

# **BANK INDONESIA**

**REPORT FOR THE  
FINANCIAL YEAR  
1972/1973**

# BANK INDONESIA

## Head office :

JAKARTA

## Representatives:

KUALALUMPUR

LONDON

NEW YORK

SINGAPORE

TOKYO

## Branch offices :

AMBON, AMPENAN, BANDA

ACEH, BANJARMASIN, BANDUNG,

DENPASAR, JAMBI, JAYAPURA, JEM

BER, YOGYAKARTA, KEDIRI, KENDARI, KU

PANG, MALANG, MEDAN, MENADO, PADANG, PA

KANBARU, PALEMBANG, PALU, PONTIANAK, SAMARINDA,

SEMARANG, SOLO, SURABAYA, TELUKBETUNG, CIREBON,

UJUNG PANDANG

## Cash offices:

BALIKPAPAN

PURWOKERTO

## P R E F A C E

Development activities in the 1972/1973 year under report constituted an intensified effort to proceed on the basis of the results achieved in the previous years in the context of the first Five Year Development Plan (REPELITA I) implementation. Stipulations concerning the development of the banking system, the granting of credit and the mobilization of funds by banks had to be adjusted accordingly to the developing situation. Similarly, regulations governing the sectors of export and import were kept in better harmony with the need to expand the pattern of export and to improve the scale of import.

Indonesia's foreign trade revealed a satisfactory progress because of expanded international trade and the higher world market prices of export commodities. Imports also increased in value due to the higher prices abroad and to the devaluation of the US Dollar by 10% in early 1973.

International monetary developments continued to be unstable and were therefore a potential menace to sound international trade. In an attempt to overcome the consequences of the second US Dollar devaluation in February 1973, representatives of a number of selected countries convened in Paris in March 1973 and succeeded in reaching an agreement on a policy subsequently known as "joint floating".

In the context of seeking a way out of the international monetary crisis, in 1972 the IMF established a "Committee of the IMF Board of Governors on Reform of the International Monetary System and Related Issues", thenceforth referred to as the "Committee of Twenty". This Committee was provided with the task of creating an international monetary system which was adapted to the new developments, and the rules of which could and would be adhered to by all participating nations.

During the 1972/1973 period under report, money supply rose by Rp 192 billion (55%) as against an increase of Rp 81 billion (30%) during the previous year; 56% of the money supply of Rp 543 billion consisted of currency and 44% of deposit money. The said increase reflected, for the most part, the additional demand of the general public for liquidity due to the expansion of economic activities.

The main reason why the money supply had increased was that bank credit as a whole was up by Rp 182 billion to reach Rp 704 billion at the end of March 1973. Another reason may be found in the increase in the foreign exchange reserves of Bank Indonesia which rose by Rp 124 billion. The two causes mentioned above were responsible for expansionary effects of Rp 175 billion and Rp 105 billion, respectively. The Public sector accounted for a contractionary effect of Rp 9 billion, time deposits and savings of Rp 26 billion and other sectors of Rp 52 billion.

As has already been mentioned in the report for the previous year, the cost of living index for Jakarta which is computed over 62 kinds of goods and services, had in 1971 increased by only 2.6%. Until August 1972 this stable condition succeeded to be kept well in hand as may be observed from the increase of merely 0.9%. Unfavourable harvests which affected the rice supply adversely, however, caused the cost of living index for the period August—December 1972 to increase by 24.5% mainly due to the increase in the foodstuff price index, and that of rice in particular.

The policy on credit became the subject of several revisions in order to adjust it to the economic and monetary developments, both at home and abroad. These involved, inter alia, a revision of the interest rates on short term loans granted by State banks, effective as from May 31, 1972. The interest rates on loans of Category I were adjusted to 12% per annum, those of Category II to 15% - 18% per annum, of Category III

to 21 % - 24% per annum and of Category IV to from 24% - 36% per annum. Further, the interest rates on loans available for refinancing with Bank Indonesia were placed at 3% - 15% per annum, effective as from June 1, 1972. The use of own funds by State banks was intensified, followed by a simplification of the regulation and supervision of loans granted in the context of foodstuff supply.

At the end of March 1973 short term loans as a whole, which amounted to Rp 607 billion and where therefore Rp 161 billion (36%) in excess of the end of March 1972 figure, found major application in the intensification of production and the financing of foodstuff supply. At the end of March 1973 investment loans were also higher by Rp 20 billion or by 26% to reach a disbursed volume of Rp 97 billion. It should be noted that with respect to either short term loans or investment loans, banks were using more of their own funds; even so, the loans available for refinancing

with Bank Indonesia continued to play a decisive role in the pattern of bank credit as a whole.

The Budget of Revenue and Expenditures for 1972/1973 originally balanced at Rp 751.6 billion, was 28% higher than the figure for the previous year. During its implementation, however, certain developments necessitated an adjustment of the original budget; hence, for receipts to reach Rp 748.4 billion and for expenditures Rp 736.3 billion, thus providing for a Public savings of Rp 12.1 billion.

Domestic receipts exceeded the previous year's figure by Rp 162.6 billion (38%), while development receipts were higher by Rp 22.3 billion (16%). Of the Rp 590.6 billion of domestic receipts for 1972/1973 as a whole, 51% consisted of direct tax receipts, 43% of indirect tax receipts and 6% of non-tax receipts. Direct tax receipts which reached Rp 302.2 billion experienced the biggest increase, viz. 67% over the previous year's total.

Development receipts in the form of program aid and project aid from abroad rose by 16% and amounted to Rp 157.8 billion. Receipts from abroad showed a drop from 69% of development expenditures in the previous year to 53% in 1972/1973.

Routine expenditures were also up, viz. by Rp 89.0 billion (25%) as compared with the previous year's figure. The largest increase occurred in the sector of personnel expenditures which rose by Rp37.1 billion (23%).

Development receipts reached Rp 298.2 billion and were higher by Rp 102.3 billion (52%). Rp 140.4 billion of the required amount for development expenditures was met by Public savings, viz. the excess of domestic receipts over routine expenditures which amounted to Rp 152.5 billion.

The policy applied to the banking sector during the previous year was continued and also supplemented by new policies with respect to the regulation of

and the effort to bring order in the banking system. Local Governments were thenceforth not permitted to own banks other than Local Development Banks, Village Banks, Paddy Banks, Retailers Banks, Personnel Banks and banks similar in operation to the foregoing.

Banks were permitted to carry out cash operations outside their regular bank offices; these operations are referred to as "cash office" (kantor kas), "cash mobile unit" (kas mobil), "floating mobile unit" (kas terapung) and other operations similar thereto. Foreign banks, however, were denied the opportunity to engage in such operations. In the meantime, as a further stimulation to banks to effect a joining together of their operations, the Government extended the time limit for the granting of tax facilities until the end of December 1973 to banks which had responded in a positive manner. In this regard, Bank Indonesia had stipulated also the procedure for the effective joining together of operations, which could be achieved either through con-

solidation or merger. In addition thereto, in the context of increasing the volume of business and improving the quality of the management of national banks, the banks were also urged to intensify inter- bank cooperation. In order to increase the banks volume of business, cooperation may take the shape of joint-financing, which may thus facilitate the granting of larger loans.

Until the end of March 1973, in the context of the guiding of banks, and that of national private banks in particular, Bank Indonesia approved the granting of credit in the form of refinancing loans to 56 banks, emergency credit to 14 banks and clearing credit to 21 banks to the amounts of Rp5 billion, Rp3.5 billion and Rp 331 million, respectively.

Despite the fact that a number of new bank offices had been established to satisfy the growing demand of the general public for banking services, the number of banks and bank offices in the period under report had declined,

due to the merging of several banks which had responded to the call of the Government, and also to the revocation of operating licences. In the period under report, banks were generally more active as may be observed from their consolidated balance sheet figures, the larger volume of funds mobilized from the general public and the greater volume of loans granted, which were respectively higher by 46%, 34% and 40%. As was also the case in the previous years, State banks were the most active; national private banks, however, also enjoyed an increase in business. On the other hand, the role of foreign banks had slightly declined, although in the period under report, the balance sheet figures of the branch offices of foreign banks were higher by Rp 43 billion.

