

# **BANK INDONESIA**

**REPORT FOR THE FINANCIAL YEAR  
1969/1970**

**R E P O R T  
O F  
BANK INDONESIA\*)**

FOR THE FINANCIAL YEAR 1969/1970

\*) *Bank Negara Indonesia Unit I becomes Bank Indonesia by Law Nr. 13 of 1968 on Central Banking*

# BANK INDONESIA

*Head Office:*

DJAKARTA

*Representative Offices:*

KUALALUMPUR

LONDON

NEW YORK

SINGAPORE

TOKYO

*Branch Offices:*

AMBON, AMPENAN, BANDA  
ATJEH, BANDJARMASIN, BANDUNG,  
DENPASAR, DJAMBI, DJEMBER, DJAJA  
PURA, JOGJAKARTA, KEDIRI, KENDARI, KU  
PANG, MAKASSAR, MALANG, MEDAN, MENADO,  
PADANG, PAKANBARU, PALEMBANG, PONTIANAK, SAMA-  
RINDA, SEMARANG, SOLO, SURABAJA, TELUKBETUNG, TJIREBON.

Position as per end of March 1970

## **PREFACE**

The report for the financial year of 1969/1970 covers the calendar year of 1969 and the first quarter of 1970. The decision to have a longer period under report was made in order to adjust the financial year of Bank Indonesia to the revised fiscal year of the Government which starts on April 1 and ends on March 31 of the following year, beginning with the 1969/1970 Budget of Revenue and Expenditure

As indicated in the report for the financial year of 1968, the Government policy on economic stabilization represented by the measures taken in October of 1966, had tangible results in 1967 and 1968. It can hardly be denied that the aforementioned results had furnished the grounds for continued efforts in the field of economic stabilization, and that they were also a firm foundation for the implementation of the First Five Year Development Plan for the period of 1969/1970 -1973/1974.

The declining rate of inflation in the year under report also contributed to the creation of a favorable climate for the implementation of development in the initial year. In 1968, the rate of inflation was still around 85 %, it was only about 10% in 1969 and subsequently declined to approximately 7 % during the first quarter of 1970. In fact, the inflation rate in the said 3 months was high; this was reflected by the increase in the cost of living index for 62 kinds of goods and services which was primarily affected by the price increase of petroleum pursuant to a Government decision issued in January 1970. The price of kerosene increased by 150 % and affected the cost of living index by 6.8%

Money supply amounted to Rp 180 billion at the end of 1969 and Rp 211 billion at the end of March 1970 as against Rp 114 billion at the end of 1968. This indicates that in 1969, money supply increased by as much as 58% over 1968. During the first quarter of 1970, the amount increased by Rp 31 billion or 17%, primarily on account of an increase in total bank credits from Rp 127 billion in 1968 to Rp 244 billion in 1969 and to Rp 261 billion at the end of the first quarter of 1970. Out of the total credit volume, Bank Indonesia credits amounted to Rp 167 billion at the end of 1969 and to Rp 168 billion at the end of the first quarter of 1970. The Bank Indonesia credits were primarily granted for production and supply of foodstuffs.

The credits of the other state banks and the private banks in 1969 revealed a meaningful increase of Rp 48 billion. At the end of the first quarter of 1970, the volume of credits granted by the state banks and private banks combined was Rp 189 billion. This included liquidity credits from Bank Indonesia to an amount of Rp 96 billion, so that the credits financed out of the banks' own funds was Rp 93 billion at the end of the year under report.

As an incentive to development, since April 1969 credits were granted for a period of 3-5 years; they were subsequently known as investment credits. At the end of March 1970, the volume of investment credits approved by the banks amounted to Rp 32 billion. Of the aforementioned amount, 54 % was financed by the Central Bank, 35% by the Budget of Revenue and Expenditure and 11% was financed by the banks themselves. Investment credits outstanding amounted to Rp 17 billion.

It should also be mentioned that in order to stimulate production and expedite development activities, the terms of credit were gradually relaxed in 1969. In this context, during 1969, a number of downward adjustments were made with respect to the interest rates on credits granted by the state banks to various economic sectors. In January 1970, the interest rates were lowered once again, while the structure of interest rates on credits was simplified through a reduction of the number of interest rate categories; consequently, during the period under report, the monthly interest rates on credits were reduced from 3 - 7% to 1/2 - 5%.

The monthly interest rate on time deposits of 1 year and over was also adjusted downwards from 6% to 2 1/2 %, the implementation of which was effected in 4 stages. The last adjustment was made on January 1, 1970, when the interest rate on time deposits of 1 year and over became 2% per month.

Notwithstanding the downward adjustments of the interest rates on time deposits, the volume of time deposits—from the point of view of mobilization of funds by banks—had grown markedly. At the end of December 1968, the volume of time deposits amounted to Rp 5 billion, and at the end of December 1969 and the first quarter of 1970 its position was recorded at Rp 34 billion and Rp 35 billion, respectively.

A number of important measures were introduced to improve the operating efficiency of the banks and to raise the confidence of the general public in the banking

system, i.e. through improvement of the banks' infrastructure and the granting of liquidity credits to banks as well as of technical assistance by the Central Bank.

The implementation of the 1969/1970 Budget of Revenue and Expenditure was successful. Actual domestic receipts during the 1969/1970 fiscal year exceeded routine expenditures, thus resulting in public savings for development financing. Domestic receipts during the year under report amounted to Rp 244 billion against total expenditures of Rp 217 billion, and therefore resulted in public savings of Rp 27 billion.

These public savings and the counter-value of foreign aid were utilized to finance development expenditures of Rp 118 billion. It may therefore be concluded that in the year under report, domestic resources could meet approximately 23% of the need for development financing.

The activities in the foreign trade sector exceeded those in 1968. The value of exports (fob) excluding petroleum in 1969 amounted to US\$ 629 million as against US\$ 569 million in 1968. The value of imports rose also from US\$ 751 million in 1968 to US\$ 906 million in 1969.

Imports of consumer goods declined, but an increase was observed in imports of raw materials and capital goods. Hence, the composition of imports began to show a shift in the desired direction in order to enable an increase in domestic production. The balance of goods revealed a surplus of US\$ 2 million, whereas the balance of services amounted to US\$ 363 million, indicating a deficit of US\$ 361 million on goods and services account. The said deficit was financed by grants amounting to US\$ 47 million and net receipts of foreign credits in the public and private sectors of US\$ 259 million. Allowing for net errors and omissions of + US\$ 35 million, there was a decrease in foreign exchange reserves of US\$ 20 million.

Foreign aid in 1969, committed by 12 creditor countries amounted to US\$ 542 million; US\$ 316 million out of this amount was utilized and therefore exceeded the foreign aid utilization in 1968.

Regarding domestic capital investment may be mentioned, that through March 1970, 379 applications were submitted with an investment value of Rp 145 million. Only 225 applications with a total investment value of Rp 65 million were approved.

With respect to foreign capital investment, 209 applications were approved with an investment value of US\$ 1.1 billion.

The following may be reported on the production sector. Paddy output increased by 1 million tons over 1968. In other words, rice production in 1969 reached 10,642 tons which was 122 tons beyond the Live Year Development Plan target of 10,520 tons. The increase in output was mainly attributable to the implementation of the Government programs on the intensification of paddy cultivation and the extensification of the area under cultivation due to the rehabilitation of irrigation works.

The Government policy in regard to the stabilization of rice prices was designed to maintain the prices at a level which was reasonable for farmers as well as for consumers.

The production of rubber in 1969, i.e. estate as well as smallholder's rubber, increased by 10% and 6.4% respectively.

In conclusion may be mentioned that in the year under report, more progress was achieved in various economic sectors than had been made in the preceding year. The economic policy of the Government was more directed and was kept in tune with development efforts. Monetary discipline and a better implementation of the Budget of Revenue and Expenditure increased the confidence in the Government's efforts to improve the standard of living of the people through development activities. The output of the various economic sectors increased quite impressively, the foreign trade sector had progressed meaningfully, the efforts to attract funds from the general public had scored fairly impressive results; all this together created a favorable climate and were a prerequisite for achieving the targets in the Five Year Development Plan.

Nevertheless, intensified efforts accompanied by firm discipline are still required to continue the aspirations for a better economic life, now and in the future.

The Governor, Bank Indonesia

RADIUS PRAWIRO.

## I. MONEY SUPPLY

### *Introduction*

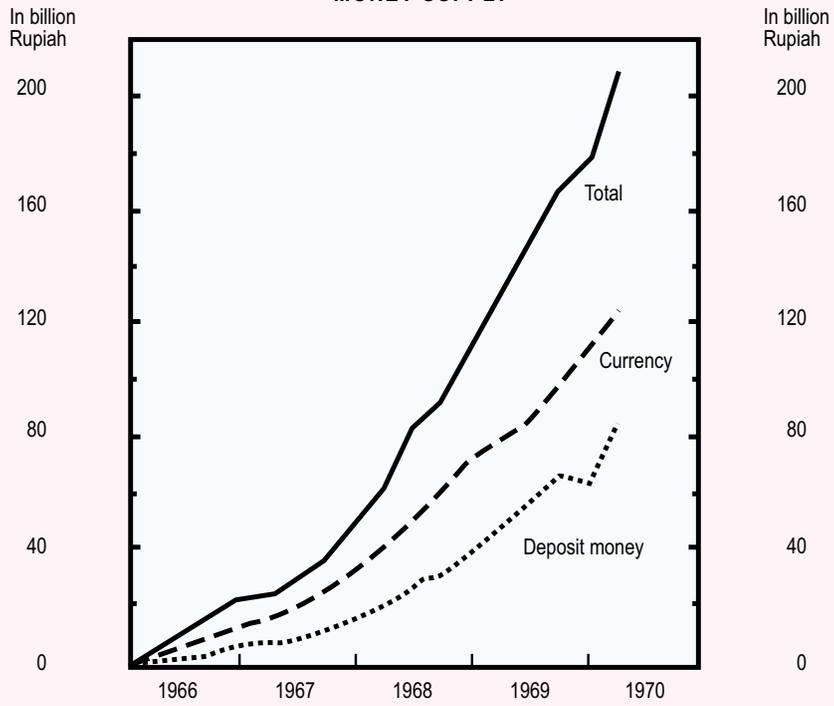
As reported in Table 1, money supply increased from Rp 113.9 billion at the end of 1968 to Rp 180.0 billion at the end of 1969 and to Rp 210.7 billion at the end of March 1970. Although the absolute increase was higher than in 1968, the percentage increase dropped from 121% in 1968 to 58% in 1969. The lower rate of increase in money supply started in 1967, i.e. following the implementation of the economic stabilization and rehabilitation program by the Government.

On account of the progress achieved by the economic stabilization and rehabilitation program which increased the public's confidence in money, money supply in real terms increased at a higher rate in 1969. On the basis of September 1966 prices, money supply in real terms increased by 44%, i.e. from Rp 21.8 billion at the end of 1968 to Rp 31.3 billion at the end of 1969, whereas in 1968, money supply in real terms increased by 20% only.

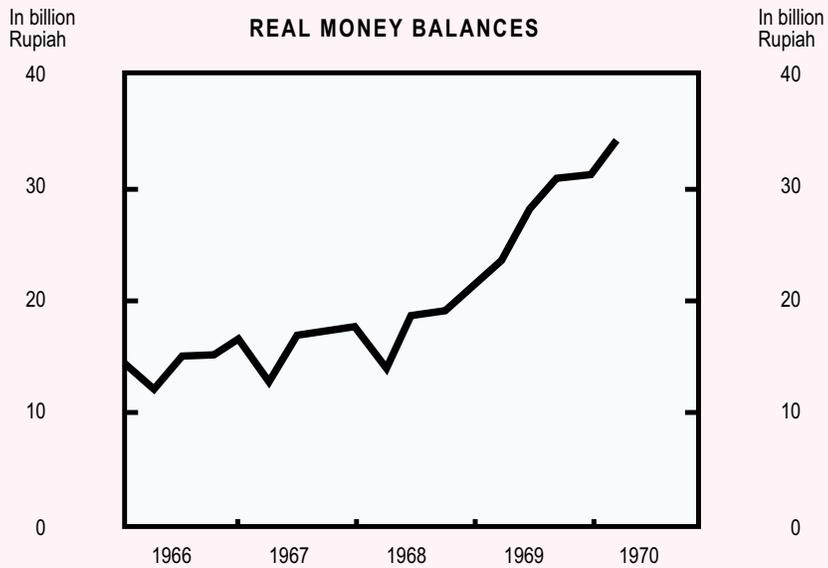
**TABLE 1 — MONEY SUPPLY**  
( in million Rupiahs )

End of	Total	Movement	Percentage change	Currency	% of total	Deposit mney	% of total
1965	2,572	+ 1,847	255	1,811	70	761	30
1966	22,208	+ 19,636	763	14,360	65	7,848	35
1967	51,471	+ 29,263	132	34,098	66	17,373	34
1968 : March	62,832	+ 11,361	22	41,172	66	21,660	34
June	85,884	+ 23,052	36	56,923	66	28,961	34
September	94,824	+ 8,940	10	62,169	66	32,655	34
December	113,894	+ 19,070	20	74,684	66	39,210	34
Total 1968		+ 62,423	121				
1969 : March	130,850	+ 16,956	15	80,863	62	49,987	38
June	146,402	+ 15,552	12	88,550	60	57,852	40
September	169,549	+ 23,147	16	101,921	60	67,628	40
December	179,973	+ 10,424	6	114,245	63	65,728	37
Total 1969		+ 66,079	58				
1970 : March	210,739	+ 30,766	17	126,295	60	84,444	40

### MONEY SUPPLY



### REAL MONEY BALANCES



With respect to the components of money supply, there was also an increase in the share of deposit money, i.e. from an average of 34% in 1968 to an average of 39% in 1969. This increase in the share of deposit money was i.e. attributable to the recovery of the public's confidence in the banking system in Indonesia as well as to the growing activities of foreign banks in Djakarta which started to operate since the middle of 1968.

### *Factors affecting money supply*

The causes of the increase in money supply are reported in Table 2. Since the successful implementation of the balanced budget policy, i.e. since 1968, the role of the Government with respect to the increase in money supply became less significant. In 1969, the claims on Government even accounted for a contractionary effect of Rp 10.7 billion. However, adjusted to the new fiscal year which differs from the calendar year, the transitory budget for the first quarter of 1969 reveals an expansionary effect of Rp. 7.6 billion attributable to the Government on account of a cash deficit. In the 1969/1970 fiscal year there was a contractionary effect of Rp 4.1 billion which was i.e. attributable to the collection of outstanding claims during the said year.

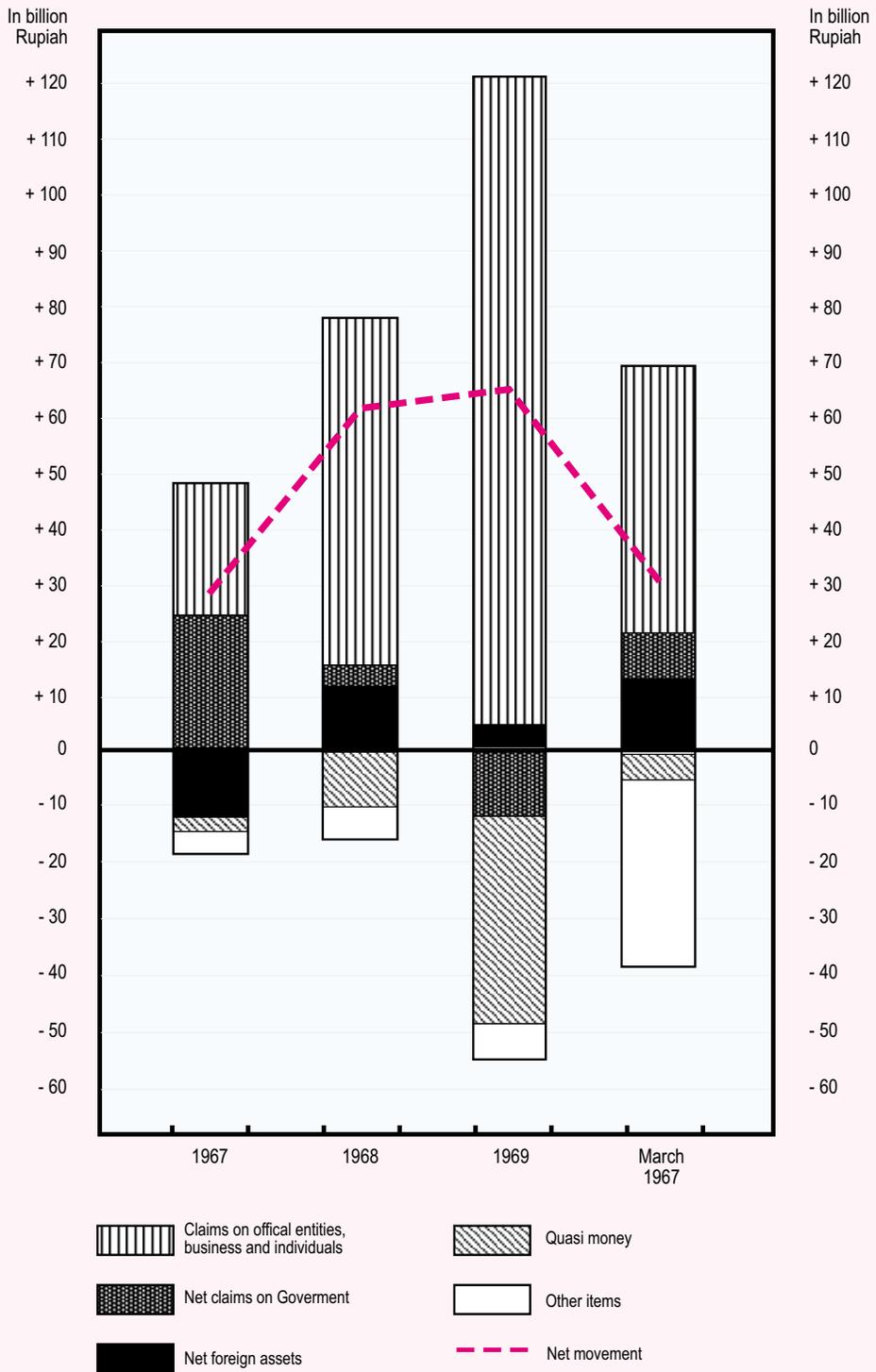
The progress achieved in the implementation of the balanced budget policy made the role of credit with respect to the increase in money supply even more important. In 1969, almost the whole increase in money supply originated from bank credits. The expansionary effect of credits in 1969 was almost twice as in 1968. The foregoing, however, did not include credits for the purchase of aid- BEs, since such credits were re-deposited with Bank Indonesia as aid-BE counter-value and thus constituted Government revenue. Hence, the increase in the amount of bank credits exceeded its expansionary effect.

In the first half of 1969, the foreign sector showed an improvement in regard to the net foreign exchange position of Bank Indonesia; in the next half, however, on the eve of "Lebaran" and near the end of the year there was a decline in the net foreign exchange position. In 1969, the net foreign exchange position of Bank Indonesia and of the foreign exchange banks together accounted for an expansionary effect of Rp 3.9 billion. In the same year, IMF drawings under the Standby Arrangement increased by Rp 16.7 billion which, however, did not affect money supply, since the aforesaid transaction

TABLE 2 — FACTORS AFFECTING MONEY SUPPLY  
( in million Rupiahs )

	1969					1970		
	1967	1968	1969	March	June	September	December	March
<i>Net foreign exchange position</i>								
Bank Indonesia	— 12,389	12,491	3,920	33,745	10,350	— 11,023	— 29,152	14,314
Other Banks	— 12,387	12,173	— 1,517	31,310	9,760	— 12,554	— 30,033	10,996
	— 2	318	5,437	2,435	590	1,531	881	3,318
<i>Government;</i>								
Bank Indonesia claim on Government	23,923	2,881	— 10,669	955	7,453	— 16,372	12,201	7,574
Government claim on other Banks	27,863	6,765	— 3,695	3,436	8,872	— 10,692	12,433	11,278
	— 3,940	— 3,884	— 6,974	— 2,481	1,419	— 5,680	— 232	— 3,704
<i>Claim on official entities, business and individuals</i>								
Bank Indonesia	24,650	62,622	117,818	15,662	28,351	42,062	31,743	47,696
Counterpart funds	10,672	55,057	29,346	— 15,105	9,707	14,839	19,905	— 24,656
Other Banks	—	— 32,760	— 11,296	3,676	3,022	— 4,959	— 6,991	20,819
	13,978	40,325	99,766	27,091	21,666	32,182	18,829	51,533
<i>Quasi money and saving</i>								
	— 1,914	— 9,778	— 37,761	— 15,600	— 10,635	— 7,577	— 3,949	— 5,321
<i>Other items</i>								
	— 5,007	— 5,793	— 7,229	— 17,806	— 5,061	16,057	— 419	— 33,497
<i>Money supply</i>								
— Currency	29,263	62,423	66,079	16,956	15,552	23,147	10,424	30,766
— Demand deposits	19,738	40,586	39,561	6,179	7,687	13,371	12,324	12,050
	9,525	21,837	26,518	10,777	7,865	9,776	— 1,900	18,716

### FACTOR EFFECTING MONEY SUPPLY



increased foreign assets and increased foreign liabilities as well. In the first quarter of 1970, the net foreign exchange position of Bank Indonesia increased by Rp 8.9 billion, which partly originated from SDR (Special Drawing Rights) allocations. In essence, receipts of foreign exchange on account of SDR allocations do not affect money supply, since the expansionary effect ostensibly created by the net foreign exchange position is offset by the contractionary effect of the item "Other" causes

"Other" causes mainly include capital, reserves, profit and loss account, and transitory accounts. In the first quarter of 1970, "other" causes were responsible for a rather substantial contractionary effect which was i.e. attributable to the above mentioned booking procedure of SDR allocations. In contrast to IMF drawings, receipts of SDR allocations neither increase short term foreign debt nor foreign liabilities.

The program to increase time deposits with state banks implemented since October 1968 had fruitful results in 1969. Time deposits with banks increased by Rp 37.8 billion in 1969, and had therefore a contractionary effect. The aforesaid increase in time deposits reduced the increase in the money supply originating from bank credits.

Time deposits with banks together with money supply constitute liquid assets held by the public. In 1969, liquid assets held by the public increased by 82%, viz. from Rp 125.9 billion at the end of 1968 to Rp 229.8 billion at the end of 1969.

## II. GOVERNMENT FINANCE

### *General*

The implementation of the economic stabilization and rehabilitation program in 1967 and 1968 bore distinct results, particularly after the first half of 1968, and therefore created a more favorable climate for development efforts. With the results thus achieved, as from the 1969/ 1970 fiscal year the first Five Year Development Plan was introduced.

In contrast to the preceding years when the fiscal year coincided with the calendar year, i.e. from January 1 through December 31, a new fiscal year was introduced in 1969, i.e. from April 1 through March 31 of the following year. The change was made in order to adjust the Budget of Revenue and Expenditure to the general pattern of economic activity. Consequently, a Transitory Budget of Revenue and Expenditure was determined for the first quarter of 1969, i.e. from January 1 through March 31. This Transitory Budget continued the policies which had been implemented in 1968, and functioned as a preparation towards the implementation of the Five Year Development Plan.

The 1969/1970 Budget of Revenue and Expenditure for the period of April 1, 1969 through March 31, 1970 was the first Budget in the context of the implementation of the Five Year Development Plan. The fundamental policy incorporated in this Budget was to construct a firm basis for the initial stage of the development efforts, and to consolidate as well as to perfect the results achieved by the economic stabilization and rehabilitation program. As from 1969/1970, the Budget of Revenue and Expenditure was also the annual operational plan of the Five Year Development Plan.

An important feature in the 1969/1970 Budget was the presence of public savings, viz. a surplus of domestic revenue over routine expenditures, which were a source of development financing besides foreign grants and aid. The aforesaid savings resulted from the progress achieved through the implementation of the balanced budget policy which was introduced in 1967. In the 1967 Budget, proceeds from foreign aid counter-value were still used to finance routine expenditures; in 1968, total routine expenditures were financed by domestic revenue; in the 1969/1970 Budget, part of do-

mestic revenue was set aside for the financing of development expenditures. Therefore, development financing ceased to depend solely on the counter-value of foreign aid.

Furthermore, a new method for the financing of investments was introduced in the 1969/1970 fiscal year, i.e. through investment credits from state banks to enterprises, for which part of the required funds was derived from the Budget of Revenue and Expenditure.

