

BANK INDONESIA

**REPORT
FOR
THE FINANCIAL YEAR
1970/1971**

REPORT

OF

BANK INDONESIA

FOR THE FINANCIAL YEAR 1970/1971

BANK INDONESIA

Head Office :

DJAKARTA

Representative Offices :

KUALA LUMPUR

LONDON

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SINGAPORE

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Branch Offices :

AMBON, AMPENAN, BANDA-ATJEH,

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DJAMBI, DJEMBER, DJAJAPURA, JOGJAKAR

TA, KEDIRI, KENDARI, KUPANG, MAKASSAR,

MALANG, MEDAN, MENADO, PADANG, PAKANBA

RU, PALEMBANG, PALU, PONTIANAK, SAMARINDA,

SEMARANG, SOLO, SURABAJA, TELUKBETUNG, TJIREBON

Position as per end of March 1971

P R E F A C E

The momentum of the economic expansion which started in 1969 continued its pace in 1970. The economic growth in the past two years had been directed more mainly towards strategic objectives through Government measures in the economic sector. Mention should be made of an important Government measure, namely Government Regulation No. 16 dated April 17, 1970 concerning the amendment and perfection of the provisions in the sectors of export, import and foreign exchange, including the rate of foreign exchange. In this connection, the Government undertook, inter alia, to ensure the uninterrupted flow of exports, since it knew that the maximum rate of economic growth in the next few years was to be largely determined by the rate of development of exports.

Although during the first quarter of 1970, the cost of living index increased because of the higher prices of gasoline and kerosene, also those of rice and other foodstuffs, the rate of inflation during 1970 (9%) was less than in 1969 (10%). In the year under report, the cost of living index in Djakarta, which is normally computed over 62 kinds of goods and services, rose only by 7.8% as against 10.6% in the preceding year. During the first 7 months of the year under report, the cost of living index of the foodstuffs sector by 7.6%. The price of rice had declined because of the harvest season and the adequate stock of rice in hand.

Money supply during the year under report increased by as much as Rp 59 billion (28%) and reached a volume of Rp 270 billion. As was also the case in the preceding year, the principal factor which accounted for the increase in money supply was the expansion of bank credit, especially that of the state commercial banks. At the end of the year under report, credit approvals of all the banks together amounted to Rp 381 billion, which meant an increase of Rp 120 billion. Of this increase, the share of state commercial banks was 61%, whereas the balance was shared by other banks, including Bank Indonesia which had granted credit aid to support private national banks. In order to provide greater stimulation to the export and production sectors, the monthly interest rate of production credit for export was adjusted downwards from 2 1/4% to 2%, whereas the monthly interest rate of export credit was lowered from 2 1/2 % to 2 1/4%. To support the Government policy in the sector of supplies for the agricultural and foodstuffs production, the central bank issued provisions on the granting of credit facilities for the import of fertilizer. Moreover, to sustain the PELITA executions, specially in regard to the sector of the infrastructure of transportation, in the year under report, provisions were issued on the granting of investment credit in the context of the supply /import of

transportation equipment from donor countries. At the end of March 1971, investment credits approvals amounted to Rp 78 billion, of which Rp 49 billion was realized in accordance with the following proportion of financing : 72.5% was financed with funds from the central Bank, 12,8% with funds from the Budget of receipts and expenditure and 14,7% with funds from state banks.

Actuals for the 1970/1971 Budget of receipts and Expenditure were higher than ever ; actual receipts amounted to Rp 465 billion, whereas actual expenditure was Rp 458 billion, which thus provided a surplus occurred after the routine budget (Rp 56 billion) was matched against the deficit on the development budget which amounted to Rp 49 billion. The component which showed a striking increase of Rp 61 billion over last years receipts. Closely connected to the increase in routine receipts were the effects of certain measures of the Government ; these were , inter alia :

- the revision of the foreign exchange rate for the computation of oil expenditure, which was introduced in January 1970 :
- the unification of the general exchange foreign rate and the aid foreign exchange rate to become Rp 378,- per US Dollar, effective as from December 9, 1970.

The result was the import duties, export tax and net petroleum profit experienced a large increase. It is hoped the following the promulgation of the new act on income tax and corporate tax, will also increase in the future.

In the year under report, the policy in the banking sector was a continuation of the policy drafted the year before. Efforts to improve the banking infrastructure continued, inter alia by re- adjusting the provisions on cash ratio. It was thereby intended that the banks would be capable of managing the turnover of their funds in such a way that it would agree with the monetary policy of the Government. Other measures were represented by the establishing of a pilot corporation in the credit insurance sector, and the encouragement provided to private national commercial banks to cooperate with state banks in matters of finance and management, also with foreign banks, particularly in the matter of management.

In the funds mobilization sector, meaningful progress was achieved during the year under report. Time deposits increased by as much as Rp 25 Billion to become Rp 60 billion at the end of the year under report, this in spite of the fact that the monthly interest rate on time deposits with terms of 1 year and over was lowered to 2%, as from January 1, 1970. As from April 1970, bank Indonesia issued short term Bank Indonesia certifi-

cates (sertifikat Bank Indonesia-SBI) at 3 3/4% discount. The issue of SBI was intended to promote the development of money and capital markets in Indonesia. In 1970/1971, the SBI issued by Bank Indonesia reached a total of Rp 13 billion, of which Rp 11 billion worth of SBI were distributed through state banks and the balance or Rp 2 billion through private national banks, branch offices of foreign banks and non-banking institutions.

In regard to the balance of payments may be reported that Indonesia's balance of trade in 1970 achieved a surplus of US\$ 35 million, which represented the difference between the export value of US\$ 1,173 million and the import value of US\$ 1,138 million. Compared with the export and imports values of the preceding year, the export value and import value had increased by 17.9% and 14.6%, respectively. The balance on services account in the year under report incurred a deficit of US \$460 million, which accounted for the deficit of US\$ 425 million in the balance on the goods and services account. Even so, the monetary sector showed an increase in foreign exchange reserves of US \$ 35 million. This was achieved in the presence of, inter alia capital inflow of US \$ 329 million, SDR allocations receipts of US \$ 35 million, and by allowing for net errors and omissions of + US \$28 million.

During the year under report, the foreign exchange sector underwent an important change due to the abolishing of the distinction between Bonus Export (BE) and Devisa Pelengkap (DP), effective as from April 17, 1970. This called for a new distinction viz "general foreign exchange" i.e. the foreign exchange which was formerly referred to as BE Kredit. From April 17, 1970 to December 8, 1970 inclusive, the rate of general foreign exchange was Rp 378,- per US Dollar and that of aid foreign exchange Rp 326,- per US Dollar.

In regard to the activities in the domestic capital investment sector may be reported that during 1970/1971, the number of applications increased by 431 to become 810 projects with an investment value of Rp 349 billion. Investment approvals numbered 576 with a total investment value of Rp 196 billion, which meant an increase by 351 projects and an investment, the number of project approvals increased by 149, whereas investment value increased by US\$ 314 million to become US \$1.5 billion.

Economic aid from abroad, whether in the form of grants or long term credit, had increased. Aid and grants utilized in 1970 amounted to US\$ 396 million, which meant an increase of US\$ 80 million over the amount utilized in the preceding year.

The output of the mining sector had in general improved over last years' production with the exception of gold, silver and coal. Petroleum output rose by 14% to become 324 million Bbl due to the discovery of new oil wells, better world market prices of oil and the rehabilitation of oil production units. Tin production increased by 7% to reach 19 thousand tons, in 1970/1971 which was attributable to the rehabilitation of production units and the better prices. The production of bauxite ore rose by 33% to achieve 1,208 thousand tons due to higher world market prices and the rehabilitation of the production units. The production of nickel ore showed a swift increase, namely from 311 thousand tons in 1969/1970 to 689 thousand tons in the year under report, or an increase of 121%. Coal production dropped slightly, because of the closing down of the Mahakam coal mines. Coal was therefore produced only by the Ombilin and Bukit Asam mines. The production of gold dropped slightly on account of the reduced gold content of the ore being mined in the Tjikotok area.

In 1970, the output of the sector of food producing agriculture had, in general, improved over the preceding year with the exception of cassava and sweet potatoes. Rice production reached 12,168 thousand tons which meant that the rice output had surpassed its target of 11,430 thousand tons by 738 thousand tons. Factors which contributed to the higher output were the intensification of the paddy culture, the rehabilitation of the irrigational infrastructure and the favourable climatic conditions. The rice price stabilization policy was continued in 1970 so that the Government succeeded to keep the free market rice prices under control. Besides, the difference between rice prices among the provinces became increasingly less. As known, the difference in rice price between regions with an over production of rice and these with a rice shortage used to be quite extensive.

This year's coffee output, whether estate-grown coffee or smallholder's coffee, increased respectively by 2 thousand tons and 9 thousand tons compared with the preceding year. Similarly the foreign exchange proceeds from coffee export recorded, a large increase in the past 3 years, viz. from US \$ 43 million in 1968, US \$ 473 million in 1969 to US\$ 65 million in 1970. The said increase was attributable to the improved world market price of coffee, which reached its highest level in October 1970 when coffee was quoted at US \$ cts 57.8 per lb. The increase was the consequence of the lower coffee output of Brazil, the largest coffee producer in the world.

The production of palm oil as well as that of palm kernels rose from year to year. Compared with the preceding year, palm oil production increased by 13.5% to become 214 thousand tons and palm kernels rose by 14.6% to become 48 thousand tons. The development of the world market price of

palm oil was quite satisfactory. Foreign exchange proceeds from palm oil exports in 1970 increased by 101% to become US \$ 22 million, whereas palm kernel exports achieved a value of US \$ 4 million, indicating an increase of 60 %. These were some of the Important developments which should be noted in regard to the production and export of selected' kinds of food producing agriculture. It is expected that production will continue to rise still further in the future.

In conclusion may be reported that in 1970/1971 production and export as well as the monetary situation were quite satisfactory. It should be added that the momentum of the economic growth during the past 3 years took place under stable political and social conditions which should be attributed to the policy of the Government and the participation of all levels of society. Only under such conditions may development efforts continue to improve.

The Governor, Bank Indonesia

RADIUS PRAWIRO

I. MONEY SUPPLY

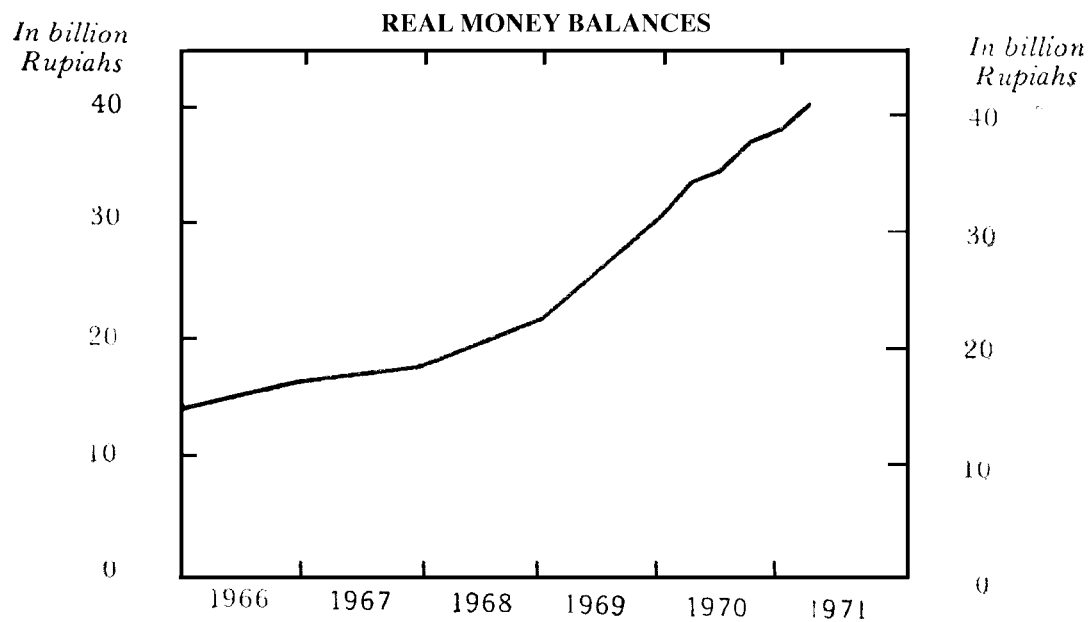
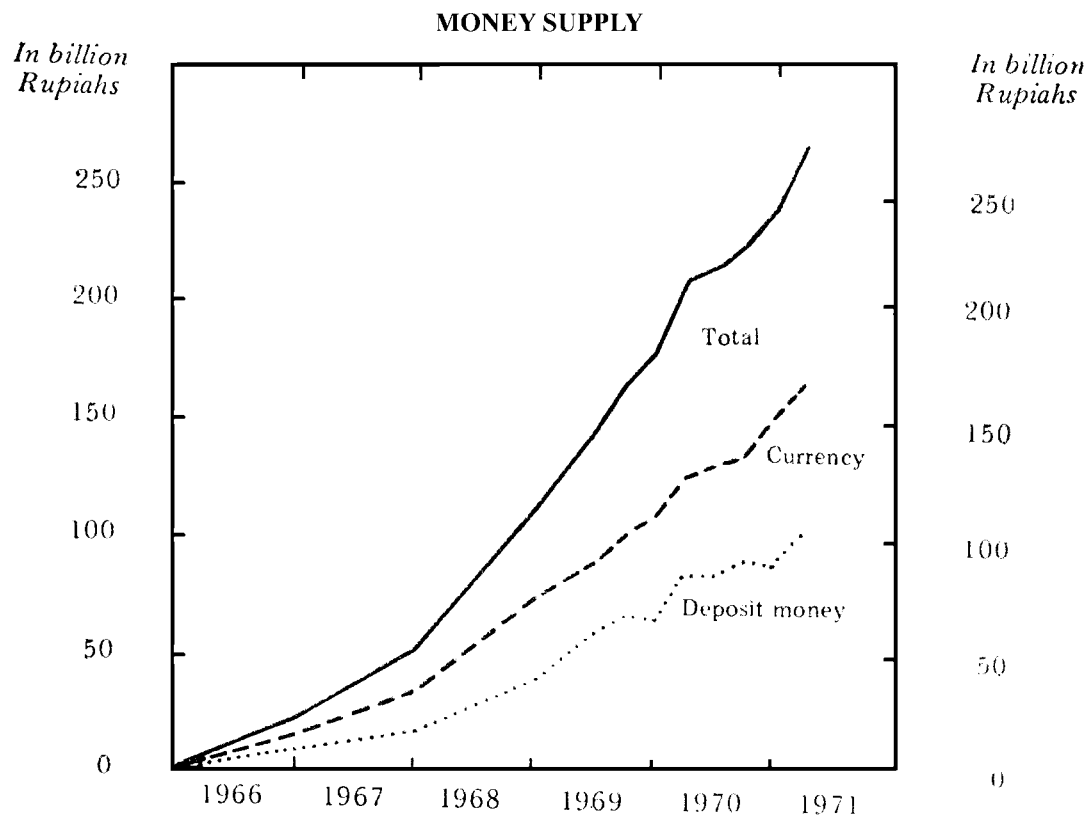
Introduction

Table 1 shows that the money Supply at the end of March 1971 amounted to Rp 270.2 billion, which means that during the fiscal year 1970/1971, the money supply had increased by Rp 53.4 billion or by 28%.

Compared to the increase of 61% during the fiscal year 1969/1970, the rate of increase in the year under report was much less, thus indicating that since the introduction of the policy on stabilization by the Government in 1966, the rate of increase of the money supply had continued to decline.

Among the components of money supply, the share of deposit money was 38% whereas 62% was taken up by currency, evidence of the fact that the role of currency in payment transaction, was still very large even though the share of deposit money had increased from an average of 34% in 1968 to an average of 39% in 1970.

TABLE 1 — MONEY SUPPLY (in million Rupiahs)							
End of	Total	Movement	Percentage change	Currency	% of total	Deposit money	% 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	113,894	+ 62,423	121	74,684	66	39,210	34
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
June	216,413	+ 5,674	3	131,737	61	84,676	39
September	226,913	+ 10,500	5	135,865	60	91,048	40
December	241,053	+ 14,140	6	152,786	63	88,267	37
Total 1970		+ 61,080	34				
1971 : March	270,167	+ 29,114	12	166,787	62	103,380	38
Total 1970/ 1971		+ 59,428	28				



Factors affecting money supply

The causes of the changes in money supply are reported in Table 2. The Table shows that during 1970/1971, the foreign sector had an expansionary effect which was caused, inter alia, by an increase of the balance on foreign exchange assets held by banks. It must be reported that although Table 2 has indicated the expansionary effect by the foreign sector to the amount of Rp 16.9 billion, its bearing on the money supply during the year under report was actually much smaller. This item includes Special Drawing Rights (SDR) allocations to the amount of US \$ 28 million which accounted for an expansionary effect of Rp 10.6 billion, this, however, was matched by a contractionary effect to the same amount in other sectors. Hence, the expansionary effect of the foreign sector was, in real terms, merely Rp 6.3 billion.

It may also be observed that although in 1970/1971, the foreign sector as a whole accounted for an expansionary effect of Rp 6.3 billion, following the third quarter of 1970, however, this sector had begun to show a contractionary effect.

In 1970/1971 the public sector continued to account for a contractionary effect which was even more pronounced than that of 1969/1970. Although the claims of Bank Indonesia had risen by Rp 3.7 billion, Government claims on other banks, however, had increased by Rp 22.5 billion; hence, the Public sector considered as a whole, contributed to a contractionary effect of Rp 18.8 billion.

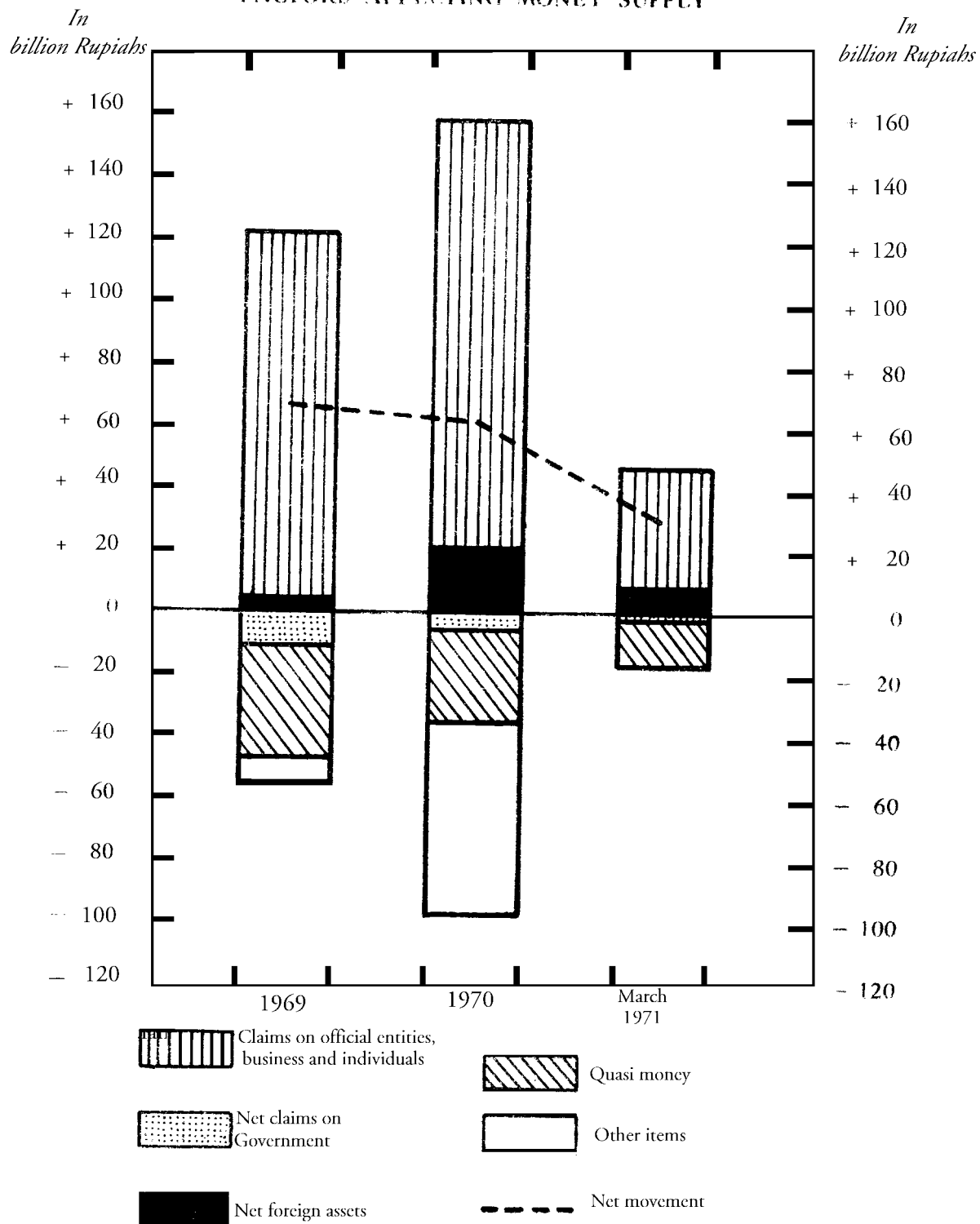
In 1970/1971 the volume of credit increased by Rp 128.3 billion compared with the increase of Rp 149.8 billion in 1969/1970. By taking into account the increase in time deposits and savings of Rp 39.8 billion in 1970/1971 and that of Rp 27.5 billion in the preceding year, the expansionary effect of the banking sector was only Rp 88.5 billion as compared with Rp 122.3 billion in 1969/1970.

In the year under report, the item "other causes" accounted for a contractionary effect of Rp 27.1 billion. In addition to the contractionary effect of the counter value of SDR allocations of Rp 10.6 billion as was explained earlier, the capital accounts of banks this year had increased by Rp 9.9 billion and constituted also non-monetary liabilities which were included in this item.

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

	1969	1970	1969/1970	1970				1971 I	1970/1971
				I	II	III	IV		
Net foreign exchange position	<u>3,920</u>	<u>21,064</u>	<u>- 15,511</u>	<u>14,314</u>	<u>12,803</u>	<u>- 3,017</u>	<u>- 445</u>	<u>7,567</u>	<u>16,908</u>
Bank Indonesia	- 1,517	24,560	- 21,831	10,996	17,601	2,068	- 3,514	9,092	25,247
Other banks	<u>5,437</u>	<u>- 3,496</u>	<u>6,320</u>	<u>3,318</u>	<u>- 4,798</u>	<u>- 5,085</u>	<u>3,069</u>	<u>- 1,525</u>	<u>- 8,339</u>
Government	<u>- 10,669</u>	<u>- 6,078</u>	<u>- 4,050</u>	<u>7,574</u>	<u>- 19,066</u>	<u>- 10,728</u>	<u>13,551</u>	<u>- 2,599</u>	<u>- 18,842</u>
Bank Indonesia claim on Government	- 3,695	14,729	- 4,147	11,278	- 18,596	- 5,192	24,648	2,822	3,682
Government claim on other banks	- 6,974	- 20,807	- 8,197	- 3,704	- 470	- 5,536	- 11,097	- 5,421	- 22,524
Claim on official entities, business and individuals	<u>117,818</u>	<u>137,807</u>	<u>149,852</u>	<u>47,696</u>	<u>29,578</u>	<u>47,065</u>	<u>13,468</u>	<u>38,176</u>	<u>128,287</u>
Bank Indonesia	29,346	1,078	19,795	- 24,656	7,212	22,701	- 4,179	- 8,625	17,109
Counterpart funds	- 11,296	8,108	5,847	20,819	- 6,714	- 6,973	976	19,366	6,655
Other banks	<u>99,768</u>	<u>128,621</u>	<u>124,210</u>	<u>51,533</u>	<u>29,080</u>	<u>31,337</u>	<u>16,671</u>	<u>27,435</u>	<u>104,523</u>
Quasi money and saving	<u>- 37,761</u>	<u>- 30,310</u>	<u>- 27,482</u>	<u>- 5,321</u>	<u>- 5,972</u>	<u>- 7,058</u>	<u>- 11,959</u>	<u>- 14,807</u>	<u>- 39,796</u>
Other items	<u>- 7,229</u>	<u>- 61,403</u>	<u>- 22,920</u>	<u>- 33,497</u>	<u>- 11,669</u>	<u>- 15,762</u>	<u>- 475</u>	<u>777</u>	<u>- 27,129</u>
Money supply	<u>66,079</u>	<u>61,080</u>	<u>79,889</u>	<u>30,766</u>	<u>5,674</u>	<u>10,500</u>	<u>14,140</u>	<u>29,114</u>	<u>59,428</u>
Currency	39,561	38,541	45,432	12,050	5,442	4,128	16,921	14,001	40,492
Demand deposits	<u>26,518</u>	<u>22,539</u>	<u>34,457</u>	<u>18,716</u>	<u>232</u>	<u>6,372</u>	<u>- 2,781</u>	<u>15,113</u>	<u>18,936</u>

FACTORS AFFECTING MONEY SUPPLY



II. GOVERNMENT FINANCE

General

The 1970/ 1971 Budget of Revenue and Expenditure was the second budget for the First REPELITA (1969/1970 — 1973 /1974). In this fiscal year the task of the Government had grown heavier; not only was it required to implement a Budget of Revenue and Expenditure which had much increased in size due to the additional number of PELITA projects which had to be executed, but it was also expected to maintain the stable economic situation which had already been achieved.

Even so, the fundamental policy on which the 1970/1971 budget was founded remained unchanged, namely to achieve a balance between revenue and expenditure. Concurrently, the policy outline implemented since 1966 and which had proven itself as the source of the progress attained so far continued to be followed.

Whereas in 1966 the Budget of Revenue and Expenditure indicated a deficit of Rp 16.3 billion (Rp 12.6 billion for the routine budget and Rp 3.7 billion for the development budget), in 1967 the said deficit was brought down to Rp 2.6 billion. Since the routine budget showed a deficit of Rp 9.8 billion, whereas the development budget had a surplus of Rp 7.2 billion, it should be obvious that the financing intended for development purposes, viz. the counter value proceeds of foreign aid, was in 1967 still used to finance the routine sector.

In 1968, however the Government succeeded in implementing a balanced Budget of Revenue and Expenditure in which total revenue and total expenditure were of equal amounts, viz. Rp 185.3 billion. Routine expenditure and development expenditure to the amount of Rp 149.8 billion and Rp 35.5 billion respectively were successfully kept in balance at their respective levels; it may thus be reported that despite the absence of Public savings as from 1968 onwards total public revenue originating from the prices of the counter value of foreign aid could be used to finance development expenditure.

In the fiscal year 1969/1970 the Budget of Revenue and Expenditure balanced at Rp 334.7 billion. Routine expenditure and that of development amounted to Rp 216.5 billion and Rp 118.2 billion respectively, whereas domestic revenue and development receipts amounted to Rp 243.7 billion and Rp 91.0 billion respectively. This provided for Public savings of Rp 27,2 billion (23% of government expenditure) for development

From Table 3 and 4 may be observed that the 1970/1971 revised budget estimates indicate receipts of Rp 461.9 billion and expenditure of Rp 454.7 billion providing, as a whole,

a surplus of Rp 7.2 billion. Domestic receipts amounted to Rp 342.1 billion whereas routine expenditure was Rp 288.2 billion, an indication that Public saving had been planned for Rp 53.9 billion. Development receipts amounted to Rp166.5 billion; therefore, 32.4% of development expenditure could be financed by domestic resources.