In an effort to guide and develop the money and capital markets, the Government had approved the establishment of the Development Finance Corporation as has already been mentioned in the report for the previous year. Besides an institution

which is already established, another institution is presently in the process of being established, viz. the P.T. Private Development Finance Company of Indonesia (P.D.F.C.I.). Besides, approval was granted to 5 state banks and 2 national private corporations to establish investment finance corporations in the form of a joint venture with foreign partners.

The downward adjustment of interest rates, as has already been reported above, was carried out simultaneously with the revision of interest rates on savings, especially on time deposits and Tabanas, which became effective as from May 31, 1972. Even so, the volume of time deposits during the year under report continued to increase, but by a lower amount and at a lesser rate as compared with the previous year's figures. 12-months time deposits continued to occupy the largest share (71%) of time deposits as a whole, which totalled Rp 149 billion at the end of March 1973.

Notwithstanding the downward adjustment of its interest

rates, Tabanas succeeded to achieve real progress. At the end of March 1973, Tabanas reached a volume of Rp 30.4 billion with 2.6 million savers, which means that its volume was higher by Rp 19.4 billion or by 176% if compared with the figures for the previous year.

Another kind of savings scheme which should be mentioned concerns negotiable certificates of deposit issued by banks. Certificates of deposit outstanding until the end of March 1973 amounted to Rp 7.8 billion, which means an increase of Rp 5.7 billion over the previous year's figure. The highest figure outstanding was Rp 17.4 billion reached in the third quarter of 1972.

The policy applied to the foreign sector aimed at intensifying commerce, economic relations with abroad and the fostering of foreign exchange reserves.

Efforts to increase the export proceeds have always received the attention of the Government. A series of regulations on export



were issued in the frame of expanding the pattern of export and insofar as it is possible to change the export of raw material into that of finished as well as semi finished goods.

Several regulations on import were issued for the purpose of, inter alia, developing the domestic industries and improving the needs for import commodities. Especially for fertilizer procurement and the intensification of the domestic production of fertilizers, as from March 1973, the import of selected kinds of fertilizer were exempted from import duty and import sales tax.

In 1972/1973 the balance of payments showed a surplus of US\$ 372 million or US \$ 25 million over the previous year. Although the proceeds from export exceeded the value of import, the services sector suffered an extensive deficit as was also true the year before. Consequently, the balance of goods and services showed a deficit of US \$ 660 million. Taking into account the inflow of private capital and of offi-

cial foreign aid, however, the balance of payments revealed the surplus which has already been reported above.

Domestic as well as foreign capital investment showed a rising trend. Until the end of March 1973, project applications in the context of domestic capital investment totalled 1,838 with a planned capital investment of Rp 1,088 billion. Project approvals numbered 1,387 with a planned capital investment of Rp 774 billion. Project approvals in the context of foreign capital investment totalled 561 with a planned capital investment of US \$ 2,317 million which included 312 projects for the industrial sector with a planned capital investment of US \$ 750 million.

The production of foodstuffs during 1972 was, generally speaking, rather unsatisfactory. The production of rice declined slightly in comparison to the 1971 output of only 12.3 million tons, mainly because of the lengthy draught which in several rice producing regions reached quite

alarming proportions. Consequently, the area of the rice harvest declined by 4%, viz. from 8.3 million ha in 1971 to 8.0 million ha in 1972. Concurrently, world production of rice was down 9 million metric tons to reach only 297 million metric tons at the end of 1972, also because of the lengthy dry season which had an adverse effect on several rice producing countries. Since world demand for rice was up, whereas the rice supply had fallen off, several rice producing countries were forced to put a restriction on their rice exports in order to guarantee that the domestic demand for rice in their respective countries could be satisfied. For the foregoing reasons, the world market price of rice received a quite significant push. The production of other foodstuffs such as maize, tubers, peanuts and soya beans was also slightly down, mainly because of the lesser area that was harvested.

The production of forest produce, especially that of timber, presented in general a much bet-

ter picture. At the end of 1972, timber output reached 16 million m<sup>3</sup> as against 13 million m<sup>3</sup> in 1971. The export value of timber in 1972/1973 rose by 61 % and accounted for foreign exchange earnings of US \$ 273 million.

The production of rubber, being one of Indonesia's export commodities, rose slightly, viz. from 806 thousand tons in 1971 to 817 thousand tons in 1972. Even so, the export volume of rubber had declined, while its export value was less by 12%, mainly because of the unfavourable price of rubber in the world market. The production of crumb rubber, on the other hand, succeeded to show in addition to an increase in output of more than 100% to reach 281 thousand tons at the end of March 1972, also an improvement in quality.

The production of other export commodities, such as palm oil, palm kernels and cinchona bark rose slightly; this held also true for tea, coffee and tobacco. The production of copra, how-

ever, had over the past years failed to show any significant development.

The production of important minerals, such as crude oil, tin and nickel was up, whereas the production of other minerals, such as bauxite, coal and iron sand declined, due to an adjustment to the price of bauxite abroad, the lesser demand for coal as fuel and the restricted market for iron sand, respectively. Copper concentrate exports were started at the end of 1972 and it is anticipated that the annual export figure will reach 225 thousand tons with an export value of US \$ 76 million.

The year 1972/1973 saw the swift development of the industrial sector. Higher production figures were reported by the basic, chemical, light and textile industries. The goods that were produced had also improved in quality and were thus capable of competing with imports from abroad. One of the important reasons for the higher output of the industrial

sector was the fact that more funds were made available to this sector out of the Development Budget, project aid and investment loans.

Developments in the electric power sector were also satisfactory. In 1972 both the amount of installed kilowatts and the sale of electric power to consumers had increased. In addition, several electric power generating projects were put under construction in both South Kalimantan and East Java, while two units at Tanjung Priok were completed.

The communication sector showed greater activity, especially in the field of air communications. The national airlines in general were ahead in matters of production, sales, number of passengers, distance and hours flown. The P.N. Garuda in particular reported an increase in the number of passengers flown of 19% to reach 751 thousand persons in 1972, although the number of its operational aircraft had remained unchanged. The

telecommunications sector had likewise improved in regard to telephonic communications with abroad and domestic as well as international telex communication. Besides, the Trans-Sumatra microwave project is expected to see its completion in 1974.

It is hoped that the results achieved by the various economic sectors during the fourth year of

REPELITA I, as have been explained above, will provide better prospects for reaching the objectives which have been determined for the PELITA I implementation as a whole.

The Governor, Bank Indonesia

RADIUS PRAWIRO

## I. MONEY SUPPLY

### Money Supply

The money supply as shown in Table 1 rose from Rp 351.1 billion at the end of March 1972 to Rp 543.4 billion at the end of March 1973.

The increase in money supply during the 1972/1973 fiscal year in absolute terms as well as in terms of percentages exceeded that of the

1971/1972 fiscal year, viz. by Rp 192.3 billion (55%) in 1972/ 1973 as against Rp 80.9 billion (30%) in 1971/1972.