Tables 3 and 4 present the budget estimates and the actual figures of the Transitory Budget of Revenue and Expenditure for the first quarter of 1969 and for the 1969/1970 Budget, respectively. The Budget for the first quarter of 1969 provided for revenue and expenditure balanced at Rp 54.9 billion. The budget estimates for the first

TABLE 3 — GOVERNMENT RECEIPTS  
( in million Rupiahs )

	1968	1969 ( Jan. — March )		1969/1970	
		Budget estimates	Actual receipts	Revised budget estimates	Actual receipts
<i>Routine receipts</i>	149,746	45,381	45,924	243,228	243,704
<i>Direct taxes</i>	51,034	16,400	19,830	90,372	91,468
Income tax	9,432	3,300	2,679	11,538	12,060
Corporation tax	9,497	2,600	3,146	15,509	15,640
Oil company tax	25,504	7,700	10,883	48,324	48,332
Withholding tax	6,369	2,500	3,088	14,769	15,268
Other direct taxes	232	300	34	232	168
<i>Indirect taxes</i>	93,963	28,700	25,806	149,202	149,069
Sales tax	9,172	2,400	3,286	16,007	15,099
Sales tax on imports	6,035	3,000	2,320	15,602	15,865
Excise	16,566	6,000	6,641	30,339	32,090
Import duties	37,300	9,400	9,341	59,478	59,671
Export tax	13,923	4,000	1,953	6,985	7,447
Net petroleum profit	7,743	3,000	1,460	17,399	17,460
Other indirect taxes	3,224	900	806	3,392	3,437
<i>Non-tax receipts</i>	4,749	281	288	3,654	3,167
<i>Development receipts</i>	35,537	9,500	12,862	91,230	91,058
Program aid	35,537	9,500	12,862	65,933	65,761
Project aid	—	—	—	25,297	25,297
Total	185,283	54,881	58,786	334,458	334,762

Source : Department of Finance.

quarter of 1969 exceeded the actual quarterly budget averages of 1968 by 15%. The actual figures were 7% higher than the budget estimates which was mainly attributable to higher than anticipated receipts of foreign aid counter value. Even so, total revenue and expenditure during the first quarter of 1969 could remain in balance. Domestic receipts could meet routine expenditures, whereas proceeds from foreign aid were fully utilized for development financing. Moreover, the first quarter of 1969 saw the initial granting of aid to the villages which amounted to Rp 100.000,— per village. The afore-said aid was meant to finance the rehabilitation, expansion or construction of new but simple development projects at village level).

Total budget revenue and expenditure for the period of April 1, 1969 through March 31, 1970, were originally estimated at Rp 327.4 billion, respectively, i.e. 80% higher than the actual figures for 1968. At the end of 1969, a supplementary budget of Rp 7 billion was determined which provided for an increase of Rp 12.5 billion in routine

TABLE 4 — GOVERNMENT EXPENDITURE  
( in million Rupiahs )

	1968	1969 (Jan. — March)		1969/1970	
		Budget estimates	Actual expenditure	Revised budget estimates	Actual expenditure
<i>Routine expenditure</i>	149,746	45,381	45,924	216,544	216,544
Personnel expenditure/pensions	68,926	23,154	22,196	93,110	93,110
Materiel expenditure	38,476	9,674	14,177	61,025	61,025
Subsidies to local governments	25,540	9,153	7,957	44,121	44,121
West Irian	4,578	..	1,714	8,927	8,927
Other local governments	20,962	..	6,243	35,194	35,194
Interest/instalments on debts	9,978	3,400	1,594	14,436	14,436
Domestic	1,911	..	394	1,740	1,740
Foreign	8,067	..	1,200	12,696	12,696
Other routine expenditure	6,826	—	—	3,852	3,852
Subsidies	4,200	—	—	1,520	2,762
Other	2,626	—	—	2,332	1,090
<i>Development expenditure</i>	35,537	9,500	12,719	117,823	118,127
Central government projects	30,259	6,000	9,219	107,641	105,035
Disbursed through banks	5,278	1,500	1,500	7,582	7,582
Subsidy to villages	—	2,000	2,000	2,600	2,600
West Irian	—	—	—	—	2,910
<b>Total</b>	<b>185,283</b>	<b>54,881</b>	<b>58,643</b>	<b>334,367</b>	<b>334,671</b>

Source : Department of Finance.

expenditure and a reduction of Rp 5.5 billion in development expenditure. Consequently, the 1969/1970 Budget of Revenue and Expenditure was revised into Rp 334.4 billion. The increase in routine expenditure was determined after having taken the economic and monetary developments during 1969 into consideration, especially the need of Government agencies for an decrease in materiel expenditure in anticipation of the Five Year Development efforts. The reduction in development expenditure was i.e. attributable to the utilization of project aid which involved more time than had been anticipated.

The 1969/1970 Budget, as amended and supplemented, provided for total routine revenue of Rp 243.2 billion and total routine expenditure of Rp 216.5 billion which therefore resulted in public savings of Rp 26.7 billion for development financing. Total development expenditure amounted to Rp 117.8 billion, of which Rp 91,2 billion was financed by foreign aid counter value.

The implementation of the 1969/1970 Budget of Revenue and Expenditure revealed that overall, actual receipts and expenditure were as planned.

#### *Government receipts*

Actual transitory budget receipts for the first quarter of 1969 amounted to Rp 58.8 billion, of which Rp 45.9 billion were domestic receipts and Rp 12.9 billion were development receipts. Direct tax receipts accounted for 43% of routine receipts, whereas 56% was contributed by indirect tax receipts. Actual routine receipts, as a whole, could meet the budget estimate. However, actual direct tax receipts were higher and actual indirect receipts were lower than estimated. Except receipts from income taxes and "other" direct taxes, actual direct tax receipts exceeded the budget estimate; the largest increase was attributable to oil company tax. The low income tax figure was i.e. ascribed to the new income tax regulation introduced on December 1969, which provided for a higher tax exemption base as well as for lower tax rates.

Actual indirect tax receipts in the first quarter of 1969 were lower than estimated, mainly on account of lower than estimated receipts from sales tax on imports, exports tax and net profits on oil. The changes introduced with respect to the classification of imports and with respect to the export tax rate were responsible for lower than esti-

mated receipts of sales tax on imports and of export tax. A number of commodities which were previously classified as nonessential goods became essential or semi essential goods, and were therefore subject to a lower rate. Besides, the share of the Central Government in export tax receipts from category a goods was reduced from 15% to 5%.

Development receipts in the first quarter of 1969 exclusively originated from the counter-value of foreign grant and aid. Actual development receipts were 30% higher than estimated.

Actual Government receipts in 1969/1970 amounted to Rp 334.8 billion, of which Rp 243.7 billion constituted routine receipts and Rp 91.1 billion were development receipts. Out of the routine receipts, Rp 27.2 billion (slightly higher than originally estimated) could be set aside for development financing.

Total routine receipts in 1969/1970 were 62 % higher than in 1968. Since the general price index increased by only 10% in 1969/1971, Government receipts in real terms increased by 52%. The success of the Government in increasing routine receipts was attributable to intensified tax collection and to the increasingly favorable development of the domestic economy. The Government introduced various efforts, measures and policies to encourage domestic production, such as a reduction of tax rates, excise taxes and import duties. On account of these relaxations, the income of the people could be increased which in turn accounted for the larger amount of Government receipts.

Of the total routine receipts mentioned above, direct tax and indirect tax receipts accounted for 37% and 61 %, respectively. Since the corresponding percentages in 1968 were 34% and 63 %, there was a shift towards a more favorable composition. Receipts from oil company taxes still accounted for the largest share, i e. 53%, of total direct tax receipts. With respect to indirect tax receipts, import duties and excise tax also continued to take up the major share, viz. 39% and 21% respectively, in total indirect tax receipts.

Actual development receipts in 1969/1970, i.e. receipts derived from foreign aid, were almost equal to the revised budget estimates and were 2 1/2 times as high as total development receipts in 1968, mainly on account of higher foreign and receipts in 1969/1970.

### *Government expenditure*

Actual Government expenditure in the first quarter of 1969 slightly exceeded the budget estimate and amounted to Rp 58.6 billion, i.e. Rp 45.2 billion of routine expenditure and Rp 12.7 billion of development expenditure. Almost half of total routine expenditure was spent on salaries and pensions, including rice allowances in kind as well as in cash. Materiel expenditure accounted for 31% of total routine expenditure and was far in excess of the original budget estimate. This was ascribed to the payment of debts incurred in 1968 and the efforts to upgrade the Government apparatus in anticipation of the first year of the Five Year Development Plan. Despite the relatively large increase in materiel expenditure, an equilibrium could be maintained between routine revenue and routine expenditure since actual payments of subsidies to local governments and interest/installments on debts were lower than the budget estimates. Actual development expenditure during the first quarter of 1969 was higher than the budget estimate which was enabled by higher development receipts. In the first quarter of 1969, payments were made for Government projects which could not be completed in 1968, such as infrastructure in the field of transportation, irrigation and electric power. Furthermore, in the first quarter of 1969, the Government provided cash aid to villages in Djawa to a total amount of Rp 2 billion.

Actual Government expenditure in the 1969/1970 fiscal year amounted to Rp 334.7 billion, and included routine expenditure of Rp 216.5 billion and development expenditure of Rp 118.1 billion. Personnel expenditure and pension payments constituted 43% of total routine expenditure which included rice allowances in kind as well as in cash. In 1969/1970, the rice price could be kept stable so that expenditures for rice allowances were lower than had originally been anticipated. This condition enabled the Government to pay 2 months extra salary to civilian personnel and members of the Armed Forces in order to improve their welfare. The 2 months extra salary payments also accounted for an increase in the amount of subsidies to autonomous regions. The item "other expenditures" included expenditure for the preparation of the general elections and for health insurance of civilian personnel to an amount of Rp 1.--- billion and Rp 1.2 billion, respectively.

Total development expenditure during 1969/1970 was 3 times as high as actual development expenditure in 1968, which was obvious since the Government started to

implement the Five Year Development Plan in 1969/1970. Nevertheless, the disbursement of development expenditure in 1969/1970 was somewhat delayed, because of the introduction of a new disbursement procedure with respect to development expenditure. According to this new procedure, financing should be effected on the basis of a "Daftar Isian Projek., (D.I.P. = Project Report- Form) which, as appeared, required some time for adjustment and implementation. In 1969/1970, development expenditure was disbursed in the economic sectors according to the priorities determined in the Five Year Development Plan. In the preceding years, the Government entrusted funds to Bank Pembangunan Indonesia for the financing of development. Starting with the 1969/1970 fiscal year, such funds were also provided to other state banks which were to use them for the granting of investment credits. Actual development expenditure in 1969/1970 also included expenditure for West Irian for the implementation of the outcome of the "Act of Free Choice". The aforesaid financing amounted to Rp 2.9 trillion and was previously not included in the budget. Furthermore, payment of subsidies or financial assistance to the villages in Djawa initiated during the first quarter of 1969, was expanded to other villages all over Indonesia and amounted to Rp 2.6 billion.

#### *Government domestic debts*

In the first quarter of 1969 and in fiscal year 1969/1970, Government domestic debt increased by Rp 5.1 billion and Rp 2.1 billion respectively, as indicated in Table 5. In the first quarter of 1969, the increase in Government domestic debt was still substantial, but in 1969/1970 the increase was far less than in the preceding years. Short

**TABLE 5 — GOVERNMENT DOMESTIC DEBT**  
( in million Rupiahs )

End of	Long-term debt	Short-term debt	Total	Movement
1967	510	33,711	34,221	+ 14,901
1968	492	40,298	40,790	+ 6,569
1969 1st qtr.	476	45,414	45,890	+ 5,100
1969/1970	456	47,510	47,966	+ 2,076

Source : — Bank Indonesia,  
— Department of Finance.

term debt accounted for the major part of Government domestic debt, and comprised Bank Indonesia advances to the Government.

Long term Government debt constituted old debts related to the issue of Government bonds. The amount of long term Government debt continued to decline because of the redemption of bonds which had reached maturity.

TABLE 6 -- LONG - TERM GOVERNMENT DEBT  
( in million Rupiahs )

	1967	1968	1969 1st qtr.	1969/1970
1. 3% 1950 R.I. loan	92	92	92	92
2. Bank Indonesia	3	3	3	—
3. 3 $\frac{1}{8}$ % 1959 Loan against blocked accounts	328	319	311	302
4. 6% 1959 Lottery bonds	69	64	58	54
5. 15% 1964 Confrontation loan	—	—	1	1
6. 6% 1965 Development loan	1	1	1	1
7. 3% former B.I.N. bonds 1969	2	1	—	—
8. 3% former B.I.N. bonds 1970	2	2	1	—
9. 3% former B.I.N. bonds 1971	3	2	2	1
10. 5 $\frac{1}{8}$ % former B.I.N. bonds 1972	5	4	3	2
11. 5 $\frac{1}{8}$ % former B.I.N. bonds 1974	5	4	4	3
<b>Total</b>	<b>510</b>	<b>492</b>	<b>476</b>	<b>456</b>

Source : Department of Finance.

### III. CREDIT

#### Credit policy

Besides safeguarding and consolidation of the monetary stability which had been achieved so far, the credit policy in 1969—the first year of the implementation of the Five Year Development Plan—was primarily designed to promote and facilitate development efforts.

A significant instrument in the implementation of the monetary policy was the credit budget. This budget was geared to the implementation of the Budget of Revenue and expenditure and served as the basis for the credit policy of the Central Bank.

Although the aforesaid credit budget imposed qualitative as well as quantitative restrictions on credit policy, the implementation of the said budget, however, was at all times adjusted to the actual requirements of the economy. Shifts of Bank credits between economic sectors were still possible.

The credit policy implemented by the Central Bank in the years before basically originated from the economic and monetary policy introduced by the Government in October 1966.

Credits to the various economic sectors were still restricted, i.e. through differentiation of interest rates and the prohibition to grant loans to specific economic sectors. The achievement of a relatively stable monetary situation enabled the gradual relaxation of the aforesaid credit restrictions in 1969.

One of the important policies introduced, in 1969 in the context of the relaxation of the tight credit policy, was the adjustment of interest rates on credits granted by state banks; the rates were adjusted three times in 1969 (see Table 7).

The first change was introduced, in May 1969 when the monthly interest rates on credits—formerly determined at 3% - 7%—were reduced to 1%-6%, and subsequently reduced again to 1%-5% in September 1969.

TABLE 7 — LENDING RATES OF STATE BANKS  
( in % per month )

	Effective May 1, 1969	Effective July 10, 1969	Effective Sept. 15, 1969
<p><i>Category I</i></p> <ol style="list-style-type: none"> <li>1. Import and distribution of fertilizer</li> <li>2. Imports under PL 480</li> <li>3. Loans guaranteed by the Director General of the Budget</li> </ol>	1	1	1
<p><i>Category II</i></p> <ol style="list-style-type: none"> <li>1. Production and distribution of 9 essential goods               <ol style="list-style-type: none"> <li>a. foodstuffs (rice, granulated sugar, cooking oil, salt and salted fish)</li> <li>b. kerosene, laundry soap, crude textile, crude batik</li> </ol> </li> <li>2. Agriculture, animal husbandry and fishery</li> <li>3. Textile production (weaving, knitting, spinning, batik)</li> </ol>	2 <sup>1</sup> / <sub>8</sub>	2 <sup>1</sup> / <sub>4</sub>	2 <sup>1</sup> / <sub>4</sub>
<p><i>Category III</i></p> <ol style="list-style-type: none"> <li>1. Production of export commodities</li> <li>2. Export, exclusive of collecting trade</li> <li>3. a. Public transportation (inland, sea and air)</li> <li>   b. Public transportation industry (assembling, production of parts, spare-parts, etc.)</li> <li>4. Production of pharmaceuticals</li> <li>5. Production of paper</li> <li>6. Handicraft industry</li> <li>7. Mining industry</li> <li>8. Production of building material</li> <li>9. Tourism</li> </ol>	3	2 <sup>1</sup> / <sub>8</sub>	2 <sup>1</sup> / <sub>8</sub>
<p><i>Category IV</i></p> <ol style="list-style-type: none"> <li>1. Production and industries other than those included in categories I through III</li> <li>2. Export, inclusive of collecting trade</li> </ol>	4	3	3
<p><i>Category V</i></p> <p>Production and distribution, except of 9 essential goods. Services other than those included in categories I through IV.</p>	above 4 to max. 6	above 4 to max. 6	above 4 to max. 5

The second adjustment made before September 1969 was introduced in July 1969. Although the lower and upper limits of the interest rate remained unchanged, the rates applicable to certain categories of economic activity were reduced, i.e. category II (from 2 1/2% to 2 1/4%), category III (from 3% to 2 1/2 %) and category IV (from 4% to 3%).

Besides the general adjustments of the interest rates mentioned above, in 1969 the rates were also reduced selectively, i.e. the interest rates on credits—both in kind and in cash—in the context of the BIMAS/INMAS programs. Their monthly interest rates, initially determined at 1% and 2% respectively, were reduced to 1%, while as from July 1969, the interest rate on export credits for tobacco was lowered from 2 3/4 % to 2 1/4 per month. Only with respect to export credits for Djawa tobacco, the monthly interest rate was reduced again from 2 1/4 % to 1 1/2 % per month, effective as from the 1969/1970 harvest.

The selective lowering of the interest rate on export credits for Djawa tobacco exports was mainly based upon the consideration that the time interval between production and actual export was much longer than in the case of other export commodities. Besides, its average sales proceeds by auction were far lower than of Sumatra tobacco (Deli tobacco).

Meanwhile, particularly with respect to the production sectors included in category V, the state banks were given more freedom of action to determine in which direction the credits financed out of their own funds should be channeled. Effective as from May 1969, banks were free to utilize not more than 15% of their own funds for lending operations. As from August 1969, this percentage was increased to 25%, and became 35% as from November 1969.

In line with the policy on the relaxation of credit restrictions and in the context of facilitating the use/sale of aid-BEs, imports financed by aid-BEs were eligible for Rupiah credit facilities to a certain percentage of the counter-value. In order to encourage importers, the percentages of the aforesaid Rupiah credits were gradually increased. As from May 1969, the percentages of the Rupiah loans with respect to category A and B commodities imported with aid-BEs from the United States were increased to 80% and 75% of their counter-value, respectively. These percentages were subsequently raised

again to 90% and 85%, respectively, effective as from September 1969. With effect from May 1969, the foregoing provision also applied to aid-BE imports from Australia.

Besides the abovementioned provisions on imports with aid-BEs from the United States, as from May 1969 and with respect to imports financed by aid-BEs from countries other than the United States, the Rupiah credits for the import of category A and B commodities could cover respectively 60% and 50% of the import counter-value. Effective as from October of the same year, these percentages were subsequently raised to 70% and 60%, respectively.

Another relaxation granted to the state banks in the context of the implementation of a less severe credit policy was the provision that they were permitted to grant credits for category A imports financed by export-BEs. As from September 1969, however, the aforesaid provision was revoked, since imports financed by export-BEs tended to increase, and were therefore considered to exercise pressure on the supply of export-BEs at the Foreign Exchange Bourse.

In addition to the relaxation of the credit facilities for imports with export-BEs as mentioned above, since early 1969, foreign exchange banks were permitted to grant credits in foreign currency. However, such credits were restricted to the economic sectors included in categories I and II (which was later changed into categories II and III; see Table 7).

Data on the implementation of the credit policy in 1969 revealed that the volume of Central Bank credits tended to increase which may jeopardize the monetary stability achieved so far.

Therefore, in March 1970 it was considered necessary to fort restrict Central Bank liquidity credits as follows:

- a. The percentage of liquidity credits from Bank Indonesia for categories II and III and for export credits/production of export commodities was reduced from 75% to 60 %.
- b. No liquidity credit would be granted by Bank Indonesia to economic sectors included in category V.

- c. Liquidity credits from Bank Indonesia to state banks would be granted only in connection with loans of not less than Rp 10 million.

Despite the measures to tighten Bank Indonesia liquidity credit since early 1970, the stability achieved in the price sector enable the following, adjustments in the highest categories of interest rates with respect to state bank credits since January 1970, i.e.:

1. The monthly interest rate applicable to category IV was reduced from 3% to 2 1/2 %
2. The monthly interest rate applicable to category V was reduced from over 3%-5% to over 2 1/2%-4%.

In the context of the implementation of the program on guidance and control of banks, as from November 1969, Bank Indonesia started to grant liquidity credits to national private commercial banks. These banks were given the opportunity to obtain liquidity credits for expansion of their activities in all sectors except import. Besides, Regional Development Banks were also eligible for liquidity credits guaranteed by ADO's.

As mentioned earlier, since April 1, 1969, the Government started to implement the Five Year Development Plan. In the context of providing support to the development efforts, the state banks were granting medium/long term investment credits. Besides out of their own funds, a major part of this financing was secured from the Central Bank while another part originated from the Budget of Revenue and Expenditure. The share of the respective funds in the financing of the various types of projects was as follows:

<i>Source of funds</i>	<i>Priority projects</i>		<i>Non-priority projects</i>
	<i>(a)</i>	<i>(b)</i>	
State banks	14%	14%	20%
Central Bank	46%	86%	60%
Budget of Revenue and Expenditure	40%	—	20%

The investment credits were mainly granted for quick yielding projects which were given priority by the Government. Investment credits were provided with a dollar clause, but were granted on soft terms, i.e. a term of repayment of 3 to 5 years and an annual interest rate of 12%. Another condition was that the customer should finance 25% of the total investment outlay out of his own funds.

Although there were no changes in the credit regulations, in the first quarter of 1970 Bank Indonesia started to limit the expansion of liquidity credits. This action was considered necessary, since the credit expansion in the last quarter of 1969 started to affect monetary equilibrium adversely.

### **Volume and allocation of credits**

In 1969, the volume of credits granted by banks - i.e. Bank Indonesia, other state banks, private banks and regional development banks - increased by Rp 124.3 billion or 102%; their total volume therefore reached the amount of Rp 244.3 billion at the end of 1969 (see Table 8). The largest increase in credits, i.e. + 2/3 of the total increase during 1969, occurred in the second half of 1969. In the first quarter of 1970, the volume of bank credits continued to increase, although at a lower rate.

In order to expand their credit operations, the banks apparently still had to depend on Bank Indonesia for liquidity credits. Almost 60% of the abovementioned increase in bank credits - i.e. direct credits and liquidity credits - was for account of Bank Indonesia. However, compared with 1968, when 80% of the increase was for account of Bank Indonesia, this was some progress.

As from the middle of 1968, Bank Indonesia started to terminate its commercial operations. Therefore, the direct credits it had granted so far were gradually transferred to other banks. In 1969, credits granted to PN PERTANI for the procurement of fertilizer as well as credits to West Irian for the supply of goods, both of which were originally granted as direct credits by Bank Indonesia, were subsequently transferred as liquidity credits to Bank Rakjat Indonesia and Bank Ekspor Impor Indonesia, respectively. Bank Indonesia, however, continued to grant direct credits to particular sectors which, for the time being, could not be provided by or through other state banks. The major part of those credits were made up of loans granted to BULOG for the procure-

TABLE 8 — BANK CREDITS  
( in million Rupiahs )

	1968	1969				1970
		I	II	III	IV	I
<i>I. Bank Indonesia</i>	91,996	92,073	106,171	133,075	166,928	167,602
1. Direct credits	61,847	44,820	53,710	70,944	87,384	71,838
Food procurement	37,224	32,114	41,195	58,172	72,386	59,500
Fertilizer	14,592	1,141	—	—	—	—
PL—480 (Wheat)	3,125	3,166	2,520	2,119	2,149	2,182
BIMAS Gotong Rojong	—	—	—	—	1,206	2,108
Sugar imports	—	—	—	—	1,001	941
West Irian	1,018	2,157	3,103	3,309	4,028	—
Medium term loans	—	260	555	1,107	1,263	1,256
Other	5,798	5,982	6,427	6,237	5,351	5,851
2. Credits to banks	30,149	47,253	52,461	62,131	79,544	95,764
Production & distribution of sugar	6,530	7,323	7,267	9,519	9,100	9,570
Agricultural estates	1,693	3,606	3,650	3,865	3,556	3,343
Agriculture (fertilizer, rice, other)	3,010	16,283	19,026	21,688	26,320	24,254
PL—480 (wheat)	—	—	1,910	2,171	1,861	5,030
PL—480 (cotton)	10,579	12,397	12,156	11,055	13,234	14,360
Investment loans	—	—	1,727	2,024	5,525	8,425
Manufacturing	1,005	987	854	1,413	3,314	4,642
Export	2,865	2,771	2,316	3,283	7,928	9,529
West Irian	—	—	—	—	—	3,235
BE imports	3,579	2,662	2,194	4,635	5,764	6,344
Other	888	1,224	1,361	2,478	2,942	7,032
<i>II. Other banks (out of own funds)</i>	29,318	38,403	55,033	77,375	77,383	93,157
1. Production	11,734	16,120	26,445	37,193	39,948	52,084
2. Export	5,869	7,054	9,944	13,361	12,590	12,608
3. Other	11,715	15,229	18,644	26,821	24,845	28,465
<b>T o t a l</b>	121,314	130,476	161,204	210,450	244,311	260,759

ment of foodstuffs. Even so, the percentage of direct credits in proportion to total credits granted by Bank Indonesia became increasingly lower, viz. from 67% at the end of 1968 to 52% at the end of 1969, and to 43- % at the end of March 1970.

In the first quarter of 1969, the volume of credits granted by Bank Indonesia to BULOG for the procurement of foodstuffs was decreasing on account of rice sales and payments by the Government for rice deliveries to civilian personnel. As from the sec-

ond quarter of 1969, however, the volume of credits started to increase and continued to do so until the end of 1969, which was ascribed to the large expenditures incurred by BULOG for domestic rice purchases as well as rice imports. In the first quarter of 1970, however, the volume of credits to BULOG decreased again. The failure to collect rice domestically in adequate quantities in the context of the BIMAS Gotong Rojong program during the 1969 harvest forced BULOG to import rice in substantial quantities during the second half of 1969. This was the main reason for the decrease in the volume of credits granted to BULOG in the second and third quarter of 1969.

