of their duties is concerned.
4. The provisions in article 6 paragraphs, (2), (3) and (4) shall also apply to the Bank Supervisory Council.

Article 8

Private Commercial Banks

1. Private commercial banks may only be established and conduct banking business with an operating permit issued by the Minister of Finance after prior consultations with the Bank Indonesia and subject to the following conditions :
 - a. such banks shall be established as a limited liability company;
 - b. their paid-up capital shall be not less than Rp. 1,000,000.— (one million Rupiahs). The Minister of Finance may determine a higher minimum paid-up capital, having regard to current developments and taking the local conditions into account:
 - c. the shares of such limited liability company shall wholly be owned by Indonesian nationals and/or legal entities, the participants and management of which are Indonesian nationals, in accordance with such conditions as may be determined by the Minister of Finance. The said shares shall be registered shares, Any transfer of shares shall be reported to the Bank Indonesia;
 - d. the management and personnel of the bank holding vital positions shall be Indonesian nationals.
2. Branch offices and representative's offices of private commercial banks may be opened only, with permission of the Minister of Finance, after prior consultations with the Bank Indonesia.
3. The Minister of Finance shall, by regulations' provide for matters concerning additional requirements, the procedure to be followed when applying for a permit to operate as a private commercial bank, and the conditions for opening branch and representatives offices.

Article 9

Cooperative Commercial Banks

1. Cooperative commercial banks may only be established and conduct banking business with an operating permit issued by the Minister of Finance after prior consultations with the Bank Indonesia and subject to the following conditions:
 - a. such banks shall be established as a cooperative society;
 - b. their capital shall be not less than :Rp. 1,000,000.— (one million Rupiahs) with the provision that at the date of establishment not less than Rp. 500,000.— (five hundred thousand Rupiahs) out of the said capital, shall be paid up and the balance of Rp. 500,000.—(five hundred thousand Rupiahs) shall be paid up within 1 (one) year after the said date of establishment;
 - c. the Minister of Finance may determine a higher minimum amount of capital, having regard to current developments and taking the local conditions into account;
 - d. the management and personnel of the bank shall be Indonesian nationals exclusively.
2. Branch offices and representatives offices of cooperative commercial banks may be opened only with permission of the Minister of Finance, after prior consultations with the Bank Indonesia.
3. The Minister of Finance shall, by regulations, provide for matters concerning additional requirements, the procedure to be followed when applying for a permit to operate as a cooperative commercial bank, and conditions for opening branch and representative's offices.
4. Operational procedures of cooperative commercial banks will be separately regulated by the Bank Indonesia in conjunction with the Ministry administer-

ing cooperative affairs, in accordance with the provisions in articles 23, 25 and 31 of this Act.

Article 10

State-owned Savings Banks

State-owned savings banks shall be established by a separate based upon the provisions of this Act.

Article 11

The provisions in article 5 paragraph (2), article 6 and article 7 shall also apply to state-owned savings banks.

Article 12

Private Savings Banks

1. Private savings banks may only be established and conduct business as a savings bank with an operating permit issued by the Minister of Finance, after prior consultations with the Bank Indonesia and subject to the following provisions :
 - a. such banks shall be established as a limited liability company;
 - b. their paid-up capital shall be not less than Rp. 50,000.— (fifty thousand Rupiahs). The Minister may determine a higher minimum paid-up capital, having regard to current developments and taking the local conditions into account;
 - c. they shall comply with the provisions mentioned in article 8 paragraph (1) c and d.

2. The provisions in article 8 paragraphs (2) and (3) shall also apply to private savings banks.

Article 13

Cooperative Savings Banks

1. Cooperative savings banks may only be established and conduct business as a savings bank with an operating permit issued by the Minister of Finance after prior consultations with the Bank Indonesia and subject to the following conditions :
 - a. such banks shall be established as a cooperative society;
 - b. their capital shall be not less than Rp. 50,000.--- (fifty thousand Rupiahs) with the provision that at the date of establishment, not less than Rp. 25,000.—(twenty five thousand Rupiahs) out of the said capital shall be paid up and the balance of Rp. 25,000. - - (twenty five thousand Rupiahs) shall be paid up within 1 (one) year after the said date of establishment;
 - c. they shall comply with the provisions mentioned in article 9 paragraph (1)
 - d.
2. The provisions in article 9 paragraphs (2), (3) and (4) shall also apply to cooperative savings banks.

Article 14

State-owned Development Banks

State-owned development banks shall be established by a separate Act, based upon the provisions of this Act.

Article 15

The provisions in article 5 paragraph (2), article 6 and article 7 she also apply to state-owned development banks.

Article 16

Regional Development Banks

1. Regional development banks shall be established according to provisions stipulated in a separate Act.
2. A regional development bank may also conduct business with an operating permit from the Minister of Finance after prior consultations with the Minister of Home Affairs and the Bank Indonesia. The provisions in article 8 paragraphs (2) and (3) shall also apply to regional development banks.

Article 17

Private Development Banks

1. Private development banks may only be established and conduct business as a development bank with an operating permit issued by the Minister of Finance after prior consultations with the Bank Indonesia and based upon the following conditions :
 - a. such banks shall be established as a limited liability company;
 - b. their paid-up capital shall be not less than Rp. 2,000,000.— (two million Rupiahs). The Minister of Finance may determine a higher minimum paid up capital, having regard to current development and taking the local conditions into account;
 - c. they shall comply with the provisions mentioned in article 8 paragraph (1) c and d.