The money supply in the 1972/1973 fiscal year consisted of 56% currency and 44% deposit money, signifying an increase of deposit money in terms of percentages. This represented a continuation of the favourable developments which had

**TABLE 1 – MONEY SUPPLY**  
(millions of Rupiahs)

| End of             | Total   | Move-<br>ment | Percentage<br>change | Currency | % of<br>total | Deposit<br>money | % of<br>total |
|--------------------|---------|---------------|----------------------|----------|---------------|------------------|---------------|
| 1968               | 113,894 | —             | —                    | 74,684   | 66            | 39,210           | 34            |
| 1969               | 179,973 | 66,079        | 58                   | 114,245  | 63            | 65,728           | 37            |
| 1970               | 241,053 | 61,080        | 34                   | 152,786  | 63            | 88,267           | 37            |
| 1971: March        | 270,167 | 29,114        | 12                   | 166,787  | 62            | 103,380          | 38            |
| June               | 291,453 | 21,286        | 8                    | 178,427  | 61            | 113,026          | 39            |
| September          | 303,988 | 12,535        | 4                    | 182,285  | 60            | 121,703          | 40            |
| December           | 312,547 | 8,559         | 3                    | 195,485  | 63            | 117,062          | 37            |
| Total 1971         |         | 71,494        | 30                   |          |               |                  |               |
| 1972: March        | 351,122 | 38,575        | 12                   | 208,417  | 59            | 142,705          | 41            |
| June               | 377,626 | 26,504        | 8                    | 217,836  | 58            | 159,790          | 42            |
| September          | 424,347 | 46,721        | 12                   | 243,137  | 57            | 181,210          | 43            |
| December           | 470,823 | 46,476        | 11                   | 269,013  | 57            | 201,810          | 43            |
| Total 1972         |         | 158,276       | 51                   |          |               |                  |               |
| 1973: March        | 543,405 | 72,582        | 15                   | 291,347  | 54            | 252,058          | 46            |
| Total<br>1972/1973 |         | 192,283       | 55                   |          |               |                  |               |

**TABLE 2 – MONEY SUPPLY BASED ON SEPTEMBER 1966 PRICES**  
(millions of Rupiahs)

| Year / Month | Money Supply | Money supply<br>based on September 1966 prices | Index of<br>money supply<br>based on September 1966 prices 1) |
|--------------|--------------|--|---|
| 1968         | 113,894      | 21,768   | 145   |
| 1969         | 179,973      | 31,301   | 208   |
| 1970         | 241,053      | 38,503   | 256   |
| 1971 : March | 270,167      | 40,795   | 271   |
| June         | 291,453      | 46,584   | 309   |
| September    | 303,988      | 49,163   | 327   |
| December     | 312,547      | 48,721   | 324   |
| 1972 : March | 351,122      | 52,593   | 349   |
| June         | 377,626      | 58,074   | 386   |
| September    | 424,347      | 64,502   | 428   |
| December     | 470,823      | 58,325   | 387   |
| 1973 : March | 543,405      | 67,387   | 448   |

1) September 1966 = 100

started several years before due to the growing share of economic activities which made use of the services of banks and the transfer account facilities.

Table 2 shows that the money supply as expressed in September 1966 prices had increased in volume. At the end of March 1973, the money supply was 4.5 times that of September 1966, which indi-

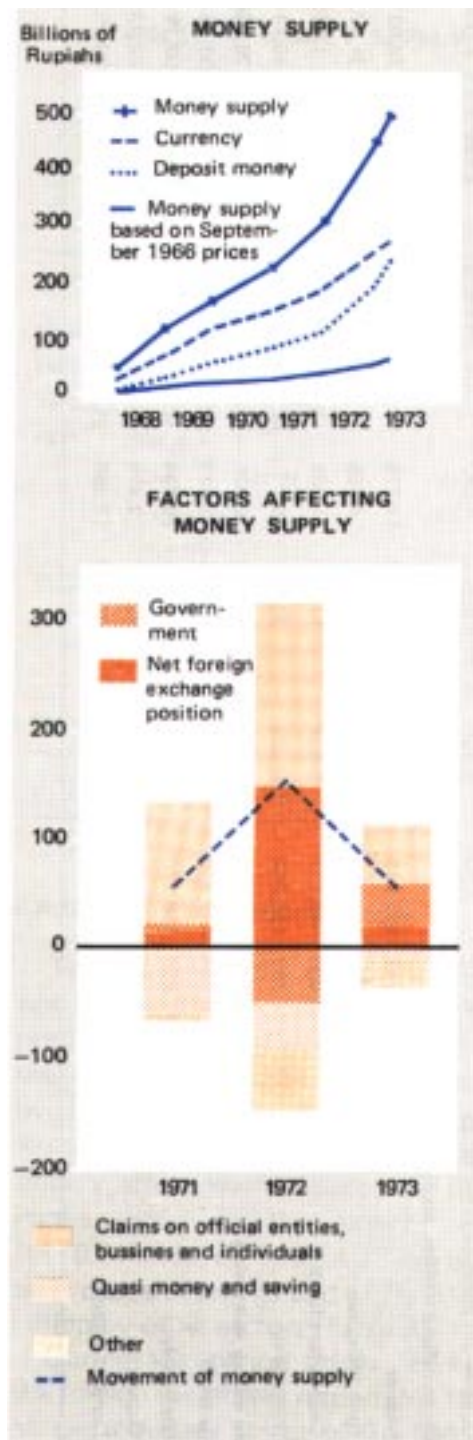
cates that the increase of Rp 192.3 billion in money supply was for the most part a reflection of the rise of the public demand for liquidity in the context of broader economic activities.

### [Factors affecting money supply](#)

The change in the money supply was due to the expansionary effect produced by the foreign sector

**TABLE 3 — FACTORS AFFECTING MONEY SUPPLY**  
(millions of Rupiahs)

|   | 1971           | 1972           | 1971/1972      | 1973           |                |                |                | 1972/1973      |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   |                |                |                | I              | II             | III            | IV             |                |
| <b>Net foreign exchange position</b>                        | <b>2,567</b>   | <b>149,170</b> | <b>61,133</b>  | <b>66,133</b>  | <b>48,604</b>  | <b>31,152</b>  | <b>3,281</b>   | <b>21,657</b>  |
| — Bank Indonesia  | 14,146         | 154,903        | 63,535         | 58,481         | 48,338         | 41,860         | 6,224          | 27,920         |
| — Other banks   | -11,579        | -5,733         | -2,402         | 7,652          | 266            | -10,708        | -2,943         | -6,263         |
| <b>Government</b>   | <b>8,065</b>   | <b>-49,488</b> | <b>16,220</b>  | <b>5,556</b>   | <b>-15,264</b> | <b>-30,262</b> | <b>-9,518</b>  | <b>44,532</b>  |
| — Bank Indonesia claim on Government                        | 1,653          | -56,688        | 7,370          | 8,539          | -11,222        | -27,808        | -26,197        | 48,627         |
| — Government claim on other banks                           | 6,412          | 7,200          | 8,850          | -2,983         | -4,042         | -2,454         | 16,679         | -4,095         |
| <b>Claim on official entities, bussines and individuals</b> | <b>130,202</b> | <b>165,916</b> | <b>131,925</b> | <b>39,899</b>  | <b>12,276</b>  | <b>69,038</b>  | <b>44,703</b>  | <b>50,004</b>  |
| — Bank Indonesia  | 6,962          | 23,535         | 9,263          | -6,324         | -4,788         | 1,213          | 33,434         | 1,668          |
| — Counterpart funds   | 5,538          | 18,117         | 3,437          | 17,265         | 1,289          | 2,540          | -2,977         | -2,502         |
| — Other banks   | 117,702        | 124,264        | 119,225        | 28,958         | 15,775         | 65,285         | 14,246         | 50,838         |
| <b>Quasi money and saving</b>                               | <b>-65,176</b> | <b>-44,892</b> | <b>-81,878</b> | <b>-31,509</b> | <b>-30,925</b> | <b>-11,080</b> | <b>28,622</b>  | <b>-13,053</b> |
| <b>Other items</b>  | <b>-4,164</b>  | <b>-62,430</b> | <b>-46,445</b> | <b>-41,504</b> | <b>11,813</b>  | <b>-12,127</b> | <b>-20,612</b> | <b>-30,558</b> |
| <b>Money supply</b>   | <b>71,494</b>  | <b>158,276</b> | <b>80,955</b>  | <b>38,575</b>  | <b>26,504</b>  | <b>46,721</b>  | <b>46,476</b>  | <b>72,582</b>  |
| — Currency  | 42,699         | 73,528         | 41,630         | 12,932         | 9,419          | 25,301         | 25,876         | 22,334         |
| — Demand deposit  | 28,795         | 84,748         | 39,325         | 25,643         | 17,085         | 21,420         | 20,600         | 50,248         |



to the extent of Rp 104.7 billion and by bank credit to the extent of Rp 176.0 billion, while a contractionary effect was produced by the Public sector to the extent of Rp 10.5 billion, of Rp 26.4 billion by time deposits/savings and of Rp 51.5 billion by other sectors (Table 3).