At the end of 1969, out of the total volume of Bank Indonesia credits which amounted to Rp 166.9 billion, approximately 68% was granted for production, import and distribution of rice, fertilizer, sugar and wheat flour. In 1969, production and procurement of foodstuffs accounted for 66% Of the increase in the volume of Bank Indonesia credits or 40% of the increase in the volume of credits granted by all banks together.

TABLE 9 — SPECIFICATION OF BANK CREDITS BY ECONOMIC SECTOR \*)  
( in million Rupiahs )

	1968	1969				1970
		I	II	III	IV	I
<i>State banks</i>	48,387	70,649	88,507	116,007	132,972	180,920
Production	30,968	51,574	62,840	73,084	82,443	108,552
Export	7,742	8,478	9,736	15,081	18,616	21,710
Other	9,677	10,597	15,931	27,842	31,913	50,658
<i>Private banks</i>	9,922	13,466	16,440	19,398	20,170	24,087
Production	3,274	4,444	5,590	6,595	7,866	9,876
Export	992	1,347	1,480	1,358	1,412	1,927
Other	5,656	7,675	9,370	11,445	10,892	12,284
<i>Foreign banks</i>	1,157	1,541	2,547	4,101	5,083	4,128
Production	—	—	408	943	1,118	1,032
Export	—	—	1,044	205	254	165
Other	1,157	1,541	1,095	2,953	3,711	2,931
<i>All banks</i>	59,466	85,656	107,494	139,506	158,225	209,135
Production	34,242	56,018	68,838	80,622	91,427	119,460
Export	8,734	9,825	12,260	16,644	20,282	23,802
Other	16,490	19,813	26,396	42,240	46,516	65,873

\*) Includes Bank Indonesia credits to banks.

In 1969, the volume of credits granted by other state banks and by private banks out of their own funds increased by Rp 49.4 billion or 169%, which was enabled by the larger amount of funds attracted by banks from the general public, i.e. the substantial increase in the volume of time deposits with state banks. Table 9 shows credits granted by banks out of their own funds as well as through liquidity credits from Bank Indonesia.

Concurring with the start of the implementation of the Five Year Development Plan, the state banks began to grant investment credits. Within 1 year, i.e. until the end of March 1970, investment credits were approved for an amount of Rp 316 billion, although only Rp 16.6 billion was utilized. Until the end of September 1969, the increase in investment credits was not yet significant, since the applicants, on the one hand, were not yet familiar with the investment credit conditions whereas, on the other hand, the banks themselves had to make the necessary adjustments and had to improve their procedures. Following the simplification of the procedure with respect to investment credits, approvals of investment credits by banks increased substantially, especially during the fourth quarter of 1969. Until the end of 1969, the amount of investment credits utilized was still low; in the first quarter of 1970, however, the utilization of investment credits revealed a fairly large increase. Besides the time lag between ap-

TABLE 10 — INVESTMENT CREDITS APPROVED BY BANKS  
( in million Rupiahs )

	1968	1969				1970
		I	II	III	IV	I
<i>I. By economic sector</i>	269	3,320	5,360	11,300	27,188	31,558
Agriculture	42	618	2,469	4,296	6,598	8,077
Manufacturing	227	433	478	3,606	8,525	10,814
Mining	—	—	—	700	1,456	908
Communication & tourism	—	2,199	2,343	2,595	10,446	11,364
Other	—	70	70	103	163	395
<i>II. By origin of funds</i>	...	...	5,360	11,300	27,188	31,558
Central Bank	...	...	...	6,692	14,606	17,019
State banks	...	...	...	507	3,007	3,557
Budget of Revenue and Expenditure	...	...	...	4,101	9,575	10,962

proval of an investment credit and its utilization by the customer, the delay in the utilization was i.a. ascribed to unavailability of aid-BEs at the time when they were needed. As is known, goods in connection with investment credits may only be imported by utilizing aid-BEs.

Almost all the investment credits approved until the end of March 1970 were allocated to the sectors of agriculture, industry, communications and tourism. The sectors of communications and tourism together accounted for not less than *36%* of the total volume of investment credits, whereas the share of the industrial and agricultural sectors was *34%* and *26%*, respectively. The credits to the communications and tourism sectors were mainly granted for road transportation. Tables 10 and 11 illustrate the development of the banks' approvals and the utilization by customers with respect to investment credits. At the end of *1969*, the volume of investment credit utilized by customers had reached Rp 9.2 billion, out of which *64%* was granted from :Bank Indonesia funds and *7%* was granted from the banks' own resources.

**TABLE 11 — INVESTMENT CREDITS UTILIZED BY CUSTOMERS**  
( in million Rupiahs )

	1968	1969				1970
		I	II	III	IV	
<i>I. By economic sector</i>						
Agriculture	...	...	3,648	4,616	9,182	16,622
Manufacturing	...	...	1,970	2,244	3,550	5,587
Mining	...	...	238	518	2,545	4,909
Communication & tourism	—	—	—	379	418	625
Other	...	...	1,419	1,459	2,669	5,438
	...	...	21	16	—	63
<i>II. By origin of funds</i>						
Central Bank	...	...	3,648	4,616	9,182	16,622
State banks	...	...	...	...	5,894	9,070
Budget of Revenue and Expenditure	...	...	...	...	686	2,019
	...	...	...	...	2,602	5,533

## IV. BANKS AND OTHER FINANCIAL INSTITUTIONS

### *Banking policy*

Efforts continued to be made to adjust the regulations and provisions on banking to the Banking Act. In this context, on March 26, 1969, the Government issued Government Regulation No. 8/1969 which regulates the designation of national private commercial banks as foreign exchange banks. The aforesaid Government Regulation stipulates that national private commercial banks which meet the terms and conditions contained in the Regulation, could be authorized by Bank Indonesia to operate as a foreign exchange bank. Following the aforementioned Government Regulation, by virtue of Circular Letter No. 2/230/UPPB/PbB of August 19, 1969, Bank Indonesia established the new terms which should be fulfilled in order to be permitted to operate as a foreign exchange bank, the contents of which is summarized below:

1. The banks concerned should have conducted their operations for **not less** than 5 (five) years in a sound manner, according to the quantitative and qualitative criteria of Bank Indonesia, i.e.
  - management and operations should be sound;
  - the banks should have adequate finances and be in the possession of suitable equipment and a capable staff.
2. After acquisition of the basic approval, the banks should complete a number of preparation within a period of not more than 6 (six) months, such as:
  - to have foreign currency on hand to an amount of US\$ 30,000,- for initial deposit with a correspondent bank abroad;
  - to deposit US\$ 20,000,- as a guarantee against the failure to fulfill commitments arising from their operations as a foreign exchange bank;
  - to increase their paid-up capital if so required.

With the exception of P.T. BANK PERDANIA, until the end of the first quarter of 1970 no national private commercial banks were designated by Bank Indonesia to operate as a foreign exchange bank. P.T. BANK PERDANIA was formerly included in the category of national private commercial banks; in 1969 it was converted into a joint bank, and was thereupon authorized to operate as a foreign exchange bank. Since the aforesaid authorization was issued following the conversion into a joint-bank, it was effected pursuant to the above mentioned provisions. Therefore, foreign exchange banks presently include 5 state owned and 3 national private banks, and 1 joint foreign exchange bank.

Meanwhile, the Minister of Finance, by virtue of his Decision No. KEP-800/MK/IV/11/1969 dated November 22, 1969, stipulated the conditions and procedure for the establishment of cooperative commercial banks, cooperative savings banks and cooperative development banks, which in principle contained the following matter:

1. Cooperative commercial banks, cooperative savings banks and cooperative development banks may only be established by cooperative legal bodies which are recognized as such by the Department of Transmigration and Cooperatives.
2. The capital of cooperative banks shall consist of principal savings, mandatory savings and cooperative reserves. The principal savings and mandatory savings may be deposited in installments, i.e.:
  - a. At the time of establishment, the principal savings on hand shall amount to not less than 50% of the minimum amount of principal savings determined, the balance should be available within one year as from the date of establishment;
  - b. The minimum amount of mandatory savings shall be accumulated regularly within a period of not more than 5 (five) years, so that after one year, 1/5 (one fifth) of the aforesaid amount should already be on hand.

The amounts of principal savings and mandatory savings which were determined according to the type and domicile of the cooperative banks are presented below :

Principal Savings And Mandatory Savings To Be Deposited  
( in million Rupiahs )

	Cooperative commercial banks		Cooperative savings banks		Cooperative development banks	
	Princi- pal savings	Mandat- ory savings	Princi- pal savings	Mandat- ory savings	Princi- pal savings	Mandat- ory savings
1. Djakarta Raya	25	25	12.5	12.5	25	25
2. Bandung, Semarang, Surabaja, Medan, Palembang, Makassar	15	15	7.5	7.5	15	15
3. Jogjakarta, Solo, Tjirebon, Malang, Padang, Telukbetung, Tandjung Karang, Bandjarmasin, Pon- tianak, Menado and capital cities of pro- vinces other than those included in categories 1 and 2 above	10	10	5	5	10	10
4. Other cities	5	5	2.5	2.5	5	5

3. Operating permits for cooperative commercial banks, cooperative savings banks and cooperative development banks would be granted by the Minister of Finance, after having consulted Bank Indonesia.

From the matter contained in the above mentioned Decision of the Minister of Finance, it appeared that the conditions and procedure for the establishment of cooperative commercial banks, cooperative savings banks and cooperative development banks were generally the same as those applicable to private commercial banks, private savings banks and private development banks. The main differences concerned the bodies which may establish cooperative banks, the structure of capital, and the procedure for the payment of capital. Cooperative banks may only be established by cooperative legal bodies which were recognized as such by the Department of Transmigration and Cooperatives. Although cooperative commercial banks, savings banks and development banks

must have the same amount of capital as private banks of a similar type, the differences inherent in the capital structure of cooperatives as compared to limited liability companies called for different provisions in regard to the payment of capital.

In the context of adjustments to the above mentioned provisions on the establishment of cooperative banks, until the end of March 1970, one cooperative bank in North Sumatra became authorized to conduct commercial banking operations.

In order to surmount the difficulties experienced by banks, especially the national private commercial banks involved in a series of incidents which affected the public's confidence in the banking system, i.e. the failure of a number of banks to carry out their functions and obligations, in November 1969 Bank Indonesia established a new policy regarding the guidance of banks. This policy covered two principal matters: first, to improve the infrastructure of banks, i.e. by means of persuading and urging the banks to merge, and second, to provide assistance to national private commercial banks. The said assistance was to be in the form of liquidity credits and technical assistance which were both tied up with the effort to control the banks' operations.

The improvements carried out by the Central Bank on the banks' infra structure consisted of :

1. A revision of the formula applied to the computation of the 30% cash ratio and the 10% required deposit with Bank Indonesia. These percentages, formerly computed on the basis of the daily positions were thenceforth computed on the basis of the average daily positions over a one week period. Besides, the monthly interest (fine) imposed on contraventions of the provisions on cash ratio and required deposit was reduced from 10% to 21/2 %.
2. Banks were given the opportunity to invest their excess liquid assets in secondary reserves, i.e. on a special deposit account with Bank Indonesia at 1% interest a month and/or in Bank Indonesia Certificates.
3. A reduction of the overdraft fine from 1 % per day to 6% per month.

As mentioned above, liquidity credits to private national banks were granted in the context of the efforts to control the banks. For the said reason, Bank Indonesia granted such liquidity credits only in the event that the national private banks concerned were prepared to implement a definite and realistic plan with respect to the measures which should be taken immediately in order to improve their capital structure, management of funds and entire administration.

As is known, a number of factors accounted for the problems which the banks were facing, i.e.:

- difficulties with respect to the repayment of loans, either because of slackness in the debtors' business or because of unsound lending operations (absence of collateral, etc.);
- high cost of money;
- a decline in the amount of capital of the banks;
- the substandard performance of the banks' management;
- poor administration and internal control.

The new policy implemented by the Central Bank bore the follow results, i.e. :

1. The number of banks which contravened the provisions on cash ratio tended to decrease, i.e. from 33 in December 1968 to 20 in March 1970. The number of contraventions similarly decreased from 132 in December 1968 to 55 in March 1970.
2. The number of banks which contravened the provisions on required deposit with Bank Indonesia declined from 38 in December 1968 to 22 in March 1970, whereas the number of contraventions dropped from 133 in December 1968 to 57 in March 1970.
3. The number of banks which were suspended from clearing operations was also declining.
4. Until the end of March 1970, 21 banks increased their capital by a total amount of Rp 820 million. This evidently reduced the cost of money.
5. The funds mobilized by private national commercial banks increased.
6. The supervisory boards of national private commercial banks devoted more attention to their banks' operations.

Moreover, in 1969, Bank Indonesia issued a new regulation which required the banks to participate in clearing operations after the compliance of specific conditions on their part. The aforesaid regulation was issued in the context of Bank Indonesia's duty to intensify supervision of the banks, since clearing data provide most up-to- date information on the financial position of the banks as well as on their operations. The aforesaid supervisory activities also easily reveal drawings of bad checks.

### *Banking developments*

Table 12 shows the development of the number of banks and their offices in Indonesia. In 1969, the number of commercial banks increased by 7 which included 4 national private commercial banks and 3 foreign banks. On the other hand, the number of commercial bank offices decreased by 17 which was mainly caused by the closing down of a number of branch offices of state banks and national private commercial banks. Besides the establishment of 28 branch offices of state commercial banks, in the same period 35 branch offices of BNI 1946 were closed. The closing down of the branch offices of BNI 1946 followed a reassessment of the branch offices on the basis of efficiency which was considered necessary in connection with the stage of economic and monetary stability achieved so far. The closing down of national private banks and their branch offices in 1969 was a consequence of the difficulties still faced by these banks; therefore, a number of banks and 30 of their offices had to be closed down, on account of their failure to meet their obligations. At the same time, 16 national private commercial banks and 4 branch offices of foreign banks were newly established. In 1969, the category of other banks saw 8 new offices added to the number of branch offices of local development banks, whereas the number of branch offices of the State Savings Bank increased by 1. The revised total of secondary banks resulted from the implementation of a better method of registration.

The development of banking operations in Indonesia may be observed from the combined balance sheet of banks presented in Table 13. The balance sheet total of the banks in Indonesia increased by 144% and 33% in 1969 and in the first quarter of 1970, respectively. The assets side of the balance sheet reveals a substantial increase in loans outstanding as well as in foreign assets.

Table 14 shows that during 1969, the cash position of the banks improved. At the

TABLE 12 — NUMBER OF BANKS AND THEIR OFFICES  
IN INDONESIA \*)

	1968	1969			1970, 1st Qtr.		
	Number of banks/ offices	Estab- lished	Licen- ce re- voked	Number of banks/ offices	Estab- lished	Licen- ce re- voked	Number of banks/ offices
<i>I. Commercial Banks</i>							
1. State Banks							
a. Number of banks	5	—	—	5	—	—	5
b. Number of offices	606	28	35	599	2	4	597
2. National Private Banks							
a. Number of banks	122	12	8	126	2	2	126
b. Number of offices	300	16	30	286	2	5	283
3. Branches of Foreign banks							
a. Number of banks	8	3	—	11	—	—	11
b. Number of offices	11	4	—	15	—	—	15
<i>II. Development Banks</i>							
1. BAPINDO							
a. Number of banks	1	—	—	1	—	—	1
b. Number of offices	21	—	—	21	—	—	21
2. Local Development Banks							
a. Number of banks	23	—	—	23	2	—	25
b. Number of offices	51	8	—	59	2	—	61
3. Private Development Banks							
a. Number of banks	1	—	—	1	—	—	1
b. Number of offices	1	—	—	1	—	—	1
<i>III. Savings Banks</i>							
1. State Banks							
a. Number of banks	1	—	—	1	—	—	1
b. Number of offices	8	—	1	7	—	—	7
2. National Private Banks							
a. Number of banks	11	—	—	11	—	—	11
b. Number of offices	11	—	—	11	—	—	11
<i>IV. Other Secondary Banks</i>							
a. Village banks	4,782	309	—	5,091	—	—	5,091
b. Paddy banks	3,311	6	—	3,317	—	—	3,317
c. Retailers banks	79	87	—	166	—	—	166
d. Cooperative banks	94	1	—	95	—	—	95
e. Personel banks	—	—	—	—	—	—	—
<b>Total</b>	<b>9,275</b>	<b>459</b>	<b>66</b>	<b>9,668</b>	<b>6</b>	<b>9</b>	<b>9,665</b>

\*) Excluding representative offices.

TABLE 13 -- COMBINED BALANCE SHEET OF DEPOSIT MONEY BANKS  
( in million Rupiahs )

	December 1968				December 1969				March 1970			
	State banks	National private banks <sup>1)</sup>	Foreign banks	Total	State banks	National private banks <sup>1)</sup>	Foreign banks	Total	State banks	National private banks <sup>2)</sup>	Foreign banks	Total
	<i>Assets</i>											
1. Cash in hand	5,979.4	1,594.3	129.8	7,703.5	9,839.3	2,250.2	461.3	12,550.8	10,498.4	2,393.9	508.3	13,400.6
2. Bank Indonesia	6,366.2	3,928.8	944.7	11,239.7	17,169.2	4,907.5	1,744.4	23,821.1	22,167.5	5,949.5	2,607.1	30,724.1
3. Foreign exchange banks	293.1	593.8	529.2	1,416.1	1,576.5	333.4	1,682.7	3,592.6	1,913.3	1,197.2	2,894.3	6,004.8
4. Securities	176.1	119.1	—	295.2	437.7	134.5	1.6	573.8	582.9	64.1	1.6	648.6
5. Domestic drafts	81.1	24.9	—	106.0	277.5	132.6	4.5	414.6	367.9	184.0	2.5	554.4
6. Loans Outstanding	48,387.5	9,922.2	1,156.4	59,466.4	132,972.5	20,169.7	5,082.8	158,225.0	180,919.6	24,087.1	4,128.1	209,134.8
7. Foreign exchange assets	16,555.4	383.2	4,847.9	21,786.5	37,829.3	892.0	23,835.7	62,557.0	56,343.7	920.3	36,567.6	93,831.6
8. Participations	7.5	17.1	—	24.6	7.0	—	—	305.3	7.0	704.3	—	711.3
9. Premises and inventory	1,976.7	1,069.1	299.3	3,345.1	4,309.0	2,211.7	977.8	7,498.5	5,158.4	2,412.2	1,016.5	8,587.1
10. Other assets	8,025.9	5,149.6	619.4	13,794.9	8,484.1	9,705.9	2,927.0	21,117.0	12,832.1	7,582.1	2,659.5	23,073.7
<b>Total assets</b>	<b>87,848.9</b>	<b>22,802.1</b>	<b>8,527.0</b>	<b>119,178.0</b>	<b>212,902.1</b>	<b>41,035.8</b>	<b>36,717.8</b>	<b>290,655.7</b>	<b>290,790.8</b>	<b>45,494.7</b>	<b>50,385.5</b>	<b>386,671.0</b>
<i>Liabilities</i>												
1. Paid-up capital	1.3	509.2	826.0	1,336.5	1,550.0	1,286.5	3,271.5	6,108.0	1,610.0	2,353.9	3,377.1	7,341.0
2. Reserves and profit & loss account	4,752.6	322.4	62.1	5,012.9	6,585.0	908.7	611.5	8,105.2	8,520.2	600.7	608.7	9,729.6
3. Debts outstanding	1,091.6	316.5	—	1,408.1	2,658.9	388.3	20.0	3,067.2	3,550.6	894.5	—	4,445.1
4. Time deposits	4,167.5	7,246.8	614.9	12,029.2	32,539.6	14,701.6	2,528.8	49,790.0	34,130.7	16,149.0	4,834.4	55,114.1
5. Balance on current account	30,723.2	9,670.6	1,351.8	41,745.6	54,027.6	13,557.6	4,305.8	72,091.0	15,731.7	04,411.2	5,939.4	96,081.6
6. Bank Indonesia	24,121.5	—	—	24,121.5	68,990.9	712.2	—	69,703.1	91,624.5	1,019.5	—	92,644.0
7. Foreign exchange banks	34.8	151.2	78.8	264.8	150.6	244.9	47.8	443.3	407.5	367.4	27.9	802.8
8. Drafts payable	639.0	180.3	109.5	928.8	890.4	296.9	95.4	1,282.7	380.4	554.5	95.6	1,030.5
9. Guarantee deposits	1,012.5	159.8	—	1,172.3	1,535.1	211.2	0.8	1,747.1	4,305.0	258.9	25.6	4,589.5
10. Foreign exchange liabilities	16,217.3	380.7	4,852.2	21,450.2	32,234.5	807.3	23,740.0	56,781.8	50,965.4	756.5	33,020.0	84,741.9
11. Other liabilities	5,087.6	3,864.6	755.9	9,708.1	11,719.5	7,920.6	1,896.2	21,536.3	20,885.3	6,808.8	2,456.8	30,150.9
<b>Total liabilities</b>	<b>87,848.9</b>	<b>22,802.1</b>	<b>8,527.0</b>	<b>119,178.0</b>	<b>212,902.1</b>	<b>41,035.8</b>	<b>36,717.8</b>	<b>290,655.7</b>	<b>290,790.8</b>	<b>45,494.7</b>	<b>50,385.5</b>	<b>386,671.0</b>

<sup>1)</sup> Includes local development banks  
<sup>2)</sup> Includes BAPINDO since March 1970.

TABLE 14 — LIQUIDITY POSITION OF BANKS  
( in million Rupiahs )

	December 1968				December 1969				March 1970			
	State banks	National private banks <sup>1)</sup>	Foreign banks	Total	State banks	National private banks	Foreign banks	Total	State banks	National private banks	Foreign banks	Total
— Liquid assets	9,919	6,834	1,478	18,231	32,597	9,428	3,265	45,290	32,757	9,663	4,612	47,032
— Current liabilities	34,606	10,213	1,732	46,551	69,180	16,530	5,419	91,129	92,649	18,567	7,246	118,462
— Percentage of liquidity	29	67	85	39	47	57	60	50	35	52	64	40
— 30% of Current liabilities	10,382	3,064	519	13,965	20,754	4,959	1,626	27,339	27,795	5,570	2,174	35,539
— Excess liquid assets	— 463	3,770	959	4,266	11,843	4,469	1,639	17,951	4,962	4,093	2,438	11,493
— Required reserves with Bank Indonesia	3,461	1,021	173	4,655	6,918	1,653	542	9,113	9,265	1,857	724	11,846
— Total reserves with Bank Indonesia	3,544	4,357	1,251	9,152	18,103	5,757	1,771	25,631	17,802	5,419	2,522	25,743

<sup>1)</sup> Includes local development banks and private foreign exchange banks.

end of 1968, the state banks together had a cash ratio of less than 30% which was improving in 1969. The cash ratio of the foreign banks was far higher than the required cash ratio, since they were not yet actively engaged in credit operations, but were still concentrating on foreign transactions.

## V. MOBILIZATION OF FUNDS

### *Time deposits and Instalment Savings scheme*

During the 1969/1970 period under report, in adjustment to the price increases which the Government succeeded to keep under control, the interest rates on time deposits were successively reduced 5 times, i.e. on March 17, May 1, July 10, and September 15, 1969, and on January 1, 1970.

Despite the gradual reduction in interest rates, the amount of time deposits outstanding was increasing and i.a. reflected the public's growing confidence in the Rupiah.

The table below shows the monthly interest rates on time deposits specified by maturity.

TABLE 15 — DEPOSIT INTEREST RATES  
( monthly rates in % )

Effective as from	1 month & over	3 months & over	6 months & over	1 year & over
October 1, 1968	1 <sup>1/2</sup>	4	5	6
March 17, 1969	1 <sup>1/2</sup>	4	4	5
May 1, 1969	1	2	3	4
July 10, 1969	1	1 <sup>1/2</sup>	2 <sup>1/2</sup>	3
September 15, 1969	1	1 <sup>1/2</sup>	2	2 <sup>1/2</sup>
January 1, 1970	1	1 <sup>1/2</sup>	1 <sup>3/4</sup>	2

Since October 1968, Bank Indonesia guaranteed the time deposits with state banks and granted a subsidy amounting to 1/3 of the interest paid on 6 and 12 months time deposits. As from March 17, 1969, however, this subsidy was reduced to 1/5 of the interest paid and applied to 12 months time deposits only. Even this subsidy was finally abolished with effect from May 1, 1969.

In connection with the foregoing, it should be mentioned that during 1969/1970, time deposits increased by approximately 112%, i.e. from Rp 16.4 billion at the end of March 1969 to Rp 34.8 billion at the end of March 1970.

In order to intensify the mobilization of funds from the public, the 1969 Instalment Savings scheme was introduced through the state banks, i.e. Bank Rakjat Indonesia, Bank Ekspor Impor Indonesia, Bank Negara Indonesia 1946, Bank Bumi Daya, Bank Dagang Negara and Bank Tabungan Negara, as well as through a number of national private commercial banks.

Initially, the 1969 Instalment Savings scheme was limited to Djakarta Raya only; as from July 1, 1969, however, the scheme was also introduced in other areas, i.e., Bandung, Semarang, Surabaya and Makassar..

The monthly interest rates on 1969 Instalment Savings were slightly higher than on time deposits, viz. 2 1/2 %, 3% and 3 1/2 on savings of 3, 6 and 12 months, respectively. The high interest rates and the prizes were meant to promote savings among the relatively low income groups.