The 1970/1971 Budget of Revenue and Expenditure shows an increase attributed to inter alia, larger routine expenditure. In addition thereto, development expenditure had also increased, due to the fact that the projects which had seen their start in 1969/1970 had to be completed, while the new projects for 1970/1971 had to be financed also.

TABLE 3 --- GOVERNMENT RECEIPTS (in million Rupiahs)				
	1969/1970		1970/1971	
	Revised budget estimates	Actual receipts	Revised budget estimates	Actual receipts
<i>Routine receipts</i>	243,228	243,704	342,054	344,603
<i>Direct taxes</i>	90,372	91,468	120,079	121,668
Income tax	11,538	12,060	12,684	13,375
Corporation tax	15,509	15,640	20,284	20,683
Oil company tax	48,324	48,332	68,643	68,818
Withholding tax	14,769	15,268	18,272	18,591
Other direct taxes	232	168	196	201
<i>Indirect taxes</i>	149,202	149,069	210,478	209,823
Sales tax	16,007	15,099	18,631	18,285
Sales tax on imports	15,602	15,865	22,214	22,097
Excise	30,339	32,090	38,103	38,879
Import duties	59,478	57,671	71,001	70,697
Export tax	6,985	7,447	25,740	25,032
Net petroleum profit	17,399	17,460	30,412	30,417
Other indirect taxes	3,392	3,437	4,377	4,416
<i>Non-tax receipts</i>	3,654	3,167	11,497	13,112
<i>Development receipts</i>	91,230	91,058	119,844	120,531
Program aid	65,933	65,761	78,264	78,951
Project aid	25,297	25,297	41,580	41,580
Total	334,458	334,762	461,898	465,134

Source : Department of Finance

Pursuant to the new export regulation which became effective as from April 1970, the 5% export tax on the export value of category A commodities was substituted by a general levy on export of 10% of the foreign exchange proceeds. Hence, as from the fiscal year 1970/1971 a new method was applied to the granting of subsidies to provincial govern-

ments viz. the provinces concerned received the 10% levy back in the form of its Rupiah counter value as a substitution of ADO (Automatic Foreign Exchange Allocation).

Table 3 and 4 present the 1970/1971. Budget of Revenue and Expenditure and its realization. Total government receipts and government expenditure were originally estimated at Rp 444.9 billion respectively and were thus 33% higher than the figures for 1969/1970. By the end 1970. it was decided to supplement and revise the 1970/1971 budget Government receipts increased by Rp 17.0 billion due to an increase in routine receipts of Rp 21.5 billion and a reduction of development receipts of Rp 4.7 billion and in development expenditure of Rp 5.1 billion. Consequently, total figures for the 1970/1971 budget were revised into Rp. 461.9 billion for government receipts and Rp 454.7 billion for Government expenditure which provided a surplus of Rp 7.2 trillion. The revision of the Budget of Revenue and Expenditure was carried out after due consideration of the economic and fi-

TABLE 4 – GOVERNMENT EXPENDITURE (in million Rupiahs)				
	1969/1970		1970/1971	
	Revised budget estimates	Actual expenditure	Revised budget estimates	Actual expenditure
<i>Routine expenditure</i>	<u>216,544</u>	<u>216,544</u>	<u>288,177</u>	<u>288,177</u>
Personnel expenditure/pension*)	103,840	103,840	131,437	131,437
Materiel expenditure	50,295	50,295	62,567	62,567
Subsidies to local governments	44,121	44,121	56,166	56,166
West Irian	8,927	8,927	10,068	10,068
Other local governments	35,194	35,194	46,098	46,098
Interest/instalments on debts	14,436	14,436	25,600	25,600
Domestic	1,740	1,740	2,000	2,000
Foreign	12,696	12,696	23,600	23,600
Other routine expenditure	3,852	3,852	12,407	12,407
Subsidies	1,520	2,762	10,958	10,958
Other	2,332	1,090	1,449	1,449
<i>Development expenditure</i>	<u>117,823</u>	<u>118,127</u>	<u>166,544</u>	<u>169,752</u>
Central government projects	107,641	105,035	120,514	124,549
Disbursed through banks	7,582	7,582	1,000	1,000
Subsidy to villages	2,600	2,600	5,590	5,590
Subsidy to „kabupatens“	—	—	5,700	5,645
Subsidy to provinces	—	—	20,664	20,664
West Irian	—	2,910	1,300	782
BIMAS	—	—	9,576	9,576
Other development expenditures	—	—	2,200	1,940
Total	334,367	334,671	454,721	457,929
*) Including food allowance for civil servants and armed forces, which in the preceding annual report were classified in the Materiel expenditure.				

Source : Department of Finance

nancial developments during 1970, especially the impact of the revised government policy defined in Government Regulation No. 16 dated 17 April 1970 concerning the improvement of import and export executions and the determination of a uniform rate of exchange for Aid Foreign Exchange and General Foreign Exchange at Rp 378.-- per US \$ 1.--.

The 1970/1971 revised budget estimates show a total of Rp 342.1 billion for routine receipts and of Rp 288.2 billion for routine expenditure, which resulted in public savings to the amount of Rp 53.9 billion.

The figures for the 1970/1971 actual budget of revenue and expenditure show that, as a whole, both government receipts and government expenditure were executed in accordance with their budget estimates.

Government receipts

Actual government receipts in 1970 /1971 amounted to Rp 465.1 billion of which Rp 344.6 billion were routine receipts and Rp 120.5 billion development receipts. Of the total routine receipts direct tax receipts accounted for 35%, indirect taxes for 61% with balance (4%) contributed by the routine receipts. Actual routine receipts were thus 41% higher than those realized in 1969/1970 which amounted to Rp 243.7 billion.

Out of the routine receipts in 1970/1971, Rp 56.4 billion was set aside in the form of public savings and thus provided a higher figure than its estimates.

The fact that the Government succeeded in raising the volume of routine receipts was, inter alia, ascribed to improved tax rates and import duties, as also to better administered tax collecting system

Direct tax receipts amounted to Rp 121.7 billion and exceeded their estimates. It should be added that direct tax receipts over the past years had showed an improvement. This may especially be observed from oil company tax receipts which in 1970/1971 had increased by a sufficiently large figure viz Rp 20.5 billion and in virtue thereof represented the item which provided the largest increase in comparison with the other components of routine receipts.

The development of corporate tax receipts was also satisfactory and showed an increase of Rp 5.0 billion in excess of the actual figure for 1969/1970.

In the forthcoming years continued efforts will be made to maintain this upward trend and to ensure that direct tax receipts will finally occupy the most important position among the components of government receipts

Indirect tax receipts amounted to Rp 209.8 billion. Among its components, export tax receipts experienced the largest increase, viz. Rp 17.6 billion over the figure for 1969/1970. This was ascribed to the substitution of the 5% export tax by the 10% general levy on export. Import duties contributed most to indirect tax receipts, followed by excise tax receipts and net petroleum profits.

Actual development receipts in 1970/1971 which originated from foreign aid amounted to Rp 120.5 billion, of which Rp 41.6 billion was contributed by the proceeds of the counter value of project aid. That the Government succeeded in obtaining more foreign aid in 1970/1971 should be ascribed to the greater trust abroad in our economic development. In addition, the revised rate of Credit foreign exchange did have a bearing also on development ; receipts.

Government expenditure

Actual government expenditure during 1970/1971 amounted to Rp 457.9 billion, of which Rp 288.2 billion was spent on routine expenditure and Rp 169.7 billion on development expenditure. The actual figure was slightly in excess of its budget estimates which amounted to Rp 454.7 billion . Notwithstanding the fact that routine expenditure exceeded the 1969/1970 figure by Rp 71.6 billion, this increase was matched by the favourable results achieved by the Government in its effort to raise routine receipts. The most significant fact, however, was that these efforts resulted in a surplus of Rp 7.2 billion which thus could be used to finance development in the fiscal year 1971/1972.

Personnel expenditure and pension payment whether in kind or in cash, inclusive of food allowances for civil servants and members of the armed forces to the amount of Rp 11.7 billion, made up 46% of routine expenditure. Material expenditure represented a share of 22% and was necessary to heighten the responsibility of the Government apparatus in view of the PELITA execution. Furthermore, interest/installments on debts had increased due to the repayment of old debts started in 1970/1971, whereas the item ,other routine expenditure included expenditure for the general elections.

Development expenditure was Rp 51.6 billion higher than the actual figure for 1969/1970. Of the total development expenditure of Rp 169.7 trillion, an amount of Rp 139.4

billion constituted development expenditure which was disbursed by the departments in the economic, social and general sectors to the amounts of Rp 106.8 billion, Rp 19.3 billion and Rp 13.3 billion respectively. Rp 20.7 billion of the balance was disbursed to the provinces in the form of subsidies for development in substitution of ADO payments, while the balance of Rp 9.6 billion was used to intensify the production of foodstuffs, especially rice in the context of the BIMAS Gotong Royong and the National BIMAS projects

Government domestic debt

In 1970/1971, government domestic debt declined, which indicated that in the same fiscal year, the Government succeeded to finance its expenditure without adding to the domestic debt. The reduction of long term and short term debts by Rp 0.7 billion resulted in the lower figure for government domestic debt which amounted to Rp 47.2 billion. The major part of the government domestic debt was taken up by short term debts namely Bank Indonesia advances to the Government.

Long term government debts are composed of old debts on account of government bond issues. The redemption of these bonds at maturity has caused the volume of long term government debt to become progressively smaller.

TABLE 5 — GOVERNMENT DOMESTIC DEBT (in million Rupiahs)				
End of	Long-term debt	Short-term debt	Total	Movement
1968	492	40,298	40,790	+ 6,569
1969 I	486	45,414	45,900	+ 5,110
1969/1970	473	47,510	47,983	+ 2,083
1970/1971	448	46,777	47,225	+ 758

Sources : Bank Indonesia
Department of Finance

TABLE 6 — LONG-TERM GOVERNMENT DEBT (in million Rupiahs)				
	1968	1969 I*)	1969/1970*)	1970/1971
3% 1970 R.I. loan	92	92	92	92
Bank Indonesia	3	3	3	—
3½% 1959 Loan against blocked accounts	319	319	311	302
6% 1959 Lottery bonds	64	64	59	53
5% 1964 Confrontation loan	—	—	—	—
6% 1965 Development loan	1	1	1	1
3% former B.I.N. bonds 1969	1	—	—	—
3% former B.I.N. bonds 1970	2	1	1	—
3% former B.I.N. bonds 1971	2	2	2	—
5½% former B.I.N. bonds 1972	4	—	—	—
5½% former B.I.N. bonds 1974	4	4	4	—
Total	492	486	473	448
*) Revised figures				

Source : Department of Finance.

III. CREDIT

Credit policy

The credit policy in 1970/1971. aimed at promoting development and at maintaining the monetary stability at the same time.

Because of the considerable increase in credit in 1969/1970, viz. Rp 124.3 billion or 91%, the Government took in 1970/1971 measures which were designed to reduce the rate of credit expansion, favouring those sectors which enjoyed priority over others.

As another of its measures at the start of the period under report the Government adjusted its credit policy to the regulations issued on April 17, 1970 which government transactions and foreign trade.

Implementation of the above mentioned policy involved the following steps :

1. To stipulate the condition which tended to limit end: or reduce the liquidity credit facilities from Bank Indonesia through
 - a. the revocation of liquidity credit facilities for the financing of:
 - the distribution of goods other than the 9 essential commodities, effective as from December 1970;
 - additional credit for the export of Besuki/N.O. tobacco 1970/ 1971, effective as from March 1971,
 - imports with aid foreign exchange excepting the import of goods belonging to a Government programme:
 - post financing of imports of fertilizer other than urea.
 - b. Reduction and limitation:
 - to reduce the share in the post-financing of imports of newsprint from 65% to 20% of the counter value of the L/C concerned;
 - to limit the maturity of loans for the post-financing of urea imports to 3 months (formerly such loans matured after 6 months)
2. To grant broader opportunities to banks to expand their credit without financial aid from the Central Bank, by again permitting banks to extend credit in foreign exchange as from December 1970. By this provision it was endeavoured to make better use of the

funds which were obtained from abroad. In their granting of credit in foreign exchange, foreign exchange banks were at liberty to determine their own rate of interest.

3. To expand the credit from, Bank Indonesia designed to cover emergencies or for other purposes, in the context of the guidance and supervision of private national banks.
4. To expand the credit extended to the production sector by granting short term loans to crumb rubber factories to be used as working capital These loans were subject to a special rate of interest, viz. 1 1/2% per month, and were granted to rubber producing enterprises in the context of promoting the production of high quality rubber.
5. To make liquidity credit facilities for clearing available to private national commercial banks and regional development banks, which these banks could utilize to cover short-ages of funds on account of clearing deficits and in order to meet the requirements in regard to minimum liquidity and minimum balance on required deposits with Bank Indonesia.
6. To support the policy of the Government which dealt with the supply of current input for the agricultural sector— the supply of fertilizer in which especially aimed at facilitating the supply of urea fertilizer which report, the financing of fertilizer imports from the 1970/1971 rainy season were subjected to the following schedule of share financing:

	Urea	Non-urea
– Bank Indonesia	80%	55%
– Executing bank	10%	20%
– Importer	10%	25%

respectively of the counter value (c & f price) of the aid foreign exchange at a monthly interest of 1%. In accordance with the Government policy which especially aimed at facilitating the supply of urea fertilizer which was required to increase paddy output in the context of the BIMAS programme, the price of urea fertilizer was plated at Rp 26.60/kg. In this connection and having taken into consideration that the cost price of imported urea would be higher than its official price of Rp 26.60/kg, it was decided to grant a subsidy which equalled the difference between, the actual c & f price of the fertilizer arriving in Indonesian ports and its c & f price of US \$ 54.73/ton which had been determined by the Government.

7. Although in the period under report measures had been taken to restrict/tighten the liquidity credits from Bank Indonesia, the stable which had been achieved in the price sector made it necessary in 1970 to put certain levels of interest rates under review. Consequently, the monthly interest rates on credit for the economic sectors of category II - specifically on credits for the production of export commodities (inclusive of buying in credit) - was lowered from 2 1/4% to 2%, whereas the Interest rate on credit for the economic sectors of category III (inclusive of buying in credit) was reduced from 2 1/2% to 2 1/4%. These modifications became effective as from June 1970.

In addition to the general modification on interest rates as was explained above selective modifications on interest rates were also carried out— these had the same character as those already reported in the annual report for 1969/1970 —namely on the interest rate on import credits which were financed with aid foreign exchange (pre-financing) and were executed as follows:

- as from May 1970, the monthly interest was raised from 1% to 2 1/2% .
- as from January 1971, the monthly interest was dropped from 2 1/2% to 3/4%

Concurrently, the interest rate which had been effective on liquidity credits granted by Bank Indonesia either on the basis of re-hypothecation (*gadai ulang*) or to cover emergencies, and the interest rate on credit aid in the context of developing the national private banks which took effect as from December 1970, were reduced from 2% to 1% per month.

8. Corresponding with Bank Indonesia's efforts to reduce the expansion of credit, in the year under report the credit policy with respect to imports with credit foreign exchange became also subject to revision, especially the policy which concerned the share of Bank Indonesia in the financing of imports. As is known, importers may towards the implementation of aid foreign exchange obtain a Rupiah credit from their bank which equals a certain percentage of the value of the import execution. The first modification came into effect in May 1970, when in addition to the lowering of Bank Indonesia's share in the financing, no difference was made any more in regard to the amount of financing for the economic sectors of categories A and B. Concurrently, Bank Indonesia ceased to make liquidity credits available for the post-financing of imports.

The second modification was introduced in June 1970, when in addition to a further lowering of Bank Indonesia's share in the financing of imports with aid foreign

TABLE 7 - SHARE FINANCING OF IMPORTS WITH AID FOREIGN EXCHANGE
(in million Rupiahs)

Effective as from	Donor countries/Category of goods	Share financing				
		Pre-financing			Post-financing	
		Importer	Executing bank	Bank Indonesia	Importer/Executing bank	Bank Indonesia
May 1, 1970	United States and Australia					
	Category A	10%	9%	81 %	—	81 %
	Category B	15%	8.5%	76.5%	—	76.5%
	Other donor countries					
	Category A	30%	7 %	63 %	—	63 %
	Category B	40%	6 %	54 %	—	54 %
May 11, 1970	United States					
	Categories A&B	20%	20 %	60 %	—	For purchasing of aid foreign exchange after May 11, 1970, liquidity credit facilities were not provided.
	Other donor countries					
	Categories A&B	40%	20%	40 %	—	
June 15, 1970	United States					
	and New Zealand					
	Categories A&B	40%	40 %	20 %	—	—
	Other donor countries					
July 3, 1970	Categories A&B	80%	20 %	—	—	—
	United States					
	and New Zealand					
	Categories A&B	60%	40 %	—	—	—
July 15, 1970	Other donor countries					
	Categories A&B	80%	20 %	Except Govt : program		
	United States					
	and New Zealand					
January 20, 1971 (United States January 8)	Categories A&B	60%	40 %	—	—	Selling of aid foreign exchange from Japan started on July 15, 1970 was only for Government imports and import for investment credits granted by the state banks.
	Other donor countries					
	Categories A&B	—	—	—	—	
	Categories A&B	—	—	—	—	
January 20, 1971 (United States January 8)	United States, New Zealand, Canada and France					
	Categories A&B	20%	20 %	60 %	—	—
	Other donor countries					
	Categories A&B	25%	20%	55 %	—	—

exchange from the United States and New Zealand, the granting of liquidity credits by :Bank Indonesia for imports from countries other than the United States and New Zealand was abolished. The next modification which came into effect on July 3, 1970 caused the granting of liquidity credits by Bank Indonesia for imports with aid foreign exchange—with the exception of imports in the context of Government programmes—to be cancelled altogether

A further measure with respect to the financing of imports with aid foreign exchange was designed to check the expansion of credit by abolishing the import credit facilities which the banks extended to their customers; this measure became effective as from, the middle of July 1970. Exempted from this provision were imports for the Government and imports which were financed with investment credit granted by state banks. In spite of the fact that during 1970 measures had already been taken to tighten the credit facilities for imports with aid foreign exchange near the end of the period under report and following the determination of the uniform exchange rate for both aid foreign exchange and general foreign exchange, effective as from January 1971 credit facilities for imports with aid foreign exchange from donor countries, viz. the United States, New Zealand, Canada as well as from the other donor countries were subjected again to renewed modifications. (Table 7).

In 1970 in the context of the REPELITA execution, particularly in regard to the transportation sector, investment credits were mainly used to support the supply of transportation equipment (buses and trucks) which were imported with aid foreign exchange.

Investment credits for the import of these motor vehicles were granted to several sole agents who subsequently sold the vehicles to private transportation companies and other production units. These entities became in turn available for credits from state banks to the amount of 75% of the price which the sole agents had placed on these motor vehicles.

The investment credit facilities extended to sole agents were provided as follows:

- a. 85% of the c & f counter value at L/C opening;
- b. 60% of the c & f counter value upon arrival of the vehicles plus 60% of local cost.

In the case of commercial vehicles, the maturity of these investment credits ran for 3 years, in that of general purpose vehicles (jeeps) for 2 years, computed as from the date the L/C was opened.

To tighten the control over the implementation of these investment credits, borrowers who contracted for a loan of Rp 75 million and over were obligated to submit an auditor's report.

Volume and allocation of credit.

As a result of the monetary measures taken by the Government, the volume of bank credit which included the credits granted by state banks, private national ,banks branch offices of foreign banks and regional development banks rose only by Rp 119.9 billion or

TABLE 8 – BANK CREDITS (in million Rupiahs)							
	1969		1970				1971
	I	IV	I	II	III	IV	I
I. Bank Indonesia	92,073	166,928	167,602	177,086	202,911	209,620	202,783
1. Direct credit	44,820	87,384	71,838	79,009	100,971	96,771	88,256
Food procurement	32,114	72,386	59,500	62,596	71,156	61,723	47,980
Fertilizer	1,141	—	—	—	—	—	—
PL-480 (wheat)	3,166	2,149	2,182	5,444	7,822	7,255	7,422
BIMAS Gotong-Rojong	—	1,206	2,108	3,744	13,191	13,859	16,824
Sugar imports	—	1,001	941	—	—	—	—
West Irian	2,157	4,028	—	—	—	—	—
Medium term loans	260	1,263	1,256	1,047	980	737	620
Other	5,982	5,351	5,851	6,178	7,822	13,197	15,410
2. Credits to banks	47,253	79,544	95,764	98,077	101,940	112,849	114,527
Production and distribution of sugar	7,323	9,100	9,570	11,757	11,592	12,026	9,375
Agricultural estates	3,606	3,556	3,343	2,941	2,805	3,121	2,630
Agricultural (fertilizer, rice, other)	16,283	26,320	24,254	26,654	28,387	28,411	31,926
PL-480 (wheat)	—	1,861	5,030	3,324	2,527	2,161	1,618
PL-480 (cotton)	12,397	13,234	14,360	13,713	13,062	12,322	6,433
Medium term loans	—	5,525	8,425	12,640	17,374	26,382	33,384
Manufacturing	987	3,314	4,642	5,125	5,144	5,502	4,374
Export	2,771	7,928	9,529	9,468	8,999	9,413	9,281
West Irian	—	—	3,235	2,800	2,808	2,808	2,775
BE imports	2,662	5,764	6,344	5,686	4,380	3,383	4,118
Other	1,224	2,942	7,032	3,990	4,862	7,320	8,615
II. Other banks	44,394	77,383	93,157	114,077	140,396	152,732	177,864
1. Production	22,402	39,948	52,084	55,866	64,796	71,343	79,853
2. Export	7,882	12,590	12,608	16,236	17,832	18,544	20,121
3. Other	14,110	24,845	28,465	41,975	57,768	62,845	77,890
Total	136,467	244,311	260,759	291,163	343,307	362,352	380,647

by 46% during 1970/1971 as compared to the increase of 91% in 1969/1970 (see Table 8). The major part of the said increase occurred ,in the third quarter of 1970 viz. 43% of the total increase in 1970.

In the first quarter of 1970, the volume of bank credit was still rising, although at a lesser rate.

In order to expand their credit operations banks were apparently still very much dependent upon Bank Indonesia for liquidity credits this in spite of the real progress achieved by the banks in the effort to increase their share in credit operation which were financed out of their own funds. This may be observed from the proportion of the banks own resources to the volume of credit in 1970/1971 which provides the following percentages, viz. 61% in 1970/1971 as against 49% in :1969/1970 and against 48% in 1968/1969.

As has already been reported earlier, from the middle of 1968 :Bank Indonesia had, in its capacity as Central Bank, begun to terminate its commercial operations. Therefore, the direct credits it had granted so far were gradually transferred to other banks. Only direct credits to specific sectors which failed to be financed by or through the other state banks, were still Financed by Bank Indonesia. These credits constituted for the major part credits which were granted to BULOG for the supply of foodstuffs.

The proportion of direct credits to total volume of credit granted by Bank Indonesia became increasingly smaller, viz. from 52% at the end of 1969 to 46% at the end of 1970 and to 43% at the end of March 1971.

The volume of credit granted by Bank Indonesia to BULOG in 1970/ 1971 also declined, namely from Rp 72.4 billion at the end of 1969/1970 to Rp 48.0 billion at the end of 1970, 1971. This was due to the lower expenditures by BULOG for both domestic rice purchases and rice imports.

Out of the total volume of credit of Rp 202.8 billion granted by Bank Indonesia at the end of 1970/1971, 57% was allocated to the sectors for pro auction and procurement of foodstuffs, viz. the production, disitribution and import of rice, fertilizer, granulated sugar and flour. In 1970/1971, the production and procurement of foodstuffs accounted for 33% of the increase in the volume of Bank Indonesia credit or 10% of the increase in the volume of credit granted by all the banks together. Besides the abovementioned credits, a quite significant increase in Bank Indonesia credits occurred in regard to liquidity credits for investment with maturities which ranged from 3 to 5 years. At the end of 1969/1970, liquid-

TABLE 9 – INVESTMENT CREDITS APPROVED BY BANKS (in million Rupiahs)						
	1969	1 9 7 0				1971
	IV	I	II	III	IV	I
I By economic sector	27,188	31,558	41,834	50,180	63,944	77,680
Agriculture	6,598	8,077	10,976	12,547	16,293	20,349
Manufacturing	8,525	10,814	14,631	18,869	27,432	34,467
Mining	1,456	908	908	259	259	259
Communication & tourism	10,446	11,364	14,627	17,715	19,055	21,669
Other	163	395	602	790	905	936
II By origin of funds	27,188	31,558	41,834	50,180	63,944	77,680
Central Bank	14,606	17,019	22,866	32,192	45,001	56,340
State banks	3,007	3,577	5,450	6,944	9,308	11,413
Budget of Revenue and Expenditure	9,575	10,962	13,518	11,044	9,635	9,927

ity credits for investment amounted to Rp 8.4 billion which jumped, to Rp 33.4 billion at the end of 1970/1971. This indicates that the increase of liquidity credits for investment in 1970/1971 accounted for 71% of the total increase of Bank Indonesia credits or 21% of the increase of bank credit in the aggregate.

In 1970/1971 the volume of credit granted by other state banks and private banks out of their own funds increased by Rp 84.7 billion or by 91% This substantial increase if compared, with the 1969/1970 figure was facilitated by the larger amount of funds which the banks succeeded to attract from the general public. These funds represented mainly demand deposits and time deposits with state banks. Table 8 specifies the credits financed by the banks out of their own fund by economic sector, viz. that of production export and others.

As was explained earlier, investment credits approved by banks had 1970 expanded by a sufficiently large volume. State banks had started to approve such credits as from 1 April 1969 in the context of the REPELITA execution. Sources for the financing of investment credits were the liquidity credits granted by Bank Indonesia, funds supplied by the development budget, and the state banks own resources. At the end of March 1971, the volume of investment credit approved by banks amounted to Rp 77.7 billion, whereas their implementation by customers reached Rp 49.2 billion or 63%. Almost all investment credits which had been approved had been allocated to the sec-

TABLE 10—INVESTMENT CREDITS UTILIZED BY CUSTOMERS (in million Rupiahs)						
	1969	1970				1971
	IV	I	II	III	IV	I
I. By economic sector	9,182	16,622	24,291	33,142	40,439	49,165
Agriculture	3,550	5,588	7,778	10,729	11,594	13,503
Manufacturing	2,545	4,909	7,824	10,691	15,132	20,066
Mining	418	625	113	228	108	110
Communication & tourism	2,669	5,438	8,485	10,941	12,958	14,847
Other	—	62	91	553	647	639
II. By origin of funds	9,182	16,622	24,291	33,142	40,439	49,165
Central Bank	5,894	9,070	13,475	17,423	24,164	30,764
State banks	686	2,019	3,090	7,218	9,096	11,261
Budget of Revenue and Expenditure	2,602	5,533	7,726	8,501	7,179	7,140

tors of agriculture (including estates and forestry), industry, communications and tourism, which accounted for 26%, 44% and 28% respectively of the total volume of investment credit. Credits allocated to the communications and tourism sectors were mainly used to finance the import of motor vehicles in the context of improving overland transportation. Table 9 and Table 10 illustrate the development of bank approvals and the implementation of these investment credits.

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 the context of providing guidance to state banks by virtue of his decision No. KEP. 562/MK/IV/9/1970 dated 10 September 1970, the Minister of Finance prescribed the requirements and procedure for the establishing of branch offices/subbranch offices/representative offices of state banks, including the Bank Pembangunan Indonesia and the Bank Tabungan Negara.