During the period under report, the foreign sector was responsible for an expansionary effect of Rp 104.7 billion in connection with an increase in the foreign assets of Bank Indonesia of Rp 124.3 billion and a decrease of the foreign assets of other banks to the extent of Rp 19.6 billion. The largest increase in foreign assets occurred in the 2nd quarter of 1972, viz. Rp 48.6 billion, which was followed by an increase of Rp 31.2 billion in the 3rd quarter, of Rp 3.3 billion in the 4th quarter of 1972, and of Rp 21.6 billion in the 1st quarter of 1973.

Due to a decline of Rp 16.6 billion in the claims of Bank Indonesia on the Government and since Government claims on other banks had dropped by Rp 6.1 billion, the Public sector accounted for a contractionary effect of Rp 10.5 billion. The largest



contractionary effect viz. Rp 30.3 billion was produced by the Public sector in the 3rd quarter of 1972; in the 2nd and 4th quarters of 1972 contractionary effects were observed to the extent of Rp 15.3 billion and Rp 9.5 billion, respectively. On the other hand, the 1st quarter of 1973 revealed an expansionary effect of Rp 44.6 billion.

Bank credit increased by Rp 176.0 billion. The expansionary effect produced by domestic banks, however, was only Rp 149.6 billion, since time deposits and savings were

higher by Rp 26.4 billion. The sectors which experienced a large increase were production loans, investment loans, loans for the supply of food-stuffs and export loans, which together accounted for an increase of Rp 105.2 billion.

During the period under report, the other sectors produced a contractionary effect-of Rp 51.5 billion, due to an increase in the reserve funds, profit or loss accounts and capital accounts of banks, and in the difference between inter-bank claims and liabilities.

## II. GOVERNMENT FINANCE

The 1972/1973 Budget of Revenue and Expenditures emphasize the efforts for achieving the targets of development which the REPELITA had determined for the 1972/ 1973 fiscal year. The Budget of Revenue and Expenditures was balanced at Rp 751.6 billion as against Rp 585.2 billion the previous year, which indicates an increase of 28%.

In the routine budget sector, domestic receipts were raised by 38%

above the previous year's level, while routine expenditures were planned for an increase of 27%. Government savings during this year were therefore expected to exceed those of 1971/1972.

In the development budget sector, receipts from foreign aid were estimated to exceed the 1971/1972 budget figure by 5%, while development expenditures were expected to increase by 23%. This implied a larger role for domestic resources in

**TABLE 4 – SUMMARY OF GOVERNMENT RECEIPTS AND EXPENDITURE**  
(millions of Rupiahs)

|                           | 1970/1971 | 1971/1972 | 1972/1973 |
|---------------------------|-----------|-----------|-----------|
| Domestic receipts         | 344,606   | 428,021   | 590,608   |
| Routine expenditure       | 288,177   | 349,095   | 438,100   |
| Government savings        | 56,429    | 78,926    | 152,508   |
| Foreign receipts          | 120,531   | 135,527   | 157,800   |
| Development receipts      | 176,960   | 214,453   | 310,308   |
| Development expenditure   | 169,752   | 195,900   | 298,224   |
| Surplus (+) / Deficit (—) | 7,208     | 18,553    | 12,084    |

Source : Department of Finance.

the financing of development in 1972/1973 in comparison to the previous year.

Certain developments in its execution necessitated the downward adjustment of the 1972/1973 Budget of Revenue and Expenditures to Rp 748.4 billion

In the sector of domestic receipts, direct tax receipts had improved and were far in excess of indirect tax receipts, thus revealing the growing importance of direct tax in the context of tax receipts as a whole.

Routine expenditure was kept down so that during the period under report its increase was less than the increase in domestic receipts, thus providing for larger Government savings in comparison with the previous year's figure. These savings were used to complement the financing required by the development budget (Table 4).

Since 1968 the Government succeeded not only in keeping to its balanced budget policy, but it was also successful in implementing a budget of receipts and expenditures which

was expanding on an increasingly sound and firm base.

### Government receipts

Domestic receipts which in 1972/1973 reached Rp 590.6 billion consisted of direct tax receipts, indirect tax receipts and non-tax receipts to the extent of 51%, 43%, and 6%, respectively, of the total (Table 5). Direct tax receipts amounted to Rp 302.2 billion and exceeded the previous year's figure by 67%. This increase was due mainly to the increase in oil company tax receipts which rose by 77% on account of the higher output and the better export price of oil.

Income tax and corporate tax receipts were respectively 36% and 20% higher than their previous year's figures. With respect to income tax receipts, the said increase was attributable to more intensive capital investments, greater number of tax payers and intensified tax collection, this in spite of the fact that the classification of taxable income had been revised and the ceiling of tax-free income had been raised. The higher

**TABLE 5 – GOVERNMENT RECEIPTS**  
(millions of Rupiahs)

|                                 | 1970/1971      |                    | 1971/1972       |                 | 1972/1973       |                 |
|---------------------------------|----------------|--------------------|-----------------|-----------------|-----------------|-----------------|
|                                 | Revised budget | Actual receipts 1) | Original budget | Actual receipts | Original budget | Actual receipts |
| <b>I. Domestic receipts</b>     |                |                    |                 |                 |                 |                 |
| <b>A. Direct taxes</b>          |                |                    |                 |                 |                 |                 |
| Income tax                      | 342,054        | 344,606            | 415,960         | 428,021         | 573,600         | 590,608         |
| Corporation tax                 | 120,079        | 121,617            | 144,000         | 180,989         | 297,300         | 302,229         |
| Oil company tax                 | 12,684         | 13,375             | 15,700          | 17,394          | 21,400          | 23,722          |
| M.P.O.                          | 20,284         | 20,091             | 21,600          | 25,405          | 29,500          | 30,598          |
| IPEDA                           | 68,643         | 68,818             | 87,200          | 112,497         | 206,400         | 198,885         |
| Other direct taxes              | 18,272         | 19,132             | 19,100          | 24,610          | 26,000          | 30,195          |
|                                 | —              | —                  | —               | —               | 12,000          | 15,200          |
|                                 | 196            | 201                | 400             | 1,083           | 2,000           | 3,629           |
| <b>B. Indirect taxes</b>        |                |                    |                 |                 |                 |                 |
| Sales tax                       | 210,478        | 209,876            | 267,700         | 219,538         | 267,500         | 253,770         |
| Sales tax on imports            | 18,631         | 18,333             | 20,700          | 24,010          | 26,500          | 34,491          |
| Excises                         | 22,214         | 22,097             | 29,600          | 22,402          | 29,600          | 27,801          |
| Import duties                   | 38,103         | 38,881             | 45,600          | 40,391          | 45,800          | 47,279          |
| Export tax                      | 71,001         | 70,696             | 98,600          | 69,417          | 93,900          | 73,223          |
| Net petroleum profit            | 25,740         | 25,023             | 28,700          | 28,101          | 30,900          | 32,739          |
| Other indirect taxes            | 30,412         | 30,427             | 39,100          | 28,213          | 34,800          | 31,563          |
|                                 | 4,377          | 4,419              | 5,400           | 7,004           | 6,000           | 6,674           |
| <b>C. Non-tax receipts</b>      |                |                    |                 |                 |                 |                 |
|                                 | 11,497         | 13,113             | 4,260           | 27,494          | 8,800           | 34,609          |
| <b>II. Development receipts</b> |                |                    |                 |                 |                 |                 |
| Program aid                     | 119,844        | 120,531            | 169,250         | 135,527         | 178,000         | 157,800         |
| Project aid                     | 78,264         | 78,951             | 103,100         | 90,527          | 95,000          | 95,500          |
|                                 | 41,580         | 41,580             | 66,150          | 45,000          | 83,000          | 62,300          |
| <b>T o t a l</b>                | 461,898        | 465,137            | 585,210         | 563,548         | 751,600         | 748,408         |
| 1) Revised figures              |                |                    |                 |                 |                 |                 |

Source : Department of Finance.

figure for corporate tax receipts was due mainly to the greater number of taxpayers and the broadening of the tax base, although the tariff had been reduced.

As of the 1972/1973 budget year, direct tax receipts include also the Iuran Pembangunan Daerah (IPEDA) which amounted to Rp 15.2 billion. The IPEDA replaces the tax on the produce of the soil, i.e. the tax imposed on land, the tariff of which is related to the value of the products taken from the land. The 1972/1973 IPEDA receipts were returned in full to the regions in the form of development budgets, to be allocated and supervised by the Central Government.