Table 16 illustrates the development of the 1969 Instalment Saving scheme in 1969/1970 according to nominal position per area.

TABLE 16 — DEPOSITS COMMITTED UNDER INSTALMENT SAVINGS SCHEME  
( in thousand Rupiahs )

	Position as per end of quarter				
	1969 I	1969 II	1969 III	1969 IV	1970 I
Djakarta Raya	35,787.—	74,823.—	147,158.5	222,676.5	390,688.5
North Sumatra	—	—	13,759.—	17,297.5	61,012.—
West Djawa	—	—	33,844.5	39,378.—	65,224.5
Central Djawa	—	—	6,642.—	27,502.5	89,223.—
East Djawa	—	—	17,932.—	58,180.5	239,301.—
South Sumatra	—	—	4,032.—	6,043.5	8,122.5
T o t a l	35,787.—	74,823.—	223,368.—	371,078.5	853,571.5

### *Saving for pilgrimage to Mecca*

In order to find new financial resources for economic development, and to encourage the public to save for specific purposes, the Government regulated the implementation of the pilgrimage to Mecca through a prefinancing system which provided for discounts on payments deposited at specific times.

Pursuant to Presidential Decision No. 22 of 1969, the implementation of pilgrimage to Mecca was fully entrusted to the Government.

The above mentioned Presidential Decision i.e. contained the follow provisions:

- a) Prepayments for pilgrimage determined on the basis of deck fare should be deposited with selected state banks designated by Bank Indonesia.
- b) The quota of pilgrims should be determined two years before the relevant departure date.

The quotas for 1969/1970 and 1970/1971 included 25,000 and 30,000 pilgrims, respectively.

- c) The quota should be further allocated by the Department of Religious Affairs, cq. the Directorate General of Haji Affairs.

By virtue of Presidential Decision No. 22/1969 and Presidential Instruction No. 6/1969, Bank Indonesia introduced the following arrangements regarding deposits for pilgrimage (Notification of the Board of Directors of Bank Indonesia, No. Peng. 2/Dir/69, dated April 2, 1969):

- a) The state banks designated by Bank Indonesia as handling bank for payment of pilgrimage cost were to include Bank Rakjat Indonesia and Bank Negara Indonesia 1946 inclusive of their branch-offices subbranch offices in the territory of the Republic of Indonesia (excluding West Irian).
- b) PN Pos & Giro was designated by Bank Indonesia to assist in the receipt of payments for pilgrimage, since its offices are scattered all over the country.

Receipts of pilgrimage deposits for the 1969/1970 haji season reported below:

		Deposit per aspirant (in Rp)	H a n d l i n g   b a n k s				Total amount in thousand Rp
			B. R. I.		B. N. I. 1946		
			Number of aspirants	Amount in thousand Rp	Number of aspirants	Amount in thousand Rp	
1969	April	280,000	635	177,800	468	131,040	308,840
	M a y	302,000	552	166,704	470	141,940	308,644
	June	310,000	996	308,760	628	194,680	503,440
	July	319,000	2,359	752,321	1,381	440,539	1,193,060
<b>Total</b>			4,542	1,405,785	2,947	908,199	2,313,984

The amount of Rp 2.3 billion only included deposits for pilgrimage paid until the end of July 1969; in the period following thereafter, additional deposits were received from 1,803 aspirants which included full payments for deck passage and air fare as well as complementary payments for cabin passage on ships. The total amount collected was therefore Rp 2.9 billion.

### *Money and Capital Market*

Since 1968, the trade in securities suffered a severe setback. The slackness of the trade in securities at the Djakarta Stock Exchange had reached its lowest point several years ago, on account of inadequate interest on the part of the public as well as of financial institutions, and also because of the decline in the number of attractive securities. Other factors which contributed to the decline of the stock exchange were the following: first, the yield of outstanding bonds was lower than the interest rate on time deposits and Instalment Savings; second, the delay in payments of interest and redemption on the aforesaid bonds adversely affected their role as an instrument for capital investments and trade.

Table 17 presents the turnover of selected securities in 1968, and the first quarter of 1970.

In the period under report, only 3 enterprises decided to redeem their outstanding shares out of their liquidation proceeds, i.e.:

- (1) Semarangse Stoomboot en Prauwenveer;
- (2) Maatschappij tot het Drijven van Commissiehandel en Exploitatie van Pakhuizen en Prauwen, Djember;
- (3) Cultuur Maatschappij der Idjenlanden, Djember.

Most of the foreign securities in Netherlands guilders and dollars had been sent abroad, either in the context of the interim agreement between Indonesia and the Netherlands, or in connection with their owners' intention to put them up for sale through a stock exchange abroad.

TABLE 17 — TURNOVER OF SELECTED SECURITIES AT THE  
DJAKARTA STOCK EXCHANGE

	Turnover		
	1968	1969	1970 I
3% 1950 R.I. loan	Rp 241,630	Rp 142,230	Rp 1,191,540.—
3½% 1959 Loan against blocked accounts	—	—	Rp 12,626.61
6% 1959 R. I. Lottery bonds	Rp 51,500	Rp 19,250	Rp 949,000.—
5½% former B.I.N. bonds 1972	—	—	) Rp 41,100.—
5½% former B.I.N. bonds 1974	—	—	
Handels vereniging Amsterdam A.K.U.	Nf 500	—	—
	—	Nf 7,100	Nf 44,880
<i>Shares/share-certificates in USS</i>			
Shell oil	1 cert. of 1 share		
Southern Pacific	3 cert. of 10 shares		
Anaconda		3 cert. of 10 shares	

In the first interim agreement, the parties agreed to the classification of securities to be identified as Netherlands property or Indonesian property. The second interim agreement regulated the settlement of securities—issued by nationalized Netherlands companies—held by legal bodies; it also settled the matter of the Netherlands-Indies bonds, the Municipal and Provincial bonds issued prior to the second World War, the securities denominated in Rupiah which were held in Indonesia as well as those of which the holders were either unknown or could not be traced.

An initial step in the effort to activate the money and capital market was the issue of the Decision of the Minister of Finance No. Kep. 116/ MK/3/1970 dated March 12, 1970, by virtue of which Bank Indonesia was authorized to issue securities referred to as Sertifikat Bank Indonesia (Bank Indonesia Certificates) with a term of maturity of not more than 1 (one) year. Therefore, by Decision of the Board of Directors of Bank Indonesia No. 2/34 Kep.Dir. dated March 12, 1970, Bank Indonesia issued Series A of Bank Indonesia Certificates to bearer amounting to Rp 1 billion, in denominations of Rp 100.000,-, Rp 500.000,-, Rp 1.000.000,- and Rp 2.500.000,- subject to a term of maturity of 3 months.

The certificates were sold on a cash and carry basis with a  $3\frac{3}{4}$  % discount per 3 months through applications with state banks, private banks (national/foreign) and members of the Money and Securities Trading Association in Djakarta. It was planned to issue the above mentioned certificates on a monthly basis. The aforesaid certificates and the procedure of their issue created a primary market for short term paper, and it was hoped that a secondary market would emerge when the banks and other members of the stock exchange initiated sales to the public and other entities.

In the context of the efforts to establish a money and capital market in the broadest sense a Team for the Preparation of a Money and Capital Market was established by virtue of Decision No. Kep.Dir. 4/16 of the Board of Directors of Bank Indonesia, dated July 26, 1968. The aforesaid Team should collect information and submit recommendations to the Governor of the Central Bank on matters in connection with the efforts to develop a money and capital market in Indonesia. The Team's term of assignment expired at the end of December 1968, but by Decision No. 1/6 Kep.Dir. of the Board of Directors of Bank Indonesia, dated March 17, 1969, the term was extended

until the end of June 1969. The report submitted by the Team i.a. contained recommendations on the following topics:

- a) establishment of a primary market;
- b) establishment of a well organized money market;
- c) reassessment of the status of the Money and Security Trading Association and of the Advisory Committee on Stock Exchange Matters;
- d) development of the rediscount facilities to be provided by Bank Indonesia, e.g. through the issue of short term Bank Indonesia Certificates similar to treasury bills;
- e) reassessment of the legal status of corporations with special emphasis on bearer shares and voting rights;
- f) reassessment of the tax system with special emphasis on corporation tax;
- g) intensified training of people involved in the money and capital market;
- h) establishment of a body which should supervise the mobilization of capital and the issue of securities through the Stock Exchange (Security Exchange Commission).

In the context of further measures to develop a money and capital market, by virtue of his Decision No. Kep. 822/MK/II/1969 dated November 29, 1969, the Minister of Finance established the Money and Capital Market Team which should assist the Minister of Finance in the preparations towards this end.

## VI. INTERNATIONAL RELATIONS

### *International policy*

During the period under report, the measures taken by the Government in the field of export, import as well as foreign payments transactions were broadly a continuation of the policies which were implemented during the two preceding years. Therefore, the amendments of the regulations in the aforesaid field should be considered as adaptations to the developing circumstances.

### *Imports*

The policy on export-BEs for imports was still aimed at finding their most efficient use, i.e. through intensification of the use of aid-BE's, tariff policy, classification of commodities, etc. The implementation of the aforesaid policy was designed to expedite rather than to impede the flow of goods.

- In order to increase the use of aid-BEs in general, capital goods under of medium term loans—also referred to as investment loans—, as well as all types of fertilizers and insecticides should be imported with aid-BEs. Moreover, especially in order to stimulate the use of aid-BEs from the United States, importers were permitted to pay the aid-BEs counter-value upon arrival of the goods at an Indonesian port, rather than at the opening of the letter of credit. To ascertain that the said payment would be effected, the importers should submit a bank guarantee.
- In connection with the policy to maintain a steady flow of goods, since the middle of January 1969, the Government provided importers of essential goods with the opportunity to clear their goods through customs before payment of import levies such as import duties, charges and other levies, if any. To this end, importers had to submit a bank guarantee and should pay a 3% monthly charge on the amount of import levies indebted.
- At the end of April 1969, the provision concerning the prepayment of import duties, —i.e. at the opening of L/Cs—on category B and C commodities of the BE list was revoked.

- The maintenance and intensification of the flow of goods to West Irian also came under attention. Import procedures were simplified by permitting the opening of L/Cs in West Irian, while the number of commodities which could be imported with export-BEs was increased and adjusted to the special requirements of the said region.
- Further adjustments in the field of import were reflected in the following measures, i.e. revocation of the prohibition to import automobiles of a f.o.b. value exceeding US\$ 2,000.—, television sets of 21 inches and over, radio consoles, as well as selected tobacco products. On the other hand, the import of tires of particular sizes was prohibited, while Virginia tobacco was transferred from the BE list to the DP list.

### *Exports*

- In March 1969, the cess rates on export commodities were established; the cess was imposed for the financing of the efforts to improve the efficiency of production and marketing
- In order to increase foreign exchange proceeds from exports, in June 1969, the Government determined the surrender prices of selected types of timber for export. It should be mentioned that timber accounted for a major share in category B exports, and had never been subject to a surrender price.
- In connection with the efforts to improve the quality of rubber for export which were initiated the year before by the establishment of crumb rubber factories, in July 1969 the Government determined the criteria applicable to rubber for export under the name of Standard Indonesian Rubber (S.I.R.). The export of block rubber was still allowed during a period of transition; however, not under the name of S.I.R. and with mentioning of its percentage of impurity. Furthermore, the export of low grade estate rubber was prohibited, unless its quality had been improved on the basis of the grades prevailing in the world market.
- In October 1969, the list of category B export commodities was expanded and i.a. included coconut oil and animal hides.

### *Services*

- Effective January 1969, the restriction regarding foreign banknotes to be taken abroad was revoked.
- As from August 1969, all insurance policies except for life insurance— should be taken out in Indonesia with national insurance companies or with foreign insurance companies authorized by the competent institution. The spreading of risk by insurance companies in Indonesia was subject to the provision that 75 per cent of the gross premiums should be paid to insurance/reinsurance companies in Indonesia.
- In September 1969, a regulation was issued according to which foreign insurance companies operating in Indonesia should have a capital of not less than US\$ 225,000,- and pay a guarantee deposit of US\$ 75,000,-

### *Foreign Exchange Bourse*

Table 18 illustrates the sales turnover of exports-BEs, aid-BEs and DP exchange through the Foreign Exchange Bourse during the period under report.

As is known, export-BEs as well as aid-BEs may only be traded through the Foreign Exchange Bourse, whereas DP exchange may be traded outside the Bourse.

The trade in DP exchange and its supply originating from export of invisibles, overprice on commodity exports as well as from other sources, constituted only a minor part of the total foreign exchange supply; therefore, despite the brisk trade in DP exchange outside the Bourse, BEs and DP exchange continued to be traded through the Foreign Exchange Bourse in substantially larger amounts and thus had a dominant position in Indonesia's foreign exchange market.

The exchange rate of export-BEs and aid-BEs during 1969 and until the end of the first quarter of 1970 remained stable at Rp 326,- per US\$ 1,-. Meanwhile, the rate of DP exchange was deteriorating in early 1969 until it finally became stable at the rate of Rp 378.50/379,- per US\$ 1,- as from the third quarter of 1969 until the end of the period under report.

TABLE 18 — RATES AND TRANSACTIONS OF EXPORT-BE, AID-BE  
AND DP THROUGH THE FOREIGN EXCHANGE BOURSE

	BE				DP	
	Rate	Turnover ( in million US\$ )			Rate	Turnover ( in million US\$ )
		Export- BE	Aid-BE	Total		
<u>1969</u>						
January	326	41.6	10.4	52.0	400 <sup>1/2</sup> —413	9.1
February	326	32.8	7.8	40.6	384 —400	11.7
March	326	42.4	5.3	47.7	381 <sup>1/2</sup> —385	3.8
April	326	47.1	6.6	53.7	381 —382	9.9
May	326	51.2	2.2	53.4	378 <sup>1/2</sup> —381	10.1
June	326	52.9	9.4	62.3	378 <sup>1/2</sup> —379	8.4
July	326	49.3	8.4	57.7	378 <sup>1/2</sup> —379	10.6
August	326	44.1	12.8	56.9	378 <sup>1/2</sup> —379	15.7
September	326	68.8	11.6	80.4	378 <sup>1/2</sup> —379	13.6
October	326	64.4	14.3	78.7	378 —379	16.2
November	326	41.7	8.3	50.0	378 —378 <sup>1/2</sup>	24.9
December	326	68.8	13.9	82.7	378 —378 <sup>1/2</sup>	28.2
	326	605.1	111.0	716.1	378 — 413	162.2
<u>1970</u>						
January	326	62.4	15.8	78.2	378 — 378 <sup>1/2</sup>	26.4
February	326	45.1	9.6	54.7	378 — 378 <sup>1/2</sup>	20.8
March	326	71.0	20.8	91.8	378 <sup>1/2</sup>	23.1
	326	178.5	46.2	224.7	378 — 378 <sup>1/2</sup>	70.3

### *Balance of Payments*

With respect to international payments transactions, Indonesia's balance of payments deficit incurred in calendar year 1969 was slightly higher than in 1968 (Table 19).

The deficit on goods and services as well as transfer payments could not be offset by the surplus in the nonmonetary sector of the capital account.

The deficit on goods and services, and transfer payments amounted to US\$ 314 million and thus exceeded the deficit of the preceding year by US\$ 8 million. On the other hand, the surplus in the nonmonetary sector of the capital account was only US\$ 259 million, out of which US\$ 269 million were long term loans in the context to I.G.G.I. (Inter-Governmental Group on Indonesia) (see Table 27).

Accounting for net errors and omissions in the balance of payments for the two years under review, the overall balance of payments deficit amounted to US\$ 20 million in 1969, as against US\$ 12 million in 1968. The aforesaid deficit would be definitely higher in the absence of US\$ 48 million net I.M.F. drawings and utilization of credit facilities with financial institutions abroad to an amount of US\$ 7 million.

The deficit on goods and services tended to increase due to the growing expenditures for imports and services in connection with the increasing development activities at home. Grants amounted to US\$ 47 million and were generally received in the context of I.G.G.I. (see Table 26).

Capital movements in the nonmonetary sector increased with respect to the private as well as to the public sector. As had also been the case in preceding years, the public sector still accounted for the major share in capital movements. In 1969, the monetary sector incurred a deficit of US\$ 20 million which was higher than the deficit incurred in 1968.

### *Foreign Trade Transactions*

As from 1966, Indonesia's foreign trade showed an encouraging growth. Following the fruitful results of the stabilization policy, there were signs of increasing activity in the foreign trade sector.

TABLE 19 — BALANCE OF PAYMENTS OF INDONESIA<sup>1)</sup>  
( in million US Dollars )

	1966	1967	1968	1969 <sup>2)</sup>	1970 <sup>3)</sup>	1969/ 1970
<b>A. Goods and Services;</b>	- 132	- 282	- 251	- 361	- 104	- 431
1. Merchandise goods:						
Export f.o.b.	+ 714	+ 770	+ 872	+ 995	+ 279	+1,044
Import f.o.b.	- 604	- 805	- 831	- 993	- 269	-1,066
2. Non-monetary gold	—	—	—	—	—	—
3. Freight and insurance related to imports	- 63	- 86	- 92	- 107	- 32	- 119
4. Other transportation	- 7	- 9	- 3	- 3	- 2	- 4
5. Travel	- 18	- 4	- 14	- 10	- 8	- 10
6. Investment income	- 47	- 63	- 78	- 107	- 33	- 116
6.1. Direct investment income	(- 40)	(- 62)	(- 74)	(- 105)	(- 32)	(- 114)
6.2. Other	(- 7)	(- 1)	(- 4)	(- 2)	(- 1)	(- 2)
7. Government, not included elsewhere	- 35	- 23	- 23	- 18	- 7	- 20
8. Other services	- 72	- 62	- 82	- 118	- 32	- 140
Balance of goods and services (1 through 8)	- 132	- 282	- 251	- 361	- 104	- 431
Balance of goods (1 and 2)	+ 110	- 35	+ 41	+ 2	+ 10	- 22
Balance of services (3 through 8)	- 242	- 247	- 292	- 363	- 114	- 409
<b>B. Transfer Payments;</b>	+ 15	+ 28	+ 26	+ 47	+ 28	+ 69
9. Private	—	—	—	—	—	—
10. Government	+ 15	+ 28	+ 26	+ 47	+ 28	+ 69
<b>C. 11. Special Drawing Right (S.D.R.)</b>					+ 35	+ 35
Total (1 through 11)	- 117	- 254	- 225	- 314	- 41	- 327
<b>D. Capital and Monetary Gold</b>	+ 126	+ 284	+ 229	+ 279	+ 21	+ 293
Non-monetary sector:	+ 115	+ 275	+ 217	+ 259	+ 46	+ 250
12. Private sector	+ 34	+ 84	+ 26	+ 42	- 12	+ 22
12.1. Long term liabilities	- 16	- 10	+ 3	+ 31	+ 14	+ 39
a. Direct investments	(- 16)	(- 12)	(- 3)	(+ 31)	(+ 14)	(+ 39)
b. Other	(- )	(+ 2)	(+ 6)	(- )	(- )	(- )
12.2. Long term assets	+ 50	+ 66	+ 35	+ 12	- 26	- 17
a. Direct investments	(- )	(- 2)	(- )	(- )	(- )	(- )
b. Other	(+ 50)	(+ 68)	(+ 35)	(+ 12)	(- 26)	(- 17)
12.3. Short term liabilities	—	+ 28	- 12	- 1	—	—
12.4. Short term assets	—	—	—	—	—	—
13. Government sector	+ 81	+ 191	+ 191	+ 217	+ 58	+ 228
13.1. Long term liabilities (net)	+ 51	+ 187	+ 179	+ 209	+ 62	+ 245
13.2. Long term assets	—	—	—	—	—	—
13.3. Short term liabilities (net)	+ 30	+ 4	+ 12	+ 8	- 4	- 17
13.4. Short term assets	—	—	—	—	—	—
Monetary sector:	+ 11	+ 9	+ 12	+ 20	+ 25	+ 43
14. Central Bank						
14.1. I.M.F. position (net)	—	- 14	+ 15	+ 48	- 3	+ 46
14.2. Short term liabilities (net)	+ 6	+ 9	- 3	+ 7	+ 41	+ 57
14.3. Movement in foreign exchange holdings (— = increase)	- 2	- 8	+ 20	- 35	- 63	- 60
14.4. Movement in monetary gold holdings (— = increase)	—	—	—	—	—	—
15. Foreign exchange banks						
15.1. Short term liabilities (net)	—	—	—	—	—	—
15.2. Movement in foreign exchange holdings (— = increase)	+ 7	+ 2	- 20	—	—	—
Net errors and omissions	- 9	- 30	- 4	+ 35	+ 20	+ 34

<sup>1)</sup> Includes oil and oil products

<sup>2)</sup> Provisional figures

<sup>3)</sup> January through March.

## *Imports*

Imports in 1969 increased by 19.5% over the preceding year. Table 20 shows that imports in the first quarter of 1969 were still below the quarterly average of 1968, because in the first quarter of 1969, foreign trade was in the process of adjustment to monetary conditions moving towards stability, and possibly also because of adequate stocks of goods in the domestic market.

The development of imports in the subsequent quarters i.e. reflected the success of the policy designed to stimulate the activities in this sector. A number of import credit facilities were introduced, and prepayment of import duties was no longer required. It should also be mentioned that in the last quarter of 1969, credit facilities were made available for imports under medium term investment loans. Besides, project aid imports amounted to US\$ 62 million in 1969 as against US\$ 18 million in the year before.

TABLE 20 — FOREIGN TRADE  
( in million US Dollars )

	Import		Export		Balance of trade		Percentage change	
	1968	1969	1968	1969	1968	1969	Import	Export
1 st Qtr.	193	196	199	230	+ 6	+ 34		
2 nd Qtr.	207	220	209	243	+ 2	+ 23		
3 rd Qtr.	228	279	230	270	+ 2	— 9		
4 th Qtr.	203	298	234	252	+ 31	— 46		
<b>T o t a l</b>	<b>831</b>	<b>993</b>	<b>872</b>	<b>995</b>	<b>+ 41</b>	<b>+ 2</b>	<b>+19.5</b>	<b>+ 14.1</b>

The value of imports specified by commodity groups indicated that the policy implemented so far showed the desired results. The import figures compiled by the Central Bureau of Statistics revealed the following development:

TABLE 21 — IMPORTS (C.I.F.) BY COMMODITY GROUP  
( in million US Dollars )

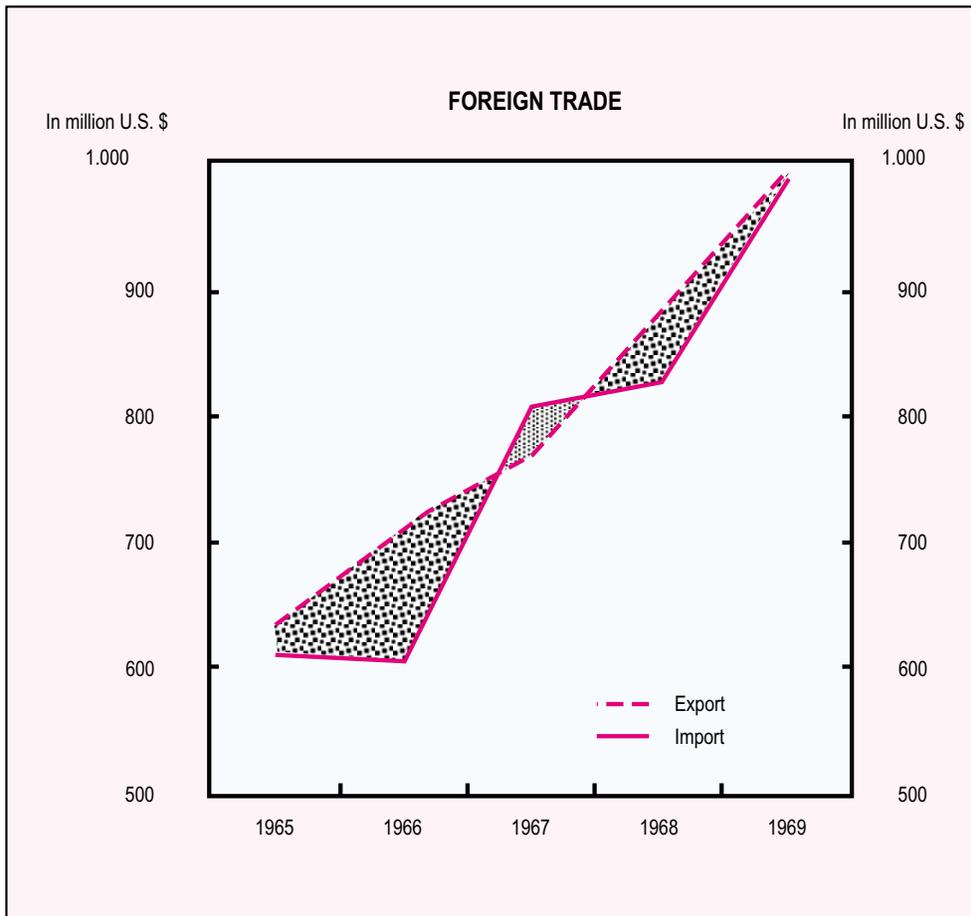
	1967	1968	1969	Percentage change	
				1967-1968	1968-1969
Raw materials	239	252	321	5.4	27.4
Capital goods	179	198	239	10.6	20.7
Consumer goods	232	267	221	15.1	—17.2
T o t a l	650	717	781		

Source : Central Bureau of Statistics.