This regulation stipulates that the licence for the establishing of branch offices, subbranch offices and representative offices of state banks will be issued by the Minister of Finance, following a consultation with the Central Bank. The granting of a licence is effected in two stages; firstly, the granting of the approval in principle and secondly, the granting of the operating licence. The requirements for the establishing of any of these banking offices were as follows:

- As a matter of propriety, the plan for the establishing of a branch office, subbranch office and representative office should already have been included in the operating plan and corporate budget for the respective year and approved by the board of directors. In the event the establishing of a branch office, subbranch office and representative office deviates from the operating plan and corporate budget, it shall be necessary to secure the prior approval of the board of directors.
- A survey of the locality has already been conducted, the results of which should indicate the possibility of securing enough customers. An estimate has been prepared with respect to the volume of transactions to be channelled through the branch office, subbranch office or representative office which will be opened for business. The economic activities to be served at the locality of the office conform to the principal responsibilities of the bank.
- It has already occupied a building which is furnished with at least the minimal requirements of a branch office /subbranch office/representative office of a bank.

In August 1970, in the context of putting the establishment of village banks and market banks to order, the Minister of Finance issued a guide for the regulation of the establishing of village banks and market banks. Village banks and market banks established before September 1, 1970 may be issued a certificate by the Minister of Finance, who permits them to continue their operations, provided that an investigation conducted by Bank Indonesia has earlier disclosed that the banks concerned are in sound operating condition and possess favourable prospects for the future. After September 1, 1970 as a temporary measure, the establishing of new village banks, market banks and other secondary banks of the same Kind has been prohibited pending the enactment of a law which governs the establishing of such banks.

Meanwhile, in its effort to provide direction to the operations of village banks and market banks, Bank Indonesia, in virtue of its Circular Letter No. 3/829 UPPB/PbB dated 21 January 1971 issued. *inter alia*, the following directions:

- Each village bank, market bank and other banks of the same kind must state preceding the name of the bank, whether it is a village bank, market bank or any other bank of the same kind.
- Village banks, market banks and other banks of the same kind are not permitted to take part in payment transactions involving demand deposits.
- Village banks, market banks and other banks of the same kind are permitted to accept savings deposits with maturities not exceeding 3 months.
- Each depositor must be provided with a deposit book or deposit card which is issued in the name of the depositor concerned.
- Village banks, market banks and other banks of the same kind are not permitted to carry out the practices normally performed by pawnshops
- Intervals between instalments on loans granted by village banks, market banks and other banks of the same kind must not be less than 1 week.

Until the end of the first quarter of 1971, 2 market banks obtained an operating licence, while 8 others were issued a certificate by the Minister of Finance, in virtue of which they were permitted to continue their operations.

On April 29, 1970, as a further step in the effort to expand the operations of private development banks the establishing of which is governed by Act No. 12/1962, the minister

of Finance issued an operating licence to the P.T. Bank Pembangunan Industri which permitted the latter to carry out development banking operations.

In its effort to provide guidance to banks, particularly to private banks and regional development banks. Bank Indonesia not only continued the policy it had drawn up the previous year, but also urged and advised private national banks to cooperate with state banks as well as foreign banks in matters of finance and management. The cooperation with foreign banks should principally concern the matter of management only. As regards the latter form of cooperation, the respective private bank should make such arrangements as to ensure that the Indonesian management retains its responsibilities in regard to internal as well as external affairs of the bank, whereas its foreign counterpart should serve merely in the capacity of comanager. Private national banks were also advised — provides such was considered necessary— to engage the services of a consulting bureau in order to improve the administration, and organization of their business.

Meanwhile, in January 1971 the Department of Justice prescribed the procedure for the execution of mergers, the principal points of which concern the following:

1. Preparatory phase.

- There must be common consent between the banks which are about to effect the merger.
- A team should be established to follow-up on the preparations for the merger.
- The outcome of the team's negotiations should be set down in a draft agreement on the merger for subsequent presentation at the shareholders' meeting of each bank.

2. Establishing phase of the new bank.

- Having secured the shareholders, approval of the draft) agreement on the merger, an application—with carbon copy thereof for Bank Indonesia—is submitted to the Minister of Finance requesting his permission to effect the merger.
- To submit the articles of incorporation to the Minister of Justice.

3. Having obtained the approval of the Minister of Finance, the merger is announced in the newspapers which are published in the bank's area of operations.

To help private national banks and regional development banks overcome their difficulty in managing their liquidity, Bank Indonesia, in addition to the granting of emergency liquidity credit and re-hypothecation— also granted liquidity credits to facilitate clearing. The banks concerned were permitted to use these clearing liquidity credits only for the

purpose of settling clearing deficits and meeting the provisions concerning minimum liquidity and required, deposits with Bank Indonesia. To be eligible for these clearing liquidity credit facilities, national private commercial banks or regional development banks had to observe the following conditions:

- to submit periodic reports to Bank Indonesia in a regular and consistent manner :
- to refrain from window-dressing their reports to Bank Indonesia ;
- to refrain from carrying out any cooperation of improper nature with outsiders which, among other things, is manifested by the appointment of a management which does not subscribe to the articles of incorporation and by the granting of considerable powers to such outsiders by the board.
- to refrain from granting cross clearing facilities to their customers.

During the period under report, 4 banks obtained clearing liquidity credit facilities to the aggregate amount of Rp 24.9 million.

Besides the measures mentioned above, Government Regulation No.1/1971 dated January 11,1971 defined the provisions concerning the establishment of corporations in the field of credit insurance. This regulation was designed to facilitate the allocation of bank credit to medium and small business and the protection of such credits.

To adjust the provision concerning the banks' obligation to maintain a cash ratio in Rupiah currency to the current banking conditions and the economic and monetary developments, Bank Indonesia by virtue of its Circular Letter No. 3/936 UPPB/PbB dated 3 March 1971 revised the regulation which governed the minimum ratio of total liquidity instruments to be kept by banks to the banks' total current liabilities. Corresponding with the former regulation, the new regulation determines the minimum ratio of total liquidity instruments to be kept by banks to their total current liabilities at 30% differing only in the composition of the components of both liquidity instruments and current liabilities, viz. Bank Indonesia Certificates and credit facilities repayable on demand but still not used have ceased to be considered as constituting a component of liquidity instruments and of current liabilities respectively, where as savings deposits and time deposits are counted as current liabilities for 10% of their respective volumes.

In addition to the requirement to maintain a cash ratio in Rupiah currency, as from early January 1971, all foreign exchange banks, regardless whether they were state banks, private

national banks or branch offices foreign banks were obligated to maintain a minimum ratio of liquidity instruments in foreign exchange to total current liabilities in foreign exchange of not less than 50% (fifty per cent) computed on the basis of the daily average positions in a week's period.

Contraventions of this requirement are subjected to a monthly interest (fine) of 1% computed on the basis of the average contraventions occurring within 1 calendar month. The contravening bank must pay the interest in Rupiah currency at the rate of exchange which rules at the Bank Indonesia at the time of payment.

Banking developments

Table 11 shows the number of banks and their offices in Indonesia. At the end of March 1971, 3 banks had been added to the number of private commercial banks, whereas the number of commercial bank offices increased by 8. The latter consisted of 3 state commercial bank offices, 4 private national commercial bank offices and 1 branch office of a foreign bank.

The development of banking operations in Indonesia may be observed from the combined balance sheet of banks presented in Table 12. The balance sheet total of the banks in Indonesia in the first quarter of 1971 increased by 52% as compared with the figure for the first quarter of 1970. The assets side of the balance sheet shows substantial increases in loans outstanding (48.9%) and in foreign exchange assets (33%). The substantial increase in loans outstanding was attributed to increased liquidity credits granted by Bank Indonesia, especially to state banks, and the larger volume of fund which the banks succeeded to attract from the general public, either in the form of demand deposits or time deposits. In the first quarter of 1971, the balance on current account and time deposits increased by Rp 80.9 billion or by 53.5% as compared with the first quarter of 1970. The increase in foreign exchange assets of foreign exchange banks was matched by the increase in foreign exchange liabilities. The foreign exchange assets and foreign exchange liabilities of state banks had increased, whereas those of foreign banks and private national banks had declined.

State banks continued to play the largest role, regardless whether this is observed from the balance sheet total, the loans outstanding or the funds attracted from the general public. At the end of the first quarter of 1971 state banks had attracted Rp 111.4 billion from the general public or 74.2% of the total volume of funds attracted by all the banks together, whereas credit approvals amounted to Rp 267.2 billion 85.8% of the total volume of bank credit.

**TABLE 11 — NUMBER OF BANKS AND THEIR OFFICES
IN INDONESIA *)**

	March 1970			March 1971
	Number of banks/offices	Estab- lished	Licence revoked	Number of banks/offices
I. Commercial Banks				
1. State Banks				
a. Number of Banks	5	—	—	5
b. Number of offices	597	7	4	600
2. National Private Banks				
a. Number of banks	126	5	2	129
b. Number of offices	283	12	8	287
3. Branches of Foreign Banks				
a. Number of banks	11	—	—	11
b. Number of offices	15	1	—	16
II. Development Banks				
1. BAPINDO				
a. Number of banks	1	—	—	1
b. Number of offices	21	—	2	19
2. Local Development Banks				
a. Number of banks	25	—	—	25
b. Number of offices	61	7	—	68
3. Private Development Banks				
a. Number of banks	1	—	—	1
b. Number of offices	1	—	—	1
III. Savings Banks				
1. State Banks				
a. Number of banks	1	—	—	1
b. Number of offices	7	—	—	7
2. National Private Banks				
a. Number of banks	11	—	1	10
b. Number of offices	11	—	1	10
IV. Other Secondary Banks				
a. Village banks	5,091	208	—	5,299
b. Paddy banks	3,317	2	2	3,317
c. Retailers banks	166	62	—	228
d. Cooperative banks	95	—	4	91
Total	9,665	299	21	9,943

*) Excluding representative offices

	March 1970				March 1971			
	State banks ¹⁾	National private banks ²⁾	Branches of foreign banks	Total	State banks ¹⁾	National private banks ²⁾	Branches of foreign banks	Total
<i>Assets</i>								
Cash in hand	10,498.4	2,393.9	508.3	13,400.6	14,856.0	2,568.7	487.7	17,903.4
Bank Indonesia	22,167.5	5,949.5	2,607.1	30,724.1	26,172.1	6,197.2	2,709.2	35,078.5
Foreign exchange banks	1,913.3	1,197.2	2,894.3	6,004.8	5,493.3	2,561.7	9,892.8	17,947.8
Securities	582.9	64.1	1.6	648.6	3,008.8	1,400.3	489.9	4,899.0
Domestic drafts	367.9	184.0	2.5	554.4	515.7	231.9	166.5	914.1
Loans outstanding	180,919.6	24,087.1	4,128.1	209,134.8	267,220.3	32,247.7	12,015.8	311,483.8
Foreign exchange assets	56,343.7	920.3	36,567.6	93,831.6	94,457.3	863.6	23,472.1	124,793.0
Participations	7.0	704.3	—	711.3	32.6	677.7	—	710.3
Premises and inventory	5,158.4	2,412.2	1,016.5	8,587.1	10,276.8	3,760.9	1,219.0	15,256.7
Other assets	12,832.1	7,582.1	2,659.5	23,073.7	47,164.3	10,593.3	1,198.0	58,955.6
Total assets	290,799.8	45,494.7	50,385.5	386,671.0	469,197.2	61,103.0	57,642.0	587,942.2
<i>Liabilities</i>								
Paid-up capital	1,619.0	2,353.9	3,377.1	7,341.0	4,857.2	5,441.8	3,644.1	13,943.1
Reserves and profit and loss account	8,520.2	600.7	608.7	9,729.6	10,790.4	1,415.3	284.0	12,489.7
Debts outstanding	3,550.6	894.5	—	4,445.1	18,783.6	893.9	522.5	20,200.0
Time deposits	34,130.7	16,149.0	4,834.4	55,114.1	60,926.4	20,933.3	10,585.6	92,445.3
Balance on current account	74,411.2	15,731.0	5,939.4	96,081.6	111,418.8	19,808.7	8,463.1	139,690.6
Bank Indonesia	11,624.5	1,019.5	—	12,644.0	116,249.0	3,256.1	—	119,505.1
Foreign exchange banks	407.5	367.4	27.9	802.8	2,427.6	126.6	403.1	2,957.3
Drafts payable	380.4	554.5	95.6	1,030.5	—	498.9	—	498.9
Guarantee deposits	4,305.0	258.9	25.6	4,489.5	5,190.6	718.4	1,218.7	7,127.7
Foreign exchange liabilities	59,965.4	756.5	33,029.9	94,741.9	99,699.5	637.9	30,555.5	121,892.9
Other liabilities	20,885.3	6,808.8	2,456.8	30,150.9	47,854.1	7,369.1	1,965.4	57,188.6
Total liabilities	290,799.8	45,494.7	50,385.5	386,671.0	469,197.2	61,103.0	57,642.0	587,942.2

¹⁾ Includes BAPINDO
²⁾ Includes local development banks

²⁾ Includes local development banks

TABLE 13 — LIQUIDITY POSITION OF BANKS
(in million Rupiahs)

	March 1970				March 1971			
	State banks	National private banks ¹⁾	Branches of foreign banks	Total	State banks	National private banks ¹⁾	Branches of foreign banks	Total
Liquid assets	32,757	9,663	4,612	47,032	40,237	9,753.3	5,358.1	55,348.4
Current liabilities	92,649	18,567	7,246	118,462	115,681	22,724.0	9,466.9	147,871.9
Percentage of liquidity	35	52	64	40	35	46.7	57	44.9
30% of current liabilities	27,795	5,570	2,174	35,539	34,701	6,816.8	2,840.1	44,360.9
Excess liquid assets	4,962	4,093	2,438	11,493	5,533	2,937.5	2,518.0	10,988.5
Required reserves with bank Indonesia	9,265	1,857	724	11,846	11,563	2,272.6	946.7	14,787.3
Total reserves with Bank Indonesia	17,802	5,419	2,522	25,743	23,181	5,042.1	2,503.6	30,726.7

1) Includes local development banks and private foreign exchange banks.

The role of private national banks, regardless whether this is observed from the balance sheet total the credit approvals or the funds attracted from the general public shows, expressed in percentages, a tendency to decline. The balance sheet total of private national banks at the end of the first quarter of 1971 had ,dropped from 11.7% at the end of the first quarter of 1970 to 10.4%, respectively, of the balance sheet total of all the banks. Credit approvals by private national banks as compared with the total volume of bank credit had dropped from 11.5% at the end of the first quarter of 1970 to 10.3% at the end of the first quarter of 1971.

The role of foreign banks at the end of the first quarter of 1971 as observed from their balance sheet total reveals a slight decline if compared with the balance sheet total of all the banks, viz. from 13% at the end of the first quarter of 1970 to 9.8% at the end of the first quarter of 1971. This decline must not be attributed to any reduced activity of the branch office of foreign banks, but rather to the increased activity of state banks.

The liquidity position as may be seen in Table 13 shows, expressed in percentages, a higher figure than that which had been determined for its minimum requirement, viz. 30%. The figure representing the liquidity of the branch offices of foreign banks had declined, but was still above the minimum requirement. This decline is attributed to the fact that the branch offices of foreign banks had started to the fact an active part in the granting of loans.

V. MOBILIZATION OF FUNDS

Time Deposits and Instalment Savings scheme

From, Table 14 which presents the development of time deposits as from the end of 1968 may be observed that during the period under report, time deposits were still rising in volume. This indicates that despite the gradual lowering of the interest rate on time deposits, this savings scheme remained sufficiently attractive to the public, so that it continued to save its excess liquidity in the form of time deposits. The balance on time deposits which at the end of March 1970 amounted to Rp 34.8 million rose to Rp 59.7 billion at the end of March 1971, indicating that they had increased by 72%. The 12 months time deposits made up the bulk of the total volume of time deposits, namely Rp 45.0 trillion or 76%.

On March 1, 1971 the monthly interest rates of the 1969 Instalment Savings scheme introduced on February 1, 1969 were reduced to 1 1/4 % in the case of the 3 months savings scheme, to 13/4% in that of the 6 months savings scheme and to 21/4% for the 12 months savings scheme. At the end of March 1971, deposits committed under the 1969 Instalment Savings scheme reached Rp 1,441 million or were 69% higher than the figure for the end of

TABLE 14 — TIME DEPOSITS (in million Rupiahs)					
	12 months	6 months	3 months	1 month	Total
1968					
December	2,791	862	775	90	4,518
1969					
March	10,835	3,732	1,779	44	16,390
June	17,589	5,293	1,522	144	24,548
September	22,144	6,147	1,393	139	29,823
December	25,128	6,699	1,495	257	33,580
1970					
March	25,518	3,607	1,410	297	34,832
June	30,292	3,832	2,139	267	36,530
September	33,116	3,970	3,014	545	40,645
December	38,263	6,824	4,755	587	50,429
1971					
March	45,024	6,824	7,356	534	59,738

TABLE 15 – DEPOSITS COMMITTED UNDER INSTALMENTS SAVINGS SCHEME (in thousand Rupiahs)					
	Position as per end of quarter				
	1 9 7 0				1971
	I	II	III	IV	I
Djakarta Raya	390,688.50	506,134.50	589,674. —	715,476. —	868,020. —
North Sumatra	61,012. —	75,436. —	78,111. —	83,892. —	83,892. —
West Djawa	65,224.50	86,295. —	80,310. —	110,916. —	141,015. —
Central Djawa	89,223. —	103,998. —	120,352.50	141,210. —	139,278. —
East Djawa	239,301. —	198,424.50	206,307. —	193,236. —	197,782.50
South Sulawesi	8,122.50	8,946. —	9,442.50	7,326. —	11,001. —
Total	853,571.50	979,234. —	1,084,197. —	1,252,056. —	1,440,983.50
*) Provisional figures					

March 1970 which was Rp 853.6 million. The deposits committed under the 1969 Instalment Savings scheme according to nominal position per area were during 1970/1971 quite encouraging, as may be observed from Table 15 The development of the 1969 Instalment Savings scheme according to its repayment over the same period) is specified in Table 16.

TABLE 16 — PAYMENTS OF INSTALMENT SAVINGS SCHEME (in thousand Rupiahs)					
	1 9 7 0				1971
	I	II	III	IV	I
Djakarta Raya	167,842.4	262,070.4	325,406.3	391,440.1	396,292.5
North Sumatra	18,799.7	35,305.9	47,157.1	64,837.9	52,458.2
West Djawa	27,258.3	47,504.5	42,149.6	58,489.1	73,450.3
Central Djawa	25,047.1	49,808.9	66,958.1	82,847.9	64,206.7
East Djawa	136,557.6	111,535.0	119,811.0	129,443.4	83,167.8
South Sulawesi	4,931.9	6,445.6	6,075.6	5,004.0	4,379.6
Total	380,437.0	512,670.3	607,557.7	732,062.3	674,055.1

Savings for the pilgrimage to Mecca

The hadji quota for the 1970/1971 pilgrimage to Mecca which had been determined at 30 thousand was 20% more than the 1969/1970 quota which, numbered 25 thousand

Pursuant to Presidential Decree No. 48 of 1970, the ultimate date for the acceptance of prepayments for the 1970/1971 pilgrimage to Mecca was extended to the 30th of September 1970 inclusive, while deck fare was determined at Rp 336 thousand per pilgrim.

The said extension was necessitated by the fact that until the end of June 1970, the number of pilgrims for 1970/1971 was only reached 4,807 persons, a figure which was still far below the quota of 30 thousand pilgrims.

On account of the extended term for the prepayments, deposits effected in the last quarter of 1970 and the first quarter of 1971 did not enjoy a discount; hence, the pilgrims were obligated to pay the full fare of Rp 336 thousand per person.

Receipts of pilgrimage deposits for the 1969/1971 hadji season are reported below :

	<i>As per end of Sept. 1970</i>		<i>After Sept. 1970</i>	
	<i>Number of aspi- rants</i>	<i>Amount in thou- sand Rp</i>	<i>Number of aspi- rants</i>	<i>Amount in thou- sand Rp</i>
<i>Executing banks</i>				
Bank Negara Indonesia 1946	5,736	1,927,296	1,408	470,555
Bank Rakjat Indonesia	5,911	1,902,999	675	226,167
Bank Ekspor Impor Indonesia	52	17,472	1	336
Bank Indonesia	5	1,370	258	86,688
	<u>11,704</u>	<u>3,939,137</u>	<u>2,342</u>	<u>783,746</u>

Pilgrimage deposits at the end of March 1971 amounted to Rp 4.8 billion

The number of people who elected to undertake the pilgrimage to Mecca during the hadji season of 1970/1971 had already approached 14,046 which was 66.2% more than the number of aspirants of the preceding year.

Money and Capital market

The trading in securities during the year under report, gives the following figures for total turnover, viz. “3% 1950 R.I. loan” total turnover of Rp 596,980.—Par value at 30% to 50%, “3 1/2 % 1959 Loan against blocked accounts” total turnover Rp 39,397.24 par value at 20% to 38%, “6% 1959 R.I. Lottery bonds” total turnover Rp 436,050 par value at 40% to 55% and “Bank Industri Negara bonds 1972/ 1974 total turnover Rp 76,400.—;par value at 40% to 50%. The above figures represent the turnover totals at their par value after revaluation. Table 17 specifies the turnover of securities at the Stock Exchange.

TABLE 17 — TURNOVER OF SELECTED SECURITIES AT THE DJAKARTA STOCK EXCHANGE				
	3% 1950 R.I. loan	3½ % 1959 loan against blocked account	6% 1955 R.I. Lottery bonds	5½ % former B.N.I. bonds 1972/1974
1970				
April	Rp. 394,440. —	Rp. 2,278.66	Rp. 410,000. —	—
May	„ 80. —	—	„ 50. —	—
June	„ 63,200. —	„ 7,087.52	„ —	Rp. 74,500. —
July	„ 78,580. —	„ 7,288.81	„ 12,000. —	—
August	—	—	—	—
September	„ 18,500. —	„ 1,734. —	„ 2,500. —	„ 1,900. —
October	„ 30,850. —	„ 8,457.50	—	—
November	—	„ 1,814.75	—	—
December	—	„ 1,912.50	„ 19,500. —	—
1971				
January	—	—	—	—
February	„ 11,030. —	„ 8,831.50	„ 1,000. —	—
March	„ 300. —	—	—	—
	Rp. 596,980. —	Rp. 39,405.24	Rp. 436,050. —	Rp. 76,400. —

Besides Government bonds, foreign bonds and foreign share certificates were also traded at the exchange. Public interest in these foreign securities was lacking, however, since the interest rates on foreign bonds and certificates were less than those enjoyed by time deposits.

In the furthering of efforts to settle the securities problem between the Netherlands and Indonesia, the Board of Managing Directors of Bank Indonesia, by virtue of its announcements No. Peng. 3/Dir/70 dated 1 July 1974 and No. Peng. 4/Dir/70 dated 3 July 1970 appointed the N.V. Trustkantoor voor Belegging en Administratie at Amsterdam as its agent for reaching settlement with companies the share capital of which on the 15th of November 1957 were for less than the full 100% owned by Dutch legal entities and/or persons.

In this connection, the said agent succeeded to settle payment on the shares of the N.V. Tegalsch Prauwenveer and the N.V. Mijnbouw Maatschappij “Simau”, whereas the matters concerning the Assam Tea Estates Gedeh”, “Taloen”, “Wanasuka” and “Malabar” will be settled by stages.

The Nederlandse Bank later agreed in principle to redeem the Nederlands-Indie bonds owned by Indonesia nationals and legal entities, on condition that the Nederlands-Indie bonds in the possession of the Indonesian Government and its agencies were to be written off and considered as forming a part of the integrated debt. The actual redemption of these bonds are still subject to further conditions. In the period under report, Nederlands Indie bonds owned by the Indonesian Government and its agencies to the amount of Nf 14,406,200.— were sent to the Netherlands.

In this connection may be added that in accordance with the announcement of the Board of Managing Directors of Bank Indonesia No. Peng. 1 /Dir/70 dated 23 June 1970, all securities—with the exception of securities which were still required in the context of the settlement of the “Interim Regulation of Securities between Indonesia and the Netherlands”—were excused from the mandatory safekeeping and mandatory registration requirement.

Bank Indonesia Certificates

In the context of its effort to develop the money and capital markets Bank Indonesia in virtue of Minister of Finance Decision No. Kep. 116/MK IV/3/1970 and the decision of the Board of Managing Directors of Bank Indonesia No. 2/34/Kep. Dir., both of which were dated on 12 March 1970. started to issue Series A Bank Indonesia Certificates (Sertifikat Bank Indonesia -- SBI) to bearer amounting to Rp I billion in denomination of Rp 50,000.—; 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 SBI were sold through 7 state banks, 10 private national commercial banks, 10 branch offices of foreign banks and 4 private non-bank corporations.

TABLE 18 – BANK INDONESIA CERTIFICATES QUOTAS (in million Rupiahs)						
Beginning of	Series	State banks	National private banks	Branches of foreign banks	Non Banks	Total
1970		8,931.05	203.90	1,581.70	109.55	10,826.20
April	A	800. --	74. --	260. --	1. --	1,135. --
May	B	886.70	33.90	274.70	4.70	1,200. --
June	C	850. --	10. --	50. --	0.50	910.50
July	DD	1,306.65	5. --	242. --	35.40	1,589.05
August	EE	1,208.50	25. --	100. --	7.90	1,341.40
September	FF	1,055.50	10.50	145. --	1.60	1,212.60
October	GG	1,009.05	5. --	185. --	26.10	1,225.15
November	HH	868.60	20.50	175. --	6.05	1,070.15
December	I	946.05	20. --	150. --	26.30	1,142.35
1971						
January	XA	465.85	5. --	20. --	2.25	493.10
February	XB	740.90	23.50	45. --	94.95	904.35
March	XC	784.55	8.75	166.90	39.80	1,000. --
1st quarter		1,991.30	37.25	231.90	137. --	2,397.45
Total		10,922.35	241.15	1,813.60	246.55	13,223.65

From April until December 1970 inclusive, SBI Series A up to and including Series II were sold at a fixed rate of 96.250. Subsequently, from January to March 1971 inclusive, SBI Series XA, XB, XC were sold by tender at rates of 96.172; 95.099 and 94.325 on the average. Table 18 specifies the allocation and sale of SBI to distributors in the primary market.

This Table shows that from April 1970 to March 1971 inclusive, the SBI issued through state banks amounted to Rp 10,923.35 million (82.6%), those through private national commercial banks to Rp 241.15 million (1.8%), through branch offices of foreign banks to Rp 1,813.60 million (13.7%), and that the SBI issued) through other distributors amounted to Rp 246.55 million (1.9%).

Table 19 illustrates the transactions in SBI which occurred in the secondary market as from April 1970 to March 1971 inclusive. These transactions included the buying and sell-

TABLE 19 — TRANSACTIONS OF BANK INDONESIA CERTIFICATES (in million US \$)			
	Selling	Buying	Selling (net)
1970			
April	141.20	40.30	100.90
May	234.30	24.80	209.50
June	201.10	9.20	191.90
July	115.30	52.95	62.35
August	153.75	50.25	103.50
September	175.55	41.70	133.85
October	226.90	81.60	145.30
November	306.65	72.60	234.05
December	272.05	68.10	203.95
1971			
January	147.65	68.35	79.30
February	201.15	27.45	173.70
March	595.15	125.05	380.10
Total	2,680.75	662.35	2,018.40

ing between distributors and third parties (the general public) and between the distributors themselves, and were effected either through the stock exchange or over the counter.