In step with the increase in income tax and corporate tax receipts, withholding tax receipts rose by 23%. The tariff, execution and control of the withholding tax system continued to be perfected.

Other direct tax receipts consisted of property tax receipts and receipts from the tax on interest, dividend and royalty.

Indirect tax receipts increased by 16% to reach Rp 253.8 billion of which import duties held the largest share. The actual figure for 1972/1973, however, was only 5% higher than the previous year's figure. Besides by the shift in the pattern of imports, the said receipts had also been affected by abatements and abolitions of import duties on goods brought into the country in the context of both foreign and domestic capital investments.

In the meantime the Geneva system which used to be applied to the classification of import goods had been substituted by the Brussels Tariff Nomenclature (BTN). The new system is expected to simplify the imposition of import duties and to facilitate the efforts for achieving the desired objectives.

In 1972/1973 excise receipts were more favourable and at Rp 47.3 billion signified an increase of 17% over the previous year's figure. The excise on tobacco contributed most to excise receipts, while the balance was made up of receipts from the excise on sweetening agents, beer and

distilled alcohol. Accounting for the higher beer output and the requirement to adjust the base price of beer, alcohol, sweetening agents and foreign tobacco products, also the effort to put an end to the sale of cigarettes on which no excise tax has been paid, excise receipts are expected to rise still further. Especially with respect to the excise on tobacco products, the Government has found it still necessary to grant abatements as a means of alleviating the problems faced by the domestic tobacco industry.

In 1972/1973 sale tax receipts were higher by 44% because of the expansion of the domestic industrial and trade sectors, a perfection of the tariff structure and the effort to extensify as well as intensify the collection of other levies.

Import sales tax rose in 1972/1973 by 24% to reach Rp 27.8 billion, mainly on account of the better means of collecting the said tax and the higher import value.

In spite of the tax abatements and the abolition of export tax on selected export commodities, export

tax receipts in 1972/1973 rose by 17% to reach Rp 32.7 billion due to greater activity in the export sector.

Other receipts from the oil sector, viz. net petroleum profits on domestic oil sales increased by 12%, while receipts from other indirect taxes such as stamp duty, duty on auctions and so forth were slightly less than their previous figures.

In 1972/1973 non-tax receipts which consist of receipts from fines, the Government's share in the profit of state enterprises and from other levies collected through the departments of the Government rose by 26% to reach Rp 34.6 billion. The said receipts, especially those contributed by the state enterprises, had much improved due to the greater activity of the sector of state enterprises.

Development receipts from program as well as project aid from abroad rose by 16% to reach Rp 157.8 billion. The said receipts, however, represented only 53% of development receipts as a whole in comparison with 69% in the previous year. With respect to project aid may be reported that the realization thereof

depended to a great extent on the completion of the phases of construction of the projects concerned.

### Government expenditure

Government expenditure in 1973/1974. amounted to Rp 736.3 billion and exceeded the previous year's figure by 35%. Development as well as routine expenditure rose by 52% and 25%, respectively. The much higher increase in development expenditure in terms of percentages as compared with routine expenditure reflects the much better balance in the scheme of Government expenditure.

The higher figure for routine expenditure could be mainly ascribed to the increase in personnel expenditure which rose by Rp 37.1 billion to reach Rp 200.4 billion, due to a 25% increase in the salaries of both civilian and armed personnel.

The increase in material expenditure by Rp 28.3 billion was caused mainly by the increase in domestic material expenditure of Rp 23.7 billion.

Subsidies to local governments rose by Rp 17.1 billion, while interest/ instalments on debts rose by Rp 6.8 billion. By taking into account the interest/instalment payments on domestic debts, the balance on Government domestic debt was Rp 54.1 billion, which consisted of Rp 258 billion in long term debt and Rp 28.3 billion in short term debts.

Development expenditure rose in 1972/1973 by Rp 102.3 billion to reach Rp 298.2 billion and consisted of Rp 252.6 billion allocated to the economic sector (inclusive of project aid), Rp 31.1 billion to the social sector and Rp 14.5 billion to the general sector. The said increase found its reason mainly in the larger expenditures of the departments/ institutions sector which reached Rp 46.4 billion (48%), and further in the subsidies to "kabupatens" of Rp 4.0 billion (47%), capital participation by the Government of Rp 15.5 billion (220%) and project aid of Rp 17.3 billion (38%). The larger expenditure in the departments/ institutions sector was due to the greater financing required by current projects and the initiation of new projects. The larger figure for subsidies to "kabupatens"

**TABLE 6 – GOVERNMENT EXPENDITURE**  
(millions of Rupiahs)

|                                      | 1970/1971      |                    | 1971/1972       |                    | 1972/1973       |                    |
|--------------------------------------|----------------|--------------------|-----------------|--------------------|-----------------|--------------------|
|                                      | Revised budget | Actual expenditure | Original budget | Actual expenditure | Original budget | Actual expenditure |
| <b>I. Routine expenditure</b>        | <b>288,177</b> | <b>288,177</b>     | <b>343,340</b>  | <b>349,095</b>     | <b>437,500</b>  | <b>438,100</b>     |
| <b>Personnel expenditure</b>         | <b>131,437</b> | <b>131,437</b>     | <b>165,900</b>  | <b>163,340</b>     | <b>214,200</b>  | <b>200,379</b>     |
| a. Rice allowance                    | 33,550         | 33,550             | 33,000          | 31,178             | 33,600          | 31,302             |
| b. Salary & pension                  | 70,596         | 70,596             | 101,600         | 100,412            | 137,400         | 131,636            |
| c. Food allowance                    | 11,699         | 11,699             | 12,100          | 13,177             | 15,400          | 14,562             |
| d. Other domestic                    | 10,809         | 10,809             | 14,200          | 14,058             | 20,900          | 17,245             |
| e. External                          | 4,783          | 4,783              | 5,000           | 4,515              | 6,900           | 5,634              |
| <b>Material expenditure</b>          | <b>62,567</b>  | <b>62,567</b>      | <b>67,200</b>   | <b>67,125</b>      | <b>87,100</b>   | <b>95,421</b>      |
| a. Domestic                          | 56,285         | 56,285             | 59,000          | 59,725             | 76,700          | 83,448             |
| b. External                          | 6,282          | 6,282              | 8,200           | 7,400              | 10,400          | 11,973             |
| <b>Subsidies to local government</b> | <b>56,166</b>  | <b>56,166</b>      | <b>66,800</b>   | <b>66,800</b>      | <b>83,500</b>   | <b>83,900</b>      |
| a. Irian Jaya                        | 10,068         | 10,068             | 10,000          | 10,600             | 10,600          | 10,600             |
| b. Other local government            | 46,098         | 46,098             | 56,800          | 56,200             | 72,900          | 73,300             |
| <b>Interest/instalments on debts</b> | <b>25,600</b>  | <b>25,600</b>      | <b>37,200</b>   | <b>46,600</b>      | <b>47,700</b>   | <b>53,400</b>      |
| a. Domestic                          | 2,000          | 2,000              | 8,400           | 5,600              | 9,000           | 7,400              |
| b. Foreign                           | 23,600         | 23,600             | 28,800          | 41,000             | 38,700          | 46,000             |
| <b>Other routine expenditure</b>     | <b>12,407</b>  | <b>12,407</b>      | <b>6,240</b>    | <b>5,230</b>       | <b>5,000</b>    | <b>5,000</b>       |
| <b>II. Development expenditure</b>   | <b>166,544</b> | <b>169,752</b>     | <b>241,870</b>  | <b>195,900</b>     | <b>314,100</b>  | <b>298,224</b>     |
| Dept./Institutions                   | 66,374         | 78,469             | 109,905         | 97,560             | 136,988         | 144,043            |
| Dept. of Defence                     | 4,500          | 4,500              | 5,000           | 5,000              | 6,000           | 6,000              |
| Subsidies to villages                | 5,590          | 5,590              | 5,250           | 5,250              | 5,700           | 5,700              |
| Subsidies to "Kabupatens"            | 5,700          | 5,645              | 8,823           | 8,823              | 12,800          | 12,800             |
| Irian Jaya                           | 1,300          | 782                | 3,500           | 2,374              | 3,500           | 3,300              |
| Subsidy to provinces                 | 20,664         | 20,664             | 20,800          | 20,800             | 20,800          | 20,800             |
| Govt.'s capital share                | 5,000          | 1,000              | 11,500          | 7,046              | 24,719          | 22,543             |
| IPEDA                                | —              | —                  | —               | —                  | 12,000          | 15,200             |
| Other development expenditure        | 2,200          | 1,946              | 3,697           | 3,047              | 8,593           | 5,538              |
| BIMAS project                        | 9,576          | 9,576              | 7,245           | 1,000              | —               | —                  |
| Project aid                          | 45,640         | 41,580             | 66,150          | 45,000             | 83,000          | 62,300             |
| <b>T o t a l</b>                     | <b>454,721</b> | <b>457,929</b>     | <b>585,210</b>  | <b>544,995</b>     | <b>751,600</b>  | <b>736,324</b>     |