In the raw materials group, imports of chemical and pharmaceutical products as well as of cotton and yarn increased two fold; textile imports, however, dropped by approximately 40%. In 1969, imports of ironware such as concrete iron, iron bars and iron sheets also increased by approximately 40% over the preceding year. In the year under report, imports of fertilizer and paper did not increase significantly, probably due to the substantial increase in 1968 and 1967, i.e. 50% and 30% respectively. Besides there was a possibility that domestic production and available stocks could meet the demand in 1969.

In the group of capital goods, imports of steel and iron products increased by approximately 50%, whereas machinery imports increased by 20%. Imports of electro motors and transformers as well as motor vehicles also increased, i.e. by 45% and 33%, respectively.

Imports of consumer goods declined significantly in 1969. Rice imports dropped by somewhat more than 50% which was i.e. attributable to the successful harvests during



the period under report. Flour imports declined slightly, which was also the case with fabrics. In this group, foodstuffs were a highly decisive component in relation to other commodity groups.

Table 22 presents a specification of imports according to source of financing.

In 1969, the utilization of export-BEs for imports increased by US\$ 59 million or by 14.1%, whereas the increase on foreign aid imports was affected by developments in the utilization of project aid.

The increase in the utilization of export-BEs occurred despite a decline in their utilization for imports of foodstuffs.

DP and free imports, which were basically imports financed with short term foreign credit, increased also by approximately 30%. This phenomenon was i.a. attributable to the lower cost of import, since the cost of borrowing in Indonesia during 1969 was higher than abroad.

Imports under direct foreign investment increased dramatically and were an indication that in 1969 investors started to implement their projects.

TABLE 22 — IMPORTS (F.O.B.)

( in million US Dollars )

	1966	1967	1968	1969	1970*)	1969/ 1970
1. Export-BE imports	340	384	416	475	112	490
2. Aid-BE imports	128	238	240	285	97	327
— program aid	( 96)	(145)	(103)	(101)	( 40)	(117)
— food aid		( 6)	( 30)	( 32)	( 27)	( 58)
— PL 480 (rice, cotton and yarn)	( 32)	( 25)	( 89)	( 90)	( 21)	(104)
— project aid	( —)	( 62)	( 18)	( 62)	( 9)	( 48)
3. DP and free imports	68	114	94	125	30	135
4. Imports under direct investment	—	1	1	21	10	26
<b>Total</b>	<b>536</b>	<b>737</b>	<b>751</b>	<b>906</b>	<b>249</b>	<b>978</b>
5. Imports of oil companies	68	68	80	87	20	88
<b>Total</b>	<b>604</b>	<b>805</b>	<b>831</b>	<b>993</b>	<b>269</b>	<b>1,066</b>

\*) January through March

TABLE 23 — IMPORTS BY COUNTRY OF ORIGIN  
( in millions US. Dollars )

	1965	1966	1967	1968	1969	1970 *)
<i>Europe</i>						
United Kingdom and Republic of Ireland	27	13	22	18	28	9
Federal Republic of Germany	62	48	81	70	65	19
German Democratic Republic	4	3	5	2	1	—
France	11	10	7	15	11	4
Belgium and Luxemburg	3	3	3	3	5	2
Netherlands	23	26	48	51	39	12
Italy	31	30	16	22	10	6
Czechoslovakia	15	8	1	1	2	2
Switzerland	3	2	4	6	9	2
Sweden	2	1	1	1	3	1
Spain	—	—	—	3	—	—
Other	47	31	21	23	17	4
Total imports from Europe	228	175	209	215	190	61
<i>Per cent of total import value</i>	32.8%	33.2%	32.3%	30.0%	24.3%	29.6%
<i>America</i>						
Canada	1	—	1	1	2	1
United States	66	49	52	123	154	33
Other	2	2	1	1	4	—
Total import from America	69	51	54	125	160	34
<i>Per cent of total import value</i>	9.9%	9.7%	8.3%	17.5%	20.5%	16.5%
<i>Africa</i>						
United Arab Republic	2	1	1	14	2	—
British East Africa	—	—	1	10	5	2
Union of South Africa	—	—	—	—	—	—
Other	5	6	9	1	1	—
Total imports from Africa	7	7	11	25	8	2
<i>Per cent of total import value</i>	1.0%	1.3%	1.7%	3.5%	1.0%	1.0%
<i>Asia</i>						
India	4	7	8	11	7	1
Pakistan	13	9	7	13	16	4
Burma	40	13	3	6	2	2
Thailand	52	26	8	10	9	3
Malaysia	—	—	1	3	4	1
Singapore	—	1	17	34	40	12
Cambodia	1	—	2	—	—	—
Hongkong	14	49	60	33	27	6
China	99	41	54	38	43	8
Japan	159	141	182	159	226	55
Philippines	—	—	1	8	2	—
Other	5	3	18	16	26	10
Total imports from Asia	387	290	361	331	402	102
<i>Per cent of total import value</i>	55.7%	55.0%	55.6%	46.2%	51.5%	49.5%
<i>Australasia</i>						
Australia	4	4	14	20	20	7
New Zealand and Oceania	—	—	—	—	—	—
Total imports from Australasia	4	4	14	20	20	7
<i>Per cent of total imports value</i>	0.6%	0.8%	2.2%	2.8%	2.6%	3.4%
Via free ports: Sabang, Tandjung Uban and ports not specifically mentioned	—	—	—	—	1	—
<i>Per cent of total imports value</i>	—	—	—	—	0.1%	—
Total imports of Indonesia	695	527	649	716	781	206

\*) January through March 1970 (provisional figures).

It should be obvious that as from 1966 the pattern of imports was changing along with the foreign aid which was made available to Indonesia by the I.G.G.I. member countries.

In 1969, the position of European countries as exporters to Indonesia continued the declining trend mentioned in the report of the preceding year. On the other hand, the position of the United States improved mainly on account of exports of foodstuffs such as rice and flour, and of raw materials such as raw cotton and yarn which were all effected under PL 480.

In 1969, the position of Asian countries as suppliers to Indonesia improved in comparison to the year before; Japan was the leading country in this group and recorded the swiftest improvement in its position.

Australia's position as an exporter of commodities to Indonesia had hardly changed at all. It is hoped that Australia being an advanced industrialized country in the Pacific area would, besides Japan, play a larger role as one of Indonesia's trade partners in the future.

### *Exports*

Table 24 reveals that in 1969, the value of exports increased by 14.1% over 1968. The value of exports excluding oil increased by approximately 10.3%, whereas oil exports recorded a swift increase of 20.8%.

The stable foreign exchange rate of the Rupiah during the period under report reduced the uncertainty of exporters in regard to the Rupiah proceeds of their exports. The reduction of the interest rate on export credits from 4% to 2 1/2%, followed by a subsequent reduction to 2 1/4% had also a cost reducing effect. The different export tax rates, i.e. 5% and 10 %, imposed on selected export commodities were still the main instrument in the context of export promotion.

The establishment of the rate of Rp 300,—per US\$ L— with respect to oil transactions enabled the oil sector to adjust its operational expenditure to the sales proceeds from oil.

TABLE 24 — EXPORTS (F.O.B.)

( in millions US Dollars )

	1968	1969	Percentage change
Category A commodities	378	394	+ 4.2
Category B commodities	81	72	— 12.5
Overprice	110	163	+ 48.2
Total	569	629	+ 10.4
Oil and oil products	303	366	+ 20.8
Total	872	995	+ 14.1

The traditional export commodities and those included in category A increased by 4.25% exclusive of overprice.

In 1969, Indonesia's rubber benefitted also from the increase in the world market price of rubber.

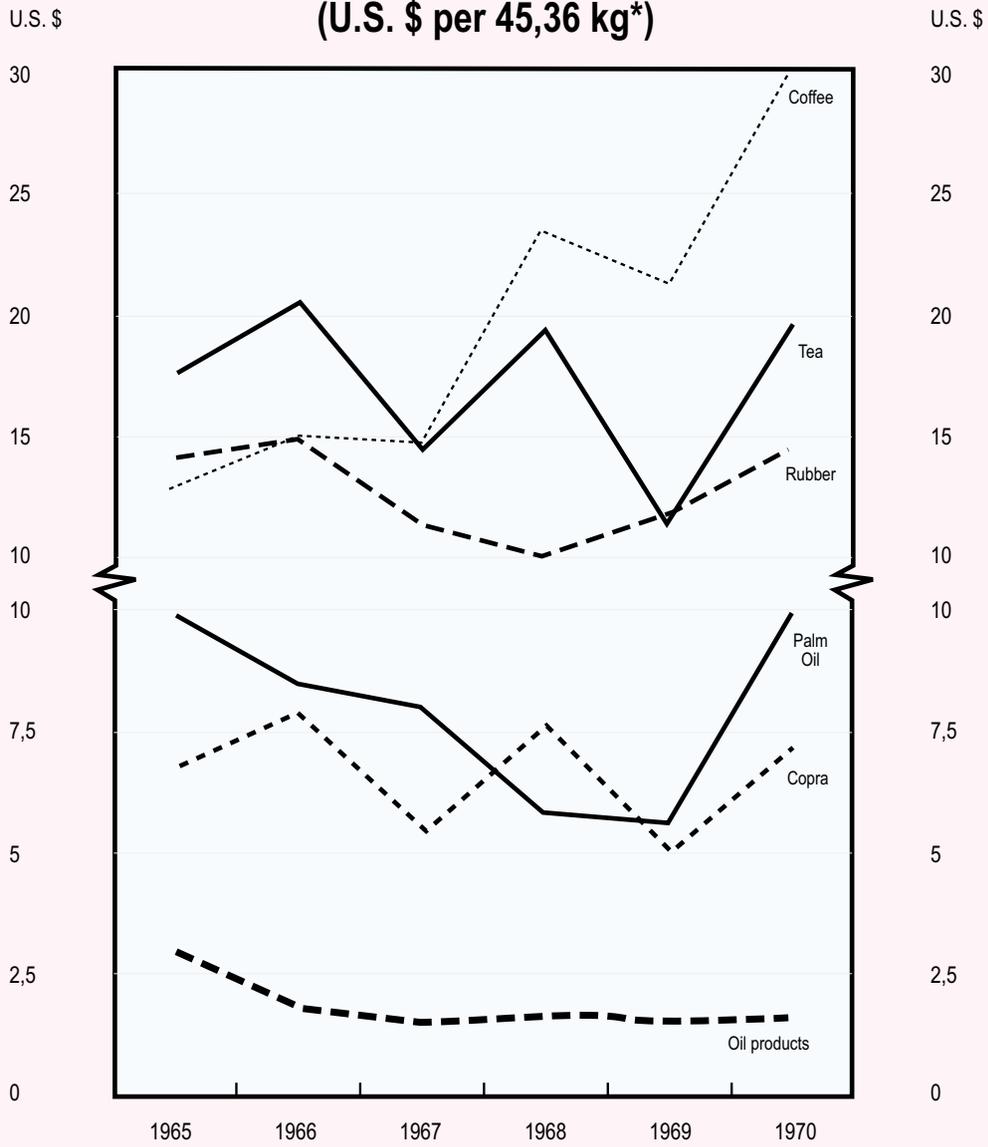
The decline in the copra price abroad caused Indonesia's export proceeds from copra to be lower than in 1968, when the world market price of copra was at one of its peaks.

The price of coffee which remained at a relatively high level during 1969 and the increase in the I.C.O. quota accounted for a slight increase in coffee exports.

The value of tobacco exports was lower than in 1968. This decline was mainly ascribed to the emergence of other tobacco producing countries in search of markets in Europe which was the main market for Indonesia's tobacco. It may therefore be anticipated that future exports of Indonesia's tobacco would not reach their former levels.

Export proceeds from palm oil and palm kernels increased, despite the slight decline in the world market price; it may thus be expected that the decline in price was offset by an increase in volume.

## PRICES OF EXPORT COMMODITIES (U.S. \$ per 45,36 kg\*)



\*) Oil products in U.S. \$ per Bbl

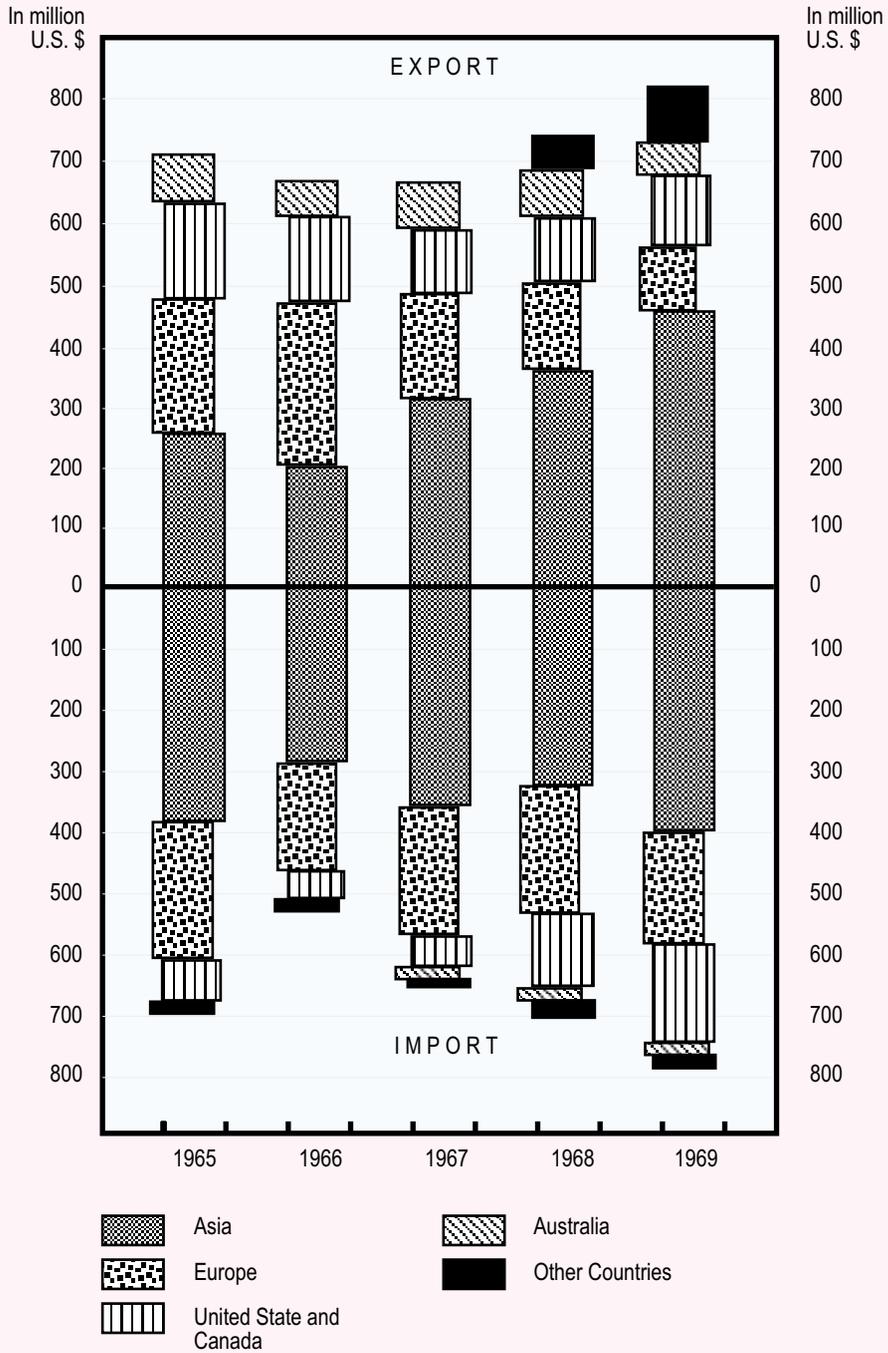
TABLE 25 — EXPORTS BY COUNTRY OF DESTINATION  
( in million US Dollars )

	1965	1966	1967	1968	1969 *)	1970 *)
						I
<i>Europe</i>						
United Kingdom and Republic of Ireland	6	16	24	9	7	1
Germany	54	77	57	48	33	7
France	6	13	8	3	3	1
Belgium and Luxemburg	10	14	9	10	9	3
Netherlands	92	94	42	44	32	10
Italy	9	9	6	5	4	1
Denmark	2	1	1	1	1	—
Norway	2	1	1	1	1	—
Sweden	1	—	—	—	—	—
Other	42	45	25	21	14	6
Total exports to Europe	224	270	173	142	104	29
<i>Per cent of total export value</i>	31.7%	39.8%	26.0%	18.9%	12.5%	13.9%
<i>America</i>						
Canada	—	—	—	—	—	—
United States	153	138	103	113	107	28
Other	6	6	2	2	3	—
Total exports to America	159	144	105	115	110	28
<i>Per cent of total export value</i>	22.5%	21.2%	15.8%	15.3%	13.2%	13.4%
<i>Africa</i>						
United Arab Republic	1	—	—	—	—	—
Portugese East Africa	—	—	—	—	—	—
Union of South Africa	—	—	—	—	—	—
Other	2	1	1	1	1	—
Total exports to Africa	3	1	1	1	1	—
<i>Per cent of total export value</i>	0.4%	0.2%	0.2%	0.1%	0.1%	—
<i>Asia</i>						
Iraq	—	1	1	—	—	—
India	2	—	—	—	—	—
Pakistan	1	6	2	—	—	—
Burma	3	—	—	—	—	—
Thailand	3	4	7	6	6	—
Malaysia	—	—	1	6	2	—
Penang	—	—	—	22	25	8
Singapore	6	18	66	116	136	36
Vietnam	1	—	—	1	1	—
Hongkong	9	14	13	9	7	2
China	40	9	1	—	—	—
Japan	112	121	194	172	244	83
Philippines	18	22	22	24	25	7
Other	61	7	6	4	14	3
Total exports to Asia	256	202	313	360	460	139
<i>Per cent of total export value</i>	36.2%	29.8%	47.1%	48.0%	55.4%	66.5%
<i>Australasia</i>						
Australia	56	55	61	68	61	12
New Zealand	1	2	1	1	1	—
Oceania-Hawai	8	4	11	4	5	1
Total exports to Australasia	65	61	73	73	67	13
<i>Per cent of total export value</i>	9.2%	9.0%	10.9%	9.7%	8.1%	6.2%
Via free ports: Sabang, Tandjung Uban and ports not specifically mentioned	—	—	—	60	89	—
<i>Per cent of total export value</i>	—	—	—	8.0%	10.7%	—
Grand total	707	678	665	751	831	209

\*) Provisional figures.

Source : Central Bureau of Statistics.

## EXPORT BY COUNTRY DESTINATION AND IMPORTS BY COUNTRY OF ORIGIN



Pepper exports declined significantly in value. The sharp price fluctuations which occurred within short periods of time were an indication of weaknesses in marketing procedure and organization.

In 1969, the world market price of tin remained at a relatively high level due to I.T.A. intervention, and i.a. contributed to the slight increase in tin exports.

In general, the value of category B exports declined slightly with the exception of timber. The value of timber exports increased by more than 100 % following intensified forest exploitation.

In 1969, Europe's position as a purchaser of Indonesia's export commodities was declining further. The position of the United States declined slightly also, whereas the Asian countries, particularly Japan and Singapore, had a rather dominating position as buyers of commodities from Indonesia.

#### *Services and grants*

In 1969, the balance on services account showed a deficit of US\$ 363 million which was US\$ 71 million more than the deficit incurred in the preceding year.

The growing volume of imports accounted for the increase in payments for freight and insurance related to imports. Following the progress in production and export of the oil sector, transfers by foreign oil companies increased also. The increase of US\$ 71 million in the deficit as mentioned above included a US\$ 15 million increase on account of import transactions and US\$ 29 million of investment income' whereas the balance consisted of increases in the remaining items.

Grants received amounted to US\$ 47 million and were approximately 17.4% of total foreign credits utilized in the same year. The percentages for 1967 and 1968 were 11.7%, and 9.7%, respectively.

Table 26 presents a specification of the grants received in 1969.

**TABLE 26 — GRANTS RECEIVED**  
( in millions US Dollars )

	1968	1969
1. Australia	5	13
2. U.S.A.	—	9
3. Netherlands	14	13
4. Belgium	—	1
5. Japan	7	5
6. Federal Republic of Germany	—	1
7. United Kingdom	—	—
8. Italy	—	—
9. Canada	—	3
10. France	—	2
T o t a l	26	47

### *Capital movements*

In the period under report, the private sector accounted for an increase in capital inflow of US\$ 16 million over the preceding year. The structure of private capital movements may said to have improved on account of the accelerated implementation of foreign investments following the completion of the preparatory stage of the respective projects, the preparation of capital and the revocation of the policy regarding the utilization of short term foreign credits in the context of B3 imports without cover. Short term liabilities could therefore be reduced, while there was a shift towards long term liabilities.

Repayments of long term liabilities in this sector almost wholly consisted of depreciations of foreign oil companies operating in Indonesia, whereas repayments of short term liabilities included settlements in the context of BE imports without cover.

In 1969, capital movements in the public sector continued the trend of the preceding years. The main components affecting the development in this sector were receipts of long term foreign loans and repayment of debts incurred before and after 1966. Other components were receipts and repayments of short term credits for the financing of imports of rice, fertilizer etc.

Foreign loans obtained and utilized in 1969 amounted to US\$ 269 million and were higher than in 1968. A breakdown is contained in Table 27.

TABLE 27 — LONG TERM FOREIGN LOANS  
( in million US Dollars )

	1966	1967	1968	1969	1970*)	1969/ 1970
1. Australia	—	—	—	—	—	—
2. U.S.A.	35	59	144	137	39	159
3. Japan	30	50	54	59	25	68
4. Netherlands		27	3	21	—	10
5. Belgium		—	—	1	1	2
6. Federal Republic of Germany	25	49	19	17	4	19
7. France		8	2	11	1	8
8. Italy		13	8	7	3	9
9. United Kingdom		—	2	7	1	7
10. India	—	13	—	—	—	—
11. Bulgaria		—	—	—	—	—
12. German Democratic Republic		8	1	1	—	1
13. Poland	23	—	—	—	—	—
14. Czechoslovakia		—	—	—	—	—
15. Hungary		—	3	—	—	—
16. Yugoslavia		10	4	5	—	3
17. Denmark	—	—	—	1	—	1
18. I.D.A.	—	—	—	2	1	2
<b>Total</b>	<b>113</b>	<b>237</b>	<b>240</b>	<b>269</b>	<b>75</b>	<b>289</b>

\*) January through March.

In 1968 and 1969, long term debt repayments amounted to US\$ 61 million and US\$ 59 million, respectively, and therefore accounted for net receipts of US\$ 179 million and US\$ 209 million, respectively. Efforts continued to be made to negotiate favorable terms for the rescheduling of outstanding debts in order to enable a more realistic administration of capital movements in the public sector.

Receipts of short term credits for imports of rice and raw materials to increase foodstuffs production amounted to US\$ 49 million. Accounting for repayments of US\$ 41 million, net receipts amounted to US\$ 8 million.

It may be mentioned in conclusion that in 1969, the deficit of US\$ 361 million on the goods and services account was financed by US\$ 47 million of grants and US\$ 259 million of net receipts of foreign loans. Accounting for net errors and omissions of + US\$ 35 million, the balance of payments deficit resulted in a decline in reserves to an amount of US\$ 20 million.

In regard to the quarterly development during 1969 may be mentioned, that in the first quarter of the year under report, monetary reserves increased by US\$ 48 million, whereas in the successive quarters following thereafter, there was a decline of US\$ 3 million, US\$ 15 million and US\$ 50 million, respectively.

#### *Foreign trade and payments agreements*

##### *The Philippines*

On May 30, 1969, a Basic Agreement on Economic and Technical Cooperation was signed in Manila between Indonesia and the Philippines.

Concurrently, a new trade agreement covering one year subject to extension was signed also. In contrast to earlier trade agreements, the new trade agreement did not provide for quotas on exports and imports which would be binding to the parties concerned.

The new trade agreement terminated the clearing agreement on trade between Indonesia and the Philippines which was concluded on May 27, 1963.

In contrast to the nature of earlier trade agreements, the aforesaid trade agreement with the Philippines was in line with our economic policy, since it was without commitments and quotas.

The above mentioned trade agreement was only one of the agreements concluded, i.e. besides those on science, fishery, forestry, coconut products, sea transportation, claim with regard to cotton processing and claim with regard to rice imports.

### *International Financial Institutions*

#### *International Monetary Fund (I.M.F.)*

Regarding the financial relations between Indonesia and Fund may be mentioned that during the period under report an amount of US\$ 65.75 million was drawn. Out of the said amount, US\$ 6.75 million was drawn under the 1968/1969 standby agreement and US\$ 59 million was drawn under the 1969/1970 standby agreement.

On the other hand, Indonesia repurchased the balance of the drawing which was effected before withdrawal from the Fund and amounted to US\$ 50.8 million. In accordance with the repayment schedule. Indonesia repurchased the final instalment of US\$ 20.8 million.