2. The provisions in article 9 paragraphs (2) and (3) shall also apply to private development banks.

Article 18

Cooperative Development Banks

1. Cooperative development banks may be established and conduct business as a development bank with an operating permit issued by the Minister of Finance, after prior consultations with the Bank Indonesia and subject to the following conditions :
 - a. such banks shall be established as a cooperative society;
 - b. their capital shall be not less than Rp. 2,000,000.— (two million Rupiahs) with the provision that at the date of establishment not less than Rp. 1,000,000.— (one million Rupiahs) out of the said capital shall be paid up and the balance of Rp. 1,000,000.— (one million Rupiahs) shall be paid up within 1 (one) year after the said date of establishment. The Minister of Finance may determine a higher minimum amount of capital, having regard to current developments and taking the local conditions into account;
 - c. they shall comply with the provisions mentioned in article 9 paragraph (1) d.
2. The provisions in article 9 paragraphs (2), (3) and (4) shall also apply to cooperative development banks.

Chapter IV

FOREIGN BANKS

Article 19

1. Foreign banks are permitted to operate in Indonesia only as development banks and/or commercial banks as provided for in this Act, thereby giving priority

to operations that are to the benefit of the country and to the national interest in general.

2. Foreign banks mentioned in paragraph (1) may only be established and conduct banking business with an operating permit issued by the Minister of Finance.

The aforementioned permit will be issued by the Minister of Finance after prior consultations with the Bank Indonesia.

Article 20

Foreign banks mentioned in article 19 may only be established as:

- a. a branch office of an existing bank, whose head office is situated outside Indonesia;
- b. a joint enterprise between a foreign bank and a national bank in Indonesia established as an Indonesian legal entity with limited liability.

Article 21

Shares, issued by the aforesaid limited liability company mention; in article 20 sub (b), shall all be registered shares.

Article 22

Matters concerning foreign banks, not subject to the provisions this Act shall be regulated further in an Act.

Chapter V

BANKING OPERATIONS

Article 23

1. Commercial banks transfer money, both by cable and by mail, as well ,as through the issue of sight drafts between similar offices; drawings to the debit of balances with correspondent banks are effected either by cable, by sight drafts, or by cheque.
2. Commercial banks accept and repay money on current account, execute orders for money transfers, effect payments for claims of securities, and settle claims with or between third parties.
3. Commercial banks discount :
 - a. drafts and payment orders for which two persons are jointly liable, with a validity not exceeding the period customary in trade;
 - b. drafts and other commercial paper with a validity not exceeding the period customary in trade, both upon collateral of a credit agreement and upon collateral of a consignment note;
 - c. Treasury notes and bills;
 - d. promissory notes with a validity of six months, for the payment of which two persons are jointly liable;
 - e. pay-warrants and/or payment orders issued by the Treasury in respect of the proceeds of sales by auction.
4. Commercial banks negotiate:
 - a. drafts accepted by a bank, with a validity not exceeding the period customary in trade;

- b. Treasury notes and bills;
 - c. promissory notes registered at an official stock exchange, which are either for account of the Government, or of which the interest or the redemption is guaranteed by the Government.
- 5. Commercial banks negotiate cheques, drafts, order commercial paper and payments by mail and by cable with a validity not exceeding the period customary in trade, and upon collateral as normally applied to such transactions
 - 6. Commercial banks grant credits, especially upon collateral of securities, agricultural produce or upon collateral of consignment notes and dock warrants or warehouse receipts representing the title to such goods, as well as upon collateral of the documents representing the title to such goods as referred to in paragraph (3) and paragraph (5) of this article.
 - 7. Commercial banks provide bank guarantees upon collateral.
 - 8. Commercial banks let vaults for storage of valuables.
 - 9. Commercial banks undertake other activities normally undertaken by commercial banks.

Article 24

- 1. Commercial banks do not grant credits without collateral to any person.
- 2. When realizing immovable property or agricultural produce, commodities, securities or other collateral committed to a bank, the bank may buy the immovable goods or agricultural produce, commodities, securities, or other collateral concerned, either wholly or partly, to settle its claims.

Article 25

- 1. Without prejudice to the provisions of article 3 paragraph (1) b, commercial banks are permitted to grant medium-term credits only in the field of production.

Such credits are to be granted in a formula determined by the Bank Indonesia.

Commercial banks may grant long-term credits and or participate in an enterprise with the approval and upon such conditions as may be stipulated by the Bank Indonesia.

Article 26

1. Savings banks invest their funds primarily in gilt-edged securities.
2. Savings banks may grant credits according to such procedure as may be determined by the Bank Indonesia.

Article 27

Credits, referred to in article 26 paragraph (2) may only be granted up to a certain maximum, according to a ratio to total savings determined by the Bank Indonesia,

Article 28

1. Development banks are permitted to participate in the capital of an enterprise, with the approval of and upon such conditions as may be stipulated by the Bank Indonesia, The aforesaid participation shall not be of a permanent character.
2. The Bank Indonesia will give guidance to development banks in their efforts to attract long-term loans.