1) Revised figures

Source : Department of Finance.



was caused by the increase in the said subsidies, viz. from Rp 75.— to Rp 100.— per capita. The subsidies to villages were kept at Rp 100,000.— per village, but the number of villages entitled to receive this kind of subsidy had increased.

Expenditure in the context of capital participation by the Government to the extent of Rp 22.5 billion consisted of expenditure in the con-

text of the granting of new capital, additional capital, loans or grants to state enterprises and state banks as well as to other institutions, and of the participation in the granting of medium/long term loans through banks and so forth. Compared with 1971/1972 the said expenditures were raised by 22% with the intention of providing greater stimulation to the enterprises sector.

### III. BANK CREDIT DEVELOPMENT

#### Credit policy

As a sequel to its policy of the previous years, the Government introduced in 1972/1973 new measures in the credit sector. These measures were introduced in connection with both domestic and foreign economic and monetary developments, and consisted inter alia of the following:

1. As of May 31, 1972 the interest rates on short term loans granted by state banks were adjusted as follows:

##### *Category I*

12% per annum:

- Paddy BIMAS
- Import financed under PL 480 (excluding foodstuffs 6% per annum)
- Import and distribution of fertilizer.

##### *Category II*

15% per annum:

- Working capital for the chicken BIMAS

18% per annum:

- Production of crumb rubber/working capital for crumb rubber factories
- Export of Jawa tobacco.

##### *Category III*

21% per annum:

- Production of export goods
- 24% per annum:

- Export
- Production and distribution of the 9 essential commodities
- Other industries/production excluding crumb rubber
- Public transportation.

##### *Category IV :*

Over 24% up to and including 36% per annum:

- Trade, distribution etc.

2. As of June 1, 1972 the interest rate structure of loans available for rediscounting with Bank Indonesia was adjusted as follows:

3% per annum:

- Paddy BIMAS

6% per annum:

- Import financed under PL 480
- Import and distribution of fertilizer
- Working chicken BIMAS

9% per annum:

- Export of Jawa tobacco
- Production of crumb rubber/working capital for crumb rubber factories

12% per annum:

- Production of export goods
- 15% per annum:
- Export
  - Cost/freight payable in commercial foreign exchange in the context of import financed under PL 480
  - Other industries/production
  - Public transportation.

3. To cause state banks to make more use of their own funds, the portion of the loans available for rediscounting was reduced as follows:

a. Loans of category I for :

- the pre-financing of UREA/TSP, UAP/DAP fertilizer:

from 80% to 65% of the delivery price;

- the pre-financing of imports of fertilizer other than UREA/TSP, UAP/DAP: from 55% to 45% of the C & F countervalue.

b. Loans of category III for:

- the production of export goods: from 40% to 35%;
- export, agriculture, live-stock farming and fishery and textile production: from 30% to 15%;
- the production and distribution of the 9 essential commodities: from 30% to 15% of the credit ceiling granted by the handling bank to the customer;
- public transportation: from 20% to 15% of the credit ceiling granted by the handling bank to the customer;
- the financing of newsprint import: from 20% to 15% of the C&F counter value over the second 3-- months period following the arrival of the goods;
- other industries and production: from 20% to 15%.

In the meantime, as of April 1, 1972 with the exception of import financing in the context of Government programmes, the granting of rediscount facilities for the financing of imports with credit foreign exchange ceased to be taken into consideration. With respect to national private banks and regional development banks, rediscount could be taken into consideration on amounts up to 50% of the maximum amount of loans acceptable for rediscount.

the Badan Usaha Unit Desa/ Koperasi Unit Desa (BUUD/ KUD) through B. R. I. to the extent of Rp 7.4 billion toward the creation of a national rice stock and Rp 1.0 billion toward the supply of rice for the open market, in the context of the execution of Presidential Instruction No.2/1973 of March 14, 1973 concerning domestic rice procurements for 1973/1974.

4. To facilitate the regulation and supervision of loans granted in the context of foodstuffs supply, viz.:
  - loans toward the import and distribution of fertilizer for smallholders' agriculture were to be taken into consideration only through B. R. I.;
  - to finance the BIMAS scheme, loans acceptable for rediscount were made available to B.R.I. to the extent of Rp 4.8 billion for the 1972 dry season and Rp 12.1 billion for the 1972/ 1973 wet season;
  - loans were made available to
5. To introduce several changes in the provisions on investment loans, inter alia:
  - with respect to investment loans for the importation of motor vehicles with credit foreign exchange from the United States, the sole agent must deposit 15% of the C & F price at L/C opening and 25% of the C & F price plus 40% of local cost on arrival of the goods;
  - to cease taking into consideration the granting of investment loans toward the following projects:

- a) monosodium glutamate and aluminium ware factories as of April 1972;
- b) new hotels in Bali and selected kinds of textile industries as of May 1972; crumb rubber factories as of November 1972;
- d) coconut oil extraction plants as of February 1973;
- e) hotels in Surabaya and Semarang and synthetic leather factories as of January 1973.

- the investment loans which state commercial banks may take into consideration were not to exceed the counter value of US \$ 2.5 million per project. If the loans exceeded the afore said amount, the respective application was to be forwarded to BAPINDO for consideration in the context of loans from the World Bank, or the necessary financing could be sought in the context of the Development Loans through the Banking System (DLBS), or from financial institutions such as the Indonesian Development Finance

Corporation (IDFC) and the International Finance Corporation (IFC). Specifically in the case of loans required by state enterprises, financing could also be sought through project aid, the International Development Association (IDA) or the Asian Development Bank (ADB).

#### Volume and allocation of credit

At the end of the 1972/1973 period under report, the volume of short terms and investment loans granted by the banking sector as a whole including Bank Indonesia had reached the extent of Rp 704.0 billion, which thus indicated an increase of Rp 181.5 billion (35%) if compared with the figure for the end of 1971/1972 (Table 7). If matched with the increase during 1971/1972, the said increase was higher in terms of volume (Rp 143.1 billion) but less in term of percentages (38%).

Much of the increase in the volume of loans during 1972/1973 occurred in the 4th quarter of 1972, viz. Rp 76.2 billion or 42%, due to the

**TABLE 7 – BANK CREDITS**  
(millions of Rupiahs)

|   | 1971           |                | 1972           |                |                |                | 1973           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | I              | IV             | I              | II             | III            | IV             | I              |
| <b>Short-term credit</b>                                | <b>331,482</b> | <b>422,061</b> | <b>445,798</b> | <b>440,708</b> | <b>494,359</b> | <b>565,526</b> | <b>607,232</b> |
| Production  | 99,143         | 126,290        | 141,993        | 144,285        | 148,555        | 159,306        | 167,167        |
| Domestic trade  | 29,348         | 68,117         | 77,255         | 70,164         | 105,844        | 100,463        | 93,097         |
| Food procurement  | 47,980         | 59,713         | 62,926         | 60,039         | 59,652         | 92,603         | 102,462        |
| Exports   | 51,419         | 55,459         | 55,659         | 55,429         | 59,119         | 65,366         | 72,188         |
| Clothing  | 12,467         | 25,019         | 21,913         | 20,094         | 23,819         | 31,880         | 32,628         |
| Imports   | 14,374         | 7,864          | 8,383          | 9,365          | 7,274          | 8,525          | 11,716         |
| Other   | 76,751         | 79,599         | 77,669         | 81,332         | 90,096         | 107,383        | 127,974        |
| <b>Investment credit</b>                                | <b>47,139</b>  | <b>68,728</b>  | <b>73,401</b>  | <b>77,336</b>  | <b>82,305</b>  | <b>86,560</b>  | <b>90,603</b>  |
| <b>Loan for the Rupiah<br/>financing of Project aid</b> | <b>785</b>     | <b>1,994</b>   | <b>3,340</b>   | <b>4,328</b>   | <b>4,876</b>   | <b>5,606</b>   | <b>6,201</b>   |
| <b>Total</b>  | <b>379,406</b> | <b>492,783</b> | <b>522,539</b> | <b>522,372</b> | <b>581,540</b> | <b>657,692</b> | <b>704,036</b> |

larger financing required for the supply of foodstuffs.