Therefore, at the end of the period under report, Indonesia's drawings outstanding amounted to US\$ 108.97 million; US\$ 45 million and US\$ 65.75 million were drawn in 1968 and 1969/1970, respectively, while US\$ 1.78 million should be deducted on account of the payment in gold at the time of Indonesia's rejoining the Fund.

On April 4, 1969, the Board of Governors of the Fund approved the standby arrangement for 1969/1970 which involved an amount of US\$ 70 million.

In connection with the price stabilization of primary commodities, on June 25, 1969, the Board of Governors decided on the procedure regarding financial assistance to its member countries. It was indicated that the Fund would allow drawings to an amount not exceeding 50 per cent of quota to member countries participating in international buffer stock operations who complied with certain conditions. The size of the

drawings was also related to those in the context of compensatory financing. The terms and conditions of drawings in connection with buffer stock operations were set out in detail in the Decision, of the Board of Executive Directors of the Fund No. 2772-(69/47) dated June 25,1969.

In the 1969 annual meeting of the Fund, the Board of Governors adopted a resolution on SDR allocations which involved an amount of US\$ 9.5 billion for a period of 3 years, i.e. US\$ 3.5 billion for 1970 and US\$ 3 billion each for 1971 and 1972. The first allocation was effected on January 1,1970, and was subsequently allocated to the member countries participating in the Special Drawing Account. The size of the allocation was determined on the basis of the quota of each member country at the time when the allocations were effected.

Indonesia's allocation of SDRs for 1970 amounted to US\$ 34,776,000. which was 16.8% of Indonesia's quota of US\$ 207 million.

Pursuant to a resolution adopted by the Board of Governors on February 9, 1970, the quotas of the Fund member countries would be increased from US\$ 21.3 billion to US\$ 28.9 billion. Out of the said total, Indonesia was permitted and subsequently agreed to a maximum increase of US\$ 53 million, so that the new quota would amount to US\$ 260 million.

The new quota would only take effect after the country had approved and had fully paid for the increase.

#### *World Bank (IBRD)*

During the period under report, a number of World Bank missions visited Indonesia for discussions and for surveys of projects which were submitted by the Government for financing by soft loans through I.D.A. (I.D.A. is a financial institution affiliated with the World Bank).

Until the end of the period under report, the aid committed to Indonesia by I.D.A. amounted to US\$ 66 million for the following projects:

- |   |                   |
|---|-------------------|
| a) Irrigation                             | : US\$ 5 million  |
| b) Technical assistance                   | : US\$ 2 million  |
| c) Rehabilitation of agricultural estates | : US\$ 16 million |
| d) Rehabilitation of highways             | : US\$ 28 million |
| e) State Electricity Company              | : US\$ 15 million |

It should be mentioned that the aforesaid soft loans were interest free and repayable in 50 years (including a grace period of 10 years); they only required the payment of an annual service charge of 3/4%.

#### *Asian Development Bank (A.D.B.)*

During the period under report, several ADB missions came to Indonesia to visit the Sawit Sebarang palm oil project, the PUSRI expansion project and the Sempor irrigation project, as well as to identify other projects.

Until the end of the period under report, the amount of aid committed to Indonesia by ADB amounted to US\$ 3,390,000 which consisted of loans for the following projects:

- |                                    |                  |
|------------------------------------|------------------|
| a) Tadjum irrigation project       | : US\$ 990,000   |
| b) Sawit Sebarang palm oil project | : US\$ 2,400,000 |

The abovementioned loans were granted out of ADB's Special of on the following terms:

- 24 1/2 years maturity including a grace period of 7 years;
- 3% interest p.a. to be paid semiannually.

In addition, ADB had also provided technical assistance to an amount of US\$ 0.6 million.

On March 25, 1970, the Board of Directors of ADB approved the procedure regarding the administration of the Nfl 17.5 million grant from the Netherlands to the Multipurpose Special Fund which was to be utilized for the financing of development projects in West Irian.

The projects to be selected by ADB were quick yielding projects which would have a direct impact on the development of West Irian, such as drinking water and electric power installations, harbor works, coastal transportation, road construction, telecommunications and fishery.

#### *Inter-Governmental Group on Indonesia (IGGI)*

During the period under report, two IGGI conferences were held to discuss Indonesia's requirement of foreign aid.

As had been decided in the December 1968 conference, in April 1969 it was confirmed to provide Indonesia with aid to an amount of US\$ 500 million, i.e. US\$ 135 million of food aid, and US\$ 365 million of program aid.

The 7th IGGI conference in December 1969 discussed and subsequently agreed to provide Indonesia with foreign aid to an amount of US\$ 600 million for fiscal year 1970./1971, specified into US\$140 million of food aid, US\$ 200 million of program aid and US\$ 260 million of project aid.

#### *Paris conference on foreign debt rescheduling*

In October and December 1969, the principal creditor countries of Indonesia convened in Paris to continue the discussion on Dr. Abs' proposals concerning an integrated rescheduling of Indonesia's earlier debts.

## VII. PRODUCTION, INFRASTRUCTURE, PRICE LEVEL AND SOCIAL DEVELOPMENTS

### *Food producing agriculture*

#### *Production of foodstuffs*

In 1969, the production of rice and sweet potatoes increased, but the production of other foodstuffs such as maize, cassava, peanuts and soya beans declined compared with the preceding year.

The production of paddy in 1969 reached 20,464 thousand tons or the equivalent of 10,642 thousand tons of rice, and was thus 1.2% above the Five Year Development Plan target of 10,520 thousand tons. Compared with the 1968 production of 19,550 thousand tons, the production in 1969 increased by 4.7%. This higher production was primarily attributable to:

- the programs of the Government for intensification of the paddy cultivation through BIMAS, BIMAS Gotong Rojong and INMAS schemes.

These intensification efforts succeeded to raise the average yield per hectare;

- an expansion of the cultivated area which was facilitated by the rehabilitation of irrigation projects.

In 1968, the average yield per hectare was 27.06 quintals; the average yield of 28.09 quintals of paddy per hectare on irrigated fields achieved in 1969 therefore revealed an increase of 3.8%.

In 1969, the harvested area of paddy on irrigated fields increased by 3.0% over 1968, viz. from 6,354 thousand hectares (in 1968) to 6,544 thousand hectares in 1969. On the other hand, the harvested area of paddy on non-irrigated fields which in 1968 covered 1,659 thousand hectares, declined to 1,470 thousand hectares in 1969, which was a reduction of 11.4%.

The production of maize in 1969 reached 2,293 thousand tons which indicated a drop of 27.57% from the preceding year's production of 3,166 thousand tons. Since the Five Year Development Plan mentioned a production target of 3,370 thousand tons, the actual production in 1969 reached only 68% of the target.

The decline in the production of maize in 1969 was i.e. ascribed to the price of maize which was not encouraging the farmers. The harvested area decreased by 24.38%, viz. from 3,229 thousand hectares in 1968 to 2,435 thousand hectares in 1969. Besides, the average yield per hectare in 1969 also declined rather significantly viz. from 9.83 quintals in 1968 to 9.42 quintals in the following year, indicating a decline of 4, 2%.

The production of cassava decreased from 11,356 thousand tons in 1968 to 11,034 thousand tons in 1969, which was a decline of 2.8%. The decline in production was i.e. caused by a reduction in the harvested area from 1,503 thousand hectares (1968) to 1,467 thousand hectares (1969) i.e. a decline of 2.4%, while the average yield per hectare declined slightly from 75.53 quintals to 75.21 quintals.

On the other hand, the output of sweet potatoes increased by 27.8% in the year under report, i.e. from 2,364 thousand tons to 3,021 thousand tons.

In 1969, the production of pulses such as peanuts and soya beans all declined. The production of peanuts dropped by 7%, viz. from 287 thousand tons (1968) to 267 thousand tons (1969), while soya bean production dropped by 7.4% from 420 thousand tons in 1968 to 389 thousand tons in 1969. The lower output of pulses was i.e. ascribed to a dwindling of the harvested area.

### *Rice*

The rice price stabilization policy of the Government was in the first place designed to maintain a price level which would encourage farmers to adopt new cultivation techniques in order to raise their production. On the other hand, the aforesaid policy also aimed to keep the price at a level which was reasonable to consumers.

In the middle of 1969, the Government confirmed the aforementioned policy by determining a minimum purchase price of paddy at farmers level. The said minimum

price was Rp 13.20 per kg of dry paddy off village go downs which was the equivalent of Rp 36,- per kg of rice off rice mill.

The Government cq BULOG (Badan Urusan Logistik, i.e. Body for Logistic Affairs) was at any time prepared to pay the aforesaid price of Rp 13.20 per kg of paddy. Unlike in the past, the objective of the current policy was to prevent a decline of the rice price below the minimum price as determined by the Government rather than meeting the procurement target.

On the other hand, the maximum price which consumers were expected to pay was determined at Rp 50,- per kg. In the event that the rice price would come to Rp 50,- per kg, BULOG would start to release rice from stocks until the price declined again. In support of this policy, the Government should have adequate stocks of rice on hand. The rice stocks were derived from domestic procurements as well as from imports.

According to data supplied by BULOG actual domestic rice procurements in 1969 amounted to 220 thousand tons while the original target was 587 thousand tons. Actual procurements in 1967 and 1968 were 504 thousand tons and 598 thousand tons, respectively.

Rice was imported in commercial basis or through long term foreign credits or grants. In order to save foreign exchange, rice should in the first place be imported through grants or long term credits. Commercial imports would be effected only when rice stocks were low and speedy imports would be necessary as what happened in the year under report. In 1969, rice imports amounted to 604 thousand tons.

Since domestic procurements were 220 thousand tons, imports were 604 thousand tons and stocks at the beginning of the year were 496 thousand tons, the total volume of rice held by the Government in 1969 amounted to 1,320 thousand tons (as against 1,375 thousand tons in 1968).

#### *Measures taken by the Government to increase the production of foodstuffs*

The year 1969 was the first year of the implementation of the Five Year Development Plan which emphasized upon the development of the agricultural sector with

special reference to the increase in foodstuffs production and particularly of rice.

Similar to the preceding years, in 1969 efforts were made to increase the production of rice through BIMAS (Bimbingan Masal or Mass Guidance) and INMAS (Intensifikasi Masal or Mass Intensification schemes). A number of BIMAS schemes were known in 1969 such as “BIMAS Nasional” or „BIMAS Umum”, “BIMAS Gotong Rojong” and “BIMAS Baru”.

BIMAS Nasional was a BIMAS scheme administered by Bank Rakjat Indonesia and PN PERTANI in conjunction with the Department of Agriculture.

BIMAS Gotong Rojong was introduced when inadequacy of foreign exchange hampered the supply of fertilizer and other current input. Besides, credit facilities to farmers were also inadequate. In those circumstances, the Government signed agreements with a number of foreign enterprises in order to satisfy the demand mentioned above. In the BIMAS Gotong Rojong scheme there were 2 credit relationships between 3 parties. First: the credit relationship between the Government and the foreign enterprise concerned, in the context of which the foreign enterprise should supply current input on short term credit; second: the credit relationship between the Government and the farmer whereby the Government transferred the ownership on the said current input to the farmers, and the farmers should repay the Government after harvest either in cash or in kind.

BIMAS Baru referred to the scheme in which high yielding seeds of the PB-5 or PB-8 varieties were used. BIMAS Baru could either mean BIMAS Nasional or BIMAS Gotong Rojong.

BIMAS Gotong Rojong was introduced in the rainy season of 1968/1969. Table 28 illustrates the development of BIMAS and INMAS since the rainy season of 1967/1968 through the rainy season of 1969/1970. In this context should be noted that the data for area under cultivation of INMAS are provisional.

Table 28 indicates that BIMAS Nasional was superseded by BIMAS Gotong Rojong, i.e. because of the following reasons:

- The best paddy fields (in terms of location, irrigation etc.) were selected for BIMAS Gotong Rojong.
- The attention of the executive officers as well as the available facilities were for the greater part devoted to BIMAS Gotong Rojong.
- Terms and conditions with respect to BIMAS Umum credits were tightened in order to prevent a recurrence of bad debts.

The success of the various BIMAS schemes was reflected in a higher average yield per hectare. In general, the average paddy output on irrigated fields in 1969 increased by 1.03 quintals (3.8%) from an average of 27.06 quintals/ha in 1968 to an average of 28.09 quintals/ha in the year thereafter.

Another positive and significant result was the knowledge gained by the farmers concerning the use of current input and the application of modern techniques.

The main weakness of the various BIMAS schemes was the repayment of credits by the farmers. The percentage of debt in arrears, especially in the case of BIMAS Gotong Rojong, was very high. Other difficulties of BIMAS Gotong Rojong were:

- Organizational problems, such as inadequate coordination between the relevant agencies and inefficiency of the debt collecting apparatus.
- Shortage of trained workers at village level to guide and supervise the farmers in connection with the use of current input and the application of modern techniques.
- Lack of adequate storage facilities for paddy which was collected in repayment of debt.
- The distribution of current input such as fertilizer was often not in agreement with the actual need of the respective areas.

Due to availability of foreign exchange as well as better credit facilities, in the middle of 1969 the Government decided to discontinue BIMAS Gotong Rojong gradually while preparing a better scheme for its replacement i.e. BIMAS Gaja Baru.

TABLE 28 --- ACREAGE UNDER IMPLEMENTATION OF BIMAS PROGRAMS \*)  
( in thousand hectares )

	BIMAS Nasional			BIMAS Gotong Rojong			I N M A S			T o t a l		
	Other than PB 5/8	PB 5/8	Total	Other than PB 5/8	PB 5/8	Total	Other than PB 5/8	PB 5/8	Total	Other than PB 5/8	PB 5/8	Total
Rainy season, 1967/1968	489.3	—	489.3	—	—	—	625.6	—	625.6	1,114.9	—	1,114.9
Dry season, 1968	256.2	17.6	273.8	—	—	—	207.5	—	207.5	463.7	17.6	481.3
Rainy season, 1968/1969	331.5	85.4	416.9	249.1	49.1	298.2	551.2	45.6	596.8	1,131.8	180.1	1,311.9
Dry season, 1969	89.3	13.9	103.2	263.8	229.8	493.6	286.7	63.3	350.0	639.8	307.0	946.8
Rainy season, 1969/1970	168.5	64.2	232.7	493.8	282.7	776.5	417.8	101.7	519.5	1,080.1	448.6	1,528.7

\*) Revised figures.

Source : Department of Agriculture.

Besides intensification with respect to cultivation techniques, the increase in the production of rice was also attempted through rehabilitation and expansion of the irrigation system. In 1969/1970, the rehabilitation of the irrigation system covered an area of more than 200,00 hectares of rice land. Whereas the extensification of the irrigation system expanded the area of rice land by approximately 60.000 hectares. Mean while, the river control program succeeded to preserve an area of 42,00 hectares in 1969/1970.

Table 28 reveals that the use of high yielding seeds, which were an important element in the efforts to increase rice production, had positive results. It may also be mentioned that in 1969 a project was under preparation which was designed to develop an integrated system for the production and distribution of high yielding seeds. The aforesaid project however, required a large investment, and it was expected that a loan from the World Bank could be obtained for its implementation.

Regarding research and experiments may be reported that in 1969 a number of new high yielding seeds were introduced, i.e. C-4 and Dewi Ratih. These new varieties had a potential yield which was as high as of the PB varieties; however, with a taste that better suited the consumers.

Another measure designed to increase rice production was the regulation regarding a minimum price of paddy as an incentive to production. This matter will be elaborated elsewhere in this report under the heading "Rice".

In addition to the foregoing, information through the media of motion pictures, radio broadcasts, posters and other forms of mass communication was intensified in 1969.

### *World rice situation*

According to data provided by the F.A.O., the provisional figure for the world output of rice in 1969 was 294.7 million metric tons. Compared with the 1968 output of 283.9 million metric tons, it was an increase of 3.8%. The fairly significant increase in world output in recent years was i.e. attributable to the intensified use of high yielding seeds. The national policy implemented by a number of countries in their efforts to increase the output of rice often required the establishment of high paddy prices to encourage rice producers.

The world trade in rice declined in 1969. The value of trade decreased by 10% and consequently the receipts of most of the rice exporting countries fell off as well. In 1966 and 1967, there was an excess demand for rice which hampered the world trade in rice; in 1968 and 1969, however, world trade declined on account of oversupply. Many countries where rice was the staple food had introduced a number of measures to increase their domestic rice production, and some of them finally became self-sufficient in rice. The oversupply of rice in the world market was reflected by the decline in the rice price and the sizable carry-over stocks.

In 1968, the average export price of Thai rice, white 5 - 7% broken, f.o.b. Bangkok, was £ 84.7 per metric ton; in 1969, however, the price declined to an average of £ 77.3.

It was expected that in 1970 the world production of rice would develop along the same pattern as in 1969, i.e. that there would be a decline in demand as well as in price.

### *Forestry*

#### *Timber*

The principal forest produce was timber which should be distinguished into teak wood and non- teak wood.

In 1969, the output of wood increased significantly, i.e. from 5,299 thousand m<sup>3</sup> of roundwood equivalent in 1968 to 7,527 thousand m<sup>3</sup> in the following year, which indicated an increase of 42.0%. The swift increase in output in 1969 was i.e. attributable to:

- the increase in domestic as well as foreign investments in the field of forestry;
- the increase in the world demand for timber;
- the increasingly better economic conditions and sea transportation facilities.

In 1969, the output of timber in the principal timber producing areas - with the exception of Djawa & Madura and Sumatra - rose swiftly. Timber output in Sumatra declined, i.e. since many entrepreneurs suspended their operations.

The output of firewood was declining in the last years and was at its lowest in 1969 when only 997 thousand m3 of roundwood equivalent was produced as against 1,105 thousand m3 in the year before (-9.8 per cent). The decline in the output of firewood was mainly caused by the substitution of kerosene as fuel.

On the other hand, lumber output in 1969 increased to 6,170 thousand m3 of roundwood equivalent from 3,828 thousand m3 in the preceding year (the figures for 1966 and 1967 were 1,983 thousand m3 and 2,853 thousand m3 respectively).

In line with production, timber exports in 1969 —teak as well as non-teak—increased swiftly. The export volume of teak wood rose from 27,680 tons in 1968 to 39,645 tons in the year thereafter (+ 43.2%), whereas the export value increased from US\$ 2,141 thousand to US\$ 2,526 thousand or by 18%. The export volume of non-teakwood increased considerably from 809,850 tons in 1968 to 2,390,047 tons in the following year (+ 195.1%), whereas its value increased from US\$ 8,961 thousand to US\$ 22,898 thousand (155.5%).

The increase in timber exports during the year followed the swift increase in output in order to meet the increasing world demand for timber. Hongkong was the main market for low-grade teak, and could be considered as an established market for this commodity. High grade teak in the form of logs or conversion was still exported to Europe, whereas until then Japan was the main market for non-teak wood.

#### *Other forest produce*

In 1969, the export of all other forest produce increased, with the exception of *tengkawang* (shorea nuts) which in the year under report was far lower than in the preceding year.

In 1969, exports of *copal*, *dammara*, *rattan* and *tengkawang* were as follows: 3,035 tons (US \$ 122,000), 6,751 tons (US\$ 168,000), 32,787 tons (US\$ 651,000), and 446 tons (US\$ 49,000), respectively. Whereas the 1968 figures were: 2,503 tons (US\$ 116,000), 5,420 tons (US \$ 193,000), 32,421 tons (US.\$ 639,000), and 21,413 tons (US\$ 3,215,000), respectively.

## *Livestock*

Animal husbandry in Indonesia was mostly conducted as a side line and on a small scale, non commercial basis. Only diary farming may be classified as commercial farming. Padigree chicken farming, mainly for the production of eggs, was developing into a commercial undertaking.

According to data of the Directorate General of Animal Husbandry, the total livestock population in 1969 was higher than in 1968. The number of cows increased by 16 % (from 7,873 thousand to 9,133 thousand), waterbuffaloes by 13% (from 2,932 thousand to 3,313 thousand), horses by 6% (from 654 thousand to 692 thousand), goats and sheep by 33% (from 13,049 thousand to 17,397 thousand) and pigs by 46% (from 3,427 thousand to 5,003 thousand).

The increase in livestock population was, i.a. caused by better control of diseases.

In 1969, the output of meat, milk and eggs failed to meet the target. The production target for meat was 321.7 thousand tons, whereas actual output was only 283.2 thousand tons; milk output was only 67,260 thousand liters as against the target of 68,000 liters and only 1.628 million eggs out of the target of 1,673 million were produced.

The low buying power of the people was one of the factors which impeded the efforts to raise the consumption and marketing of the aforesaid products. In a number of farming areas, fresh milk as well as eggs often could not be sold on account of processing and marketing problems.

In the year under report, effort to raise the production of livestock mainly concerned selective breeding, intensification of pedigree chicken farming and the eradication of animal diseases.

In connection with the efforts to improve the quality of domestic chickens, applications had been submitted for the import of pedigree chickens. The same was done with respect to milk cows, horses and pigs.

Foreign capital investment was another means to increase livestock production. Discussions were being held to establish joint ventures in the field of animal husbandry in Kupang, South Sulawesi and Bogor.

Cattle exports in 1969 included 37,547 cows and 17,868 water buffaloes. In comparison to the export of 34,541 cows and 15,377 water buffaloes in 1968, it was an increase of 9% and 16%, respectively.

Hongkong was the sole market for the aforementioned cattle exports. Factors which impeded the export of cattle such as transportation shipping costs and foreign markets were mostly beyond the sphere of production.

### *Fishery*

The combined potential output of sea fishery and inland fishery in Indonesia was estimated at 7.6 million tons per annum. The output in 1969 was 1.2 million tons and consisted of 785 thousand tons of sea fish and 429 thousand tons of inland fish, which was 15.8% of the potential output. In comparison to the production of sea fish (723 thousand tons) and inland fish (435 thousand tons) in 1968, the production in 1969 showed an increase of 8.6% and of 1.4%, respectively.

Sea fish production in 1969 could not reach the Five Year Development Plan target of 898,000 tons, i.a. since the target was too high, the fish catching methods traditional and the supply of fishing gear inadequate.

For fishing operations at sea, fisherman continued to rely on 278,466 sail boats (praohs). The number of motorized fishing boats was still small (5,319), so that both fishing operations and fishing areas were very much restricted in size.

Efforts to raise the production of sea fish i.a. included improvements of fish catching techniques and fishing gear. Emphasis was placed on raising the production of tjakalang, tuna and shrimp which commanded a favorable market abroad.

In connection with project aid, the establishment of the Air Tembaga fishery project was under preparation. It was expected that in the next year, soft credit from IDA could

be obtained for the project. Similar projects in other regions were under preparation and both national private as well as foreign entrepreneurs had invested their capital in the field of sea fishery. Foreign investments amounted to US\$ 6 million and constituted the total investments of 4 enterprises while 7 other enterprises with an intended investment of US\$ 18.6 million together were still in the process of surveying.

In 1969, exports of fish and of other fishery products reached a total value of US\$ 1.5 million and therefore met the target. However, it was 12.6% below the export of the preceding year which amounted to US\$ 1.7 million. The principal countries of destination for fishery products were Japan, the United States, Hongkong and Singapore. In regard to inland fishery may be mentioned that 74% of the output in 1969 originated from fish caught in public waters such as swamps, rivers and lakes, with the remaining 26% originating from fish ponds, wet paddy fields and irrigation reservoirs.

In a number of areas in East Djawa, efforts had been made to intensify fish farming in wet paddy fields and irrigation reservoirs, as well as to rehabilitate irrigation canals.

#### *Smallholder's and estate agriculture*

##### *Rubber*

In 1969, the output of estate as well as smallholder's rubber increased over the preceding year. Estate rubber production increased by 10% from 206 thousand tons in 1968 to 227 thousand tons in 1969 <sup>1)</sup>, while smallholder's rubber increased by only 6.4% from 512 thousand tons <sup>2)</sup> to 545 thousand tons <sup>3)</sup>.

The increase in estate rubber output was i.a. attributable to intensified manuring and other improvements in cultivation techniques, whereas the increase in the output of smallholder's rubber was mostly caused by the increase in domestic as well as world market prices of rubber in 1969.

---

1) Data from the Central Bureau of Statistics.

2) Revised figures.

3) Data from the Department of Agriculture.

At the end of 1968, crumb rubber factories started to be established in Indonesia for the following purposes:

- quality upgrading of Indonesia's rubber exports in order to increase foreign exchange receipts;
- standardization of grades;
- simplification and acceleration of rubber processing.

At the end of 1969, 14 crumb rubber factories with a total capacity of 63,200 tons were completed. The actual output in 1969, however was only 9,000 tons.

The volume as well as the value of estate rubber exports in 1969 were lower than in the preceding year. The volume of exports dropped by 30% from 216,875 tons (1968) to 150,965 tons (1969), whereas the value declined by 25% from US\$ 59,033 thousand to US\$ 44,278 thousand.

The volume as well as the value of smallholder's rubber exports in 1969 were higher than in 1968. The export volume increased by 5% from 51,129 tons (1968) to 538,442 tons (1969), while the value increased by 27% from US\$ 106,943 thousand to US\$ 136,070 thousand.

The increase in the volume as well as in the value of smallholder's rubber exports in 1969 was primarily in response to the increase in world market rubber prices.

The price increases were caused by a number of factors, such as an increase in demand on the part of rubber consuming countries, i.e. the United States, the Soviet Union and the People's Republic of China. Another cause were the speculative purchases out of fear of a world monetary crisis following the devaluation of the French franc.