Article 29

1. The main operation of development banks is the granting of medium and long-term credits.

2. Development banks are permitted to use demand deposits for granting short-term credits.

Such credits may only be granted up to a certain maximum according to a formula determined by the Bank Indonesia, thereby giving effect to the objects of a development bank.

Chapter VI

SUPERVISION OF AND GUIDANCE TO BANKS

Article 30

1. The Bank Indonesia may stipulate general provisions with respect to the responsibilities of the Board of Directors and Supervisory Council/Council of Commissioners of any bank, either state-owned, private or cooperative.
2. The Bank Indonesia may determine the sanctions to be imposed for the contravention of the responsibilities mentioned in paragraph (1).

Article 31

1. For the purpose of maintaining adequate liquidity and solvability, each bank shall keep a ratio according to the general regulations determined by the Bank Indonesia
2. Banks, not complying with the requirements of paragraph (1) are subject to sanctions determined by the Bank Indonesia

Article 32

1. The banks shall submit to the Bank Indonesia, any information and data with respect to their operations according to a procedure determined by the Bank Indonesia.

2. Upon request of the Bank Indonesia, or a officer authorized by the Bank Indonesia, each bank shall provide an opportunity for inspection of records and files at its disposal for the purpose of investigating the reliability of the information and data that has been provided, and thenceforth to cooperate fully in the process of investigating the aforesaid records and files.
3. Those who are responsible for the records and files referred to in paragraph (2) shall, if requested, show these on demand to the Bank Indonesia, or to any officer authorized by the Bank Indonesia to conduct the aforesaid investigation
4. If considered necessary, the Minister of Finance, or an officer authorized by the Minister of Finance may, through the Bank Indonesia, ask for ,any data and information from the banks, and investigate records and files as mentioned in paragraphs (1) and (2) of this article. Information from the banks acquired by virtue of this article is secret and may not be made public.

Article 33

Every year each bank shall, within a period determined by the Bank Indonesia, submit a balance sheet to the Bank Indonesia, accompanied by a profit and loss account according to a format determined by the Bank Indonesia, and such explanation as may be considered necessary. The said balance sheet, and profit and loss account shall be subject to the prior audit of an independent accountant.

Article 34

If from the information and data made available by virtue of articles 32 and 33, the Bank Indonesia is of the opinion that circumstances have arisen which in the opinion of the Bank endangers or may endanger the solvability or liquidity position of the said bank then the Bank Indonesia will take such measures as it may think fit to overcome the aforesaid solvability and liquidity difficulties according to such procedure as may be determined by the Bank Indonesia.

Article 35

Every year each bank shall make public an annual balance sheet accompanied by a profit and loss account.

Chapter VII

OTHER PROVISIONS

Article 36

Banks are not permitted to release information concerning the financial position of their customers or of other secret matters as is customary in banking business, except as may be stipulated in this Act.

Article 37

1. The Minister of Finance is entitled to order banks in writing, to give information and to show records, written evidences or documents regarding a customer, to a tax official for taxation purposes. The name of the tax-indebted customer in regard of whom information is required, shall be indicated on the aforesaid order.
2. For the purpose of jurisdiction in a lawsuit, the Minister of Finance may permit the public prosecutor/judge to ask for information from a bank concerning the financial position of the accused. The aforesaid permission will be given in writing upon the request of the Attorney General, if the information is required by the public prosecutor, and it will be given upon request of the Chairman of the High Court of Justice, if it is required by the judge. The name of the accused, as well as the reasons for which the information is requested, and the relation between the lawsuit and the information requested respectively, shall be indicated if the information is required by the public prosecutor.

Chapter VIII

PENAL PROVISIONS

Article 38

Any person conducting banking business without a permit from the Minister of Finance, will be liable to imprisonment for a term not exceeding 5 (five) years or a fine not exceeding Rp. 5,000,000.— (five million Rupiahs) or both.

Article 39

1. Any person, who in contravention to the provisions in article 37, compels a bank to release information as mentioned in article 36, will be liable to imprisonment for a term not exceeding 1 (one) year or a fine not exceeding Rp. 10,000.—(ten thousand Rupiahs).
2. Member of the Board of Directors of bank employees who release information concerning matters that should be kept secret, will be liable to imprisonment for a term not exceeding 1 (one) year or a fine not exceeding Rp. 10,000.— (ten thousand Rupiahs).
3. Members of the Board of Directors or bank employees who withhold information which they are obliged to submit pursuant to article 32 and article 37, will be liable to imprisonment for a term not exceeding 6 (six) months or a fine not exceeding Rp. 10,000.— (ten thousand Rupiahs) .
4. Contravention of the penal provisions of this article shall be considered criminal.

Article 40

1. The Bank Indonesia may determine administrative sanctions or may recommend to the Minister of Finance to revoke the operating permit of any bank,

whenever the obligations mentioned in this Act, save those of articles 36 and 37, are not complied with by the aforesaid bank.

2. Whenever it shall be considered necessary, the Bank Indonesia may submit the aforesaid case to the Court to prosecute the party concerned referred to in paragraph (1) above, according to article 216 of the Penal Code.