At the end of March 1973, short term loans amounted to Rp 607.2 billion which signified an increase of Rp 161.4 billion (36%). As is already known, most of these short terms loans are allocated to the production sector. At the end of the period under report, the said loans amounted to Rp 167.2 billion or to

28% of short term loans as a whole, and exceeded the previous year's figure by Rp 25.2 billion (18%). Other short term loans to the extent of Rp 102.5 billion were allocated to the foodstuffs supply sector, hence exceeded the loans allocated as per the end of 1971/1972 by Rp 42.4 billion (67%).

It should be mentioned that short term loans were also allocated to the

**TABLE 8 — INVESTMENT CREDITS \*)**  
(millions of Rupiahs)

|                                     | 1971          |               | 1 9 7 2        |                |                |                | 1973           |
|-------------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
|                                     | I             | IV            | I              | II             | III            | IV             | I              |
| <b>I. Approved by banks</b>         | <b>65,949</b> | <b>98,635</b> | <b>103,350</b> | <b>112,872</b> | <b>120,111</b> | <b>128,578</b> | <b>133,722</b> |
| <b>By economic sector</b>           |               |               |                |                |                |                |                |
| — Agriculture                       | 4,963         | 7,075         | 8,244          | 8,848          | 9,383          | 9,235          | 8,831          |
| — Industry                          | 37,090        | 51,993        | 53,421         | 57,605         | 59,827         | 65,028         | 66,730         |
| — Mining                            | 335           | 395           | 395            | 409            | 409            | 465            | 470            |
| — Communication and tourism         | 22,549        | 38,119        | 40,257         | 44,586         | 47,920         | 50,771         | 54,184         |
| — Other                             | 1,012         | 1,053         | 1,033          | 1,424          | 2,572          | 3,079          | 3,507          |
| <b>By origin of funds</b>           |               |               |                |                |                |                |                |
| — Central Bank                      | 42,729        | 68,191        | 72,233         | 80,046         | 87,337         | 93,481         | 96,716         |
| — State banks                       | 10,382        | 15,836        | 16,570         | 13,367         | 20,236         | 24,512         | 26,535         |
| — Budget of Revenue and Expenditure | 12,838        | 14,608        | 14,547         | 14,459         | 12,538         | 10,585         | 10,471         |
| <b>II. Utilized by customers</b>    | <b>47,139</b> | <b>68,728</b> | <b>73,401</b>  | <b>77,336</b>  | <b>82,305</b>  | <b>86,560</b>  | <b>90,603</b>  |
| <b>By economic sector</b>           |               |               |                |                |                |                |                |
| — Agriculture                       | 2,701         | 4,810         | 5,364          | 5,695          | 6,493          | 6,832          | 6,833          |
| — Industry                          | 27,894        | 40,584        | 42,554         | 46,113         | 49,364         | 51,456         | 52,321         |
| — Mining                            | 336           | 363           | 357            | 353            | 349            | 270            | 242            |
| — Communication and tourism         | 15,750        | 22,525        | 24,765         | 24,678         | 24,638         | 26,483         | 29,270         |
| — Other                             | 458           | 446           | 361            | 497            | 1,461          | 1,519          | 1,937          |
| <b>By origin of funds</b>           |               |               |                |                |                |                |                |
| — Central Bank                      | 28,648        | 46,881        | 50,495         | 52,671         | 56,183         | 59,481         | 59,010         |
| — State banks                       | 11,083        | 13,919        | 14,694         | 17,054         | 18,313         | 19,770         | 24,205         |
| — Budget of Revenue and Expenditure | 7,408         | 7,928         | 8,212          | 7,611          | 7,809          | 7,309          | 7,389          |

\*) Excludes Rupiah financing of Project Aid.

domestic trade, export, import, clothing and other sectors for a total of Rp 337.6 billion, signifying an increase of Rp 96.6 billion (40%). The largest increases were related to the

export and domestic trade sectors, inter alia because of the higher prices of foreign export commodities and the greater activity of the domestic trade sector.

**TABLE 9 — RUPIAH FINANCING OF PROJECT AID IN CONNECTION  
WITH INVESTMENT CREDITS**  
(millions of Rupiahs)

|                                     | 1971         |               | 1 9 7 2       |               |               |               | 1973          |
|-------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                     | I            | IV            | I             | II            | III           | IV            | I             |
| <b>I. Approved by banks</b>         | <b>2,963</b> | <b>11,674</b> | <b>11,674</b> | <b>11,691</b> | <b>11,988</b> | <b>12,780</b> | <b>13,018</b> |
| <b>By economic sector</b>           |              |               |               |               |               |               |               |
| — Agriculture                       | 823          | 2,442         | 2,442         | 2,459         | 2,414         | 2,996         | 2,996         |
| — Manufacturing                     | 2,140        | 7,641         | 7,641         | 7,641         | 7,983         | 8,193         | 8,431         |
| — Mining                            | —            | —             | —             | —             | —             | —             | —             |
| — Communication and tourism         | —            | —             | —             | —             | —             | —             | —             |
| — Other                             | —            | 1,591         | 1,591         | 1,591         | 1,591         | 1,591         | 1,591         |
| <b>By origin of funds</b>           |              |               |               |               |               |               |               |
| — Central Bank                      | 2,667        | 10,507        | 10,507        | 10,522        | 10,789        | 11,502        | 11,717        |
| — State Banks                       | 296          | 1,167         | 1,167         | 1,169         | 1,199         | 1,278         | 1,301         |
| — Budget of Revenue and Expenditure | —            | —             | —             | —             | —             | —             | —             |
| <b>II. Utilized by customers</b>    | <b>785</b>   | <b>1,994</b>  | <b>3,340</b>  | <b>4,328</b>  | <b>4,876</b>  | <b>5,606</b>  | <b>6,201</b>  |
| <b>By economic sector</b>           |              |               |               |               |               |               |               |
| — Agriculture                       | 751          | 811           | 815           | 785           | 784           | 891           | 1,069         |
| — Manufacturing                     | 34           | 1,070         | 2,390         | 3,388         | 3,934         | 4,502         | 5,132         |
| — Mining                            | —            | —             | —             | —             | —             | —             | —             |
| — Communication and tourism         | —            | —             | —             | —             | —             | —             | —             |
| — Other                             | —            | 113           | 135           | 155           | 158           | 213           | —             |
| <b>By origin of funds</b>           |              |               |               |               |               |               |               |
| — Central Bank                      | 717          | 1,658         | 2,861         | 3,528         | 4,316         | 4,626         | 5,018         |
| — State Banks                       | 68           | 336           | 479           | 800           | 560           | 980           | 1,183         |
| — Budget of Revenue and Expenditure | —            | —             | —             | —             | —             | —             | —             |

With respect to bank credit, it should be apparent that banks were making more use of their own funds, despite the fact that the rediscount facilities granted by Bank Indonesia continued to act as the decisive fac-

tor in their credit scheme. If at the end of March 1972 the share of the loans subjected to rediscount was 38% of bank credit as a whole, at the end of March 1973 the same had dropped to 25%.