Domestic rubber prices followed the price increased in the world market; the price of RSSI in Djakarta developed as follows:

In December 1968, RSSI was still quoted at Rp 128.-/kg, but in March 1969, the price increased to Rp 157,-. The peak was recorded in July, when RSSI fetched a price of Rp 169,- which declined in the final quarter of 1969 to a level of Rp 139,- in December..

According to data from the International Rubber Study Group, the world output of natural and synthetic rubber during the year under report was higher than in the preceding year. In 1969, the world output of natural rubber was 2,885 thousand metric tons as against 2,632 thousand metric tons in 1968 (+9.6%).

Malaysia and Indonesia continued to be the principal producer natural rubber, followed by Thailand and Ceylon.

Table 29 illustrates the development of Indonesia's rubber producing during the last 10 years.

TABLE 29 — PRODUCTION OF RUBBER  
( in tons )

	Smallholders	Estates	Total
1 9 6 0	403,480	214,547	618,027
1 9 6 1	470,000	227,675	697,675
1 9 6 2	480,000	217,037	697,037
1 9 6 3	490,000	216,413	706,413
1 9 6 4	500,000	231,691	731,691
1 9 6 5	510,000	227,763	737,763
1 9 6 6	536,000	216,669	752,669
1 9 6 7	530,000	200,565	730,565
1 9 6 8	500,000	205,908	705,908
1 9 6 9	510,000	230,000	740,000

Sources : Department of Agriculture,  
Central Bureau of Statistics.

In 1968, the world output of synthetic rubber reached 4,052 thousand metric tons and increased by 523 thousand metric tons (+ 12.9%.) to become 4,575 thousand metric tons in the following year. The main producers of synthetic rubber were the United States, Japan, West Germany, the United Kingdom and France.

Expressed in percentages, in 1969 the shares of natural rubber synthetic rubber in total rubber production were as follows:

<i>Year</i>	<i>World output of natural and synthetic rubber ('000 metric tons)</i>	<i>Share of natural rubber (%)</i>	<i>Share of synthetic rubber (%)</i>
1967	6,003	41	59
1968	6,684	39	61
1969	7,460	39	61

World consumption of natural rubber increased from 2,848 thousand metric tons ( 1968) to 2,982 thousand metric tons ( 1969) or by 4.7 %, whereas synthetic rubber consumption rose from 3,982 thousand metric tons (1968) to 4,455 thousand metric tons (1969) which indicated an increase of 11.9%.

The principal consumers of natural rubber were the United States, Japan, the United Kingdom, West Germany and France. Synthetic rubber was primarily consumed by the United States Japan, West Germany, the United Kingdom and France.

### *Copra*

As a result of the decline in the world market price of copra and also because of other factors, the volume of copra exports in 1969 decreased and caused the export value of copra to decline from US\$ 40,102 thousand in 1968 to US\$ 18,715 thousand in 1969.

In August 1969, the Regulation of the Minister of Trade No. 009/SK/I/1967, which until then had governed the copra trade, was substituted by Presidential Decision No. 67/1969. The B.P.K. (Badan Pengurusan Kopra, i.e. Copra Board) was established by this Decision and was in charge of the following duties:

- to implement the Government policy in the field of copra trade;
- to introduce measures to protect the interest of copra farmers, and other measures for the development of the cope/coconut production;
- to regulate the marketing and the price of copra;
- to introduce measures to raise the production and quality of copra;
- to control the inland as well as the sea transportation of copra.

From the point of view of the number of cooperatives as well as their membership, in 1969 the development of the copra cooperatives as an important institution in the copra trade was not very favorable. Measures were taken to improve the performance and working efficiency of copra cooperatives, in accordance with the provisions contained in the 1967 Act concerning Principal Regulations on Cooperatives.

### *Palm oil*

In 1969, the production of palm oil and palm kernels was 188,783 tons and 41,566 tons, respectively, as against 179,981 and 38,952 tons in 1968. It therefore indicated a 5% increase in palm oil production and a 7% increase in palm kernel production.

The higher output in 1969 was i.a. a result of rehabilitation and rejuvenation of the estates during the past years. In 1968, the area under cultivation was 113,600 hectares which included a productive area of 89,700 hectares; in 1969 the area under cultivation was expanded to 121,000 hectares which included a productive area of 90,400 hectares. The growing domestic consumption and several other factors, however, accounted for the lower volume and value of palm oil and palm kernel exports in 1969.

The import duty imposed by the EEC, the main area of destination of Indonesia's palm oil exports, affected its competitive position most adversely.

In 1969, the main countries of destination for Indonesia's palm oil exports were successively the Netherlands, Belgium & Luxemburg, Japan, West Germany and the United States, whereas those for palm kernel exports were Japan, the Netherlands, West Germany, Belgium & Luxemburg.

From the point of view of producing countries in 1969, the world market price development was better than in 1968. In 1969 the price of palm oil was declining, with the highest price of £ 81.0 per long ton fetched at the year's beginning and the lowest price of £ 60.0 recorded in the month of October, resulting in an average price of £ 71.28 for the year. The average price in 1969 was £ 78.82 with the lowest price of £ 67.0 quoted in January. The price then started to rise and was high in the final quarter of the year, while the peak of £ 108.0 per long ton was reached in December. The price increase followed the increase in the world demand for palm oil, i.a. from West Germany

and the Netherlands. On the other hand, the production and supply of palm oil and similar oils declined, i.e. mainly in the Philippines, the United States and Africa (Senegal).

### *Cinchona*

According to the data of the Central Bureau of Statistics, the production of cinchona bark in 1969 was 2,745 tons, i.e. 56%, higher than in the preceding year when the production was 1,754 tons. The production of cinchona bark had declined continuously from 1964 through 1967. Only in 1968 did production increase again and reached the level of 1965; in 1969 production was at its highest since 1964. The fluctuation in cinchona bark production was mainly effected by its market price, especially its world market price. According to plan, an area of 100 to 200 hectares would be rejuvenated, which would increase production to 5,540 tons in 1976. The implementation of this plan was unsatisfactory because of financial reasons. However although a slight increase in world demand was expected, natural cinchona was facing increasing competition from synthetic cinchona.

Cinchona bark exports dropped by 39% from 1,640 tons in 1968 to 1,006 tons in 1969, while exports of cinchona salt rose by 20% from 121 tons to 145 tons. The Government had prohibited the export of cinchona bark, since exports of cinchona salt were more profitable; however, in order to prevent accumulated stocks at home, the Department of Trade may sometimes issue special permits for export of cinchona bark.

### *Sugar*

According to the data of the Central Bureau of Statistics, in 1969 the production of granulated sugar was 725 thousand tons as against 602 thousand tons in the preceding year, which was an increase of 20.4%. The aforementioned increase in production was i.a. attributable to:

- favorable weather i.e. sufficient rain in the second half of 1968, and dry weather in the first half of 1969 when the cutting of the cane started;
- an increase in the yield per hectare with regard to factory as well as to smallholder's cane, i.e. from 85.1 quintals/ha in 1968 to 102.0 quintals/ha in 1969 with respect to factory cane and from 37.9 quintals/ha to 49.7 quintals/ha, with respect to smallholder's cane.

Despite the increase in sugar output in 1969, the sugar mills were still facing the same difficulties as in the past, i.e. obsolete equipment, difficulty in renting fertile land, increasingly higher rents and untimely availability of land. Because of the aforementioned problems, a conspicuous rise in sugar output in the near future could not be expected. The current sugar shortage must therefore necessarily be made up by imports.

Indonesia's sugar imports in 1969 amounted to 77,779 tons as against 107,759 tons in the preceding year, thus indicating a drop of 27.8%. In 1969, exports of molasses amounted to 166,457 tons and had a value of US\$ 2,368 thousand compared with 191,855 tons and US\$ 5,036 thousand in 1968. Therefore, in 1969 the export volume and export value declined by 13.2% and 53.0% respectively.

In order to increase the domestic sugar production, in 1963 the construction of the Tjot Girek sugar mill in Atjeh was started. In the year under report, 96% of the project was completed and an initial area of 571 hectares was put under cultivation. As far as the Bone sugar mill project in South Sulawesi was concerned, in 1969 there was no progress in its construction. Nevertheless, work on the project would be continued in the future.

Besides Indonesia, in 1969 other countries such as the Philippines, Cuba and a number of European countries had an increase in their sugar production; therefore, the world sugar output rose by 4.5% from 66,691 thousand metric tons in 1968 to 69,695 thousand metric tons in 1969.

### *Tea*

The production of estate tea in the year under report declined slightly, while there was a significant increase in the production of smallholder's tea. According to the data from the Central Bureau of Statistics, the production of estate tea (black tea) in 1969 was 40.7 thousand tons as against 41.4 thousand tons in the preceding year, which implied a decrease of 1.7%. The production of smallholder's tea, i.e. green tea, was 33.1 thousand tons in 1968 which increased by 23.2% to 40.8 thousand tons in the following year.

Besides to larger purchases of fresh leaves by the tea estates, the rise in the output of smallholder's tea in 1969 was attributable to intensified maintenance through manuring, to information on cultivation techniques as well as to improved picking. Moreover, replanting was started in order to achieve the former level of production, and the factories were rehabilitated to increase their processing efficiency.

The development of the world trade in tea was still not yet in favor of tea exporting countries. Tea prices tended to decline, since the world output of tea continued to increase, whereas the world tea consumption remained relatively constant.

During the past ten years, Indonesia's export volume of tea was almost constant and varied between 30 to 35 thousand tons, but the value was declining. In 1968, the export value of Indonesia's tea amounted to US\$ 16.9 million and dropped to US\$ 9.7 million in 1969.

The principal country of destination for Indonesia's tea exports was the Netherlands, while the volume of tea exports to West Germany, the United Kingdom, the United States and Australia was increasing in recent years.

International conferences were held to regulate the world trade in tea in order to achieve world market price stability in the interest of tea producing as well as tea consuming countries.

In this context, Indonesia which had actively participated in the aforementioned international discussions, was planning to rehabilitate its tea processing facilities in order to produce high grade tea, and also attempted to secure an annual tea export quota of 40,000 tons without expansion of the present area under cultivation.

### *Coffee*

In 1969, the production of both estate and smallholder's coffee was not much different from the preceding year.

The coffee output of the estate sector in 1969 was 13,990 tons as against 13,352 tons in the year before (Source: Central Bureau of Statistics), while the production of

smallholder's coffee was 143,272 tons and 143,746 tons, respectively (Source: Department of Agriculture).

In order to increase foreign exchange receipts, the Government was always attempting to improve the quality of export coffee. This effort became increasingly important since ICO export quota allocated to Indonesia was lower than the potential export volume.

According to the Central Bureau of Statistics, the export volume of coffee in 1969 was 99,325 tons, consisting of 14,357 tons of estate coffee and 84,968 tons of smallholder's coffee.

In comparison to the preceding year (13,521 tons of estate coffee and 68,566 tons of smallholder's coffee), the export volume in 1969 increased by 17,238 tons (+21%) while the value increased by US \$ 4,269 thousand, i.e. from US \$ 42,970 thousand in 1968 to US \$ 47,239 thousand in the following year (+ 9.03% ) .

The increase in coffee exports was i.e. attributable to:

- an increase in the world market price of coffee following the fall in coffee output of Brazil which was the world's largest producer of coffee;
- the inclination of coffee importing countries to build up inventories in the light of the increasingly higher prices.

The better coffee prices in recent years were clearly reflected in the foreign exchange proceeds from coffee exports which were increasing constantly. In 1969, foreign exchange proceeds from coffee exports were third after oil and rubber. Nevertheless, the rate of increase in export value was below the rate of increase in export volume, since the quality of the exported coffee had declined.

With respect to the development of the domestic market price of coffee may be mentioned, that the price of Lampung Robusta coffee at the beginning of the year under report declined to a level fluctuating between Rp 110,- and Rp 120,- per kg, while

the price at the end of 1968 was still Rp :145,- per kg. In October 1969, the price increased to Rp 180,- per kg, and declined again to Rp 140,- at the end of the year.

The world market price of coffee at the beginning of 1969 was quite firm (US \$ cts 38.5/lbs) but fell off to US \$ cts 37.2/lbs in the middle of the year; it then rose sharply until it was quoted at US \$ cts 48.8/lbs at the end of the year.

In connection with the marketing of coffee, mention should be made of the coffee exporters syndicates. In the middle of 1969, the said syndicates were established by the Minister of Trade in the coffee producing regions; each had the exclusive right to export coffee from the area under its jurisdiction.

### *Tobacco*

The production of Deli tobacco in 1969 was not very satisfactory because of inadequate rainfall. This also appeared to be the case with the post-harvest (na-oogst) Besuki tobacco. The production of Vorstenlanden tobacco was, on the other hand, fairly satisfactory, since in 1969 the climatic conditions in the area of Surakarta and Jogjakarta were favorable for tobacco cultivation. The three types of tobacco mentioned above served as raw material for the manufacturing of cigars, and were mainly produced for export.

Although in 1969 the area under cultivation of Virginia tobacco was sufficiently large, the production was not as good as expected on account of unfavorable weather. This type of tobacco was mainly used by the domestic tobacco industry which required an annual supply of 150,000 to 160,000 bales.

According to the data of the Tobacco Institute, in 1969 the export of tobacco of all types was 173,721 bales, i.e. 13% below the 1968 export volume of 199,603 bales.

A total of 156,218 bales of Indonesian tobacco was sold in Bremen and yielded DM 102,445,088 as specified below:

A. Through auctions at the Tobacco Exchange:	
Sumatra/Deli tobacco	: 26,478 bales for DM 57,222,000
Djawa/Besuki tobacco	: 62,250 bales for DM 27,630,000
Djawa/Vorstenlanden tobacco	: 26,672 bales for DM 8,548,300
Total sales through auction	: 115,400 bales for DM 93,400,300
B. Not through auctions/by private contracts	: 40,818 bales for DM 9,044,788
<b>Total (A + B)</b>	<b>: 156,218 bales for DM 102,445,08</b>

Compared with 1968, the proceeds of the 1969 sales were more satisfactory. The volume of the sales through auctions dropped from 130,310 bales in 1968 to 115,400 bales in the year under report, i.e. by 11 % however, the value increased by 8% from DM 86,406,000 to DM 93,400,300,-

The volume of sales by private contracts declined by 41% i.e. from 69,318 bales in 1968 to 40,818 bales in the year under report, while its value declined by only 27 % i.e. from DM 12,451,000 (1968) to DM 9,044,788. Considered as a whole, the sales volume declined by 22% from 199,628 bales (1968) to 156,218 bales, but on the other hand, the value increased by 4%, i.e. from DM 98,857,000 in 1968 to DM 102,445,088 in 1969.

### *Spices*

During the past 5 years, the record figure for pepper exports was reached in 1967 with a volume of 37,241 tons and a value of US\$ 18,049,000. After 1967, however, Indonesia's pepper exports declined continuously and amounted to 24,540 tons in 1968 of a value of US\$ 13,152,000 and only 15,278 -tons of a value of US\$ 9,824,000 in the year thereafter. Therefore, pepper exports in 1969 declined by 38% in volume and by 25% in value (data from the Central Bureau of Statistics). The declining trend was ascribed to a disease which affected the roots of the pepper plants. Efforts financed by

the Government and out of cess proceeds were being undertaken to wipe out the disease. The main country of destination for Indonesia's pepper exports was Singapore.

The export of cassia vera in 1969 dropped sharply, with respect to volume as well as to value. Exports in 1968 were 1,506 tons of a value of US\$ 991,000; in 1969, however, exports were only 503 tons of a value of US\$ 117,000, indicating a drop of 70 % volume and of 15% in value.

According to the data from the Directorate General of Plantation, the area under cultivation of cloves expanded from 75,751 hectares in 1968 to 77,120 hectares in 1969. However, production declined by 6.5%, i.e. from 17,156 tons in 1968 to 16,030 tons in the following year. Indonesia was still the world's largest importer of cloves; cloves were mainly used by the clove cigarette (kretek) industry. The import value of cloves in the year under report amounted to US\$ 7.0 million.

#### *Other produce*

#### *Fibers*

On the basis of the data from the Central Bureau of Statistic, the production of hard fibers declined continuously since 1967, i.e. 9,422 tons in 1967; 9,311 tons in 1968 and 7,551 tons in 1969. The decline in production was caused by a reduction in the area under cultivation and a decrease in the number of productive plants. Fiber exports showed a trend similar to production, i.e. 8,996 tons in 1967; 5,789 tons in 1968 and 3,157 tons in 1969.

Data concerning production and area under cultivation of cotton in the period under report were not yet available, since production of cotton was of no real significance.

According to the records of the Directorate General of Plantations, the production of kapok in 1969 increased by 6,740 tons (31%) over the preceding year, i.e. from 21,770 tons to 28,510 tons. The export of kapok in 1969 was 1,547 tons of a value of US\$ :158,000; the corresponding data for 1968 were 2,284 tons and US\$ 379,000 respectively, indicating a decline of 32% in volume and of 58% in value.

## *Cocoa*

As an estate and as a smallholder's crop, the position of cocoa in Indonesia's economy was not very significant. Cocoa produced by estates amounted to 1,155 tons in 1969, which was 63% higher than the 1968 production of 708 tons. The increase was i.a. attributable to an expansion of the cocoa acreage and very favorable climatic conditions in 1969.

## *Mining*

### *Petroleum*

Crude oil production rose from 219.9 million Bbl in 1968 to 270.9 million Bbl in 1969, indicating an increase of 23%. The said increase in crude oil production was attributable to the additional crude oil produced by new oil wells.

Early 1968, the construction was started of a new oil refinery in Dumai (Riau) with a designed capacity of 100,000 Bbl per day. The aforementioned oil refinery was expected to operate in 1971. Concurrently, another oil refinery was being built at Sungai Pakning with a designed daily capacity of 50,000 Bbl; this oil refinery was scheduled for completion in 1971.

In order to meet the rising demand for fuel, the domestic oil supply was increased from 37.6 million Bbl in 1968 to 40.0 million Bbl in 1969.

In 1969, oil was produced by P.N. PERTAMINA (35.6 million Bbl), P.T. CALTEX (217.9 million Bbl) and P.T. STANVAC (17.4 million Bbl) The export of crude oil in 1968 was 144.5 million Bbl which rose to 188.8 million Bbl in 1969, while the export of oil refinery products increased from 27.6 million Bbl in 1968 to 33.8 million Bbl in 1969.

### *Tin*

Tin production rose from 16,938 metric tons in 1968 to 17,416 metric tons in 1969 (+ 2.8%). The increase in tin production was attributable to better maintenance and to replacement of mining equipment in the context of the Five Year Development Plan; the operational efficiency of the dredgers and washing installations had therefore improved.

In the effort to expand mining operation in 1969 the exploitation of the Karimun area and the Bangkinang tin mining project was started.

### *Other minerals*

#### *Bauxite*

The production of bauxite increased from 879,323 metric tons in 1968 to 926,653 metric tons in 1969 (+ 5.4%). The aforesaid increase was achieved in the context of the Five Year Development Plan which provided for the dredging of the Strait of Kidjang; bauxite carriers of a capacity of 30,000 tons could thenceforth pass the Strait which was formally restricted to carriers of a capacity of 18,000 tons only. The export of bauxite could also be increased following the construction of bunkers with a storage capacity of 90,000 tons; the previous storage capacity was 45,000 tons. Other efforts included the expansion of the loading capacity at the port of Kidjang from 500 to 1,000 tons per hour. The construction of a plant for the processing of low grade bauxite had also been planned.

#### *Nickel*

In contrast to the production increases of the abovementioned mineral products as well as of coal, gold and silver, the production of nickel declined from 261,773 metric tons in 1968 to 256,213 metric tons in 1969. The lower production was not caused by deterioration of mining equipment, but was intentionally reduced in adjustment to the exportable volume. Nevertheless, the prospect of nickel exports was fairly satisfactory since buyers had agreed to accept a lower rejection point, i.e. 2.4% (Ni + CO) with respect to nickel ore.

#### *Coal*

In 1969, the production of coal rose from 176,212 metric tons in 1968 to 191,084 metric tons (+ 8%). The aforementioned increase was the result of measures taken in underground mines and open pit mines, besides rehabilitation and replacement of mining equipment.

Because of the shift in fuel consumption from coal to petroleum, the demand for coal was declining. In 1969/1970, measures were taken towards a solution to this prob-

lem. In this connection, a private survey team from Japan had conducted a survey on the Ombilin coal mine to explore the possibility of coal exports.

### *Gold and Silver*

The production of gold as well as silver increased in 1969. The production of gold rose from 185.6 kg in 1968 to 297.5 kg in 1969; while the production of silver increased from 9,613.3 kg (1968) to 10,590.9 kg in 1969. The production of these two minerals could be increased i.a. on account of an improvement in processing facilities. In 1969, the exploration for gold ore at the Tjirotan mine was completed and yielded the expectation that the production of gold and silver could be raised to 260 kg and 10,000 kg, respectively. Besides in Tjikotok there was another gold mine in Logas (Riau).

### *Diamonds*

In 1969, the efforts with respect to diamond mining were directed towards surveys and exploration. Small scale panning of diamonds was also started in the context of investigating and assessing the results of the search for diamond bearing gravel.

### *Iron sand*

The main work in 1969 was a brief survey conducted by a team of PN Aneka Tambang and the Japanese counterpart on the iron sand deposits in the Tjilatjap area. The result of the survey was positive.

### *Manganese*

The main work in 1969 was the exploration and assessment of manganese ore deposits near Jogja by a team of the Technological Institute of Bandung which was conducted in the context of the mining program for 1972. At the same time, facilities were also made available to safeguard the aforesaid deposits. Moreover, in 1969 the exploration of deposits on the island of Doi (Halmahera) was started.

## *Industry*

In 1969, the efforts with respect to the industrial sector were directed towards rehabilitation and increase of productive capacity. The main source of financing was the Development Budget in which Rp 6.95 billion was provided for the industrial sector, while the counter value of project aid and technical assistance accounted for Rp 8.9 billion. In addition, the banks approved Rp 8,525.5 million of investment credits to the industrial sector according to the following specification:

— chemical industry	Rp 2,303.4 million
— textile industry (state enterprises)	Rp 204.3 million
— textile industry (private enterprises)	Rp 2,864.0 million
— flour mills	Rp 1,158.4 million
— other industries (pharmaceuticals, printing etc)	Rp 1,995.4 million

There was obviously a need for larger funds to activate the industrial sector. As from the effective date of Act No. 1 of 1967 concerning Foreign Capital Investment, dated January 10, 1967, intended foreign investments in the industrial sector were as follows (in million US\$).

The foreign capital investments originated from the United States, Hongkong, West Germany, Japan, the Netherlands and Singapore.

	<i>1967</i>	<i>1968</i>	<i>1969</i>
— basic industries	20.20	9.07	<b>4.26</b>
— light industries	12.88	20.70	28.02
— textile industries	—	—	35.50
— chemical industries	—	—	2.24
— pharmaceutical industries	1.00	6.31	5.50
<b>T o t a l</b>	<b>34.08</b>	<b>36.08</b>	<b>75.52</b>

*(Source : Sector B/Department of Industry).*

With respect to domestic capital investments which were regulated by Act No. 6 of 1968, dated July 3, 1968, may be mentioned that in 1968, 14 enterprises indicated their intention to invest a total amount of Rp 4,842.5 million which included the counter value of foreign exchange to an amount of US\$ 9.4 million. In 1969, the number of

prospective investors increased to 304 enterprises with a total capital of Rp 107,260.6 million which included the counter value of foreign exchange to an amount of US\$ 288.1 million.

In 1969, the output of basic, chemical as well as light industries in general was rather satisfactory. The electric light bulb factories which in 1968 produced 6.1 million bulbs increased their output by 44% to 82 million bulbs in 1969. The cement plants had an increase in output of 30 % i.e. from 411 thousand tons in 1968 to 534 thousand tons in 1969. The cement plants in Gresik (East Djawa) and in Padang (West Sumatra) were being prepared for an expansion in order to increase their future output. On the other hand, the output of the Sriwidjaja fertilizer plant in South Sumatra decreased from 95.5 thousand tons in 1968 to 84.2 thousand tons in 1969, which was caused by a breakdown of one of the machines. The aforementioned fertilizer plant was also under preparation for an expansion in order to raise its annual productive capacity to 380,000 tons in 1973.

In the sector of light industry, the production of cooking oil and coconut oil increased markedly. The cigarette industry as well as the clove cigarette (kretek) industry improved the quality of their product by manufacturing filter cigarettes which enabled them to compete with imported cigarettes. Similarly, the soap as well as the toothpaste industries increased the quality of their products to a level equal to similar imported goods.

In the textile industry, the spinning and weaving mills produced 160,000 bales of yarn and 471 million meters of textiles and knitted fabrics, which was an increase of 23% and 45% respectively compared with the production in 1968.

### *Electric power and gas*

In 1969, the rehabilitation and the increase of the productive capacity of electric power stations was fairly satisfactory and proceeded according to plan. The productive capacity which was 589.3 thousand kilowatt in 1967 could be increased to 627.4 thousand and 666.6 thousand kilowatt in 1968 and 1969, respectively (including the electric power generating plant in Djatiluhur). Actual production in 1968 and 1969 was 474.9 thousand and 478.8 thousand kilowatt, respectively.