Distributors sold the SBI to third parties at rates which varied between 91.000 and 99.669, whereas SBI were bought at rates of 95.875 to 99.669.

As from April 1970 to March 1971 inclusive, total SBI issued amounted to Rp 13,223.65 million, whereas total SBI redeemed was Rp 10,825.65 million, which gives for total SBI outstanding, the amount of By 2,398 million.

Financial Institutions other than banks

To facilitate the development and expansion of the money and capital markets, the Minister of Finance, by virtue of his decision No. KEP-792/MK/12/1970 dated 7 December

1970 prescribed the requirements and procedure for the establishing of financial institutions other than banks. These financial institutions may do business in their respective status as Indonesian legal entity or foreign legal entity, under a permit issued by the Minister of Finance. "Financial Institution" is defined as any entity which by means of its financial operations either directly or indirectly attract funds, especially by issuing securities and selling same to the general public for the main purpose of financing corporate investments. Financial institutions are not permitted to accept savings either in the form of time deposits or demand deposits. Financial institutions are, permitted to start operating, if their paid up share capital amounts to not less than Rp 500 million. The Minister of Finance, however, may in the light of current developments and local conditions determine a higher figure for their paid-up share capital.

Until the end of the first quarter of 1971, as yet no financial institution other than banks had been issued an operating permit by the Minister of Finance.

VI. INTERNATIONAL RELATIONS

International policy

Government Regulation No. 16/1970 promulgated on 17 April 1970 prescribed a new policy and measure in regard to the sectors of export, import and foreign exchange payment transactions, in virtue of which, the foreign exchange system became subject to extensive revisions which were also effective on the province of Irian Barat.

The promulgation of the abovementioned regulation caused the provisions and procedure concerning foreign exchange payment transactions once issued by the Biro Lalu Lintas Devisa (Bureau of Foreign Exchange Transactions) to become ineffective. Thenceforth, Bank Indonesia was charged with the responsibility of supervising the provisions and procedure on foreign exchange payment transactions.

The purpose and character of the new policy were mainly as follows:

- to provide higher proceeds for economic activities in the sectors of production and trade;
- to reduce or eliminate various kinds of levies which had imposed a heavy burden upon businessmen, especially on those engaged in the export and import trade;
- to simplify the export and import procedures, and the ways of banking and taxation related there to;
- to simplify the system and procedure of foreign exchange payment transactions, so that they could be applied more effectively and more efficiently;
- to maintain the free trade in foreign exchange.

Foreign exchange sector

By virtue of the abovementioned regulation, the distinction between BE and DP exchange was abolished. Thenceforth, only 2 kinds of foreign exchange were to be recognized, viz.:

- a) General foreign exchange, i.e. the foreign exchange proceeds of export executions, the selling of services or from transfers.
- b) Aid foreign exchange, i.e. the foreign exchange in the form of loans and/or grants originating from aid extended by donor countries. and which were formerly referred to as Credit BE.

The rate of general foreign exchange was to be determined by the balance between the factors of supply and demand at the foreign exchange bourse. The rate and implementation of aid foreign exchange were to be determined and regulated by the Minister of finance in conjunction with the Minister of Trade.

Export

Export commodities ceased to be distinguished into category A and category B commodities. Thenceforth, the commodities were to be distinguished into commodities permitted for export and commodities prohibited for export; this distinction was to be made by the Minister of Trade.

Exporters were obligated to sell all the foreign proceeds of their exports to Bank Indonesia on the basis of the actual into price; on the other hand. Bank Indonesia had to buy these foreign exchange at the ruling rate of exchange at the foreign exchange bourse. Consequently, the Rupiah proceeds of exporters were now higher than those obtained on the basis of the former regulation, due to the fact that the foreign exchange proceeds of their exports were valued on the basis of a proper rate.

As a result of the abolishing of the distinction between DP and BE exchange—both had now been turned into general foreign exchange - the overprice which formerly made up the DP exchange ceased to exist.. Therefore, even though the selling price abroad exceeded the check price, all the proceeds in foreign exchange of the export had to be sold to Bank Indonesia. The check price of principal commodities was to be determined periodically by the Minister of Trade on the basis of ruling world market prices.

The earlier levies, viz. the 10% ADO and 5% export tax were abolished. Thenceforth, exporters were required to surrender only 10% of their foreign exchange proceeds to the Government as export tax. This requirement was not effective on export of finished goods and handicraft the levies on which were to be determined by the Minister of Trade.

The ADO system was abolished and substituted by a subsidy in Rupiah currency granted by the Central Government to the Provincial Governments.

The export procedure was further simplified by the abolishing of the requirement to submit an Export Declaration and form AVI. Thenceforth only form E-3 was required, which exporters could submit directly to their foreign exchange bank, following the validation thereof by customs at the port of loading. The simplified procedure contributed to the fact that bank cost which had formerly reached 2.5% was brought down to 0.5% at the most. Besides, payments towards the Dana Egalisation (Egalisation Fund) and the B.L.L.D. retribution, also payments for forms and other administrative expense were abolished. The cess formerly collected by customs at the time of loading, was in future to be collected by banks at the time the export draft was converted into cash.

Import

If he wanted to import good, an importer needed only to possess a Tanda Pengenal Pengakuan Importir (TAPPI) which was issued by the Department of Trade in substitution of the Angka Pengenal Impor and Kartu Pengenal Import which now ceased to be necessary. To obtain the foreign exchange for the financing of his import, the importer concerned could purchase the necessary foreign exchange at the foreign exchange bourse, by placing a purchase order with his foreign exchange bank.

The levies on imports were also subjected to a reduction. Bank cost which formerly included various kind of levies and accounted for approximately 3% of the c & f price was substituted by a singular bank cost of 0.5% . Besides, the BLLD retribution of 0.5% the Sumbangan Administrasi Pajak (S.A.P.) of 0.5% and the K.P.P levy were abolished.

The import procedure was simplified by the elimination of certain requirements, such as the Pernyataan Impor (P.I) Aplikasi L/C etc. Importers could open an L/C directly on their bank by submitting form "Application for L/C opening". The number of copies of the document relating to the L/C opening and also of the K.P.P document was reduced from 12 to 6. The reduction and abolishing of the levies and the simplification of the procedure were intended to reduce the cost of import and to bring down the prices.

The new regulation added to the categories A, B and C of import commodities one extra category, namely category D which was made up of goods not prohibited for import but which as yet were not included in any of the earlier categories.

The import value of “barang kiriman dagang” i.e. goods the import of which is not effected through foreign exchange bank was limited to US \$ 100.-. Thenceforth, imports in excess of this amount required the opening of an L/C, and only those in the possession of a Tanda Pengenal Pengakuan Importir and a Surat Fiskal were permitted to import goods. The abovementioned provision was made on account of the fact that bonafide importers and domestic industrialists had raised complaints over the improper competition offered by the “barang kiriman dagang”, since the import of these goods was frequently effected through improper channels.

Services

The earlier mentioned regulation permitted each person to freely obtain and utilize general foreign exchange, inclusive for the purpose of services. Obviously, without prejudicing the provisions on export and import.

Besides the abovementioned Government Regulation No. 16, other decisions were issued. viz.:

The new rate of exchange for the West Irian Rupiah was determined at Rp 18.90 per I.B. Rp 1.— whereas US \$ 1.— was worth I.B. Rp 20.—. Thenceforth, Rupiahs were free to enter West Irian; likewise, West Irian Rupiahs were at liberty to enter the other parts of Indonesia.

On the 27th of May 1970, the Board of Managing Directors of Bank Indonesia provided the possibility of opening merchant's L/Cs. At the request of importers, foreign exchange banks were permitted to forward merchant's L/Cs through their correspondent banks for favour of the supplier abroad. On condition that in the forwarding of the said merchant's L/Cs, the foreign exchange banks concerned were to state clearly that they were not responsible for the payment thereon. For the purpose of clearing the goods from port, the number of the merchant's L/C concerned had to be stated on the KPP or KPP—Barang issued by the foreign exchange bank.

As from December 9, 1970 a unified rate of exchange was determined for both aid foreign exchange and general foreign exchange.

Foreign Exchange Bourse

Government Regulation No. 16/1970 dated 17 April 1970, which revised and improved the provisions on import, export and foreign exchange, inclusive of foreign exchange rates, succeeded not only in effecting a change in the organization of foreign exchange, but also in the way it was traded either at the foreign exchange bourse or outside thereof. Besides, the new foreign exchange system had elevated the role of foreign exchange banks, to the effect that foreign exchange banks were now able to carry out the operational activities of a foreign exchange bank proper. In other words foreign exchange banks could now act as traders in foreign exchange, meaning that they could sell and buy foreign exchange to and from their customers, respectively. In regard to the kinds of foreign exchange which were traded at the bourse, these were specified into general foreign exchange, viz. the foreign exchange proceeds of export executions, the selling of services, or those of transfers, and aid foreign exchange, viz. the foreign exchange originating from foreign loans and grants, formerly referred to as BE Kredit (export bonus aid foreign exchange). Out of the proceeds of their exports, exporters retained 90% of the foreign exchange, with the balance or 10% designated as export tax. The proceeds of exports of finished goods and handicraft were exempted from this provision and exporters were free to retain the full 100% of the foreign exchange proceeds of such exports.

The foreign exchange receipts which resulted from export executions had to be sold to the Central Bank at the rate of exchange which prevailed at the foreign exchange bourse. The foreign exchange proceeds of services however, were not subject to this provision and their respective recipients were permitted to keep these proceeds for themselves. General foreign exchange could be freely obtained and utilized insofar as it was done without prejudice to the provisions on export and import. In the case of aid foreign exchange, however, the rate and utilization thereof were regulated and determined by the Minister of Finance in conjunction with the Minister of Trade.

The trading in foreign exchange is distinguished as trading at the bourse and the one outside the bourse. Trading at the bourse consists of spot transactions in US Dollars concluded between member banks, including the Central Bank, whereas trading outside the bourse consists of forward transactions.

TABLE 20 — RATES AND TRANSACTIONS OF GENERAL FOREIGN EXCHANGE AND AID FOREIGN EXCHANGE				
	General Foreign Exchange		Aid Foreign Exchange	
	Rate	Turnover (in thousand US \$)	Rate	Turnover (in thousand US \$)
1970				
April	326; 378; 378½*)	91,202	326	16,917
May	378	66,593	326	11,108
June	378	81,566	326	9,087
July	378	76,859	326	29,771
August	378	69,495	326	10,020
September	378	71,485	326	8,698
October	378	79,402	326	15,732
November	378	74,149	326	5,410
December	378	99,003	326 & 378½	1,979
		709,754		108,722
1971				
January	378	93,604	378½	7,051
February	378	75,929	378½	11,124
March	378	91,060	378½	13,843
		260,593		32,018
*) Consists of Export BE and DP foreign exchange rates				

Table 20 illustrates the sales turnover of general foreign exchange and aid foreign exchange and their rates at the foreign exchange bourse during the year under report.

Balance of payments

The development of the foreign sector during 1970 was affected by an important event, subsequently referred to as the 17th of April policy". This regulation prescribed, inter alia, a unified rate of exchange for both BEs and DPs, and therefore affected the computations of economic transactions.

In 1970, Indonesia's balance of payments showed a surplus of US \$ 35 million compared with the deficit of US \$ 20 million incurred by the 1969 balance of payments (see Table 21).

TABLE 21 — BALANCE OF PAYMENTS OF INDONESIA ¹⁾
(in million US \$)

	1968	1969	1970 ²⁾	1969 1970	1970 ³⁾	1970/ 1971 ³⁾
A. Goods and Services	- 251	- 361	- 1 04	431	- 425	- 462
1. Merchandise goods :						
Export f.o.b.	+ 872	+ 995	+ 279	+ 1,044	+ 1,173	+ 1,204
Import f.o.b.	- 831	- 993	- 269	- 1,066	- 1,138	- 1,201
2. Non-monetary gold	-	-	-	-	-	-
3. Freight and insurance re- lated to imports	- 92	- 107	- 32	- 119	- 142	- 150
4. Other transportation	- 3	- 3	- 2	- 4	- 5	- 5
5. Travel	- 14	- 10	- 8	- 10	- 21	- 16
6. Investment income	- 78	- 107	- 33	- 116	- 133	- 135
6.1. Direct investment income	(- 74)	(- 105)	(- 32)	- 114	(- 128)	(- 129)
6.2. Other	(- 4)	(- 2)	(- 1)	- 2	(- 5)	(- 6)
7. Government, not included elsewhere	- 23	- 18	- 7	- 20	- 20	- 20
8. Other services	- 82	- 118	- 32	- 140	- 139	- 139
Balance of goods and ser- vices (1 through 8)	- 251	- 361	- 104	- 431	- 425	- 462
Balance of goods (1 and 2)	+ 41	+ 2	+ 10	- 22	+ 35	+ 3
Balance of services (3 through 8)	- 292	- 363	- 114	- 409	- 460	- 465
B. Transfer Payments	+ 26	+ 47	+ 28	+ 69	+ 68	+ 47
9. Private	-	-	-	-	-	-
10. Government	+ 26	+ 47	+ 28	+ 69	+ 68	+ 47
C. 11. Special Drawing Right (S.D.R.)						
Total (1 through 11)	- 225	- 314	+ 35 - 41	+ 35 - 327	+ 35 - 322	+ 28 - 387
D. Capital and Monetary Gold	+ 229	+ 279	+ 21	+ 293	+ 294	+ 380
Non-monetary sector	+ 217	+ 259	+ 46	+ 250	+ 329	+ 401
12. Private sector	+ 26	+ 42	- 12	+ 22	+ 95	+ 153
12.1 Long term liabilities	+ 3	+ 31	+ 14	+ 39	+ 77	+ 89
a. Direct investment	(- 3)	(+ 31)	(+ 14)	(+ 39)	(+ 77)	(+ 89)
b. Other	(+ 6)	(-)	(-)	(-)	(-)	(-)
12.2 Long term assets	+ 35	+ 12	- 26	- 17	- 24	+ 2
a. Direct investment	(-)	(-)	(-)	(-)	(-)	(-)
b. Other	(+ 35)	+ 12	- 26	- 17	- 24	(+ 2)
12.3 Short term liabilities	- 12	- 1	-	-	+ 42	+ 62
12.4 Short term assets	-	-	-	-	-	-
13. Government sector	+ 191	+ 217	+ 58	+ 228	+ 234	+ 248
13.1 Long term liabilities (net)	+ 179	+ 209	+ 62	+ 245	+ 262	+ 278
13.2 Long term assets	-	-	-	-	-	-
13.3 Short term liabilities (net)	+ 12	+ 2	- 4	- 17	- 28	- 30
13.4 Short term assets	-	-	-	-	-	-
Monetary sector	+ 12	+ 20	- 25	+ 43	+ 35	- 21
14. Central Bank						
14.1 I.M.F. position (net)	+ 15	+ 48	- 3	+ 46	+ 26	+ 29
14.2 Short term liabilities (net)	- 3	+ 7	+ 41	+ 57	- 23	- 50
14.3 Movement in foreign exchange holdings (— = increase)	+ 20	- 35	- 63	- 60	- 38	-
14.4 Movement in mone- tary gold holdings (— = increase)	-	-	-	-	-	-
15. Foreign exchange banks						
15.1 Short term liabilities (net)	-	-	-	-	-	-
15.2 Movement in foreign exchange holdings (— = increase)	- 20	-	-	-	-	-
Net errors and omissions	- 4	+ 35	+ 20	+ 34	+ 28	+ 7

¹⁾ Includes oil and oil products

²⁾ January through March

³⁾ Provisional figures

With the greater intensity of economic activities at home the import value and other expenditures in the services sector had likewise increased.

The demand for the financing of the import and services sectors failed to be offset by an increase in the export sector which during 1970 was much affected by the decline in world market prices of export commodities, especially rubber. Consequently, the balance on goods and services for 1970 incurred, as a whole, a deficit of US 425 million which was US \$ 64 million more than the deficit incurred in 1969.

In 1970, grants receipts increased by US \$ 21 million and amounted US \$ 68 million.

Capital movements in the non-monetary sector had increased and amounted to US \$ 329 million, which meant a surplus of US \$ 70 million compared with the preceding year.

Taking into account the net errors and omissions of plus US 28 million, the overall balance of payments in 1970 showed an improvement of US 35 million. It should be mentioned that the said surplus was achieved in the presence of US \$ 26 million net I.M.F. drawings and receipts of US \$ 35 million in the context of the first allocation of “Special Drawing Rights” (SDR).

Balance of Trade

Foreign trade activities in the year under report were affected by the declining trend of world market prices of Indonesian export commodities, with the exception of petroleum prices which were in Indonesia’s favour. On the other hand import activities continued to improve on account of the more vigorous economic activities at home.

Export

In 1970, the rates of export foreign exchange which determines the exporters Rupiah proceeds experienced a change due to the unification of the BE and DP exchange rates viz Rp 378-- per US \$ 1—

The unification of the exchange rates resulted in 2 kinds of foreign exchange, viz. aid foreign exchange and general foreign exchange. In 1970, the export value,

TABLE 22 — EXPORT (F.O.B.) (in million US \$)				
	1968	1969	1970	Percentage change 1969-1970
A. Export commodities (excl. oil and oil products).	459	466	685	47
Rubber	176	221	260	18
Copra	41	19	29	53
Coffee	45	51	65	27
Tobacco	23	14	11	21
Palm oil	22	22	37	68
Palm kernels	6	4	5	25
Pepper	15	10	3	70
T i n	50	53	62	17
Wood	13	26	101	288
T e a	17	10	18	80
Copra cakes	2	2	6	200
Hides	5	4	6	50
Other foodstuffs	9	4	15	275
Other spices	5	3	4	33
Nutmeg and mace	2	2	2	
Other export products	28	21	61	190
B. Over-price	110	163	54	
Total (A + B)	569	629	739	17
C. Oil and oil products	303	366	434	19
Total (A + B + C)	872	995	1,173	18

as a whole, increased by 17.9% over the preceding year. Export of oil and oil products increased by 18.6%. The increase of 17.5% in the case of the export value of other commodities must be seen in the light of the abolishing of the overprice requirement which had been effective before the period under report.

The increase could therefore be attributed to the overprice which was formerly not recognized as an export receipt but now figures in the statistics, but could as well have been caused by an actual improvement of the export activities. The decline of world market prices were more or less offset by the increase in the volume of exports and the more effective rate for exports.

Table 22 show the development of the export value specified by kind of commodity but by discounting the overprice during 1969 and 1970 (until April).

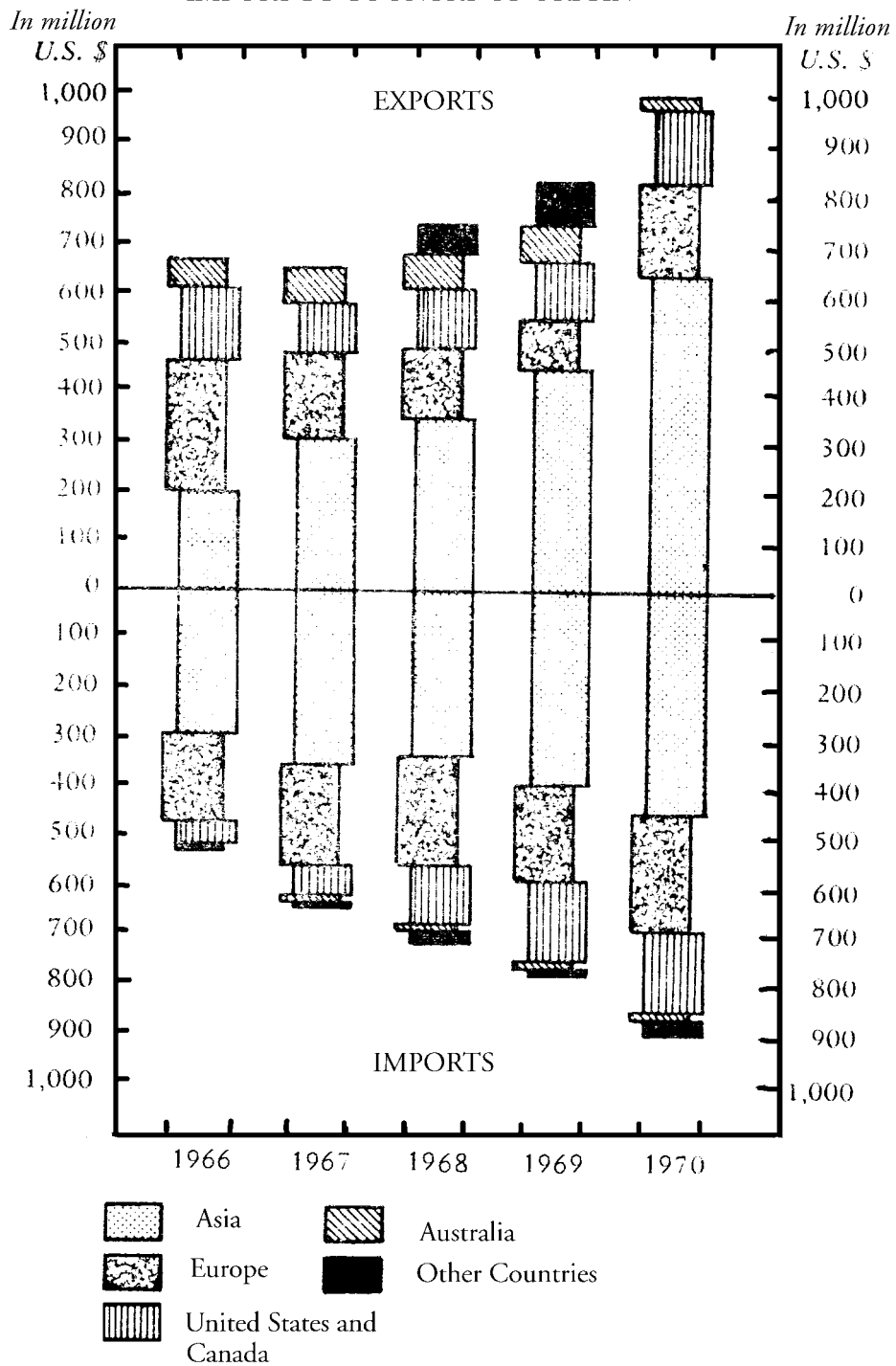
TABLE 23 -- EXPORTS BY COUNTRY OF DESTINATION
(in million US \$)

	1966	1967	1968	1969	1970 ¹⁾ 1	1972 ²⁾	1971 ¹⁾ 1
<i>Europe</i>							
United Kingdom and Republic of Ireland	16	24	9	7	1	12	3
Germany	77	57	48	33	7	64	16
France	13	8	3	3	1	15	2
Belgium and Luxemburg	14	9	10	9	3	15	2
Netherlands	94	42	44	32	9	40	13
Italy	9	6	5	4	1	17	2
Denmark	1	1	1	1	—	3	—
Norway	1	1	1	1	—	1	—
Sweden	—	—	—	—	—	1	—
Other	45	25	21	14	6	24	6
Total exports to Europe	270	173	142	104	28	192	44
Percent of total export value	39.8%	26.0%	18.9%	12.5%	13.2%	19.0%	15.3%
<i>America</i>							
Canada	—	—	—	—	—	—	—
United States	138	103	113	107	28	125	31
Other	6	2	2	3	—	13	—
Total exports to America	144	105	115	110	28	138	31
Percent of total export value	21.2%	15.8%	15.3%	13.2%	13.2%	13.7%	10.8%
<i>Africa</i>							
United Arab Republic	—	—	—	—	—	—	—
Portugese East Africa	—	—	—	—	—	—	—
Union of South Africa	—	—	—	—	—	—	—
Other	1	1	1	1	—	—	—
Total exports to Africa	1	1	1	1	—	—	—
Percent of total export value	0.2%	0.2%	0.1%	0.1%	—	—	—
<i>Asia</i>							
Iraq	1	1	—	—	—	—	—
India	—	—	—	—	—	—	—
Pakistan	6	2	—	—	—	—	—
Burma	—	—	—	—	—	—	—
Thailand	4	7	6	6	—	—	—
Malaysia	—	1	6	2	—	6	5
Penang	—	—	22	25	8	3	—
Singapore	18	66	116	136	36	153	39
Vietnam	—	—	1	1	—	—	—
Hongkong	14	13	9	7	2	9	3
China	9	1	—	—	—	—	—
Japan	121	194	172	244	83	425	78
Philippines	22	22	24	25	7	26	3
Other	7	6	4	14	7	22	7
Total exports of Asia	202	313	360	460	143	644	135
Percent of total export value	29.8%	47.1%	48.0%	55.4%	67.5%	63.8%	46.9%
<i>Australasia</i>							
Australia	55	61	68	61	12	35	3
New Zealand	2	1	1	1	—	—	—
Oceania-Hawai	4	11	4	5	1	—	—
Total exports to Australasia	61	73	73	67	13	35	3
Percent of total export value	9.0%	10.9%	9.7%	8.1%	6.1%	3.5%	1.0%
Via free ports: Sabang	—	—	60	89	—	—	75
Tandjung Uban, and port not specifically mentioned	—	—	8.0%	10.7%	—	—	26.0%
Per cent of total export value	—	—	—	—	—	—	—
Grant Total	678	665	751	831	212	1,009	228

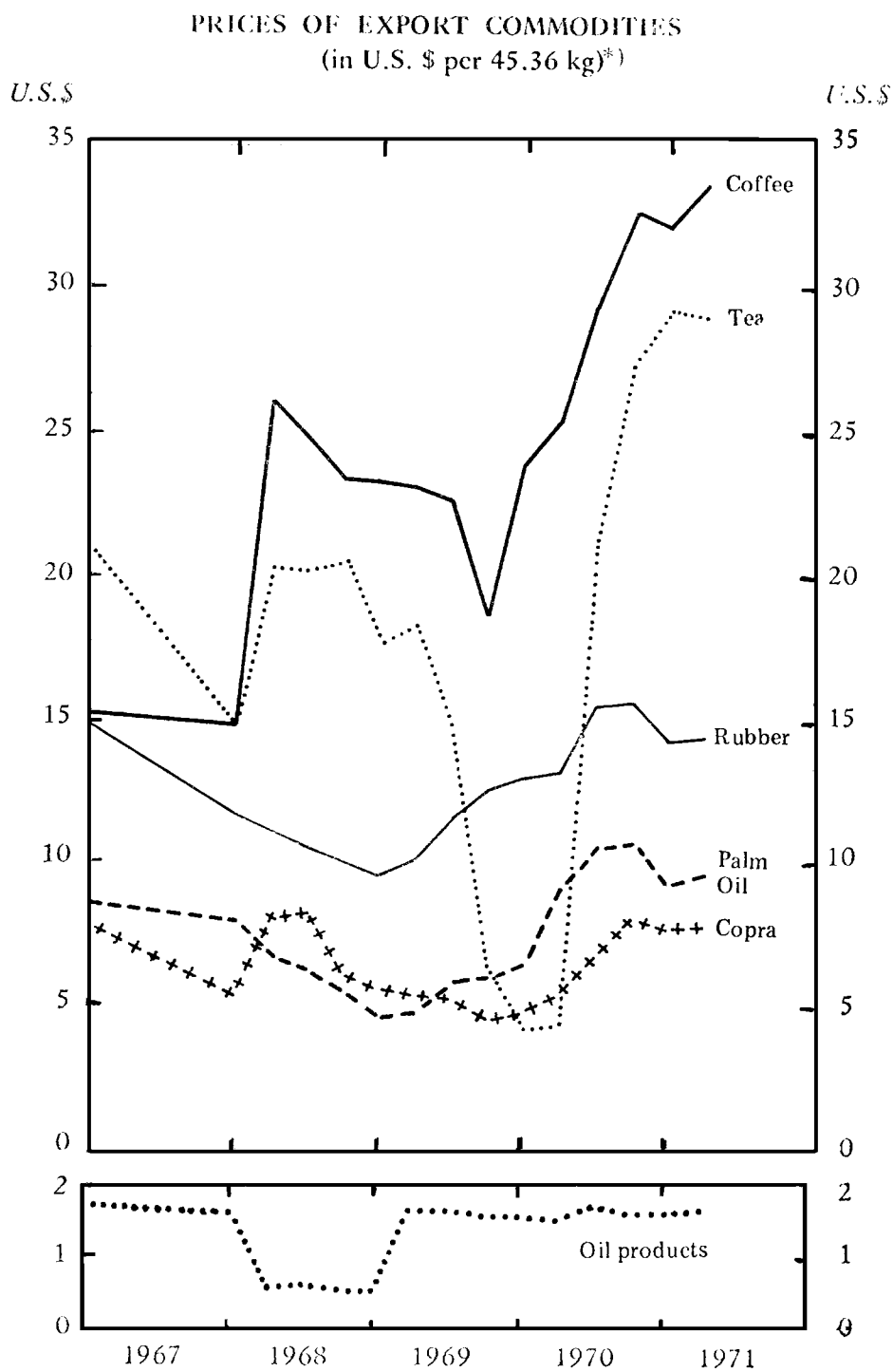
¹⁾ January through March (provisional figures)