Chapter IX

TRANSITORY PROVISIONS

Article 41

1. Rural banks (bank desa), paddy banks (lumbung desa), market banks (bank pasar), employees banks (bank pegawai), and other banks considered similar thereto which shall be in existence when this Act becomes effective, shall continue to execute their activities in the banking system based upon this Act.
2. Provisions concerning the status and activities of the banks mentioned in paragraph (1) will be laid down in an Act.
3. Banks, mentioned in paragraph (1) shall submit to the Bank Indonesia reports and data concerning the organization (personnel and administrative) and extent of the activities of the aforesaid bank, undertaken within 6 (six) months as from the effective date of this Act.
4. Prior to the promulgation of the Act referred to in paragraph (2), based upon the reports and data referred to in paragraph (3), the Bank Indonesia may recommend to the Minister of Finance to issue an operating permit based upon this Act.

Article 42

1. Cooperative banks, in existence when this Act comes into force, shall continue to execute their activities as hitherto.
2. Within 6 (six) months of the coming into force of this Act, the cooperative banks then in existence shall submit reports and data to the Bank Indonesia concerning their organization (personnel and administrative) and the extent of such activities as may have been undertaken.
3. The Bank Indonesia may, based upon the reports and data referred to in paragraph (2) recommend to the Minister of Finance to issue an operating permit based upon this Act, after having consulted the Minister in charge of cooperatives.

Article 43

1. Operating permits, issued to banks and not yet revoked at the effective date of this Act, are to be considered as a permit to conduct banking business based upon this Act.
2. The Minister of Finance will regulate the adjustment of the regulations, issued and based upon the former legislation, to the provisions of this Act.

Article 44

Banks, having been established by a separate Act will continue to undertake their activities while awaiting the issue of the regulations based upon the provisions of this Act, to which they are subject.

Article 45

As from the promulgation of this Act no corporate body or individual, unless possessing an operating permit issued by the Minister of Finance in accordance

with the provisions of this Act may use the designation “Bank”, except such banks as may be established by a separate Act.

Article 46

Before the Act, referred to in article 22 is promulgated, the Government is authorized to issue legal provisions.

Chapter X

CONCLUDING PROVISIONS

Article 47

In order to execute the provisions of this Act and in order to foster a favourable climate, the Bank Indonesia will regularly conduct discussions and consultations with banking representatives.

Article 48

Matters not yet sufficiently regulated in this Act, will be provided for in Government Regulations.

Article 49

This Act may be called “The 1967 Banking Act”. The effective date of this Act will be determined by the Minister Finance

For general information, this Act will be promulgated by publication in the Official Gazette of the Republic of Indonesia.

APPENDIX F.

ACT CONCERNING CENTRAL BANKING

Chapter I

PROVISIONS ON ESTABLISHMENT

Article 1

1. The Central Bank, established in Indonesia, is called the Bank Indonesia.
2. The Bank Indonesia is owned by the State ,and is a legal entity which is authorized to execute duties and operations based upon this Act.
3. Without prejudice to the provisions in this Act, the Bank Indonesia is subject to the laws and regulations of Indonesia.

Chapter II

GENERAL PROVISIONS

Article 2

In this Act:

- a. “Bank” means the Bank Indonesia;
- b. “Governor” means the Governor of the Bank Indonesia;
- c. “Deputy Governor” means a Deputy Governor of the Bank Indonesia;
- d. “Director” means a Director of the Bank Indonesia; “Board of Directors” means the Governor and Directors of the Bank Indonesia.

Article 3

1. The Bank is established and has its head office in the Capital of the Republic of Indonesia, and may have offices elsewhere in the territory of the Republic of Indonesia.
2. The Bank may have representative's offices and correspondent banks abroad.

Chapter III

CAPITAL

Article 4

1. The capital of the Bank amounts to Rp. 1,000,000,000.—(one billion Rupiahs) and is separate state property.
2. The amount of capital referred to in paragraph (1) may be increased with the approval of Parliament.

Article 5

1. The Bank has general reserves, created and accumulated according to the provisions of article 47, paragraph (6) a.
2. The general reserves may be used to offset losses which might affect the Bank's capital.

Article 6

1. The Bank will create special reserves pursuant to the provisions of article 47, paragraph (6) b.

2. Any reserves maintained by the Bank shall be explicitly indicated in the bookkeeping of the Bank.

Chapter IV

PRINCIPAL DUTIES OF THE BANK

Article 7

The principal duties of the Bank are to assist the Government in :

- a. regulating, safeguarding and maintaining the stability of the value of the Rupiah;
- b. promoting and facilitating production and development as well as enlarging employment opportunities in order to increase the standard of living of the people.

Chapter V

RELATION BETWEEN CENTRAL BANK AND GOVERNMENT

Article 8

1. Based upon the policy determined by the Government, the Bank executes its principal duties as stipulated in article 7.

The Government will be assisted by the Monetary Council in determining the policy referred to in paragraph (1).

Chapter VI

THE MONETARY COUNCIL

Article 9

1. The Monetary Council shall assist the Government in the planning and determination of the monetary policy referred to in article 8, by submitting guidelines aimed at the achievement of monetary stability, full employment and an increase in the standard of living of the people.
2. The Monetary Council shall govern and coordinate the implementation of the monetary policy which has been determined by the Government.