Sales to consumers also increased markedly, i.e. from 1,221.5 million kilowatt-hour in 1968 to 1,360.2 million kilowatt-hour in 1969.

Regarding the projects in the field of electric power generating may be reported that in 1969, the steam generated electric power station in Makassar reached the stage of trial run of one of its generating units, while the turbine of another unit, the transmission network and the central distribution stations were completed. The steam generated electric power station in Palembang completed the housing structure of its electric power generating plants, the pumping stations and the transmission on lines. The capacity of the new power stations in Makassar and Palembang was beyond 25,000 kilowatt.

Besides, hydro generated electric power stations in Tonsea (North Sulawesi), Wonosobo (Central Djawa) and Pajakumbuh (West Sumatra) of a capacity of 10,000 kilowatt each were under construction, while the diesel generated electric power stations in Tandjungkarang, Ambon, Denpasar, Solo, Manado, Kupang, Banda Atjeh and Tegal had been rehabilitated.

The supply of gas as fuel in Indonesia was still very limited and was confined to eight cities only, i.e. Djakarta, Bogor, Bandung, Tjirebon, Semarang, Surabaya, Makassar and Medan; the volume of sales to consumers in 1969 was approximately 24.2 million cubic meters. Rehabilitation and revise on of equipment were undertaken in 1969 in order to increase the annual supply of gas to 80 million cubic meters, and to reduce the leakages in distribution from 30% to a maximum of 10% .

### *Communications and Tourism*

Transportation by train, by means of motor vehicles, seagoing vessels and aircraft during 1968 and 1969 developed as follows :

The number of passengers travelling by train declined from 70.4 million passengers in 1968 to 55.4 million in 1969; the transportation of cargo by train, on the other hand, increased significantly from 3,306 thousand tons to 4,025 thousand tons. The service in the express trains and night trains was also improved which increased the income of PN Kereta Api (State Railway Enterprise) from Rp 6.8 billion in 1968 to Rp 9.1 billion in 1969. Besides, the motor transportation companies (of state and private sector) also made progress as far as city and intercity transportation were concerned.

	<i>Cargo</i>		<i>Passengers</i>	
	<i>in million tons-km</i>		<i>in millions-km</i>	
	<i>1968</i>	<i>1969</i>	<i>1968</i>	<i>1969</i>
Railroad transportation	737	860	4,054	3,422
Sea transportation	9,000	... *)	350	... *)
Air transportation (domestic & international flights of Garuda only)	10	14	510	553

\*) No data available.

The shipping trade saw the adjustment of the shipping routes in order to improve the efficiency and efficacy of the use of cargo space and the number of routes to be navigated. By virtue of a Decision of the Director General of Sea Communications dated January 29, 1969, the number of shipping routes was determined at 48; this number was subsequently raised to 55 pursuant to a decision issued on May 28, 1969.

In order to allocate the routes, a registration of vessels ordered by virtue of a decision of the Director General of Sea Communications dated June 30, 1969, revealed that there were 180 vessels with a total DWT of 183 thousand tons available for domestic shipping. Out of this total, 38 vessels were owned by P.N. PELNI 5 by P.N. Bachtera Adiguna, while 137 vessels were privately owned by members of INSA (Indonesian Shipowners Association).

National shipping companies accounted for 76% of the west bound regular liner service, viz. to Sumatra and West Kalimantan, and 70.9% of the east bound regular liner service to East Kalimantan, Nusatenggara, Maluku and West Irian.

In regard to international shipping, 38.8% of the traffic to Europe was served by Indonesian vessels which indicated an increase of 1.4 percentage points over 37.4% in 1968. On the routes to Japan, Indonesian ships carried 28% of the trade volume. The international routes were served by 23 vessels of P.N. Djakarta Lloyd and by 20 vessels of private enterprises.

In the field of air transportation, P.N. Garuda had aircraft operating on domestic as well as international flights, i.e. to Amsterdam, Tokyo and Sydney.

The total of flying hours declined from 40.8 thousand in 1968 to 38.3 thousand in 1969; the number of passengers flown, however, increased from 419.2 thousand to 489.1 thousand, indicating an increase of 17%. The obsolete Dakota aircraft were replaced by 8 Fokker F-27 aircraft procured from the Netherlands; the latter were put in service in the middle of 1969. The development of P.N. Merpati was also in process; the replacement of a number of airplanes by Vickers Viscount aircraft had been planned. Besides, private airlines were active in their designated areas of operation, i.e. "Seulawah" in Sumatra and "Zamrud" in Nusatenggara and Sulawesi. In August 1969, the airport in Bali was inaugurated as an international airport, and besides Garuda, foreign airlines had started to utilize the facilities of the aforesaid airport.

Telecommunications made swift progress since the relay station in Djatiluhur had been put in use. Telephonic communications between Indonesia and the United States increased by 2,500%, those with Japan and Europe increased by 600% and 500%, respectively. Telephonic communications with other countries increased also on account of the telecommunication facilities via satellite.

The telephone systems in the cities were also modernized. The central telephone stations of 6 cities were automated and the local battery systems in 16 cities were replaced by central battery systems.

Domestic and international telegraphic communications increased by approximately 150%. Similarly, domestic as well as international telex communications, and telephonic communications between Djakarta and Bandung via the microwave relay station in Puntjak showed a swift progress.

In 1969, the promotion of tourism in Indonesia was continued. The flow of foreign tourists increased from 52 thousand in 1968 to 75 thousand in 1969. Foreign exchange receipts in 1969 were estimated at US \$ 9.40 million, as against US \$ 6.75 million in 1968.

## Prices and wages

### Prices

The price development of goods and services during the period from January 1969 through March 1970 was generally more stable than the year before. This was a result of the policy and measures of the Government which were directed towards maintaining and improving the results of economic stabilization and rehabilitation achieved so far. In this connection, the price stability of foodstuffs and textile as well as the foreign exchange rate continued to be the main yardsticks.

The cost of living index for Djakarta - normally used to measure the rate of inflation - rose from 523 in December 1968 to 575 in December 1969 (+ 9.9%) and to 614 in March 1970 (-6.8%). The largest increase, i.e. 7.3%, was recorded in January 1970. By way of comparison may be mentioned that the increase recorded over the period from December 1967 to December 1968 was 85%.

Compared with the end of 1968, the prices of the 9 essential commodities in Djakarta had increased at the end of March 1970 with the exception of sugar and low grade textile. The price of kerosene increased by 108.3%, following Presidential Decision No. 1 of 1970 which raised the prices of crude oil derivatives; the price of kerosene was i.a. increased from Rp 4 to Rp 10 per liter. The development of the index figure of the essential commodities in Djakarta is presented below (October 4, 1966 =100) :

TABLE 30 — INDEX OF COST OF LIVING IN DJAKARTA  
( September 1966 = 100 )

	Foodstuffs (63.4%)	Housing (10.8%)	Clothing (8.5%)	Other (17.3%)	Index (100%)	Change (%)	
						Annual/ Quarterly	Monthly
1965 December	23	13	10	13	18		
1966 December	137	123	99	155	133	+ 639	
1967 December	338	307	137	233	283	+ 113	
1968 December	557	521	353	570	523	+ 85	
1969 December	604	585	359	671	575	+ 9.9	
1970 January	643	776	361	700	617		+ 7.3
February	636	766	377	715	617		—
March	630	769	379	714	614	+ 6.8	— 0.5

Source : Central Bureau of Statistics.

<i>1967</i>	:	December	372
<i>1968</i>	:	December	518
<i>1969</i>	:	January	517
		February	521
		March	507
		April	483
		May	455
		June	436
		July	446
		August	493
		September	509
		October	572
		November	552
		December	549
<i>1970</i>	:	January	619
		February	603
		March	593

During the period from January 1969 through March 1970, the price of medium quality rice in Djakarta (tumbuk bulu No. 2) with a weight of about 31% in the cost of living index and about 65% in the price index of the 9 essential commodities increased from Rp 32.50 per liter at the end of December 1968 to Rp 36,- at the end of March 1970. The increase mainly occurred in the period from July 1969 through February 1970. The rather substantial increase in January 1970 was mainly an effect of the patjeklik (i.e. inter-harvest) period and to some extent of transportation. With the recovery of adequate rice supplies (release of rice from the stocks of BULOG), rice prices in Djakarta declined slightly in the months thereafter.

The price of the highest quality rice in selected cities developed as follows :

	<i>Djakarta</i>	<i>Makassar</i>	<i>Medan</i>	<i>Pontianak</i>
1966 : December	15.63	6.80	10.50	13.—
1967 : December	47.50	25.58	33.—	39.75
1968 : March	75.—	42.—	45.—	60.—
June	67.50	46.50	65.—	75.—
September	65.63	35.—	70.—	67.—
December	62.50	35.—	46.—	55.—
1969 : March	53.13	39.—	48.—	50.—
June	42.50	36.—	49.—	53.—
September	60.62	38.50	52.—	57.—
December	65.—	52.50	50.—	56.—
1970 : January	71.88	57.50	45.—	58.—
February	68.75	57.—	41.50	56.—
March	60.90	58.—	50.—	59.—

*Source : BULOG.*

Despite the difference in the level of rice prices, the price movement of the highest quality rice in various cities in Indonesia during the period from January 1969 through March 1970, was in general more regular than in 1968. The price jump of January 1968 (from Rp 47.50 to Rp 86.25 per liter in Djakarta) was not repeated.

Domestic market prices of the principal export and import commodities during the period from January 1969 through March 1970 developed as follows (prices in Rupiah at end of month) :

<i>Export commodities</i>	<i>Unit</i>	<i>Dec. '68</i>	<i>June '69</i>	<i>Dec. '69</i>	<i>March '70</i>
Rubber RSS I	kg	128.—	152.—	139.—	123.50
„ „ II	kg	127.—	151.—	138.—	122.50
„ „ III	kg	126.—	150.—	136.—	118.50
Lampung/Robusta coffee	kg	145.—	100.—	140.—	155.—
Black pepper	kg	134.50	154.50	236.—	270.—
<i>Import commodities</i>					
Printed shirting	m	155.—	144.—	150.—	146.60
Wheat flour	kg	40.—	37.50	37.50	37.—
C e m e n t	50 kg	700.—	600.—	550.—	500.—
Automobile tyres (750 × 20")	pc	18,000.—	19,500.—	19,000.—	17,000.—

The figures above reveal that the price of rubber increased and reached its peak in the middle of 1969, to fall off in the period following thereafter, whereas the price of coffee (Lampung/Robusta) and of black pepper were both increasing. The aforesaid price movement followed the development of world market prices. On the other hand, prices of import commodities tended to decline, i.a. on account of increasing domestic stocks.

The free market foreign exchange (United States Dollar) rate in Djakarta during the period from January 1969 through March 1970 was practically stable, especially in the last months. At the end of December 1968, the rate of the US dollar was quoted at Rp 435,- but subsequently declined continuously until it became Rp 382,- at the end of August 1969. The rate then fluctuated between Rp 383,- and Rp 385,- and was quoted at Rp 383,- at the end of March 1970.

From the point of view of the domestic price developments as set out above, the policy of the Government in the field of prices to maintain and to perfect the result of stabilization achieved so far, was fairly successful.

## *Wages*

Wages and salaries in the various economic sectors generally increased during the period from January 1969 through March 1970, the rate of increase differed between sectors as well as between enterprises.

Regarding the salaries of civil servants may be mentioned that the Provisional Salary Regulation of 1968 was fully implemented in 1969. Besides, at the end of 1969, civil servants were paid out an additional 2 months salary (Presidential Decision No. 86 of 1969). Likewise, state banks/enterprises and private enterprises paid their personnel/laborers a special holiday allowance, in accordance with Government regulations.

In connection with the foregoing may be mentioned that the National Research Council on Wages was established by Presidential Decision; No. 58 of 1969, dated July 25, 1969, in the context of determining a democratic wage structure and social benefits designed to increase public welfare in general.

The aforesaid council, which also included representatives of labor movement and business community, should submit recommendations to the Government in regard to short-run as well as long-run wage policies.

## *Labor affairs*

### *Regulations*

The following regulations Acts in the field of labor were is' during the period from January 1969 through March 1970 :

1. The Act concerning pensions of civil servants and pensions of' widows/widowers of civil servants (Act No. 11 of 1969, official Gazette of 1969 No. 42). Pursuant to this Act, pensions of civil servants and pensions of widow/widowers of civil servants were meant as an old age allowance and as a reward to civil servants for their years in Government service. For the said reason, pensions would be paid only to civil servants who were honorably discharged after having reached the age of not less than 50 years and who served the, Government for not less than 20 years.

2. The Basic Act on Manpower (Act No. 14 of 1969, Official Gazette of 1969 No. 55, dated November 19, 1969) which contained the basic principles for safeguarding the social economic position of manpower.
3. The Act on Safety of Labor (Act No. 1 of 1970, Official Gazette of 1970 No. 1, dated January 12, 1970) regarding the safety of manpower while on duty.

### *Labor disputes*

Statistics on labor disputes and strikes of the Department of Manpower revealed that in 1969, there were 95 labor disputes in which 86,184 laborers were involved. Compared with 1968 when 82 labor disputes were reported involving 71,067 laborers, in 1969 the number of disputes increased by 15.9%, whereas the number of laborers involved increased by 21.3 %. The major part of the aforementioned disputes concerned discharge/recruitment of manpower, mainly because several enterprises were necessitated to reduce the number of their laborers/personnel either since they were members of banned organizations or in the context of rationalization.

Regarding strikes may be mentioned that on account of the prohibition to strike, in 1969 there were no labor disputes followed by strikes.

### *Unemployment*

Although no definite data on unemployment were available, it was estimated that the total number of unemployed persons increased in 1969, mainly because Indonesia's economic structure - principally agrarian - had not changed much. In 1968, a number of state enterprises were rationalized while the public sector had ceased to recruit new personnel, and foreign as well as domestic capital investment projects could not yet absorb manpower in significant numbers. Besides, the large number of unexperienced/unskilled workers, and the shortage of capital to start new projects were still the main impediments to an expansion of employment opportunities.

One of the efforts to reduce unemployment were the "Padat Karya" projects in 18 districts and municipalities in Djawa and Bali. In this manner, the unemployed and the disguised unemployed in rural areas were set to work on projects beneficial to economic development and to the well-being of the local population.

## **APPENDICES**

APPENDIX A

BANK INDONESIA  
CONDENSED BALANCE SHEET AS PER MARCH 31, 1969 <sup>1)</sup>  
( in thousand Rupiahs )

ASSETS		LIABILITIES	
1. GOLD COINS AND BULLION	Rp 864,953.—	1. BANK NOTES ISSUED	Rp 94,166,602.—
2. FOREIGN EXCHANGE ASSETS	" 43,036,056.— <sup>2)</sup>	2. FOREIGN EXCHANGE LIABILITIES	" 61,419,308.—
3. CLAIM ON GOVERNMENT:		3. BALANCES ON CURRENT ACCOUNT:	
a. Advances	Rp 55,513,665.—	a. Government	Rp. 7,456,119.—
b. Consolidated debt	" 2,900.—	b. Government (foreign aid counterpart funds)	" 31,845,781.—
c. Payments on account of membership in international financial institutions	" 715,000.—	c. International financial institutions	" 10,369,092.—
— in gold	" 10,538,750.—	d. Third parties	
— in Rupiahs	" 5,781,961.—	— banks Rp. 26,574,641.—	
d. Promissory notes	" 72,552,276.—	— other " 13,142,349.—	" 89,387,982.—
4. LOANS		4. CAPITAL AND RESERVES	" 1,213,673.—
a. Banks	Rp 47,301,550.—	5. MISCELLANEOUS LIABILITIES	" 15,398,647.—
b. Other	" 44,759,092.—		
5. PREMISES AND INVENTORY	" 92,060,642.—		
6. MISCELLANEOUS ASSETS	" 1,130,741.—		
	" 51,941,544.—		
	Rp 261,586,212.—		Rp 261,586,212.—

<sup>1)</sup> Under examination by the State Audit Directorate.

<sup>2)</sup> US. \$ 1.— = Rp. 325.—

**APPENDIX B**

**BANK INDONESIA  
PROFIT AND LOSS ACCOUNT  
FOR THE FINANCIAL YEAR ENDING MARCH 31, 1969  
( in thousand Rupiahs )**

EXPENDITURE		REVENUE	
— Operational expenses	Rp. 640,955.—	— Interest	Rp. 2,560,592.—
— Cost of making bank notes	” 252,409.—	— Commissions	” 179,946.—
— Miscellaneous expenses	” 156,595.—	— Miscellaneous revenue	” 41,130.—
— Depreciation of premises and inventory	” 350,000.—		
— Dotation to Pension Fund	” 50,000.—		
	” 1,449,959.—		
<b>PROFIT</b>			
— Profit before tax	” 1,331,709.—		
	Rp. 2,781,668.—		Rp. 2,781,668.—

## **APPENDIX C**

### **BANK INDONESIA**

Management as per March 31, 1970

#### **BOARD OF MANAGING DIRECTORS**

Radius Prawiro	:	Governor
M. Djoeana Koesoemahardja	:	Managing Director
Rachmat Saleh	:	Managing Director
Sudia rso	:	Managing Director
R.A. Kartadjoemena	:	Managing Director
Marathon Wirija Mihardja	:	Managing Director
Pranowo Soewandi	:	Managing Director:
Soeksmono Besar Martokoesoemo	:	Managing Director

- D. Wisaksana : General Manager/Head,  
Loan Department
- J.A Sereh : General Manager/ Head, Credit Planning  
and Credit Supervision on Department
- R.S. Natalegawa : General Manager/Head,  
International Department
- E.J. Hartoko : General Manager/Head, Foreign  
Exchange Department
- M. Djoko Soedomo : General Manager/Head, Bank  
Supervision Department
- Arko Baksono : General Manager/Head, Internal  
Control Department
- Eddy Suwardi : General Manager/Head, General  
Services Department
- R. Markoem Djokohadisoeparto : General Manager/Head,  
Office of the Board
- Samali T. Budimulia : General Manager/Head, Economics and  
Statistics Department
- T. Surjawidjaja : General Manager/Financial  
Administrator
- R. Soejatno Soemardjo : Official in charge of Issue Department
- P. Siregar : Official in charge of Administration and  
Organization Department
- Bambang Susilo : Official in charge of Personnel  
Department
- A.C. Tjahjadi : Official in charge of Deposit, Money and  
Capital Market Development Department
- Achmad Effendie : General Manager
- Soekarsono : General Manager
- R. Dhoemadi Singowigoeno : General Manager
- R. Sulaksana Suparto : General Manager
- R.M. Soemirat Soerjodarmodjo : General Manager
- Gusti Abdul Azis : General Manager



Sulwan S. Astradiningrat : General Manager/Bank Indonesia  
Representative in New York

Martojo Koento : General Manager/Bank Indonesia  
Representative in Singapore and  
Kuala Lumpur

D.U. Budiman : Bank Indonesia Representative in  
London

H.P. Toar : Bank Indonesia Representative in Tokyo

## REGULATIONS/ACTS ON MONEY AND BANKING

### *Terms and procedure for the establishment of private commercial banks, private development banks and private savings banks*

Decision of the Minister of Finance No. KEP/603/M/IV/12/1968, dated December 18, 1968, effective as from January 1, 1969.

### *Stamp duty on credit agreements*

Letter of the Minister of Finance to the Board of Directors of Bank Indonesia, dated January 25, 1969, effective as from January 1, 1969.

The aforementioned letter of the Minister of Finance stipulates that credit agreements concluded with credit institutions are subject to payment of stamp duty amounting to fifty cents per one hundred Rupiah.

Agreements regarding liquidity credits from the Central Bank subject to a stamp duty of Rp 25.—.

### *Moneys of state enterprises and local government enterprises*

Instruction of the State Minister of Economics, Finance and Industry No. IN/05/MEKUIIN/1/1969, effective as from January 28, 1969.

This Instruction stipulates that moneys of state enterprises and local government enterprises shall be held on an account with state banks or local government banks.

### *Reconsideration of interest rates payable on deposits*

Presidential Instruction No. 5 of 1969, effective as from March 4, 1969.

The Governor of Bank Indonesia is instructed to reconsider the interest rates on time deposits as determined in Presidential Instruction No. 28 of 1969 pursuant to the provisions of article 32 of Act No. 13 of 1968, in accordance with the Government's directives.

### *Issue of Bank Indonesia Certificates and trading at the Bourse*

Decision of the Minister of Finance No. KEP-116/MK/IV/3/19 effective as from March 12, 1970.

This Decision of the Minister of Finance stipulates that the Board of Directors of Bank Indonesia is authorized to issue debt instruments of Bank Indonesia under the name of “Sertifikat Bank Indonesia” (Bank Indonesia Certificates), of a term of maturity not exceeding 1 (one) year.

### *Designation of national private commercial banks as foreign exchange banks*

Government Regulation No. 8 of 1969, effective as from March 26, 1969.

This Government Regulation stipulates that private commercial banks which meet certain requirements may be designated as foreign exchange banks by Bank Indonesia.

### *Take over of the Bureau of **Foreign Exchange Transactions***

Presidential Instruction No. 10 of 1969, effective as from August 14, 1969.

This Instruction is directed to the Governor of the Central Bank, and stipulates that in connection with the reconsideration of Act No. 32 of 1964, the Governor of the Central Bank shall undertake speedy action to take over the regulation c.q. supervision of foreign exchange transactions, personnel as well as the rights and obligations of Biro Lalu Lintas Devisa (Bureau of Foreign Exchange Transactions).

### *Import procedure in the context of foreign aid*

Decision of the Minister of Finance No. Kep. 561/MK/IV/8/1969, effective as from August 14, 1969.

This Decision i.a. stipulates that imports in the context of foreign aid to the Government must be implemented on the basis of L/Cs.

*Holding of public moneys on accounts with state banks*

Decision of the Minister of Finance No. Kep. 741/MK/V/10/1969, effective as from October 30, 1969.

This Decision stipulates that treasurers/cashiers are prohibited to hold public moneys on accounts with private banks—whether national or foreign—but shall hold same on an account with Bank Indonesia or with other state banks in the absence of a Bank Indonesia office, whereas holding of public moneys on accounts with local government banks is only permitted in the absence of state owned banks and subject to the prior approval of the Minister of Finance c.q. the Director General of Finance.

*Amendment in the computation of cash ratio*

Circular Letter of Bank Indonesia No. 2/646 UPPB/PbB, dated November 10, 1969.

In this Circular Letter, Bank Indonesia stipulates the amendment regarding the minimum cash ratio of 30% and the required demand deposit of 10% with the Central Bank which must be computed on the basis of the average daily positions during a week.

*Term and procedure regarding the establishment of cooperative commercial banks, cooperative savings banks and cooperative development banks*

Decision of the Minister of Finance No. KEP-800/MK/IV/11/1969, effective as from November 22, 1969.

This Decision of the Minister of Finance stipulates the terms and procedure regarding the application for permits to establish cooperative banks, i.e. cooperative commercial banks, cooperative savings banks and cooperative development banks. The aforementioned banks may only be established and conduct operations on the basis of an operating permit from the Minister of Finance, which will be issued after consultation with the Central Bank.

### *Membership of the Monetary Council*

Presidential Decision No. 98 of 1969, effective as from December 29, 1969.

This Presidential Decision determines the following membership the Monetary Council:

- |  |   |          |
|--|---|----------|
| 1. Minister of Finance                         | — | Chairman |
| 2. Minister of Trade                           | — | Member   |
| 3. Governor of Bank Indonesia/<br>Central Bank | — | Member   |

### *Appointment of Government Commissioner/Supervisory Council*

Presidential Decree No. 01/OM of 1970, effective as from January 8, 1970.

This Decree stipulates the appointment of a Government Commissioner/Supervisory Council to state banks in connection with the promulgation of the Acts concerning the establishment of the relevant banks.

### *Transportation/shipment of goods beyond the Indonesian customs area. not subject to foreign exchange regulations*

Joint Decision of the Minister of Trade, the Minister of Finance and the Governor of the Central Bank No. 27/A/Kpb/II/1970, No KEP-62/MK/III/2./1970 and No. Kep.3/GBI/70, effective as from February 9, 1970.

This Decision i.e. determines that:

1. the quantity and types of household effects which may be taken, not subject to foreign exchange regulations, by any person who moves out of the Indonesian customs area;
2. the quantity and types of passenger goods which may be taken, not subject to foreign exchange regulations, by any person who moves out of the Indonesian customs area.

### *Stamp duty on credit agreements*

Letter of the Director General of Indirect Taxes No. D.15.4.2/II/ BM 2-4-24 dated February 27, 1970, to the Head of the Tax Inspection Office, Sukabumi.

In this letter it is emphasized that credit agreements which do not change the object (i.e. the amount) or the subject (i.e. -the borrower) of the original agreement are subject to payment of a Rp 25,- stamp duty.

### *Tax exemptions with respect to Bank Indonesia Certificates*

Decision of the Minister of Finance No. KEP-149/MK/IV./3/1970, effective as from March 25, 1970.

This Decision of the Minister of Finance stipulates that interest receipts derived from Bank Indonesia Certificates are not subject to income/corporation tax, and that no property tax need be paid on the said Bank Indonesia Certificates. Moreover, Bank Indonesia Certificates are exempt from:

- a. stamp duty;
- b. commercial stamp duty on sales note;
- c. commercial stamp duty on letter of allotment.