²⁾ Provisional figures

EXPORTS BY COUNTRY OF DESTINATION AND IMPORT BY COUNTRY OF ORIGIN



Source : Data from Central Bureau of Statistic



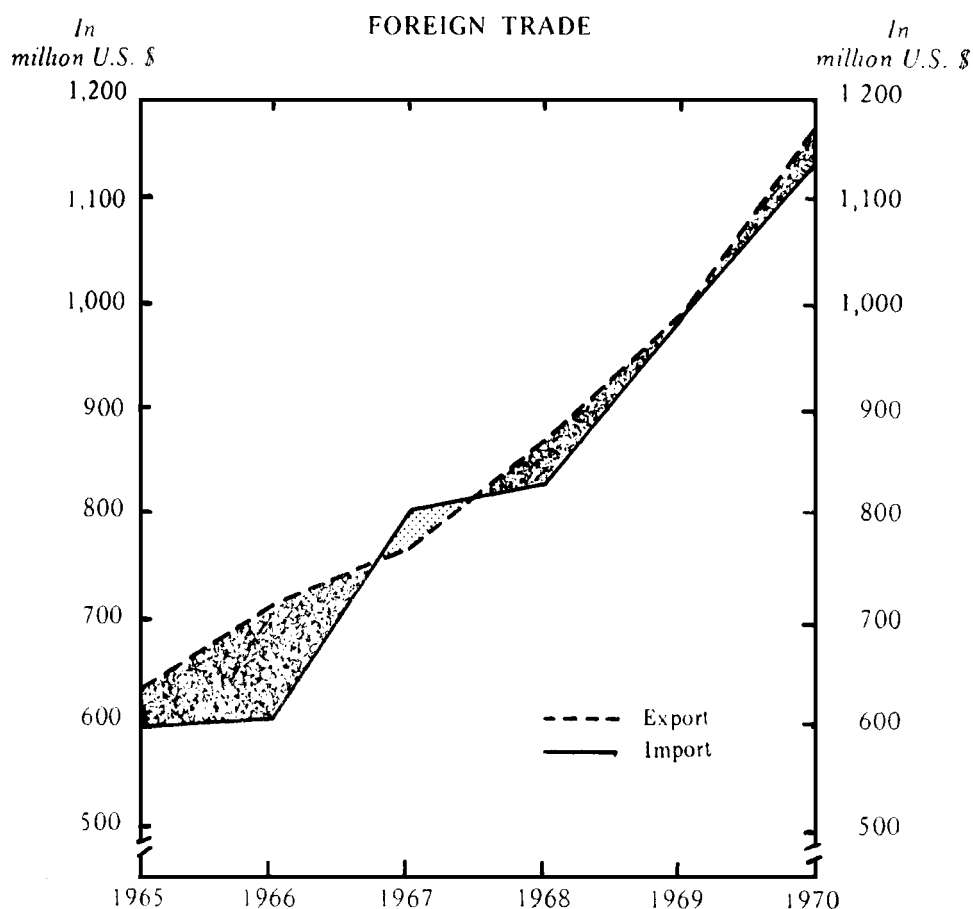
^{*)} Oil products in U.S. \$ per Bbl.

Source: Data from Central Bureau of Statistics

TABLE 24 — FOREIGN TRADE
(in million US \$)

	Import (f.o.b.)			Export (f.o.b.)			Balance of trade			Percentage change	
	1968	1969	1970*)	1968	1969	1970*)	1968	1969	1970*)	Import	Export
1st Qtr.	193	196	269	199	230	279	+ 6	+ 34	+ 10	37.2	21.3
2nd Qtr.	207	220	255	209	243	281	+ 2	+ 23	+ 26	15.9	15.6
3rd Qtr.	228	279	314	230	270	298	+ 2	- 9	- 16	12.5	10.4
4th Qtr.	203	298	300	234	252	315	+ 31	- 46	+ 15	0.7	25.0
Total	831	993	1,138	872	995	1,173	+ 41	+ 2	+ 35	14.6	17.9

*) Provisional figures



The value of exports exclusive of oil showed for the timber exports in 1970 a quite significant increase, viz. from 5% in 1969 to 14% in 1970. Rubber exports continued to play the most important role, namely 35% in 1970 and was second only to oil exports in the total context of export value.

The pattern of export by country of destination was in 1970 generally not much different from that of 1969. The bulk of exports was still directed to Asian countries (63.8%) followed by Europe (19%) and the United States (13.7%). Japan and Singapore continued their role as the biggest importers of our export commodities, viz. 42.1% and 15.2%, respectively. Of the total value of exports in 1970, followed successively by the United States (12.4%), West Germany (6.3%) and the Netherlands (4.0%). Exports to Australia had declined from 8.1% in 1969 to 3.5% in 1970.

Imports

The value of imports in 1970 increased by 14.6% over 1969. The heavier investments and bigger output which could readily be observed from the figures of the previous year continued their trend in 1970 and were, inter alia, facilitated by the availability of credit and the absence of import duties on necessary capital goods.

In order to stimulate the domestic industries, measures were also taken to restrict the import of selected goods which could already be produced domestically.

The import value in the second quarter of 1971) dropped slightly compared with the preceding quarter; this was possibly caused by the fact that the business world was still in the process of trying to adjust itself to the new exchange rates.

At the end of the said quarter, the Government announced its policy concerning the opportunity to finance imports with short term loans from abroad, which are commonly referred to as imports with merchants letter of credit.

The effort to intensify investment and production, to stimulate the credit sector, to provide abatements on import duties and other indirect taxes and the opportunity to use financing instruments which were relatively inexpensive, succeeded to restore the import levels of the two final quarters of 1970 to the level of imports at the end of 1969.

TABLE 25 — IMPORTS (C.I.F.) BY COMMODITY GROUP (in million US \$)							
	1967	1968	1969	1970*)	Percentage change		
					1967-1968	1968-1969	1969-1970
Raw materials	239	252	321	340	5.4	27.4	5.9
Capital goods	179	198	239	317	10.6	20.7	32.6
Consumer goods	232	267	221	227	15.1	— 17.4	2.7
*) Provisional figures							

Source : Central Bureau of Statistics

TABLE 26 — IMPORTS (F.O.B.) (in million US \$)						
	1968	1969	1970 ¹⁾	1969/ 1970	1970 ²⁾	1970/ 1971 ²⁾
1. Export-BE Imports	416	475	112	490	493	523
2. Aid-BE imports	240	285	97	327	373	368
— program aid	(103)	(101)	(40)	(117)	(136)	(125)
— food aid	(30)	(32)	(27)	(58)	(87)	(64)
— PL 480 (rice, cotton and yarn)	(89)	(90)	(21)	(104)	(83)	(80)
— project aid	(18)	(62)	(9)	(48)	(67)	(99)
3. DP and free imports	94	125	30	135	58	30
4. Imports under direct investment	1	21	10	26	57	65
5. Imports under merchant's L/C	—	—	—	—	65	121
Total	751	906	249	978	1,046	1,107
6. Imports of oil companies	80	87	20	88	92	94
Total	831	993	269	1,066	1,138	1,201
¹⁾ January through March ²⁾ Provisional figures						

Table 25 shows that the import commodities continued to show a favourable inclination towards the desired objective. Raw materials increased by 5.9%, capital goods by 32.6%, whereas consumer goods rose only by 2.7%.

Table 26 reveals that in 1970, the utilization of general foreign exchange for imports rose by almost 4% compared with the preceding year. On the other hand, the implementation of foreign aid jumped by nearly 31.8% which indicates that with respect to their implementation as a financing instrument for import, an interchanging had occurred between these two instruments.

DP imports and free imports had both declined, since their execution ceased to be possible, in virtue of the regulation of 17 April 1970, also because the opportunity was created to import with merchant's L/C as from June 1970.

The value of imports in the context of direct investments had improved; this was, inter alia, attributed to the added number of projects which were ready to be started.

TABLE 27 — IMPORTS BY COUNTRY OF ORIGIN
(in million US \$)

	1966	1967	1968	1969	1970 ¹⁾	1970 ²⁾	1971 ¹⁾
<i>Europe</i>							
United Kingdom and Republic of Ireland	13	22	18	28	9	30	13
Federal Republic of Germany	48	81	70	65	19	85	31
German Democratic Republic	3	5	2	1	—	—	—
France	10	7	15	11	4	16	3
Belgium and Luxemburg	3	3	3	5	2	6	2
Netherlands	26	48	51	39	12	46	14
Italy	30	16	22	10	6	13	7
Czechoslovakia	8	1	1	2	2	5	2
Switzerland	2	4	6	9	2	9	2
Sweden	1	1	1	3	1	3	1
Spain	—	—	3	—	—	—	—
Other	31	21	23	17	4	18	14
<i>Total imports from Europe</i>	175	209	215	190	61	231	89
<i>Per cent of total Import value</i>	33.2%	32.2%	30.0%	24.3%	29.6%	25.9%	28.3%
<i>America</i>							
Canada	—	1	1	2	1	2	—
United States	49	52	123	154	33	158	54
Other	2	1	1	4	—	1	1
<i>Total imports from Africa</i>	51	54	125	160	34	161	55
<i>Per cent of total import value</i>	9.7%	8.3%	17.5%	20.5%	16.5%	18.0%	17.5%
<i>Africa</i>							
United Arab Republic	1	1	14	2	—	4	—
British East Africa	—	1	10	5	2	20	—
Union of South Africa	—	—	—	—	—	—	—
Other	6	9	1	1	—	—	13
<i>Total imports from Africa</i>	7	11	25	8	2	24	13
<i>Per cent of total import value</i>	1.3%	1.7%	3.5%	1.0%	1.0%	2.7%	4.1%
<i>Asia</i>							
India	7	8	11	7	1	4	1
Pakistan	9	7	13	16	4	14	6
Burma	13	3	6	2	2	10	—
Thailand	26	8	10	9	3	10	1
Malaysia	—	1	3	4	1	5	1
Singapore	1	17	34	40	12	49	19
Cambodia	—	2	—	—	—	—	—
Hongkong	49	60	33	27	6	21	5
China	41	54	38	43	8	31	8
Japan	141	182	159	226	55	263	87
Philippines	—	1	8	2	—	2	—
Other	3	18	16	26	10	42	20
<i>Total imports from Asia</i>	290	361	331	402	102	451	148
<i>Per cents of total import value</i>	55.0%	55.6%	46.2%	51.5%	49.8%	50.5%	47.0%
<i>Australasia</i>							
Australia	4	14	20	20	7	25	9
New Zealand and Oceania	—	—	—	—	—	—	—
<i>Total imports from Australasia</i>	4	14	20	20	7	25	9
<i>Per cent of total import value</i>	0.8%	2.2%	2.8%	2.6%	3.4%	2.8%	3.4%
Via free ports: Sabang, Tandjung Uban and ports not specifically mentioned	—	—	—	1	—	1	1
<i>Per cent of total import value</i>	—	—	—	0.1%	—	0.1%	0.3%
Total imports of Indonesia	527	649	716	781	206	893	315
1) January through March (provisional figures)							
2) Provisional figures.							

Source : Central Bureau of Statistics

The pattern of imports by country of origin in 1970 had not changed significantly from that of the preceding year (Table 27). Japan continued to be the largest supplier with a share of 29% followed by the United States, West Germany, Singapore and the Netherlands, with shares of 18%, 9%, 5%, and 5%, respectively.

Services and grants

Table 21 shows that the balance on services continued to show a deficit of a structural character. In 1970, the said deficit amounted to US \$ 460 million, which was US \$ 97 million more than the deficit incurred in 1969. Factors which contributed to the larger deficit were an increase of US \$ 35 million in freight and insurance related to import commodities, an increase of US \$ 26 million in the transfer of profit of capital

TABLE 28 — GRANTS RECEIVED (in million US \$)			
	1968	1969	1970 ¹⁾
1. Australia	5	13	17
2. U.S.A.	—	9	4
3. Netherlands	14	13	15
4. Belgium	—	1	1
5. Japan	7	5	20
6. Federal Republic of Germany	—	1	2
7. United Kingdom	—	—	3
8. Italy	—	—	1
9. Canada	—	3	3
10. France	—	2	2
Total	26	47	68
¹⁾ Provisional figures			

investors and larger payments on other services to the amount of US \$ 21 million. The larger payment for freight and insurance was related to the larger volume of imports in the period under report; therefore, the cost of freight had also increased.

Payments for the repatriation of corporate profit consisted mainly of the profits of foreign oil companies operating in Indonesia. The item “other services”, inclusive of

payments for various kinds of services, had as a whole increased compared with 1969. Foreign aid in the form of grants from donor countries amounted to US \$ 68 million and showed an increase of US \$ 21 million over the preceding year (see Table 28). Expressed in percentages, the volume of foreign aid in the form of grants represented 20.7% of the volume of foreign aid in the form of long term loans, which amounted to US \$ 328 million. In 1968 and 1969, the proportions were 11.7% and 9.7% respectively.

From Table 28 may be observed that the aid in the form of grants mainly originated from the governments of Japan which granted US \$ 20 million, Australia US \$ 17 million and the Netherlands US \$ 15 million.

Capital movements

Capital movements, either in the private or public sector, reveals satisfactory development.

In the period under report, the private sector accounted for a net capital inflow of US \$ 95 million, which was US \$ 53 million more than the preceding year. This increase was mainly ascribed to the inflow of capital in the context of direct investment by foreign enterprises, which in 1970 amounted to US \$ 77 million as against US \$ 31 million in 1969.

The repatriation of capital, presumed to have its origin in the overprice on exports which continued its inflow in 1969, was absent during the period under report. On the other hand, the presence was noted of an outflow of capital to the amount of US \$ 24 million, which was presumably used to finance free imports. Besides, the short term loans for the financing of imports which were discontinued in 1969, became in the year under report again available in the form of merchant's letter of credit, for the main purpose of meeting the demands for raw material and capital goods.

The repayments on long term liabilities in this sector consisted for the most part off the depreciations of foreign oil companies, whereas in regard to short term credit, the repayments almost wholly consisted of settlements of merchant's L/Cs.

Capital movements in the public sector showed a capital inflow to the amount of US \$ 234 million as against US \$ 217 million in 1969. The main components which

TABLE 29 — LONG TERM FOREIGN LOANS (in million US \$)						
	1968	1969	1970 ¹⁾	1969/ 1970	1970 ²⁾	1970/1971 ²⁾
1. Australia	—	—	—	—	—	—
2. U.S.A.	144	137	39	159	160	144
3. Japan	54	59	25	68	102	104
4. Netherlands	3	21	—	10	2	7
5. Belgium	—	1	1	2	2	1
6. Federal Republic of Germany	19	17	4	19	14	25
7. France	2	11	1	8	8	9
8. Italy	8	7	3	9	9	6
9. United Kingdom	2	7	1	7	6	7
10. India	—	—	—	—	—	—
11. Bulgaria	—	—	—	—	—	—
12. German Democratic Republic	1	1	—	—	—	—
13. Poland	—	—	—	—	—	—
14. Czechoslovakia	—	—	—	—	—	—
15. Hungary	3	—	—	—	—	—
16. Yugoslavia	4	5	—	3	1	1
17. Denmark	—	1	—	1	3	3
18. I.D.A.	—	2	1	2	18	36
19. A.D.B.	—	—	—	—	1	1
20. New Zealand	—	—	—	—	1	1
Total	240	269	75	289	328	346
1) January through March 2) Provisional figures						

affected the development in this sector were receipts of long term foreign credit and repayments on foreign credits received in the preceding years.

Other components were receipts and repayments of short term credits which had, in general, been used for the import of fertilizer and agricultural equipment, in the context of intensifying the production of rice.

Receipts of long term foreign credits during the period under report amounted to US \$ 328 million (see Table 29) as against US \$ 289 million in 1969. On the other hand, repayments of foreign loans had increased in this year by US \$ 27 million, viz. from US \$ 39 million in the preceding year to US \$ 66 million in the period under report.

To lighten the burden of repayments on foreign loans, so that they would not bear too heavily on Indonesia's balance of payments, a multilateral agreement was reached in April 1970 between Indonesia and; the creditor nations of the I.G.G.I.

From the foregoing may be concluded that the capital movements structure has as yet failed to show a significant development, and that capital inflow in the public sector has continued to play the most important part.

Foreign trade and payments agreements

Malaysia

The Joint Commission on Trade and Economic Relation between Indonesia and Malaysia which convened in Djakarta on the 20th through 24th of August 1970, provided the following results:

- The signing of the Border Trade Agreement by the Minister of Trade of the Republic of Indonesia and the Minister of Trade and Industry of Malaysia.
- An agreement on the lowering of the penalty (in %) on unrequited export from Indonesia, viz. from 50% to 10 — 15%.
- In the context of improving the export and import trade, it was also agreed to establish a Joint Consultative Committee on Primary Commodities which was to study the problems concerning the cooperation in the production, research and marketing of primary export commodities from both countries.

International Financial Institutions

International Monetary Fund (I.M.F.)

During the period under report, Indonesia's drawings amounted to US \$ 38 million, viz. US \$ 20 million in June, US \$ 10 million in August and US \$ 8 million in December 1970. These drawings were effected in the context of the 1970/1971 stand-by arrangement which amounted to US \$ 46.3 million.

Besides, in February 1971, Indonesia repurchased an amount of US \$ 3.2 million, which constituted the final repurchase of outstanding drawings to the amount of US \$ 50.8 million effected before 1967. Therefore, Indonesia's debt position with respect to the IMF amounted to US \$ 138.5 million as per the end of the period under report.

On April 14, 1971 the Executive Board of IMF approved the stand-by arrangement for 1971/1972 which involved an amount of US \$ 50 million.

In connection with resolution No. 25-3 adopted by the Board of Governors of IMF, which concerned the raising of the quotas of the IMF member countries, in July 1970, Indonesia's quota was raised from US \$ 207 million to US \$ 260 million. Of the increase of US \$ 53 million, 25% or US \$ 13.3 million constituted gold payments, with the balance of 75% or US \$ 39.8 million to be paid in Rupiahs. With respect to the increase in the said quota, Indonesia was granted an abatement on its gold payments, so that these payment became less than 25% viz. US \$ 8.5 million. The balance which amounted to US \$ 4.8 million was payable in Rupiah currency, on which amount, Indonesia was obligated to effect 5 annual repurchases in succession, to the amount of + US \$ 0.9 million, respectively, starting one year after the new quota would come into effect. Indonesia's new quota became effective on November 23, 1970.

The election of Executive Directors of the IMF in 1970 resulted in the re-election of Indonesia as Executive Director for the 1970 — 1972 term, during which period, Indonesia was to represent Algeria, Ghana, Indonesia, the Republic of Khmer, Libya, Morocco, Greece and Tunisia.

In January 1971, Indonesia obtained its second SDR allocation to amount of US \$ 27.8 million.

In connection with Indonesia's request to defer the repurchase on its drawings to the amount of US \$ 16 million in the context of the 1968/1969 stand-by arrangement, the Executive Board of the IMF granted on February 3, 1971 its approval to the following repurchase schedule:

1971	17 June	US \$ 2.5 million
	16 September	US \$ 2.5 million
	16 December	US \$ 2.5 million
1972	16 March	US \$ 2.5 million
	15 June	US \$ 2.5 million
	14 September	US \$ 2.5 million
	15 December	US \$ 1.0 million

		Total US \$ 16.0 million

World Bank (IBRD)

During the period under report, several IBRD missions visited Indonesia to discuss and survey the projects which the Indonesian Government had proposed for financing by IDA loans: these projects were as follows:

- a. seed cultivation project in Djawa;
- b. improvement and expansion of tea and cinchona estates;
- c. rehabilitation of highways in Sumatra;
- d. rehabilitation of the Bank Pembangunan Indonesia.
- e. development of tourism in Bali.

International Development Association (IDA)

During the period under report, IDA had agreed to lend Indonesia US \$ 104.9 million towards the following projects:

a. PUSRI fertilizer plant	US \$ 30 million
b. Rehabilitation of the PNP IV & VI estates	“ 17 “
c. Rehabilitation of the Djatiluhur irrigation	“ 18.5 “
d. Expansion of the telecommunications system	“ 12.8 “
e. Sulawesi fishery project	“ 3.5 “
f. Technical Assistance II	“ 4.0 “
g. Central Technical Training project	“ 4.6 “
h. Rehabilitation of Irrigation III	“ 14.5 “

As a result, the loans committed to Indonesia by IDA as from 1968 to date have amounted to US \$ 170.9 million.

On February 17, 1971, the Board of Governors of IDA adopted a resolution concerning the IDA Third Replenishment” which concerned also the adjustment of the voting rights of advanced member nations to those of the development member nations (Part I and Part II members). On account of the Third Replenishment, Indonesia’s subscription payment was raised by US \$ 431, 200.—, which was payable in Rupiah currency.

International Finance Corporation (IFC)

In the period under report, IFC agreed to invest its capital in a few projects in Indonesia, viz.:

- a. The Tjibinong Cement Plant, to the amount of US \$ 12.6 million, specified into share capital to the amount of US \$ 1,976 thousand and a loan to the amount of US \$ 10,600 thousand. The said investment was made in conjunction with the Kaiser Cement Gypsum Co., Bamerical International Financial Corporation and the P.T. Semen Gresik, and involved a total investment of US \$ 26 million.
- b. The Primatex Textile Mills, to the amount of US \$ 2.5 million, specified into share capital to the amount of US \$ 500 thousand and a loan to the amount of US \$ 2 million. The purpose of the investment was to erect a textile mill at Batang (Central DJawa) in conjunction with the Daiwa Spinning Co. Ltd., Yamatogawa Dyeing Works Lt.d., Nichimen & Co. Ltd. and the G.K.B.I., and involved a total investment of US \$ 7 million. The conditions of the IFC loan included a term of 7-8 years, inclusive of a grace period of about 2-3 years at interest of 9-9 1/2 per annum.

Asian Development bank (ADB)

In the period under report, ADB approved loans to the amount of US \$ 20.1 million for the 3 following projects :

- | | |
|---|------------------|
| – PUSRI fertilizer plant expansion project | US \$ 10 million |
| – Rehabilitation of the Gambarsari & Pesanggrahan irrigation project in Central Djawa . | “ 2.7 “ |
| – Rehabilitation of rubber and palm oil projects in North Sumatra | “ 7.4 “ |

As a result of this, the loans committed to Indonesia by ADB as from 1969 until to date has amounted to US \$ 23.5 million.

Beside these loans, ADB also provided technical assistance in the form of grants to the amount of US \$ 672 thousand for the following projects.

— Project preparation for the electrification in West Sumatra	US \$ 185 thousand
— Project preparation for teak plantations in Djawa	“ 216 “
— Project preparation for the Wampu river flood control in Sumatra	“ 181 “
— Project implementation for rubber and palm oil estates in North Sumatra	“ 90 “

As a result of this, the technical assistance committed to Indonesia ADB as from 1967 until to date has amounted to US \$ 1.4 million.

In connection with the obligation to pay the instalments on its subscription as member of ADB on August 22, 1970 Indonesia paid the fifth (final) instalment which amounted to US \$ 2.5 million. Consequently, Indonesia's capital subscription which constitutes “paid-in capital” to the amount of US \$ 12.5 million has now been paid in full.

Inter-Governmental Group on Indonesia (IGGI)

In the period under report, two IGGI conferences, viz. the 8th and the 9th conference, were held in Rotterdam on the 20- 21 April 1970 and 15-17 December 1970, respectively.

The participating member countries which attended the conferences were Australia, the Netherlands, Belgium, Japan, West-Germany, Indonesia Italy, the United Kingdom, France and the United States, whereas Austria, Canada, Denmark, Norway, New Zealand and Switzerland attended the conference as observers. Besides, international financial institutions such as IMF, IBRD, ADB, OECD, UNDP and the working group of Dr. Abs were also represented at the conference.

The 8th IGGI conference approved. Indonesia's request for aid which amounted to US \$ 600 million, viz. US \$ 260 million for project aid, US \$ 200 million for program aid and US \$ 140 million for food aid.

The 9th IGGI conference discussed Indonesia's request for aid for the 1971/1972 financial year to the amount of US \$ 640 million, viz. US \$ 210 million for program aid, US \$ 270 million for project aid and US \$ 160 million for food aid.

Foreign debt rescheduling

In the context of the repayment of Indonesia's old debts, viz. debts incurred before June 30. 1966, a multilateral agreement was reached between Indonesia and the creditor nations joined in the Inter-Governmental Group on Indonesia (I.G.G.I).

The said agreement was set down in an Agreed Minutes of 23 - 24 April 1970, the principal points of which were as follows :

1. The debts to be consolidated were to be debts the contracts of which had been signed prior to June 30, 1966, by taking into account the rescheduling agreements according to the Paris Agreed Minutes of 1966.
2. Interest on the moratorium of the rescheduling agreements on the basis of the Paris Agreed Minutes of 1966. scheduled for payment until January 1, 1970 inclusive, were to be consolidated with the principal debt; the balance of the said interest payments due after January 1, 1970 continued to be regarded as interest payments.
3. The new principal debt was to be repaid within 30 years, in equal annual instalments. The first instalment was to be due in 1970.
4. The new indebted interest was to be paid in equal annual instalment within the period of 15 years. The first instalment was to be due in 1985.
5. The principal debt and interest which had been consolidated were not subject to interest.
6. Indonesia was granted the opportunity to defer the repayment of part of its principal debt covering the first 8 years of its repayment schedule, to a maximum of 50% of the instalments, but not to exceed 3 instalments. In case the repayments were to be deferred, the said amounts had to be repaid in the final 8 years of the repayment schedule at interest of 4% per annum, payable annually.
7. After 1980, the abovementioned conditions would become eligible to review and re-adjustment, and could result in the following possibilities:
 - a. accelerated repayment;
 - b. a reduction of the interest payments mentioned under paragraph 4.

During the period under report, on the basis of the 1970 Paris Agreement mentioned earlier, bilateral agreements were signed with the 'Netherlands, France, the United States and West-Germany. Besides, a bilateral agreement was also reached with the Soviet Union in regard to the rescheduling of old debts.