Article 10

1. The Monetary Council shall consist of 3 (three) members, viz. the Ministers concerned with finance and economics and the Governor of the Bank.
2. Members of the Monetary Council and Directors of the Bank Indonesia are not permitted to have family ties with each other up to the third degree in the direct line as well as in the indirect line, which also applies to allied relatives.
3. If, after his appointment, a Director of the Bank Indonesia enters into a prohibited family tie with a member of the Monetary Council as referred to in paragraph (1), the Director of the Bank Indonesia concerned shall not be allowed to keep his position without permission of the President.
4. If considered necessary, the Government may add other Ministers to the Monetary Council as advisory members.
5. The secretariat of the Monetary Council shall be under the aegis of the Ministry of Finance.

Article 11

1. The Monetary Council shall be presided over by the Minister of Finance.
2. For each time a member of the Monetary Council is prevented from attending a meeting, he designates a deputy who, by virtue of his authorization, may participate in the meetings of the Monetary Council and has the right to vote.

Article 12

1. The Monetary Council will meet not less than once every 14 (fourteen) days and moreover each time upon request of a member.
2. In discussing technical matters, each member of the Monetary Council has the right to designate an expert advisor who is permitted to attend the meeting of the Council.
3. The Monetary Council may request the Government Commissioner to attend the meetings of the Council.

Article 13

1. Decisions of the Monetary Council shall, if possible, be unanimous.
2. Whenever the Governor cannot be in agreement with the outcome of the deliberation in the Monetary Council, he may give his separate opinion to the Government.

Article 14

The rules of conduct and the working procedure of the Monetary Council shall be determined by the Monetary Council.

Chapter VII

THE BOARD OF DIRECTORS

Article 15

- 1 The Bank shall be managed by the Board of Directors, consisting of a Governor and not less than 5 (five) but not more than 7 (seven) Directors.
- 2 The President will designate not more than 2 (two) Directors as Deputy Governors to act in lieu of the Governor whenever he is prevented.
3.
 - a. Governor and Directors shall be appointed by the President, on the suggestion of the Monetary Council, for a term of office of 5 (five) years. They may be reappointed after the term has expired.
 - b. In order to be eligible for appointment as Governor or as a Director, the persons concerned should be Indonesian nationals with an expert knowledge of their duties and be of good moral standing.

Article 16

1. The duties and responsibility of the Board of Directors are :
 - a. to execute all banking business as provided for in this Act;
 - b. to implement the monetary policy as has been decided by Government;
 - c. to determine the Bank's policy with respect to management.
2. The Board of Directors is responsible to the Government for the execution of duties and responsibility mentioned in paragraph (1).
3. Decisions taken by the Board of Directors shall, where possible, be unanimous.

4. The Board of Directors appoints and discharges employees of the Bank according to the Bank's staff regulations, thereby taking into account the provisions of the effective Government Regulations.
5. The Board of Directors determines payments for salaries, pensions and old age allowances as well as other personal emoluments of the Bank's employees.
6. The rules of conduct and the working procedure of the Board of Directors shall be provided for in a regulation to be determined by the Board of Directors.

Article 17

1. The President may discharge the Governor and Directors before the expiration of their respective terms of office:
 - a. because of death;
 - b. because of a certain action or attitude which is harmful to the Bank or which is contrary to the country's interests;
 - c. because of particular reasons that prevent the person concerned from executing his duties properly;
 - d. upon his own request.
2. When accusations mentioned in paragraph (1) b are suspected, the Government may suspend the Governor or Director from his duties. The person concerned shall be notified in writing about the aforesaid suspension and of the reasons therefor.
3. Within two weeks after being notified of the aforesaid suspension, the Governor or Director who is suspended from his duties is given the opportunity to defend himself in writing to the President.

4. The aforesaid suspension is legally annulled if within one month after the date of the suspension the matter has not been authenticated or decided by the President.
5. The person concerned will be ignominiously dismissed if the contravention referred to in paragraph (1) b is a contravention of the criminal law.

Article 18

1. Between members of the Board of Directors there shall not be a family tie up to the third degree in the direct line as well as in the indirect line, which also applies to allied relatives. If, after their appointment, they enter into such a prohibited family tie, one of the persons concerned will not be allowed to keep his position without permission of the President.
2. The Governor and Directors may not be engaged in commercial activities, may not have an interest in any company, either directly or indirectly.
3. The Governor and Directors are not permitted to hold another post at the same time, except with approval of the Government.

Article 19

The salary and other personal emoluments of Governor and Directors will be determined by the President.

Article 20

Those regulations currently in operation concerning the liability to be sued for damages, applicable to civil servants who are not paymasters, shall apply also to members of the Board of Directors and employees of the Bank

Article 21

1. The Board of Directors represents the Bank in all legal matters.
2. The Board of Directors may delegate the representation mentioned in paragraph (1) to one or more Directors especially designated for this purpose, or to one or more Bank employees, either individually or jointly, or to a third party.

Chapter VIII

THE GOVERNMENT COMMISSIONER

Article 23

1. The Government Commissioner supervises the Bank as far as business economic matters are concerned.
2. The Government Commissioner will be appointed and discharged by the President on the suggestion of the Minister of Finance
3. In order to be eligible for appointment as Government Commissioner, the person concerned could be an Indonesian national with an expert knowledge of his duties and be of good moral standing.
4. The appointment as Government Commissioner is effected for 3 (three) years. He may be reappointed after the term has expired.
5. Between the Government Commissioner and members of the Board of Directors there shall not be a family tie up to the third degree in the direct line as well as in the indirect line, which also applies to allied relatives, If, after his appointment, the Government Commissioner enters into such a prohibited family tie, he is not allowed to keep his position without permission of the President.