VII. PODUCTION, INFRASTRUCTURE, PRICE LEVEL AND SOCIAL DEVELOPMENTS

Food producing agriculture

Production and situation of foodstuffs

In 1970, the production of foodstuffs - with the exception of cassava and sweet potatoes—had increased compared with the preceding year.

According to the revived method of computation, the production of rice in 1970 reached 12,168 thousand tons; hence, was 738 thousand tons (12.0%) more than its target of 11,430 thousand tons (rice production in the preceding year was 11,385 thousand tons). The higher output was caused try:

- (1) increased yield per ha as a result of the intensification of paddy culture;
- (2) expansion of the harvested area due to the rehabilitation of the irrigational infrastructure;
- (3) favourable climatic conditions.

In addition thereto, the satisfactory price of paddy in comparison to that of fertilizer and other current input of production, stimulated the farmers into participating in the intensification program.

In 1970, the production of maize rose by 532 thousand tons (23.2%) compared with the preceding year, viz. from 2,293 thousand tons in 1969 to 2,825 thousand tons in 1970. The higher output was, inter alia ascribed to an expansion of the harvested area, from 2,135 thousand ha (1969) to 2,938 thousand ha (1970), which was primarily observed in East Djawa (315 thousand ha) and Central Djawa (172 thousand ha). Although production had increased in 1970, the added output had as yet failed to restore the production level to that of 1968, which amounted to 3,166 thousand tons.

In 1970, the production of tubers, namely cassava and sweet potatoes declined) compared with the preceding year. Cassava output dropped by 4% from 10,917 thousand tons (1969) to 10,478 thousand tons (1970), whereas sweet potatoes dropped in output by 3.8%, from 2,260 thousand tons (1969) to 2,175 thousand tons (1970). The lower cassava output was, inter alia. caused by a reduction of the harvested area, as well as by the lower average yield per ha. The harvested area declined from 1,467 thousand ha (1969) in 1,398 thousand ha (1970), while the average yield per ha de-

clined from 75.21 qs/ha (1969) to 75.00 qs/ha (1970). Likewise, the harvested area of sweet potatoes dropped from 369 thousand ha (1969) thousand ha (1970), whereas the average yield per ha dropped from 82 qs/ha (1969) to 61 qs/ha (1970)

In 1970, the production of peanuts exceeded the output of the preceding year by 14 thousand tons (5.2%) viz. from 267 thousand tons (1969) to 281 thousand tons (1970). The higher output of peanuts was inter alia, attributed to an expansion of the harvested area (from 372 thousand ha to 380 thousand ha) and an increased average yield per ha namely from an average of 7.18 qs/ha (1969) to an average of 7.41 qs/ha (1970).

As was the case with peanuts the production of soya beans in 1970 showed an increase of 28%, namely from 389 thousand tons (1969) to 498 thousand tons (1970). The increased output was mainly caused by an expansion of the harvested area, namely from 554 thousand ha (1969) to 695 thousand ha (1970) and a bigger average yield per ha, viz. from 7.02 qs/ha (1969) to 7.17 qs/ha(1970)

Measures taken by the Government to increase the production of foodstuffs

In the year under report, in the context of raising the production of foodstuffs, the intensification of rice production still had priority over other efforts, since rice played an important role in the effort to achieve a state economic situation.

The BIMAS/INMAS schemes which represented the efforts to intensify the paddy culture, continued in their respective roles as the main programs to increase the production of rice. In the 1970/1971 rice planting season, the BIMAS Gotong Rojong, which was discontinued in the middle of 1970, was replaced by an improved BIMAS scheme, spearheaded by the Bank Rakyat Indonesia (BRI)

In order to improve the Credit system in the villages, Bank Rakyat Indonesia made an effort to achieve direct contact between units of its bank and the farmers. With this end in view, village units each covering an area of 600 to 1,000 ha were established. With the presence of these village units, it was hoped that an improvement would occur in the distribution of credits, the Channelling of production, and the dissemination of information to the farmers

In the 1970/1971 planting season, the BIMAS/INMAS schemes extended over an area of 2.0 million ha, viz. 0.7 million ha in the case of the regular BIMAS and 0.4 million ha in that of the new BIMAS, whereas the area covered by the new INMAS

was 0.9 million ha. To ensure the successful outcome of the BIMAS/INMAS schemes, in the 1970/1971 rice planting season.

538 village units were established, 431 of which were located in East Djawa; 39 in West Djawa, 35 in Jogjakarta, 32 in Central Djawa and 1 in South Sulawesi. Where village units could as yet not be established, these areas were serviced by mobile units, the number of which has currently reached 233. It is the intention of the BRI to replace these mobile units gradually by village units.

In the perfected BIMAS scheme, the Supply depot of current input for production is located as near as possible to the farmers, so that the farmers may obtain them easily, inexpensively, at the right time, and in amounts and kind as needed.

In the 1970/1971 planting season, 7 importers were appointed simultaneously, to supply and distribute the current input for product on (especially fertilizer); these importers were to act as distributors, who were at once responsible for the distribution of the current input to the village units.

In support of the intensification of the paddy culture, priority was given to the development of the irrigational infrastructure, with emphasis on the rehabilitation and expansion of the irrigation system. The rehabilitation program on irrigation carried out during the past two years succeeded to rehabilitation the irrigation system covering an area of 381,879 ha viz. 210,330 ha in 1969/1970 and 171,549 ha in 1970/1971. In the year under report, the extensification of the irrigation system resulted in newly irrigated land of 24,379 ha, whereas the program on rehabilitation and flood control achieved an area of 62,406 ha

In its effort to intensify rice production the Lembaga Pusat Penelitian Pertanian (LP3 i.e. Central Reserch Institute for Agriculture conducted also new selected paddy varieties, namely the PELITA I/1 and PELITA I/2

Finally, in order to improve their capabilities, the Department of Agriculture conducted several training courses for fieldworkers, whereas in order to improve the farmers' skill, several training courses were held for the farmers. In addition thereto, the development of farmers groups and broadcasts to the villages were intensified.

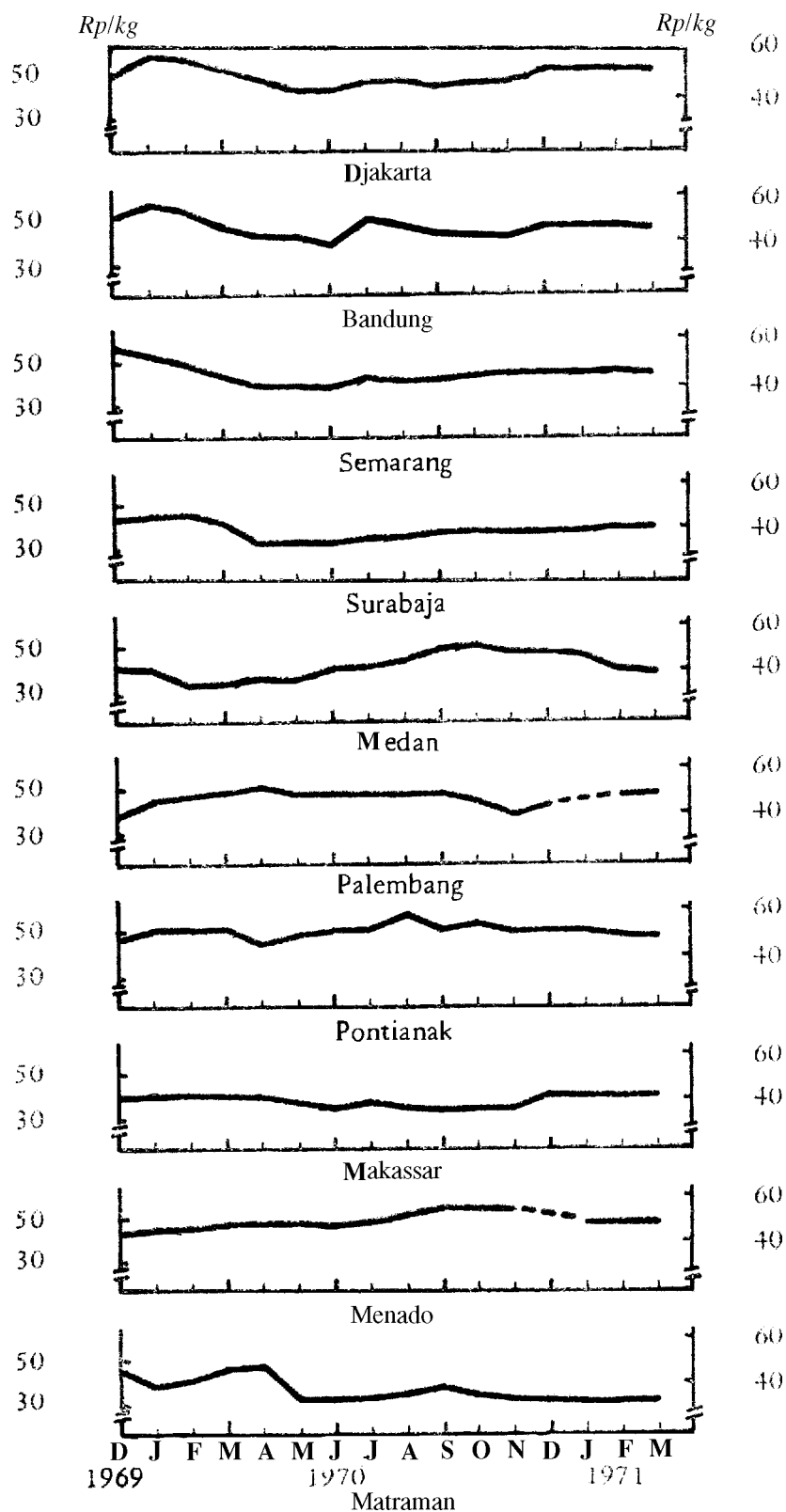
Rice

During the period under report, the Government continued its effort to maintain a stable price lover for Rice the same way it had done the preceding year, namely by

TABLE 30 — PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES										
	Djakarta	Bandung	Semarang	Surabaya	Medan	Palembang	Pontianak	Makassar	Manado	Mataram
1969 December	51.04	50.67	55. —	44.50	41.30	38.83	48. —	40.30	43.50	45. —
1970 January	58.65	54.93	52.29	46. —	41. —	44.80	51.66	42.18	45.38	46. —
February	57.25	53.34	49.17	47.50	34.75	47.87	52. —	43.75	46.62	42.50
March	52.95	48.57	44.06	42.86	35.25	49.80	52. —	42.30	48. —	47.50
April	48.64	42.35	41.08	34.33	37.50	51.83	45.50	41.33	48.38	49. —
May	43.60	42. —	41. —	35.50	38. —	48. —	50. —	38.50	48. —	32. —
June	43.75	39.50	41. —	35. —	42. —	49. —	52. —	37.50	46.75	35. —
July	47.50	49. —	44. —	37. —	42.50	49. —	52. —	39.15	48.50	35. —
August	48.10	46. —	42. —	37. —	45. —	49. —	58. —	37.50	52.50	40. —
September	46.10	44. —	43. —	39. —	50. —	50. —	52. —	36.50	55. —	37.50
October	46.85	44. —	45. —	41. —	52.50	45. —	55. —	38. —	54.50	37.50
November	47.80	43. —	46. —	41. —	50.25	40. —	52. —	38. —	55. —	35. —
December	52.40	47. —	47.50	41. —	50. —	45. —	50. —	43. —	—	35. —
1971 January	52.15	47.50	46. —	41. —	48.30	—	50. —	43. —	49.50	35. —
February	53.25	47.50	47.50	42. —	42. —	49.50	49.75	43. —	49. —	35. —
March	52.50	47. —	45.50	42. —	40. —	50. —	49. —	42.50	49. —	35. —

Source: BULOG (Board for Logistic Affairs).

PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES



determining a minimum price for dry paddy off village godowns and a maximum price for medium quality rice. The minimum price of dry paddy off village godowns was set at Rp 13.20/kg, which was the equivalent of Rp 36.—/kg of rice off rice mill, whereas the maximum price of medium quality rice was determined at Rp 50./kg.

Table 30 shows that the rice price stabilization policy of the Government was successful in keeping the free market price of rice in check.

One of the effects of the abovementioned price policy was the lesser difference between rice prices among the provinces.

Another kind of foodstuff which greatly assisted the rice price stabilization policy was wheat flour. The large volumes of wheat flour which were on hand affected the demand for rice, on account of its role as one of the substitutes for rice.

The stable development of the rice price during the period under report was mainly contributed by the sufficiently large supply of rice which originated from both domestic purchases (in the context of maintaining the minimum rice price) and from rice imports.

The data supplied by the Badan Urusan Logistik (B.U.L. i.e. Board For Logistic Affairs) illustrates that actual domestic rice purchases in 1970/1971 reached 528 thousand tons and that rice imports amounted to 763 thousand tons. The policy on rice imports did not deviate from that of the preceding year, namely that in the first instance, rice imports were to be effected through grants or by means of long terms loans, and that rice was to be imported commercially only when such was considered necessary.

Since stocks at the beginning of the year were 236 thousand tons, domestic rice purchases were 528 thousand tons and rice imports were 528 thousand tons and rice imports were 763 thousand tons, the total volume of rice held by the Government in 1970/1971 was 1,527 thousand tons as against 1,410 thousand tons in 1969/1970.

World rice situation

The data supplied by the F.A.O. show that in 1970, world output of rice increased by 3,242 thousand metric tons (1.1%), viz, from 294,972 thousand metric tons (1969) to 308,214 thousand metric tons. A larger output was observed mainly in Asian coun-

tries such as India, Indonesia, Cambodia, South Korea and in some European countries, particularly Italy and France.

Favourable climatic conditions implementation of selected seed and improved cultivation techniques contributed toward the higher production of rice. An important factor was also the desire of developing countries to be self-supporting in the matter of rice.

Over the past years as the production of the continued to increase. world market prices of rice tended to decline. The price of white rice 15% broken (Bangkok) which in the middle of 1969 was still quoted at £ 76 1/2 long ton fell off to £ 74 1/2 /long ton at the end of the year. In March 1970 the price dropped to £ 61 1/2/long ton and at the end of 1970 dropped skill Further to £ 55 1/2/long ton

World export of rice in 1970 amounted to 7,130 thousand tons as against 6,508 thousand tons in the preceding year, an increase of 9.5%. Even so since world prices of rice had declined, the export value fell off by 8%. With the apparent signs of an over-supply of world rice, several rice exporting countries took certain acts of precaution Thailand, for example, lowered its tariff on export premiums on all kinds of rice, in the hope of securing a more proper price for its rice in world markets and Japan, on the other hand, turned part of its paddy producing areas into pasture, orchards or vegetable gardens.

Forestry

T i m b e r

In the past years, the role of the forestry sector grew in importance due to its large potentials as a source for earning foreign exchange and for providing work opportunities.

In 1970 timber output increased swiftly, viz. from 7,527 thousand m³ to 10,100 thousand m³ roundwood equivalent (34.2%). The output of charcoal and firewood in the past 5 years had continued to decline and reached their lowest level in 1970 with an output of 651 thousand m³ as against 1,524 m³ in 1966; 1,497 m³ in 1967; 1,471 m³ in 1968 and 1,357 m³ in 1969.

The principal factor which contributed to the increase in timber output was the release of large areas of forest to national and foreign entrepreneur as well as to

joint ventures in the forestry business, under the Hak Pengusahaan Hutan (H.P.H. i.e. Forest Exploitation Rights). Until the end of 1971 H.P.H. approvals were granted to enterprises in the form of production sharing (8 units), national capital (35 units), joint ventures (29 units) and straight foreign investments (17 units), providing a total of 89 units with a combined area of 10,870 thousand ha. A total investment of US \$500.9 million and Rp 265 million. Forest areas released under the H.P.H. until the end of 1968 and 1969 were 3,053 thousand ha and 6,931 thousand ha, respectively.

With the swift rise of timber output, timber exports had likewise increased at a fast pace. The volume of exports in 1970 of teakwood and nonteachwood reached 4,772 thousand tons with a value of US \$ 86,118 thousand. Compared with the volume and value of exports in 1969, viz. 2,430 thousand tons and US \$ 25,424 thousand, the volume and value of timber exports in 1970 had increased by 96.4% and 238.7% respectively. The main countries or destination for timber exports were Japan, South Korea, and Taiwan whereas teakwood, especially high quality teak was still exported to European countries.

Other forest produce

In 1970, the export volume and export value of several other forest produce, such as copal, rattan and shorea nuts, were higher than the year before. The export figures of the abovementioned forest produce for 1970 were respectively 3,154 tons (US \$ 269 thousand), 35,142 tons (US \$ 933 thousand) and 5,707 tons (US \$ 1,195 thousand) as against 3,035 tons (US \$ 122 thousand), 32,787 tons (US \$ 651 thousand) and 446 tons (US \$ 49 thousand) in the preceding year. On the other hand, the export volume as well as export value of dammar had declined, namely from 6,751 tons with an export value of US \$ 168 thousand in 1969 to 6,326 tons with a value of US \$ 1.63 thousand in 1970.

Besides the intensification of the production and export of timber and other forest produce the activities in the forestry sector were also directed towards a better use of the land, flood control and the checking of erosion. In this connection may be reported that during 1970/1971, work on reforestation and reclamation was completed over an area of 36,023 ha and 25,057 ha, respectively.

Livestock

Developments in the livestock sector were still below those of other sectors, even though the prospect, for its improvement were sufficiently large. In general, the factors

which impeded the progress of livestock farming in Indonesia were the still traditional way in which it was practised and the fact that it was conducted only as a side line of other efforts.

Estimates of the Directorate General for Animal Husbandry showed that 43% of the current number of cows were to be found in East Djawa, that Djawa held more than 50% of the number of waterbuffaloes, goats and sheep, whereas about 25% of the total number of pigs were to be found in Bali.

During the past two years, the prevention and eradication of animal diseases provided favourable results, which was particularly true in the case of infectious and harmful diseases. Currently, almost all the vaccines and sera used in the checking of various kinds of animal diseases are produced domestically.

According to the data of the Department of Agriculture, the consumption of meat eggs and milk in 1970 fell still short of the respective levels of production. This was ascribed to the low buying power of the people relative to the price of livestock products. The currently high prices charged for fowl and cattle products are the result of the high cost of marketing due to the still undeveloped marketing infrastructure.

Fowl farming seems to have quite favourable prospect for the future. Output increased swiftly, thanks to the implementation of select stock from abroad. In 1970, import of select stock numbered 115,275 as against about 3,000 in the preceding year.

The data supplied by the Department of Agriculture shows that in 1970, the export volume of cows had surpassed its target whereas the export volumes of waterbuffaloes and pigs failed to do so. The target for the export of cows was 65,600, while the actual export figure was 72,490 (111%); the export of waterbuffaloes called for a target of 35,000, but reached only 14,347 (41%). The actual export figure for pigs was only 100 as against its target of 10,000. Factors which contributed to the failure of cattle exports to reach their respective targets were, inter alia, the limited markets abroad, inadequate transportation facilities and the prevailing opinion in Singapore and Malaysia that the cattle originating from Indonesia was still not free from the *Aphthae Epizooticae* (A.E.) disease.

F i s h e r y

According to the data of the Department of Agriculture, fish production in 1970 reached only 79.1% or 1,229 thousand tons of its target of 1,554 thousand tons, and

consisted of 808 thousand tons of sea fish and 421 thousand tons of inland fish. Even so, compared with the output of 1969, which consisted of 785 thousand tons of sea fish and 429 thousand tons of inland fish (revised figures), the 1970 output was higher by 1.2%.

The failure to reach the target for 1970 was caused, inter alia, by the traditional way of catching fish and the inadequate number of equipment

The inflow of foreign capital into this sector succeeded to attract domestic private capital, with the result that in several places, cold storage facilities, ice-factories and other infrastructure for fish product on were erected. Until the end of 1970, investment approvals, were granted to 7 foreign enterprises with a combined investment of US \$ 15,557 thousand

To improve the people's fishery sector the Government constructed docking facilities for fishing boats and fish markets, both of which are considered as important features of the infrastructure of the fishery sector. To increase production, especially that of skip jack, IDA committed a loan of US \$ 3.5 million to the P.N. PERIKANI at Air Tembaga (Menado). Besides, in 1970 a Japanese team conducted a feasibility study for the benefit of the tuna fishery projects at Sabang and Benoa (Bali). In the context of technical assistance from the U.N.D.P., aid was obtained to the amount of US \$ 92 thousand for the fishery training/educational programs in Tegal and Djakarta.

According to the data of the Department of Agriculture, the export of sea fish and other products of the sea reached: in 1970 a value of US \$ 5,902 thousand, which means an increase of almost 4 times the export value of the preceding year, which amounted to US \$ 1,521 thousand (revised figure). Shrimp and tuna have currently the highest values for export. In the mean time, researches were made and the standards of quality for export were, determined in the effort to raise the fish production. With respect to the production of shrimps, the effort to raise its output was represented, inter alia by a research on the cultivation of shrimp in tambaks (large fishponds).

Rubber

According to the data of the Central Bureau of Statistics, the production of estate rubber in 1970 increased by 6.2%, viz. from 227 thousand tons (1970) to 241 thousand tons (1970), whereas smallholder's rubber output in 1970, according to the data of the

Department of Agriculture, rose only slightly viz. from 554 thousand tons (revised figure) to 571 thousand tons. or by 3.1%.

Factors which caused the increase of the estate rubber output were inter alia, the extensified productive areas, especially those of the state plantations and the effects of fertilization which had been applied the year before.

Until the end of 1970, crumb rubber production amounted to 33,887 tons as against 9,000 tons in the preceding year. output in 1971 is expected to reach 100,000 tons. As is known, the erection of crumb rubber factories was intended to improve the quality of export rubber (especially that of smallholder's rubber), to perfect the structure of the smallholder's rubber sector, and to ensure a more proper income for the smallholders.

In the year under report, both domestic as well as world market prices of rubber declined. compared with those of the preceding year. In December 1969, RSS I rubber was quoted in Djakarta at Rp 139.—/kg, but fetched and Rp 108/kg in the month of September 1970. In the months following thereafter, the rubber prices fluctuated and finally settled at Rp 113.—/kg at the end of 1970

In December 1969, RSS I rubber was quoted at the New York market at US \$ cts 24 1/4/lb; this subsequently dropped to US \$ cts 17 1/2 lb in the month of October at the end of 1970, RSS I was quoted at US \$ cts 17 7/8 /lb. Factors which affected the world market prices of rubber were inter alia, the strikes which occurred in industrial nations, and the intention of the United States to release natural rubber from its stockpiles.

In 1970, according to the data of the Central Bureau of Statistics, the export value of both estate and smallholders rubber improved over that of the preceding year, as may be observed from the following schedule :

	Value (in US \$ '000)		
	1969	1970	%
Estate rubber	44,278	58,583	+ 32.3%
Smallholder's rubber	136,070	154,886	+13.8%

The data supplied by the Rubber Statistical Bulletin revealed that world production of natural rubber in 1970 did not change much from last year's output, viz. 2,885 thousand metric tons in 1969 as against 2,897 thousand metric tons in 1970, whereas

world output of synthetic rubber had in 1970 increased by 6.0% viz. from 4,575 thousand metric tons (1969) to 4,867 thousand metric tons (1970).

The proportion of natural rubber output to total world production of rubber (natural & synthetic) had consistently declined, as may be observed from the following figures :

<i>Year</i>	<i>World production of natural and synthetic rubber</i>	<i>Share of natural rubber</i>	<i>Share of synthetic rubber</i>
	<i>(in '000 metric tons)</i>	<i>(%)</i>	<i>(%)</i>
1968	6,684	39.4	60.6
1969	7,460	38.7	61.3
1970	7,764	37.3	62.6

World consumption of natural rubber in 1970 almost equalled that of the preceding year, viz. 2,985 thousand metric tons in 1969 as against 2,997 thousand metric tons in 1970 whereas world consumption of synthetic rubber increased by 3.8%, viz. from 4,442 thousand metric tons (1969) to 4,612 thousand metric tons (1970). The main consumers of natural rubber in 1970 were: the United States, Japan, West Germany, the United Kingdom and Italy, whereas those of synthetic rubber were : the United States Japan, West Germany and France.

Copra

The BPK (Badan Pengurusan Kopra i.e. Copra Board) which was established in August 1969, has inter alia, the responsibility of carrying out the Governments policy in regard to the copra trade, In this connection, the copra cooperatives in the operating area of the BPK are to act as agents of the BPK and to assist this body in the satisfactory performance of its duties. With this end in view efforts continued to be made to improve the organization of these cooperatives and to increase both their quality as well as efficiency.

The copra culture is confronted with the problem of a declining output due to overaged coconut trees, and inadequate care of the culture. The infrastructure of trans-

portation in the copra producing regions is in general in bad condition, so that part of the copra fails to be transported away from these areas. Increased output by way of rejuvenation of the culture has as yet failed to match the increase: consumption of copra due to the population growth

An observable result of the BPK's activities was the greater income of the copra farmers. Copra 15% water content off farmer which before the establishing of the BPK fetched a price of Rp 16-/kg was following the BPK's establishment priced at a minimum of Rp 26-/kg. The expectations are that with their better income, the farmers desire to produce would thus be restored. And since the BPK members are now more assured of the better prospects of their business. this could lead to the possibility of capital investment in the copra regions.

In 1970, world market prices of copra showed a favourable improvement compared with the preceding year. In 1969, the average price of copra was £ 205/long ton, whereas in 1970, the price was £ 226/long ton. As observed against the monthly price developments the copra price at the end of 1969 was £ 244/long ton, then declined to £ 201/long, ton in August 1970. In the months following thereafter, the price recovered and rose until it reached £ 232/long ton in December 1970.

In 1970, the figures of the export volume and export value of copra and copra cakes were higher compared with those of the preceding year, as follow :

	<i>Volume (tons)</i>			<i>Value ('000 US\$)</i>		
	<i>1969</i>	<i>1970</i>	<i>%</i>	<i>1969</i>	<i>1970</i>	<i>%</i>
Copra	67,542	147,283	+ 118	7,577	23,633	+ 212
Copra cakes	170,241	185,580	+ 9	1,394	5,299	+ 280

Source : Central Bureau of Statistics

The countries of destination for copra exports were : Japan, West Germany, the Netherlands, Singapore and Belgium & Luxemburg, whereas those for the export of copra cakes were ;West Germany, the Netherlands, Singapore and Belgium & Luxemburg.

Palm oil

The data of the Central Bureau of Statistics reveals that the Production of palm oil as well as that of palm kernels had in the past few years improved. In 1970, the produc-

tion of palm oil amounted to 214 thousand tons and that of palm kernels to 48 thousand tons compared with 189 thousand tons and 42 thousand tons respectively in the preceding year ; this meant an increase of 13.2% in the case of palm oil and 14.3% in that palm kernels. These increases were inter alia, attributed to the better yield averages per ha, particularly those of state plantations In 1969, the average yield of palm oil was 2,095 kg/ha and that of palm kernels 463 kg/ha : in the year thereafter, the overage yields had increased to 2,458 kg/ha (14.8%) and 557 kg/ha (20%), respectively. The better yield averages per ha were the result of the implementation of select seed started in 1961 and the better upkeep of the culture

In 1970 world market prices of palm oil improved over these of the preceding year. The average price of palm oil in 1969 was £ 78.82/long ton, which in the year thereafter rose to £ 109.74/long ton. The monthly price developments reveal that at the end of 1969, palm oil was still quoted at £ 108.0/long ton at £ 115.0/long ton at the end of the year.