Article 23

1. The Government Commissioner is authorized to demand any information and examine any records and documents of the Bank; he may also call in the assistance of the Audit Council to examine the aforesaid records and documents if considered necessary for the execution of his duties.
2. The Board of Directors shall submit any information required by the Government Commissioner to execute his duties to the best possible extent.
3. The Government Commissioner is authorized to attend the meetings of the Board of Directors.

Article 24

1. The Government Commissioner, in the execution of his duties, will be assisted by a secretariat maintained at the expense of the Bank.
2. The Government Commissioner receives a fee payable by the Bank, and the amount of which will be determined by the Minister of Finance.

Chapter IX

THE UNIT OF ACCOUNT

Article 25

1. The Indonesian unit of account is the Rupiah, abbreviated as “Rp”.
2. The Indonesian Rupiah is divided into 100 (hundred) cents.
- 3.. If settled in Indonesia, any financial transaction, or payment or financial obligation, shall be effected in Indonesian Rupiahs, except if explicitly indicated otherwise by legal provisions.

Chapter X

SPECIFICATION OF THE BANKS DUTIES

Issue of Money

Article 26

1. The Bank has the sole right to issue paper money and coins.
2. The currency, as referred to in paragraph (1) of this article, is legal tender in Indonesia.
3. Annually, before the beginning of the fiscal year, the maximum amount of money which pursuant to paragraph (1) will circulate in the relevant year, will be determined by the Government and be indicated in the Financial Note.
4. The type, value and characteristics of the currency to be issued shall be determined by the Bank and the public shall be notified through publication in the State Gazette.
5. Currency, issued by the Bank. is exempt from stamp duty.
6. Currency, returned into the vaults of the Bank, and considered unsuitable for reissue, shall be marked by the Bank and the method of marking shall be notified through publication in the State Gazette
7. Currency which has been marked in such a way, is of no value any longer and cannot be exchanged at the Bank, if because of theft or other reasons it is circulating again

Article 27

1. Daily when the counters are open during the hours as determined by the Bank, money may be exchanged at the head office and at the branch offices of the Bank.
2. The Bank does not compensate for money which is lost or destroyed. The Bank does not compensate for parts of notes, except in case of adequate guarantee which is considered necessary to avoid losses on the part of the Bank.
3. In case of suspicion in regard of criminality, or upon request of the person concerned, the Bank is entitled to ask for a receipt and for a signature on the money or package of money to the person who delivers the money for exchange or for payment into an account with the Bank. The provisions mentioned in articles 229 i, 229 j, and 229 k of the Commercial Code are not applicable to paper money issued by the Bank.

Article 28

1. The Bank may call in money that it has issued and may notify the holders to deliver such money for exchange.
2. The Bank determines the period for the exchange mentioned in paragraph (1),
3. The period of calling in as well as the notification will be published not less than once in the State Gazette.
4. After the period mentioned in paragraph (2), the money mentioned in the notification may only be exchanged at the Bank's head office, after it has been evidenced following investigation that the request for exchange has been properly handled.

5. Ten years after the end of the period referred to in paragraph (2), the value of the money mentioned in the notification that has not been delivered will be added to the profit of the current financial year. Money, delivered after the transfer and having been investigated as referred to in paragraph (4) will be exchanged at the expense of the profit and loss account.
6. The right to claim compensation for the money as mentioned in the notification expires thirty years as from the end of the period referred to in paragraph (2).

Banking and Credit Affairs

Article 29

1. The Bank shall promote a sound development of credit and banking affairs.
2. The Bank shall supervise credit affairs.

Article 30

The Bank gives guidance to banks by means of :

- a. expanding, expediting and regulating transfer payments and effecting the settlement of bank accounts through clearing operations;
- b. stipulating general provisions on the solvability and liquidity of banks;
- c. directives for sound banking management.

Article 31

The Bank demands such reports as it considers necessary, and examines any banking activities in order to supervise the implementation of the provisions issued in the field of banking as indicated in article 29 and article 30.

Article 32

1. In executing the principal duties as provided for in article 7, the Bank :
 - a. compiles a credit budget for a certain period which will be submitted to the Government through the Monetary Council;
 - b. determines the level of the interest rate and the interest rate structure;
 - c. determines the qualitative and quantitative limits with regard to credits granted by banks.
2. The Bank may grant liquidity credits to banks :
 - a. through rediscounting facilities;
 - b. upon collateral of securities;
 - c. through acceptances upon conditions determined by the Bank.
3. The Bank may grant liquidity credits to banks in order to overcome difficulties with respect to liquidity in emergency situations.
4. The volume of credit to be granted by the Bank is limited by the credit budget of the relevant year.
5. The Bank is not permitted to participate in the capital of enterprises except in financial institutions; the said participation may only be financed from the reserves.

Article 33

1. The Bank may stipulate provisions with respect to the use of resources by financial institutions, with the exception of insurance companies.
2. The institutions mentioned in paragraph (1) shall follow the instructions, and provisions determined by the Bank.