In harmony to the rising prices at the world markets, the export volume and export value of palm oil and palm kernels had in 1970 also improved over those of the preceding year, as may be observed from the figures below :

	<i>Volume (tons)</i>			<i>Value ('000 US \$)</i>		
	<i>1969</i>	<i>1970</i>	<i>%</i>	<i>1969</i>	<i>1970</i>	<i>%</i>
Palm oil	86,060	101,037	+ 17.4	10,981	22,086	+ 101
Palm kernels	21,967	27,719	+ 26.2	2,346	3,754	+ 60

Source : Central Bureau of Statistics

The countries of destination for palm oil exports were Inter alia. the Netherlands, the United States, Japan and West Germany, whereas those for the export of palm kernels were : Japan, the Netherlands, West Germany and Belgium & Luxemburg.

Cinchona

Figures from the Central Bureau of Statistics show that the production of cinchona bark in 1970 had dropped by 36% . compared with that of the preceding year. viz. from 2,669 tons in 1969 to 1,711 tons in 1970. The 1969 output was the highest ever recorded in the past ten year period.

The unstable production of cinchona bark stood in direct relation to the fluctuating prices, especially of those quoted at the world markets. If prices were favourable. more trees were cut down in order to raise the output

Plants had called for the annual rejuvenation of 100 to 200 had to begin in 1964, so that in 1976 an output of 5,540 tons could be achieved. The implementation of the rejuvenation program, however was unsatisfactory due to inadequate funds.

In 1970, chinchona bark exports fell by 39%. viz from 1,006 tons in 1969 to 618 tons in the year thereafter, whereas exports of cinchona in its crystalline form increased by 30% over the same period, viz from 145 tons to 189 tons. The main countries of destination were the Netherlands and the United States.

The Government had in principle prohibited the export of cinchona bark in view of the fact that the export of cinchona in its crystalline form was more profitable. Even so, in order to avoid an excessive accumulation of cinchona bark at home, the Department of Trade may in certain cases issue a special permit for the export of cinchona bark.

Sugar

In 1970, the production of granulated sugar was 17 thousand tons (2.4%) less than the output of the preceding, year, viz. 708 thousand tons in 1970 as against 725 thousand tons in 1969. The lower output was inter alia caused by the reduced average yield per ha. which dropped from 100.9 qs/ha (1969) to 92.9 qs/ha (1970), or a decrease of 7.9%. Unfavourable climatic conditions also contributed to the decline in output.

In the year under report, sugar factories were still confronted with the problem of competing with the paddy; culture for the use of fertile land high rents and obsolete machinery.

Investment credit and project and were of great assistance so the effort to increase the sugar output. With the assistance of the World Bank and the U.N.D.P., a survey on the sugar situation was started in the context of a complete rehabilitation of the sugar factories. The survey is expected to provide data for the subsequent determination of the priorities in the rehabilitation and expansion of the sugar industry and the best policy for reaching the desired objectives.

As was also the case in the preceding years, it was in 1970 still necessary for Indonesia to import sugar from abroad. Imported in 1970 amounted to 96,863 tons compared with 77,779 tons in the preceding year (24.5%) With respect to the export of molasses may be reported, that exports in 1970 reached a volume of 134,751 tons with an export value of US \$ 2,263 thousand. In the preceding year, molasses export amounted

to 166,457 tons with value of US \$2,368 thousand. The export volume in 1970 had therefore dropped by 19.1%, while its value had increased by 2.3%.

Whereas in the year under report, domestic sugar output fell by 2.3% world production of sugar, on the other hand, recorded a swift increase. World output in 1969 was 69,695 thousand metric tons which in 1970 jumped to 72,878 thousand metric tons (4.9%) countries which experienced a higher sugar production were, inter alia Cuba, the Philippines, Australia and several Latin American countries.

T e a

According, to the data of the Central Bureau of Statistics, the production of estate-grown tea in the form of black tea rose in 1970 to 43.6 thousand tons from 40.7 thousand tons in the preceding year (7%). According to the data of the Department of Agriculture smallholders tea output in the form of green tea had dropped by 32% . viz. from 31.0 thousand tons in 1969 to 21.0 thousand tons in 1970.

The replanting of vacant lots which resulted in a larger productive area, and a better upkeep of the culture contributed to the higher output of the tea estates in 1970.

In the period under report world market prices of tea were higher than those of the previous year and therefore benefited the exporting countries. The average tea price at the Colombo market in 1969 was Rs 1.70/lb which in 1970 rose to Rs 1.93 /lb. The higher world market price of tea was inter alia, attributed to the fact that the determination of export quotas for tea producing countries had started to become effective. In this connection may be reported that for 1970 Indonesias export quota was determined at 35 thousand tons.

According to the data of the Central Bureau of Statistic, the export value of tea in 1970 increased by 81.4% compared with that of 1969. viz. from US \$ 7,674 thousand to US \$ 13,924 thousand

C o f f e e

Data supplied by the Central Bureau of Statistics revealed that the production of coffee estates in 1970 had improved over that of the preceding year, viz. from 14 thousand tons in 1969 to 16 thousand tons in 1970. This held also true for smallholder's coffee output which rose from 161 thousand tons (revised figure) in 1969 to 170 thousand tons in 1970 . (data supplied by the Department of Agriculture).

The coffee culture is confronted with the problem of an output in excess of domestic consumption and the determination of an export coffee quota by the International Coffee Organization (ICO). Confronted by this problem, it became necessary for Indonesia to export its excessive output of coffee to non-quota countries.

According to the data of the Central Bureau of Statistics, the export value of both estate-grown coffee and smallholder's coffee rose in 1970 by 36.9% compared with the preceding year, viz. from US \$ 47,239 thousand (1969) to US \$ 64,641 thousand, mainly on account of the better prices at the world markets.

In 1970/1971. Indonesia's export quota amounted to 73,059 tons as against 75,219 tons in 1969. To encourage the export of high quality coffee, exporters of this type of coffee are granted an extra number of coffee stamps.

In the year under report domestic coffee prices as well as those abroad had much improved over these of the preceding year. At the end of 1969, coffee at the New York market was quoted at US \$ cts 48.8/lb (1969 average price was US \$ cts 78.8/lb), which in 1970 rose until it reached US \$ cts 57.8/lb in the month of October 1970, but subsequently declined to US \$ cts 54.6/lb at the end of 1970 (1970 average price was US \$ cts 109.7/lb. The higher coffee prices were mainly caused by the decline in the coffee output of Brazil, the most prominent coffee producer in the world

The establishment of the Coffee Exporters Syndicate as the sole agent endowed with the rights to engage in the coffee trade enabled exporters to be more assured of the future prospects of their business, and to strengthen their competitive position in The world markets.

Tobacco

Since there had been signs that the proceeds of the tobacco auctions in Bremen were declining From year to year, the need arose to adjust the supply of tobacco to its demand at the Bremen auctions, and by so doing to ensure a better price for the Indonesian tobacco.

With this end in view, the Government cq. the Minister of Trade in virtue of Instruction No. 05/Instr./SD/III/70 dated 31 March 1970, prescribed for the export of Besuki/N.O. tobacco to Bremen the condition that each shipment must be composed of

± 20% leaf and wrapper, ± 50% good quality filler and up to 2 maximum of 30% medium quality filler.

The 1969 tobacco harvest, however failed to match the required composition for export. so that part of the 1969 Besuki N.O tobacco output could not be exported. In order to overcome this problem several exporters were granted a special permit by the Minister of Trade which thus permitted them to bypass the Bremen auctions and to export directly to other part of the world, inter alia, to the United States. the Netherlands and Spain.

Thenceforth, the area designated for the cultivation of the 1970/1971 Besuki/N.O. tobacco harvest was limited to 9 thousand ha, which provided a potential yield of ± 45 thousand bales.

In regard to Sumatra tobacco the inadequate rainfall caused the 1970 harvest to fall off slightly compared with the preceding year. The output of Vorstenlanden tobacco also declined, due to the fact that the farmers were late in giving up their land for the cultivation of tobacco. with the result that not enough time was left to till the land properly.

The total volume of export of all kinds of tobacco in 1970 was 186,045 bales (figures supplied by the Tobacco institute), which this means an increase of 7.1% over last year's export volume of 173,721 bales.

In 1970, The total volume of Indonesian tobacco sold through the Bremen, auctions was 138,409 bales with a total value of DM 85.5 million a specification of the sales is presented below :

A. Through auctions at the Tobacco Exchange

Sumatra Tobacco	:	23,425 bales for DM 46.0 million
Djawa Tobacco	:	<u>85,607 bales for DM 32.9 million</u>
Total through auctions	:	109.032 bales for DM 78.9 million

B. Not through auctions/

by private contracts	:	<u>29,377 bales for DM 6.6 million</u>
Total (A + B)	:	138.409 bales for DM 85.5 million

In 1970, total volume of sales fell by 11.4%,viz. From 156,218 bales (1969) to 138,409 bales, whereas the proceeds dropped by 16.5% from DM 102,4 million (1969) to DM 85.5 million.

If specified by sales through auction and those by private contracts. the volume of sales through auction in 1970 fell by 5.5% viz. from 115,400 bales (1969) to 109,032 bales whereas the proceeds dropped by 15.5%, viz. from DM 93.4 million (1969) to DM 78.9 million. In the case of sales not through auction, by private contracts, the volume dropped by 28%, from 40,818 bales (1969) to 29,377 bales; likewise, the proceed. dropped by 26.2% viz. from DM 9.0 million (1969) to DM 6.6 million (1970).

Spices

According to the data of the Central Bureau of Statistic, the export value of pepper fell off from US \$ 9,824 thousand (1969) to US \$ 3,021 thousand in 1970.

Factors which were responsible for the decline in export value were the lower volume of export and the lesser quality of the pepper. The export volume dropped because of the reduced domestic output, the result of a fungus blight which destroyed almost half of the pepper culture in Lampung and Bangka, Indonesia's most prominent pepper producing regions.

In harmony with the policy which prescribed the establishing of the badan Pemasaran Lada Indonesia (Indonesia Pepper Marketing Board) by the Minister of Trade in September 1969, the pepper was sold directly to the pepper consuming countries without prior transshipment at Singapore, viz black pepper American Standard Spices Traders Assosiation (ASTA) to the United States, and white pepper Fair Average Quality (FAQ) to European countries. In addition thereto, the pepper price off Farmer was raised from about rp 150.-/kg to about Rp 200.-/kg.

In 1970, the export Value of nutmeg and mace increased by 43.3% and reached US \$ 1.7 million as againts US \$ 1.2 million in the preceding year. The higher export value was attributed to the larger export volume, the result of increased domestic output which followed the rehabilitation of the culture in the eastern part of Indonesia.

In 1970, the export of cassia vera, both with respect to volume and value, had swiftly increased, viz from 503 tons with a value of US \$117 thousand in 1969 to 2,623 tons with a value of US \$ 3.0 million (2,464%).

The production of cloves in the year under report was 11,371 tons, which means an increase of 4,334 tons over last year's output. Factors which contributed to the higher output were the larger harvested area and higher yield averages per ha. However, do-

mestic cloves production in 1970 still failed to match domestic consumption ; it was therefore necessary to import 5,894 tons of cloves from abroad.

Other agricultural and estate-grown produce

Data of the Central Bureau of Statistics revealed that the production of hard fibres fell by 28%, viz from 7,551 tons in 1969 to 5,460 tons in 1970, which was caused, inter alia, by a reduction of the cultivated area. Consequently, the export of hard fibres in 1970 experienced a decline from 3,175 tons in 1969 to 956 tons.

According to the department of Agriculture, the production of cotton in 1970 rose by 6.6%, viz from 2,416 tons in 1969 to 2,576 tons. The higher output was achieved through an expansion of the cultivated area and a higher yield average per ha due to the implementation of select seeds.

The production of kapok in 1970 increased by 4,146 tons (16.2%), from 25,659 tons in 1969 to 29,805 tons. Kapok exports in 1970 reached a volume of 643 tons with a value of US \$ 174 thousand tons as against 1,547 tons with a value of US \$ 158 thousand in the preceding year. In contrast to the export volume which declined by 59%. The export value recorded an increase of 10% indicating an improvement of kapok prices at the world markets.

Whether as an estate or as a smallholder's crop, cocoa has as yet to play a significant part in the Indonesian economy. In 1970, cocoa produced by the estates was a more 1,108 tons' which meant: a decline of 4.1% in comparison to the 1969 output of 1,155 tons.

Mining

In 1970/1971, according to the data of the Department of Mining, the output of the mining sector, with the exception of gold, silver and coal, was in general higher than the production of the preceding year.

Petroleum

Petroleum output rose from 284 million Bbl in 1969/1970 to 324 million Bbl in 1970/1971 (14%). Factors which contributed to the higher output were, inter alia, the

discovery of new oil wells, improvement of petroleum prices at the world markets and the rehabilitation of the production units. The output of oil refineries had likewise increased, namely by 15 million Bbl. (2%) over the same period.

Crude oil exports in 1970/1971 rose by 12.2% viz from 205.0 million Bbl. (1969/1970) to 230.1 million Bbl. Exports of oil products rose by 6.2%; viz, from 34.2 million Bbl to 36.3 million Bbl whereas the export value of crude oil and oil products increased by 13.6% Viz. from US \$ 388.6 million in 1969/1970 to US \$ 441.6 million in 1970/1971.

In order to meet the rising demand for fuel at home, two, new oil refineries are being built at Dumai and Sungai Pakning, both of which will process the crude oil which is produced in the central part of Sumatra.

Tin

Tin output had also increased, namely from 17.9 thousand tons in 1969/1970 to 19.1 thousand tons in 1970/1971 (6.7%). Factors which favourably affected the output were, inter alia, the rehabilitation of the production units which was completed in the preceding year, the better tin price and the improved regulations which encouraged the workers at the production units to work harder. It is hoped the production in 1971/1972 will approach the target for the end of the First PELITA which has been determined at 19.3 thousand tons.

Almost the total tin output was exported; only a small part thereof (less than 2.5%) was retained for domestic consumption. The f.o.b. export value of tin in 1969/1970 amounted to US \$ 57.0 million and in 1970/1971 to US \$ 59.9 million.

In October 1970, both the tin producing as well as tin consuming countries. which were joined in the International Tin Council agreed to raise the floor price of tin from £ 1,260 to £ 1,350 and its ceiling price from £ 1,605 to £ 1,650.

Other minerals

The production of bauxite ore rose from 907 thousand tons in 1969/1970 to 1,208 thousand tons in 1970/1971 (33.1%), which was attributable to the rehabilitation of the production units and the improved world market price's.

Exports of bauxite ore rose from 956.7 thousand tons with a value of US \$ 4.9 million (1969/1970) to 1,124.3 thousand tons with a value of US \$ 5.6 million (1970/1971).

In connection with the depleting bauxite ore reserves of export quality of the existing mines, a new mine located on the island of Bintan was put into production. The ore produced by the new mine has a high bauxite content, so that it may be used for mining with the ore of lower bauxite content, in order to produce ore with the required bauxite content for export.

The production of nickel ore rose from 311 thousand tons in 1969/1970 to 689 thousand tons in 1970/1971 (121.5%). The preceding year's output was purposely limited to adjust it to the world market demand for nickel ore. With the higher prices in 1970, it was just a matter of raising the output in order to meet the rising demand for nickel.

To increase exports a more efficient and quick loading system was implemented by increasing the loading capacity of nickel ore from 2 thousand tons to 3 thousand tons per day.

In 1970/1971, the export volume of nickel ore increased by 121.3%, viz. from 300.7 thousand tons to 675.6 thousand tons, whereas its export value also increased by 160.6%, viz. from US \$ 3.5 million (1969/1970) to US \$ 9.1 million (1970/1971).

The production of coal declined from 176.0 thousand tons in 1969/1970 to 175.4 thousand tons in 1970/1971 (0.3%). The lower production figure was the result of the closing down of the mahakam coal mines; coal was therefore produced only by the coal mines in the current shift from coal to diesel fuel, to which should be added the high cost of production.

As was already reported in the 1969/1970 report, the exploration for gold ore at the Tjirotan mine, (West Djawa) yielded the expectation that the mine could reach a higher output level in the future. It was observed, however that the production of gold and silver had both declined, viz. from 261 kg and 9,600 kg in 1970/1971 (2.1% and 4.2%). The lower gold content of the ore in the Tjikotok area (West Djawa), where mining for the ore has to be carried out at increasingly lower depths. Although the output has declined, with the rising world market prices in mind, it should still be worthwhile to maintain the existence of these gold mines. In the

effort to raise the foreign exchange receipts, attempts had been made to export silver.

Research on the methods of washing the diamond bearing gravel has continued; so was work on the development of a washing installation with a capacity of 20 tons per hour. It is estimated that within the next two years or so it will be disclosed whether this project has any feasible prospects for the future.

To facilitate the export of iron sand from the tjilatjap area, a port together with loading capacities have been built and completed. The channel between the island of Nusakambangan and the island of Djawa has been deepened and can now accommodate ocean going vessels with a capacity of up to 30 thousand tons.

Plans call for the production of a concentrate of iron sand of \pm 300 thousand tons per year, in order to fulfill the terms of the long term export contract with Japan which call for an export volume of 3 million tons over a 10 year period.

Industry

In 1970, activities of production in the industrial sector showed - quantitatively as well as qualitatively - a quite encouraging progress.

Financing from the 1970/1971 development budget for the industrial sector amounted to Rp 1.3 Billion, whereas the proceeds of the counter value of project aid amounted to Rp 5.7 billion. Besides, investment credit granted by banks amounted to Rp 27.4 billion, and was specified as follows :

- chemical industry	Rp 7,440.3	million
- state textile industry	299.3	“
- private textile industry	10,386.7	“
- flour milling industry	1,158.4	“
- state tire industry	1,095.1	“
- other industries	7,076.5	“

With respect to the development of domestic capital investment until the end of march 1970 may be reported, that of a total of 379 project applications with a total

investment plan of Rp 145.5 billion, industrial projects numbered 220 with a total investment plan of Rp 82.2 billion. Until the end of March 1971, the number of project applications rose to 810 with a total investment plan of Rp 348,6 billion, which included 476 industrial projects with a total investment plan of Rp 156.0 billion.

Until the end of March 1970, 225 projects with a total investment plan of Rp 64.4 billion were approved, which included 133 industrial projects with a total investment plan of Rp 23.0 billion. Until the end of March 1971, 576 projects with a total investment plan of Rp 195.9 billion were approved, which included 361 project for the industrial sector involving a total investment of Rp 101.9 billion.

In the meantime, foreign capital investment project approvals until the end of March 1971 numbered 209 with a total investment value of Rp 1.162.3 million, which included 118 industrial projects with an investment value of Rp 183.7 million. Until the end of March 1971, the number of foreign capital investment rose to 358 projects with a total investment value of Rp 1,476.3 million, which included 192 industrial projects with a total investment value of Rp 378.8 millions, as may be observed from the following schedule :

<i>Industrial sector</i>	<i>As per end of March 1970</i>		<i>As per end of March 1971</i>	
	<i>Projects</i>	<i>Investment plan (million Rp)</i>	<i>Projects</i>	<i>Investment plan (million Rp)</i>
Basic industry	19	26.6	38	57.4
Light industry	69	69.4	99	99.3
Textile industry	9	51.9	16	127.6
Chemical industry	6	17.2	8	58.2
Pharmaceutical industry	15	18.6	31	36.3
Other sectors	91	978.6	166	1,097.5
	209	1,162.3	358	1,476.3

Source : Capital Investment Board.

The principal activities in the basic industrial sector featured the production of accessory goods and machinery for the sectors which had been granted priority in the context of the 5 year development plan, and involved the production of agricultural implements, telecommunications equipment, machinery for the textile industry, etc.

The electric light bulb industry which is included in the sector of basic industry showed in 1970 a significant decline of 38%, in output, namely from 8,212 bulbs in 1969 to 5,090 thousand bulbs in 1970, which was caused by the competition from imported goods, before the measures which were to protect this particular sector came into effect.

A similar ease represented the production of dry batteries, which in 1970 succeeded in duplicating the output of the preceding year, namely 4.5 million pcs.

With respect to the chemical industry may be reported that the output of the Sriwidjaja fertilizer plant rose from 84 thousand tons in 1969, to 98 thousand tons in 1970 an increase of 16.7%. Similarly, the production of automotive tires rose from 368 thousand pcs to 374 thousand pcs (1.6%) and that of tubes from 227 thousand pcs to 237 thousand pcs (4.2%). The production of cement increased from 534 thousand tons in 1969 to 561 thousand tons in 1970 (+ 5.1%). Approval was granted to the erection of the Tjibinong cement plant in West Djawa, which involves an investment of US \$ 25 million. The plant will have an annual capacity of 500 thousand tons and is expected to be completed either in 1973 or 1974.

In regard to the development of the production in the light industry sector may be mentioned: the production of cloves cigarettes, which rose from 18.8 billion pcs in 1969 to 19.1 billion pcs in 1970 (+ 1.6%), while its quality had also improved. The production of cigarettes increased noticeably (+ 22.9%) from 10.9 trillion pcs to 13.4 billion pcs. The production of soap dropped slightly from 133.7 thousand tons in 1969 to 130.9 thousand tons, due to the increasing use of detergents as a substitute for soap. The production of coconut oil was successfully raised from 249.8 thousand tons to 257.2 thousand tons (2.9%), but the production of cooking oil had declined slightly (5.6%), from 28.1 thousand tons to 26.5 thousand tons.

In the textile industry sector, the state mills succeeded to raise their output by approximately 29%, viz. from 160 thousand bales in 1969 to 206 thousand bales in 1970. Textile production, inclusive of knitted products, increased by approximately 26%. from 471 million meters to 594 million meters.

Electric power and gas

In 1970, the rehabilitation and intensification of electric power production proceeded as planned, although a few impediments were encountered due to some delay in the arrival of spare parts which had been ordered from abroad.

In the context of the abovementioned rehabilitation efforts, a decline in productive capacity; occurred, namely from 666.6 thousand kilowatts in 1969 to 651.5 thousand kilowatts in 1970. Actual production also declined from 478.8 thousand kilowatts to 464.5 thousand kilowatts.

In February 1970, the Perusahaan Listrik Negara (State Electric Power Company) signed a contract of cooperation with the Fichter Consulting Engineers (Stuttgart, West Germany) to obtain technical advise on electrical engineering and facilities for electrical transmission in Central Djawa. For Djakarta, a cooperation was entered into with Sofrelec of France, inter alia, to make preparations for the change in the line voltage from 110 Volts to 220 Volts.

In agreement with the policy of the Government on the use of electric power for economic development, and in order to lighten the burden of entrepreneurs in regard to electric power consumption, the commercial rate of electricity was subjected to an abatement of 5 to 10%. This reduction in rate was effective on consumers of electric power of 51 KVA to 500 KVA. such as banks, hotels, restaurants, business offices, etc.

In 1970, the erection of the steam-generated electric power plant (PLTU) in Makassar was completed. This power plant has a capacity of 12.5 megawatts, which may be raised to 25 megawatts in early 1971. A total of 7 microhydro-electric power plants (PLTM) were put under construction in West Djawa, Central Djawa, East Djawa, Bali, West Sumatra, South Sumatra and West Kalimantan, respectively. The PLTM Balapusuh in Central Djawa and the PLTM Karangasem in Bali have since been completed, whereas work on the PLTM Kota Agung in South Sumatra and the PLTM Talaga in West Djawa is almost finished.

In regard to the State Gas Works may be reported that its production in 1970 declined by 11.4%, viz. from 33.8 million m³ in 1969 to 29.9 million m³ in 1970. Gas sales declined from 25.6 million m³ in 1969 to 24.2 million m³ in 1970. Gas in the form of cooking gas with a volume of 226 thousand m³ was produced from 542 tons of coal, whereas solar gas with a volume of 29.7 million m³ was produced from 22,647 thousand litres of solar.

The gas storage tanks and gas furnaces in Medan and Djakarta were rehabilitated, and so were the gas mains in Djakarta, Bandung, Surabaya, Semarang and Bogor.

Communications

In 1970/1971, the development policy in the communications sector continued to stress the rehabilitation and the intensification of the intensification of the infrastructure.

The development of transportation by rail may be observed from the following figures ;

	<i>Cargo</i> <i>(in million tons/km)</i>	<i>Passengers</i> <i>(in million persons/km)</i>
1968	737	4,054
1969	840	3,422
1970	855	3,466

Source : Department of Communications.

The number of passengers travelling by train in 1970 dropped by 5.5%, from 55.4 million persons in 1969 to 52.4 million due to the increasingly better facilities for long distance travel on the highway provided by private enterprises. Even so, the said declined was offset by the further distance travelled, so that the number of passenger/km rose from 3,422 million to 3,466 million. Similarly, the volume of railway freight also increased, viz. from 840 million tons/km in 1969 to 855 million tons/km in 1970. in the year under report, the income of the P.N Kereta Api (State Railway Enterprise) increased from rp 9,100 million to Rp 10,006 million due to higher train fares. Meanwhile, passenger services also experienced an improvement.

In 1970, the P.N. Dinas Angkutan Motor RI (DAMRI i.e. State Motor Transportation Enterprise) achieved only a small profit due to the high cost of operation and the limited number of motor vehicles at the company's disposal (most of the company's transportation equipment, were obsolete and inoperable). In agreement with the policy of the Government, transportation on the highways and rivers was turned over to the private sector, but ,remained under the coordination of the Government.

In the sea communications sector, an effort was made to improve the commercial fleet of the national shipping companies. Whereas at the end of June 1969, the Regular Liner Service consisted of 180 vessels with a total DWT capacity of 183 thousand tons, at the end of 1969, the said number rose to 296 vessels with a total DWT capacity of

418 thousand tons, Which consisted of 61 vessels of the P.N. PELNI, while the remainder was owned by private shipping companies. At the end of 1970, the number of vessels rose to 361 with a total DWT capacity of 381.1 thousand tons, of which 59 vessels flew the PN. PELNI flag. - while the rest of the vessels were owned by the private sector.

In regard to international shipping, the national shipping fleet at the end of 1969 consisted of 49 vessels, 24 of which were wholly owned and 25 were on a hire-purchase basis, with a total DWT capacity of 416.1 thousand tons. besides, 4 chartered vessels with a total DWT capacity of 26.2 thousand tons were also in operation. Of the abovementioned number of vessels, 23 flew the P.N Pelni flag, 14 of which were wholly owned and 9 operated on a hire-purchase basis, with a total DWT capacity of 225.9 thousand tons ; the rest of vessels were operated by private shipping lines, such as the P.T. Trikora Lloyd, P.T. Gesuri Lloyd, P.T. Samudera Indonesia, P.T. Karana Line, P.T. Ampera Line, P.T.Bhineka Line and the P.T. Arafat. At the end of 1970, the national shipping fleet serving the international routes declined to 44 vessels, and was composed of 26 wholly owned vessels and 18 vessels on a hire-purchases basis with a combined DWT capacity of 357.5 thousand tons, whereas the number of chartered vessels rose to 9 with a combined total DWT capacity of 83.7 thousand tons. In the year under report, the composition of the fleet of the P.N. Djakarta Llyod remained unchanged..