Financial Relations with the Government

Article 34

1. The Bank shall act as the cashier of the Government.
2. The Bank shall effect money transfers for the Government between its offices in the territory of the Republic of Indonesia.
3. The Bank shall assist the Government in the subscription of Treasury notes, administration as well as payment of coupons and redemption.
4. The Bank will not charge any costs for executing the provisions of this article.

Article 35

1. The Bank will grant credit on current account to the Government in order to support the Treasury when necessary as determined in the State Budget.
2. The aforesaid credit will be granted upon sufficient collateral of Treasury notes, the issue and pledging of which is permitted by or based upon an Act.
3. The Government pays an annual interest rate of 3 per cent for the use of the aforementioned credit, and the said rate may be modified by the Monetary Council in accordance with the developments of the situation.
4. The interest proceeds meant in paragraph (3), after deduction of the relevant Bank charges, will be separated and settled pursuant to the provisions in paragraph (5).
5. Not later than 3 (three) months after the end of the fiscal year concerned, the Government shall report to Parliament in regard of the total amount of credit based upon paragraph (1) and on the interest proceeds separated pursuant to

paragraph (4) above, accompanied by proposals for its settlement. Parliament further decides on the method of settlement.

Article 36

1. The Bank shall assist in the subscription of Government promissory notes for the financing of the State Budget, the issue of which is regulated by or based upon an Act.
2. The Bank itself may purchase the Government promissory notes referred to in paragraph (1).

Public Subscriptions

Article 37

The Bank will promote public subscriptions for the financing of productive and planned development activities.

International Relations

Article 38

In the framework of its principal duties mentioned in article 7, the Bank compiles a foreign exchange budget that reflects the maintenance of the national economy and expedites development activities for submission to the Government through the Monetary Council, whereby the position with regard to international liquidity and solvability is taken into account.

In order to safeguard and to maintain the position with respect to international liquidity and solvability referred to in paragraph (1) above :

- a. The Bank manages, administers and records the country's gold and foreign exchange reserves.
- b. The Government stipulates the payment conditions with respect to the credit agreements which involve payment commitments chargeable to the country's gold and foreign exchange reserves whereby the considerations of the Bank Indonesia are taken into account, although the said commitments are within the limits determined in the foreign exchange budget.
- c. The Bank records foreign claims and commitments, cash commitments as well as long term commitments.
- d. The Bank shall attempt to maintain a certain minimum of the country's gold and foreign exchange reserves towards international commitments, in a ratio to be determined by an Act.

Article 39

- 1. Whenever the balance of payments development tend to reduce the country's gold and foreign exchange reserves below the minimum level determined in article 38 paragraph (2) d, the Bank shall report the said development to the Monetary Council and take precautionary measures which it considers necessary to restore equilibrium in the balance of payments.
- 2. Not later than 1 (one) month, The Government should have determined further measures to overcome the aforesaid situation.

Article 40

The Bank may execute operations that involve payments in foreign exchange

Chapter XI

OPERATIONS OF THE BANK

Article 41

In its capacity of Central Bank:

1. The Bank transfers money, both by cable and by mail, as well as through the issue of sight drafts between its offices; drawings to the debit of balances with correspondent banks are effected either by cable or by sight draft.
2. The Bank accepts and pays out money on current account, executes orders for money transfers, effects payments for claims of securities and settles claims with or between third parties.
3. The Bank discounts :
 - a. drafts and payable orders for which two or more persons are jointly liable, and with a validity not exceeding the period customary in trade;
 - b. drafts and other commercial paper with a validity not exceeding the period customary in trade, both drawn upon collateral of credit agreement and upon collateral of a consignment note;
 - c. Treasury notes and bills;
 - d. promissory notes with a validity of six months for the payment of which two persons are jointly liable;
 - e. pay-warrants and/or payable orders issued by the Treasury in respect of the proceeds of sales by auction.
4. The Bank negotiates :
 - a. drafts accepted by a bank operating in Indonesia, with a validity not exceeding the period customary in trade;

- b. Treasury notes and bills;
 - c. promissory notes for account of the Government or other debt certificates registered at an official stock exchange, of which the interest and redemption are guaranteed by the Government.
- 5. The Bank negotiates cheques, drafts, other commercial paper and payments by mail and by cable with a validity not exceeding the period customary in trade and upon collateral normally applicable to such case.
 - 6. The Bank provides Bank guarantees upon sufficient collateral.
 - 7. The Bank lets vaults for storage of valuables.

Article 42

When realizing immovable property or agricultural produce, goods, securities or other collateral committed to the Bank, the Bank may buy the immovable property or agricultural produce, goods, securities or other collateral, either wholly or partly, to settle its claims.

Chapter XII

REGULATIONS ON PENSIONS AND OLD AGE ALLOWANCES FOR THE BANKS EMPLOYEES

Article 43

- 1. The Bank creates a fund for pensions and old age allowances for the Banks employees, which fund is considered as a separate property.

2. The Bank will attempt to achieve a balance in this fund which is equal to the obligation to be fulfilled towards its employees and will also attempt to prevent a reduction in the nominal value of the aforesaid balance.
3. The Bank will contribute to the fund mentioned in paragraph (1).
4. The fund for pensions and old, age allowances for the Bank's employees mentioned in paragraph (1) .and the Bank's contributions to the fund referred to in paragraph (3) shall not be compensated with the funds mentioned in article 47 paragraph (6) c and d.
5. Further regulations with respect to the fund mentioned in paragraph (1) as well as the contribution referred to in paragraph (3) will be determined by the Board of Directors.

Chapter XIII

BUDGET, BALANCE SHEET AND REPORT

Article 44

1. Before the beginning of a financial year, the Board of Directors shall submit the Annual Budget of the Bank to the Government for approval.
2. The Government will have approved the Annual Budget of the Bank not later than two months after receipt of the Annual Budget of the Bank referred to in paragraph (1). If, within the period as determined, the Government has not yet objected against the Annual Budget of the Bank, the said budget may be fully implemented by the Board of Directors.
3. Any amendments to the Annual Budget of the Bank, made during the financial year concerned, have to be approved by the Government before implementation.

Article 45

Weekly the Bank compiles a condensed balance sheet that shall be published once every 7 (seven) days and be inserted in the State Gazette.

Article 46

At the end of every financial year the Bank compiles an Annual Report that gives an extensive view of monetary and economic developments.

Chapter XIV

ANNUAL STATEMENT OF ACCOUNTS

Article 17

1. The financial year of the Bank coincides with the fiscal year.
2. Not later than 6 (six) months after the financial year, the Board of Directors shall submit to the Government for authentication the annual statement of accounts which primarily consists of a balance sheet and a profit and loss account.
3. If within 3 (three) months after receipt of the annual statement of accounts the Government does not object, then this implies that the annual statement of accounts has been authenticated by the Government.
4. The Audit Council examines the said annual statement of accounts.
5. Such authenticated balance sheet and profit and loss ,account fully discharges the Board of Directors.

6. After authentication and deduction of tax, the profit of the Bank shall be allocated as follows :
 - a. twenty five per cent to the General Reserves, until these reserves have reached an amount equal to the capital of the Bank;
 - b. twenty five per cent to Special Reserves;
 - c. seven and a half per cent to the welfare fund for the Bank's employees, the use of which is subject to directives of the Government;
 - d. seven and a half per cent as a bonus to the Bank's employees, limited to 3 (three) times the amount of the monthly salary;
 - e. the use of the balance of the profit will be determined by the Government.

Chapter XV

SPECIAL PROVISION

Article 48

The Bank may oblige banks, institutions and/or economic units to submit information and data needed by the Bank in the execution of its duties and operations.

Chapter XVI

PENAL PROVISIONS

Article 49

1. The Governor, Directors and other employees of the Bank, the Government Commissioner as well as the secretarial staff of the Monetary Council and the secretarial staff of the Government Commissioner shall not give information

acquired by virtue of their profession, except when required for the execution of their duties or for the fulfillment of their obligations pursuant to this Act.

2. The Governor, Directors and other employees of the Bank, the Government Commissioner, as well as the secretarial staff of the Monetary Council and the secretarial staff of the Government Commissioner who, except as provided in paragraph (1), give information acquired by virtue of their profession, will be liable to imprisonment for a term not exceeding 1 (one) year and/or a fine not exceeding Rp. 10,000.- (ten thousand Rupiahs).
3. Contravention of the penal provisions mentioned in paragraph (2) of this article shall be considered criminal.

Article 50

If the banks, institutions or economic entities do not fulfill their obligations mentioned in article 48 of this Act, they will be liable to a fine not exceeding Rp. 10,000.— (ten thousand Rupiahs)

Chapter XVII

TRANSITORY PROVISIONS

Article 51

1. Any rights and obligations as well as property and acquisitions of the Bank Negara Indonesia Unit I as mentioned in Decree of the President No. 17 of 1965, shall become the rights and obligations as well as property and acquisitions of the Bank.
2. Any rights and obligations as well as property and acquisitions of the Bank Negara Indonesia Unit II, III, IV and V as mentioned in Decree of the Presi-

dent No. 17 of 1965, shall become the rights, obligations as well as property and acquisitions of the state banks to be established by separate Acts.

3. When this Act becomes effective, the Governor, Directors, as well as other employees of the Bank Negara Indonesia Unit I continue to execute their duties until further notice.

Article 52

In order to maintain continuity in the management of the Bank, in case of the first appointment of Directors a deviation from the provision on terms of office as mentioned in article 15 paragraph (3) a is permitted.

Article 53

The first financial year of the Bank shall begin on the date to be determined by the Minister of Finance and shall end on March 31, 1969

Article 54

1. When this Act becomes effective, bank notes issued by the Bank Indonesia as well as currency notes and coins, issued before the effective date of this Act, remain legal tender
2. With the issue of this Act, the 1951 Coinage Act including supplements and amendments, is declared void.
3. The executive regulations of the 1953 Act concerning the Principal Regulations on the Bank Indonesia and Decree of the President No. 17 of 1965, as far as they are not in contradiction with the provision in this Act, are still in effect.

Chapter XVIII

CONCLUDING PROVISIONS

Article 55

Matters, not yet adequately regulated in this Act, shall be provided for in Government Regulations.

Article 56

This Act may be called the “1968 Act concerning the Bank Indonesia”.

The effective date of the coming into operation of this Act shall be determined by the Minister of Finance.

For general information this Act will be promulgated by insertion in the Official Gazette of the Republic of Indonesia.