During 1969 and 1970, the volume of freight carried by the national shipping lines and the total value of freight (excluding petroleum, timber and copper ore) developed as follows :

<i>Route</i>	<i>1969</i>		<i>1970</i>	
	<i>Volume ('000 tons)</i>	<i>Value (million)</i>	<i>Volume ('000 tons)</i>	<i>Value (million)</i>
Europe	507.7	US \$ 17.6	468.9	US \$ 16.4
Japan	444.1	„ 8.9	608.8	„ 12.2
Australia	78.6	„ 2.4	48.9	„ 1.5
United States	83.7	„ 3.3	144.5	„ 5.8
Hongkong	88.7	„ 1.3	56.1	„ 0.8
Singapore	143.9	„ 1.0	585.4	„ 4.1
	1,342.7	US \$ 34.5	1,912.6	US \$ 40.8

The above figures show that the volume as well as value of freight had increased by 42.5% and 18.5%, respectively. Especially in regard to the volume of freight, the role of the national shipping fleet in the total context of domestic exports and imports (excluding the abovementioned commodities) increased from 23 % to 34% in 1970.

Air transportation on the domestic schedules developed as follows:

		1968	1969	1970
Production	(tons/km)	46.2 million	52.5 million	80.2 million
Sales	(tons/km)	27.4 „	34.9 „	51.1 „
Passengers carried	(persons)	382.3 thousand	499.1 thousand	770.4 thousand
Distance traveled	(km)	11.2 million	12.2 million	16.5 million
Flight hours		40.6 thousand	45.3 thousand	54.4 thousand

Source : Department of Communications.

The above table shows that the domestic airlines had, in general, recorded a progress. Of the P.N. Garuda, in particular, may be reported that the number of passengers rose 40.9% from 403.2 thousand in 1969 to 568.5 thousand in 1970. In the meantime, the P.N. Garuda had added 3 aircrafts to its fleet of Fokker F-27s, making it a total of 11 F-27s. The Garuda fleet further includes 2 DC-9 full jets besides other aircrafts.

In regard to the development of the P.N. Merpati Nusantara may be reported, that its number of flight hours in 1970 increased by 5.5%, viz. from 10.9 thousand to 11.5 thousand flight hours, whereas its number of passengers increased by 60.0%, from 51.3 thousand to 82.1 thousand persons.

The private domestic airlines, viz. the P.T. Seulawah Air Service and P.T. A.O.A. Zamrud, were strengthened by a couple of new airlines, namely the P.T. Mandala Airlines and the P.T. Bouraq Indonesia Airlines, both of which began their operations in the year under report.

In the telecommunications sector, telephonic communication with other countries increased in intensity, ever since the Djatiluhur relay station via satellite was put in service. Calls increased by 229%, viz. from 319 thousand minutes in 1969 to 1,057 thousand minutes in 1970. International communication by telex also increased by 40%. whereas domestic communication by telex rose by 29%.

During the Five Year Development Plan, the number of telephone connections will be increased by 65%, or by 130 thousand new units. Until the end of 1970, 300 thousand telephone units were in operation in the whole of Indonesia, which included 37 thousand units in Djakarta alone.

The number of tourists who visited Indonesia in 1970 rose steadily, viz. from approximately a thousand persons in 1969 to approximately 105 thousand persons, whereas the foreign exchange receipts from this sector rose from US \$; 10 million to US \$ 10 million. To accomodate the flow of tourists who are steadily increasing in number, and with an eye on the forthcoming PATA conference scheduled to be held in Djakarta in 1974, work on the rehabilitation of older hotels and the erection of new hotels is going on at full speed.

Prices and wages

Prices

In 1970, the policy of the Government in the economic sector continued to stress the effort to maintain a stable economic situation in order to support the development executions. During the said period, the prices of foodstuffs, clothing and foreign exchange became more stable than before. The cost of living index for Djakarta which is normally computed over 62 kinds of goods end services in order to measure the rate of inflation, rose only by 7.8% (from 614 to 662) as against 10.6% in 1969/1970 (from 555 to 614). During the first 7 months of 1970/1971, the cost of living index dropped by 2.4%, on account of the decline of the index of the foodstuffs sector by 7.6%, although the indexes of the housing, clothing and other sectors had respectively increased by 6.0% 4.5% and 4.5%. Factors which contributed to the decline in the index of the foodstuffs sector were the reduced rice price due to the arrival of the harvest season, and the adequate supplies of rice. On the other hand, during the 5 succeeding months (November 1970 to march 1971 inclusive), the cost of living index rose by 10.5%, and recorded its highest increase in November (3.9%). During this period, all sectors experienced an increase, viz. foodstuff by 14.6%, housing by 8.3%, clothing by 7.6% and other sectors by 3.2%. These increases were ascribed to the arrival of the “patjeklik” season (period of seasonal shortages) and the diminished supply of several essential commodities such as granulated sugar, cooking oil, and also to the Lebaran, christmas and new Year holidays. In 1970/1971 the price indexes of the 9 essential

TABLE 31 — INDEX OF COST OF LIVING IN DJAKARTA (September 1966 = 100)							
	Food- stuffs 63.4%	Housing 10.8%	Clothing 8.5%	Other 17.3%	Index 100%	Change %	
						Annual/ Quarterly	Monthly
1966 December	137	123	99	155	133		
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 March	630	769	379	714	614	+ 8.9	
April	612	769	379	719	605	+ 6.8	— 1.5
M a y	612	769	384	723	607		+ 0.3
June	603	838	394	740	611	— 0.5	+ 0.7
July	605	851	394	736	613		+ 0.3
August	602	834	396	744	611		— 0.3
September	583	815	396	749	600	— 1.8	— 1.8
October	582	815	396	746	599		— 0.2
November	606	871	424	750	622		+ 3.9
December	612	871	426	750	626	+ 4.3	+ 0.6
1971 January	639	883	426	760	644		+ 2.9
February	664	883	426	769	661		+ 2.6
March	667	883	426	770	662	+ 5.8	+ 0.2

Source : Central Bureau of Statistics.

commodities for Djakarta had not changed significantly, as may be seen from the figures below (4 October 1966 = 100):

1968 : December	518	June	548
1969 : March	507	July	547
June	436	August	543
September	509	September	537
December	549	October	534
1970 : January	619	November	553
February	603	December	562
March	593	1971 : January	589
April	562	February	601
May	558	March	602

Source : Central Bureau of Statistics.

The more or less stable price situation during 1970/1971 was mainly the result of the success of the Government in maintaining a stable price level for rice. The Government continued to pay full attention to the rice price, since a fluctuation of the rice price generally affected the prices of the other essential commodities. In the context of the cost of living index and the price indexes of the 9 essential commodities, rice played an important role. The principal policy of the Government was to buy and sell, rice in sufficient quantities, and by doing so to keep the balance between supply and demand at a proper level. This benefited both the producers and consumers alike, but was not intended to become a detriment to the encouragement provided to the rice traders to take an active part in the marketing process.

At the end of the period under report, the price of low quality rice (viz. tumbuk bulu No. 2) had not changed much from the price at the end of the preceding year, viz Rp 35.75/liter (March 1971) as against Rp 36.-/liter (March 1970).

The price of the highest quality rice in selected cities developed as follows (in Rp/Kg) :

	<i>Djakarta</i>	<i>Makassar</i>	<i>Medan</i>	<i>Pontianak</i>
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.—	—
February	68.75	57.—	41.50	—
March	60.90	58.—	50.—	59.—
April	57.50	58.—	52.50	60.—
May	56.70	57.—	55.—	57.—
June	58.75	49.—	55.—	60.—
July	61.85	46.—	54.—	61.—
August	62.50	44.—	55.—	65.—
September	60.—	44.—	70.— *)	66.—
October	58.60	44.—	74.—	64.50
November	60.—	45.—	60.—	61.50
December	61.70	52.50	60.—	...
1971 : January	64.50	51.—	60.—	59.—
February	67.15	50.—	59.—	59.—
March	65.60	49.50	58.—	59.50

*) As from September another kind of rice was quoted, since the earlier kind ceased to be available in the markets.

Source : Board for Logistic Affairs (B.U.L.)

During 1970/1971, the price of clothing also showed a stable development, revealing only a slight increase in price at the end of 1970, due to the holidays. The stable price development was attributable to the adequate supplies in hand, which originated from domestic production as well as from imports. The price of low quality textile in Djakarta developed as follows (in Rupiah per meter) :

	<i>March</i> 1970	<i>June</i> 1970	<i>September</i> 1970	<i>December</i> 1970	<i>March</i> 1971
Unbleached cotton, domestic (90 cm)	104.—	106.—	106.—	105.—	101.70
Unbleached cotton, imported (90 cm)	122.—	116.05	123.75	124.—	120.—
White shirting	116.67	121.80	114.17	118.30	117.50
Drill, domestic (90 cm)	207.35	214.40	217.50	227.50	215.—
Drill, imported (90 cm)	271.45	283.30	288.50	307.50	300.—

Source : Department of Trade.

The development of the prices of export commodities may be observed from the following figures (in Rupiah per kg) ;

	<i>March</i> 1970	<i>June</i> 1970	<i>September</i> 1970	<i>December</i> 1970	<i>March</i> 1971
Rubber RSS I	123.50	124.—	108.—	113.—	106.—
Robusta Coffee 20-25%	155.—	155.—	165.—	160.—	155.—
Black pepper	270.—	281.—	281.—	252.50	246.50
Copra f.o.b. Sulawesi	51.50	49.—	45.50	51.50	53.—

Source : Department of Trade.

From the above figures may be observed that the price of rubber and that of black pepper at the end of March 1971 were less than those recorded at the end of the same month in the preceding year. On the other hand the price of copra increased over the same period, whereas the price of coffee may be said to have remained stable. In regard to the rubber price may be reported, that its development was in agreement with the price of this export commodity at the world markets. The decline in the black pepper price was attributable, inter alia, to the lower quality of the pepper and the decline in the world market price of pepper.

The domestic development of import commodities was relatively stable. On account of, inter alia, the more stable foreign exchange rate. The prices of selected commodities may be observed from the following schedule :

	<i>March</i>	<i>June</i>	<i>September</i>	<i>December</i>	<i>March</i>
	<i>1970</i>	<i>1970</i>	<i>1970</i>	<i>1970</i>	<i>1971</i>
Wheat flour (Rp/kg)	37.—	35.—	35.—	40.—	42.50
Printed shirting (Rp/m)	146.60	148.30	150.—	150.—	149.50
Cement (Rp/50 kg)	500.—	600.—	525.—	530.—	525.—

Source : Department of Trade

During the period under report, the foreign exchange rates at the Djakarta free market showed a more stable development. At the end of March 1970, the US Dollar was worth Rp 383.— and at the end of March 1971, Rp 382.—. It fetched its highest price of Rp 384.— in the months of April and June 1970, and recorded its lowest rate from October 1970 to January 1971, inclusive. The satisfactory development stood in direct relation to the Government policy on maintaining a stable foreign exchange rate in the general context of keeping the price levels stable.

Wages

During 1970/1971, wages and salaries increased, although the rate of increase differed between sectors as well as between enterprises. The salary increases of civil servants which took the form of a work allowance of 50% to their net income and which was effective as of April 1970, affected the other (private) sectors, with the exception of enterprises where the wage salary regulation was based upon the development of the cost of living index. In general, the wage/salary increases amounted to 10% of the former wages/salaries. Other wage/salary increases occurred in several enterprises as the result of an agreement between labour and management.

All the end of 1970 civil servants were granted a holiday allowance to the amount of Rp 1 500.— (Presidential Decree No. 73 of 1970, dated 14 November 1970 which was enjoyed also by the personnel of state enterprises and state banks. Private enterprises were also obligated to grant their labourers/personnel a holiday allowance, the amount of which was to be not less than that granted in 1969 (Decision of the Minister of Manpower No. 202/1970, dated 26 October 1970).

The National Research Council on Wages, founded in 1969, established a Committee for the Determination of Minimum Wages, and also Regional Research Boards in

selected cities, such as Medan, Palembang, Djakarta, Bandung Semarang Surabaya and Makassar.

Labour affairs

legislation

In the context of the execution of the Act concerning pensions of civil servants and pensions of widows/widowers of civil servants (Act No. 11 of 1969) and in order to draft and maintain a state apparatus which would be strong and capable of carrying out its duties to perfection, Presidential Instruction No. 12/1970 concerning the honourable discharge of civil servants with the right to receive a pension, was promulgated on August 3, 1970. The instruction was mainly intended to provide civil servants, who on July 1, 1971 had reached the age of 56 or over, with an honourable discharge and with the right to receive a pension. The necessary preparations and administrative arrangements in regard to the dismissals, including the pre-retirement period/relief of duty, had to be completed between August 3, 1970 and July 1, 1971 inclusive.

In order to protect the rights of labour/manpower, the Department of Manpower prohibited persons/entities not in the possession of a permit to attract job-seekers (Regulation of the Minister of Manpower No. 4 of 1970, dated December 29, 1970). this was to ensure that the direction in which the manpower was to be channelled would agree with the policy of the Government, and would thus result in an efficient and effective distribution of the said manpower, besides preventing the occurrence of any abusive acts.

Unemployment

According to the estimates of the Department of Manpower, approximately 44.6 million persons may be classified as those who belong to the labour force ; this implies an annual increase of between 1.2 and 1.3 million persons. despite the added work opportunities in connection with the PELITA activities, the rate of unemployment remained high, viz. about 6% of the labour force. besides, to the estimated number of 12 million persons who were visibly underemployed should be added the disguised unemployment, the number of which defies the effort to make an estimate. More than half of the visibly underemployment were found in the villages, particularly during the periods of nonactivity in the fields. It is expected that the number of the visibly underemployed will continue to rise, since the capability of enterprises in the various economic sector to accomodate this potential labour force is relatively small.

Confronted by this problem, the Government undertook to encourage any effort which could lead to new work opportunities, especially the creation of side lines for the village people, and to seek the improvement of skill through institutional training and education.

The measures taken so far were, *inter alia* :

1. To continue the execution of the *Padat karya* (Labour intensive) projects, by putting the unemployed and visibly underemployed to work on the intensification of the economic infrastructure, on the basis of mutual selfhelp, for which these unemployed and visibly underemployed persons were to be provided with foodstuff in return for their services. In 1970/1971, 82,500 persons were mobilized daily over a period from 3 to 6 months ; these people were put to work on 42 projects scattered over Djawa, Madura, Bali and South Sulawesi. These efforts resulted in, *inter alia*, 708 thousand m³ of sand and rocks to be used for road repairs, 4,257 thousand m³ of scooped out mud/sand in the context of flood control, reclamation and rehabilitation of the irrigation system.
2. To aid villages by granting each village a subsidy of Rp 100 thousand and to aid the development of secondary cities, by granting them a subsidy of Rp 50.- per resident, in order to create new work opportunities and to encourage the productive activities/efforts of the villages. The Village Aid Program which began in 1969/1970 with a total in subsidies of Rp 4.6 billion succeeded to complete approximately 96.8 thousand projects for the regional infrastructure, valued at Rp. 15.7 billion, whereas the Rp 5.6 billion in subsidies in 1970/1971 accounted for 76.2 thousand completed projects with a total value of Rp 10.6 billion. The Development Aid Program for secondary Cities was started in 1970/1971 with a total in subsidies of Rp 5.7 billion, and was used to finance the development and rehabilitation of approximately 1,670 projects in various sectors such as roads, bridges, reclamation, extensification of irrigated fields, bus/minibus terminals, river ports, etc.
3. To reduce the number of the young unemployed by dispatching volunteer workers to villages as forerunners of modernization and development. This effort was coordinated by the Badan Urusan Tenaga Kerdja Suka rela Indonesia (BUTSI i.e. Volunteer Workers Board of Indonesia) which is an inter-departmental agency established in 1969 and chaired by the Minister of Manpower. In 1969/1970 and 1970/1971, respectively 30 and 48 university graduates were sent to the villages.
4. To intensify the activities of the district offices of the Department of Manpower in the attraction of job-seekers and in the search of enterprises/agencies in need of

personnel. There are 64 district offices and 46 sub-district offices in the whole of indonesia to aid job-seekers in their search for employment.

5. To improve the education and skill in order to increase and develop the work capabilities. This involved, inter alia, the rehabilitation and improvement of training facilities such as the Work Training Centres in several cities, inter alia, Palembang. Djakarta, Bandung, Semarang, malang and the use of Mobile Training Units.

APPENDICES

BANK INDONESIA			
CONDENSED BALANCE SHEET AS PER MARCH 31, 1970			
(in million Rupiahs)			
ASSETS		LIABILITIES	
1. GOLD COINS AND BULLION	Rp 864	1. BANK NOTES/COINS ISSUED	Rp 147,127
2. FOREIGN EXCHANGE ASSETS	" 90,625	2. FOREIGN EXCHANGE LIABILITIES	" 120,310
3. CLAIM ON GOVERNMENT:		3. BALANCES ON CURRENT ACCOUNT	
a. Advances	Rp 52,120	a. Government	Rp 24,824
b. Payments on account of membership in International financial institutions		b. Government (foreign aid counter-part funds)	" 19,094
— in gold	Rp 715	c. International financial institutions	" 24,463
— in Rupiahs	" 24,574	d. Third parties	
c. Promissory notes	" 12,369	— Banks	Rp 28,612
	" 80,778	— Other	" 35,944
4. LOANS:		4. TIME DEPOSIT	" 38
a. Banks	Rp 95,372	5. CAPITAL AND RESERVES	" 2,432
b. Other	" 87,289	6. MISCELLANEOUS LIABILITIES	" 17,181
5. PREMISES AND INVENTORY	" 2,116		
6. MISCELLANEOUS ASSETS	" 53,972		
	Rp 420,016		Rp 420,016

US \$ 1.- = Rp. 378.-

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
For the 2nd financial year ending March 31, 1970
(in million Rupiahs)

EXPENDITURE		REVENUE	
Routine		— Interest	Rp 10,756
Expenses :		— Commissions	” 1,180
— Personnel/Materiel/Operational	Rp 2,966	— Miscellaneous revenue	” 4,933
— Bank notes	” 2,570		
— Miscellaneous	” 2,332		
— Dotation to Pension Fund	” 250		
— Depreciation	” 3,234		
	<u>Rp 11,352</u>		
PROFIT			
— Profit before tax	” 5,517		
	<u>Rp 16,869</u>		<u>Rp 16,869</u>

[illegible]

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
For the 3rd financial year ending March 31, 1971
(in million Rupiahs)

EXPENDITURE		REVENUE	
Routine		Interest	Rp 13,102
Expenses		Commissions	" 854
— Personnel/Materiel/Operational	Rp 4,547	Miscellaneous	" 8,513
— Bank notes	" 2,973		
— Miscellaneous	" 1,878		
— Dotation to Pension Fund	" 350		
— Depreciation	" 5,595		
	Rp 15,343		
PROFIT			
— Profit before tax	" 7,126		
	Rp 22,469		Rp 22,469

APPENDIX C

BANK INDONESIA

Management as per March 31, 1971.

BOARD OF MANAGING DIRECTORS

Radius Prawiro	: Governor
M.Djoeana Koesoemahardja	: Managing Director
Rachmat Saleh	: Managing Director
R.A. Kartadjoemena	: Managing Director
Marathon Wirija Mihardja	: Managing Director
Soeksmono Besar Mortokoesoemo	: Managing Director
Slamet Herjanto	: Managing Director

GENERAL MANAGERS

D. Wisaksana	:	General Manager/ Head, Loan Department
J.A. Sereh	:	General Manager/ Head, Credit Planning and Credit Supervision Department
R. Sulaksana Suparto	:	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, Administration and organization Department
Eddy Suwardi	:	General Manager/Head, General Services Department
R. Dhoemadi Singowigeno	:	General Manager/Head, Internal Control Department
T. Soerjawidjaja	:	General Manager/Financial Administrator
Samali T Budimulia	:	General Manager/ Head Economics and Statistic Department
R. Markoem Djojohadisoeparto	:	General Manager/Head, Office of the Board
R. Soejatno Soemardjo	:	Official in Charge of Issue Department

Bambang Soesilo	:	Official in Charge of Personnel Department
A.C Tjahjadi	:	Official in Charge of Deposit, Money and Capital Market Development Department
R. Soekarsono	:	General Manager
Sulwan S Astradiningrat	:	General Manager
Gusti Abdul Azis	:	General Manager
R. I s a	:	Ex-Member of the Board of Management of BLLD, assistant to the Governor/Managing Director of International Department
T M.R. Halimi	:	Member of the Board of Management of BLLD
A Hutaaruk	:	Member of the Board of Management of BLLD

BRANCH MANAGERS AND REPRESENTATIVES

Achmad Effendie	:	General Manager/Branch Office Semarang
R. Soemartono M.S	:	Deputy General Manager/Branch Office Makassar
Muljana Wiraatmadja	:	Deputy General Manager/Branch Office Pontianak
Suparto Wignjasubrata	:	Manager, Branch Office Ambon
Dadang Soerman	:	Manager, Branch Office Ampenan
Sjarief Iksanoeddin	:	Manager, Branch Office Banda Aceh

Oesman Ibrahim	:	Manager, Branch Office Bandjarmasin
Wijardi	:	Manager, Branch Office Bandung
Mahfud Jakile	:	Manager, Branch Office Denpasar
Sunjoto Kusumodidjojo	:	Manager, Branch Office Djajapura
R Jasin Soeriadiredja	:	Manager, Branch Office Djambi
Husnie Azhurie	:	Manager, Branch Office Djember
W.T. Lunggono	:	Manager, Branch Office Jogjakarta
Hardjo Santoso	:	Manager, Branch Office Kediri
Ph. K. Intama	:	Manager, Branch Office Kendari
Achmad Sirod	:	Manager, Branch Office Medan
Sumantri Hadisurjatno	:	Manager, Branch Office Menado
R Koesmadi Sastrodipoero	:	Manager, Branch Office Padang
Sudarsono	:	Manager, Branch Office Pekanbaru
Irlan Soehendra	:	Manager, Branch Office Palembang
Soewarno Poespowidjojo	:	Manager, Branch Office Palu
Sanjoto Abdulradjak	:	Manager, Branch Office Samarinda
Achmad Martinus	:	Manager, Branch Office Solo
R. Soejoto	:	Manager, Branch Office Surabaya

Permadi Sofion : Manager, Branch Office Telukbetung

Noek Hartono Hardjopranoto : Manager, Branch Office Tjirebon

R.I.H. Moeladi : Official in Charge of Branch Office Kupang

Saenan Soesanto : Official in Charge of Branch Office Malang

T.M. Zahirshah : Bank Indonesia Representative in New York

D. U. Budiman : Bank Indonesia Representative in London

H.P. Toar : Bank Indonesia Representative in Tokyo

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

APPENDIX D

REGULATIONS/ACTS ON MONEY AND BANKING

Payment in lieu of ADO to provinces

Minister of Finance Decision No. Kep.2/MK/IV/4/1970, effective as from April 17, 1970.

In this decision is stipulated that each financial year. the provinces will be provided with a declaration by the Government regarding the amount of the payment in lieu of ADO for the relevant financial year. The said Government declaration may be cashed at Bank Indonesia or its branch offices to the debit of the State General Treasurer's account.

Effective rate of import duty

Minister of Finance Decision No. Kep 214/ MK: III/4/ 1970, effective from April 17, 1970.

As from April 18, 1970 the effective rate of import duty is determined at Rp 378.- per US Dollar

Executive provisions on import to the debit of the Budget of Receipts and Expenditure

Minister of Finance Decision No. Kep 215/MK/V/4/1970, effective as from April 17, 1970.

In this decision is stipulated, inter alia, that imports to the debit of the Budget of Receipts and Expenditure shall be financed with aid foreign exchange purchased at the foreign exchange bourse.

Rate and utilization of aid foreign exchange

Minister of Finance Decision No. Kep $\frac{216/MK/IV/4/1970,}{70/KP/IV/1970}$
effective as from April 17, 1970

This decision stipulates that aid foreign exchange is to be utilized for the import of category A and B, commodities the aid foreign exchange rate is determined at Rp 326,— per US Dollar.

Effective rate of import duty to rule in West Irian

Minister of Finance Decision No Kep. 220/MK/III/4/1970, effective as from April 18, 1970.

This decision stipulates that the effective rate of import duty to rule in West Irian is IB Rp 20.- per US Dollar.

All regulations contrary to this decision are declared ineffective.

Issue of operating permit to P.T. Bank Pembangunan Industry

Minister of Finance Decision No. KEP.246/MK/IV/4/1970, effective as from May 1,1970.

In virtue of this decision, an operating permit is issued to the P.T. Bank Pembangunan Industri permitting same to carry out development banking operations in pursuit of the establishing of private development banks by Act No. 12/1962.

The granting of facilities for the clearance of import commodities in the context of projects of projects aid

Minister of finance Decision No. KEP.264/MK/IV/5/1970, effective as from May 6, 1970.

This decision lists the facilities granted for the clearance of import commodities in the context of projects aid.

The establishing of village banks and market banks

Minister of finance letter No. B.331/MK/IV/8/1970, dated August 6, 1970.

In this letter , the Minister of finance provides a guide for the orderly establishing of village banks and market banks.

The establishing of branch offices/sub branch offices/representative offices of state banks.

Minister of Finance Decision No.KEP.562/ MK/IV/9/1970, dated September 10, 1970.

In this decision. the Minister of finance prescribes the conditions and procedure for the establishing of Branch offices/sub-branch offices/representative offices of state banks. These provisions are effective also on the Bank Pembangunan Indonesia and the Bank Tabungan Negara.

Determination of the amount of interest exempted from interest, dividend and royalty tax.

Minister of Finance Decision No. 631/MK/II/10/1970, effective as from October 9, 1970.

In this decision is stipulated that interest payments not exceeding Rp 12,000.- per month are exempted from interest, dividend and royalty tax.

The said taxes are imposed only on amounts in excess of Rp 12,000.

Income, corporate and property taxr exemptions on time deposits and interest on some with private banks

Minister of Finance Decision No. KEP. 633/MR/II/10/1970 effective as from October 9, 1970.

In this decision is stipulated that no property tax is to be collected on time deposits for development with private bank, and that no interest, dividend and royalty tax, income tax or corporate tax shall be collected on interest receipts of time deposits for development with private banks.

Interest, dividend and royalty tax exemptions on the payment. of interest on demand deposits

Minister of Finance Decision No. KEP. 634/MK/II/10/ 1970. effective as from October 9, 1970.

In this decision is stipulated that payments of interest on demand deposits for holders of demand deposit accounts shall be exempted from interest dividend and royalty tax

Financial institutions other than banks

Minister of Finance Decision No. KEP. 792 /MK/IV/12/ 1970 dated December 7, 1970

In this decision, the Minister of Finance prescribes the conditions and procedure for the establishing of financial institutions other than banks.

Minimum ratio requirement

Bank Indonesia Circular Letter No. 3/754 UPPB/PbB dated December 3, 1970.

In this circular letter, Bank Indonesia stipulates provision for foreign exchange banks concerning the minimum ratio of 50% as expressed by the relationship between the amount of liquidity instruments in foreign exchange held by the banks and the amount of their current liabilities in foreign exchange.

Credit insurance

Government Regulation No. 1/1971 dated January 11, 1971.

This regulation stipulates the establishing of PERSERO'S (corporations) in the credit insurance sector.

West Irian—Obligation to state all transactions in Rupiahs on the basis of the exchange rate of Rp 18.90 per IB Rupiah 1,-.

Minister of Finance Decision No. KEP. 146/MK/IV/3/1971, effective as from February 18, 1971.

This decision stipulates, inter alia, that all transactions, contracts and liabilities in West Irian shall be stated in Rupiahs on the basis of the exchange rate of Rp 18.90 per IB Rupiah 1.—.

Cash ratio

Bank Indonesia Circular Letter No. 3/936 UPPB/PbB, dated March 3, 1971.

In this circular letter, Bank Indonesia stipulates the amendment of the composition of the components which make up the liquidity instruments and current liabilities in the computation of the minimum cash ratio requirement of 30%.