As was the case with short term loans, investment loans had also increased in volume. At the end of the period under report, credit approvals amounted to Rp 133.7 billion, hence increased by Rp 30.3 billion (29%) in step with the greater volume of credit approvals, the volume of investment loans realized rose by Rp 17.2 billion (23%) to reach Rp 90.6 billion, which represented 68% of investment credit approvals as a whole. Most of the investment loans, viz. Rp 52.3 billion or 58% were allocated to the industrial sector, whereas the communications and tourism sector received Rp 29.3 billion or 32% of the total volume of investment loans (Table 8).

The financing of the said investment loans were for the most part provided by Bank Indonesia, viz. Rp 59.0 billion or 65%. Table 8 shows that the state banks' own funds had played a more important part in the financing of loans.

The investment loans mentioned above do as yet not include the Rupiah financing to the extent of Rp 6.2 billion in the context of project aid as shown in Table 9. The said Rupiah financing was for the most part, viz. Rp 5.0 billion or 81%, provided by Bank Indonesia also.

## IV. MOBILIZATION OF FUNDS

Concurrent with the lowering of the interest rates on loans, the Government also revised the interest rates on deposits, especially those on time deposits and TABANAS.

duced to 18% in the case of time deposits with a maturity of 12 months, to 15% for those maturing after 6 months, to 12% for those maturing after 3 months and to 9% for those with maturities of less than 3 months.<sup>1)</sup> Even so, the volume of

### Time deposits

As of May 31, 1972 the annual interest rate on time deposits was re-

1) Decision of the Board of Directors of Bank Indonesia No. 5/4 Kep. Dir. dated May 30, 1972.

**TABLE 10 – TIME DEPOSITS <sup>\*)</sup>**  
(millions of Rupiahs)

|        |           | 12 months | 6 months | 3 months | 1 month | Total   |
|--------|-----------|-----------|----------|----------|---------|---------|
| 1968 : | December  | 2,791     | 862      | 775      | 90      | 4,518   |
| 1969 : | December  | 25,128    | 6,699    | 1,496    | 257     | 33,580  |
| 1970 : | March     | 29,518    | 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  |
|        | June      | 53,521    | 8,640    | 10,242   | 1,286   | 73,689  |
|        | September | 70,251    | 10,145   | 9,176    | 790     | 90,362  |
|        | December  | 75,514    | 15,522   | 12,598   | 993     | 104,627 |
| 1972 : | March     | 82,140    | 25,580   | 17,845   | 551     | 126,116 |
|        | June      | 89,705    | 36,086   | 18,616   | 754     | 145,161 |
|        | September | 101,402   | 37,058   | 10,910   | 802     | 150,172 |
|        | December  | 107,576   | 28,699   | 8,819    | 731     | 145,825 |
| 1973 : | March     | 105,200   | 32,993   | 8,483    | 2,486   | 149,162 |

<sup>\*)</sup> According to Presidential Decree No.28/1968.

time deposits during 1972/1973 was still rising although at a lesser rate of increase if compared with the previous year (Table 10). At the end of March 1973, time deposits reached a volume of Rp 149.2 billion, hence increased by Rp 23.0 billion (18%). Time deposits with a maturity of 12 months played the biggest role in the said increase; those with a maturity

of 3 months, however, had dropped in volume. By reaching 71% of the total volume of time deposits, time deposits with a maturity of 12 months continued therefore to hold the largest share.

#### TABANAS and TASKA

The national savings drive as represented by TABANAS and

**TABLE 11 — TABANAS AND TASKA**  
(Total outstanding in millions of Rupiahs)

|               | TABANAS            |                  | TASKA              |                  | Total              |                  |
|---------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|
|               | Number of accounts | Out-<br>Standing | Number of accounts | Out-<br>Standing | Number of accounts | Out-<br>Standing |
| <b>1971 :</b> |                    |                  |                    |                  |                    |                  |
| August        | 40,103             | 434              | 1,275              | 1                | 41,378             | 435              |
| September     | 232,429            | 1,197            | 6,595              | 6                | 239,024            | 1,203            |
| December      | 867,239            | 4,992            | 19,967             | 36               | 887,206            | 5,028            |
| <b>1972 :</b> |                    |                  |                    |                  |                    |                  |
| March         | 1,503,475          | 11,017           | 23,648             | 77               | 1,527,123          | 11,094           |
| June          | 1,963,345          | 16,606           | 26,458             | 127              | 1,989,803          | 16,733           |
| September     | 2,225,832          | 21,100           | 26,251             | 145              | 2,252,083          | 21,245           |
| December      | 2,389,105          | 25,680           | 17,876             | 99               | 2,406,981          | 25,779           |
| <b>1973 :</b> |                    |                  |                    |                  |                    |                  |
| January       | 2,442,335          | 27,268           | 16,635             | 95               | 2,458,970          | 27,363           |
| February      | 2,496,859          | 28,529           | 15,923             | 89               | 2,512,782          | 28,618           |
| March         | 2,560,275          | 30,372           | 14,991             | 86               | 2,575,266          | 30,458           |

TASKA which the Government had introduced on August 20, 1971 continued to show a quite satisfactory development, despite the fact that as of May 31, 1972 the interest rates on TABANAS had been revised. The said interest rates which had originally been set at 18% per annum regardless of the amount of the balance on the savings scheme was revised into 18% per annum for the first Rp 100,000.— and into 12% per annum for the remainder of the balance on the savings scheme.

At the end of March 1973, TABANAS had reached a volume of

Rp 30.4 billion with 2.6 million participants and TASKA Rp 86 million with 15 thousand participants. If compared with the end of March 1972 figure, the volume of TABANAS had increased by Rp 19.4 billion (176%) and that of TASKA by Rp 9 million (12%). Table 11 shows the development of both the TABANAS and TASKA savings schemes and their respective number of participants as per the end of March 1973.

[Savings for the pilgrimage to Mecca](#)

Bank Negara Indonesia 1946 and Bank Rakyat Indonesia kept to their

**TABLE 12 — PAYMENTS OF INSTALMENT SAVINGS SCHEME**  
(thousands of Rupiahs)

|                | 1 9 7 2 |         |         |         |      |
|----------------|---------|---------|---------|---------|------|
|                | March   | April   | May     | June    | July |
| Jakarta Raya   | 205,890 | 158,645 | 136,012 | 74,099  | —    |
| North Sumatra  | 13,332  | 11,117  | 8,464   | 8,464   | —    |
| West Jawa      | 47,602  | 43,631  | 43,631  | 43,631  | —    |
| Central Jawa   | 19,213  | 16,594  | 13,375  | 9,120   | —    |
| East Jawa      | 60,878  | 52,596  | 36,439  | 36,439  | —    |
| South Sulawesi | 2,489   | 2,384   | 1,068   | 1,068   | —    |
| Total          | 349,404 | 284,967 | 238,989 | 171,821 | —    |

role as handling banks for pilgrimage deposits, while deposits made in the region of Irian Jaya were still handled by Bank Ekspor Impor Indonesia.

Pilgrimage deposits with banks form basically a part of the effort to mobilize funds from the general public. As a stimulation to aspirant hajjis to pay the pilgrimage fare far in advance of the effective date of deposit, advance deposits were granted a discount the extent of which depended upon the month in which the said deposits were made.

The pilgrimage fare for the 1972/1973 hajji season was placed at Rp 380 thousand per person for those travelling by sea and at Rp 402 thousand per person for those travelling by air. At the end of March 1973, pilgrimage deposits reached a volume of Rp 8.6 billion which was collected from 22 thousand hajji aspirants as against Rp 7.2 billion collected from the same number of hajji aspirants at the end of March 1972.

## [The 1969 Instalment Savings Scheme](#)

During the period under report, the operations connected with the 1969 Instalment Savings Scheme involved merely the collecting of the balance on instalments on savings cards sold before August 1, 1971. The final instalments were settled in June 1972; thenceforth, the operations were merely connected with the payment of final instalments on savings which matured in the month of July 1972 at the latest (Table 12).

## [Money and Capital Markets](#)

### [The Stock Exchange](#)

Compared with the turnover of securities during 1971/1972, the turnover during 1972/1973 had dropped in volume, especially that of Government bonds. The balance on loans in the form of still outstanding bonds as per the end of March 1973 is shown below :

|        |  |         |                 |
|--------|--|---------|-----------------|
| 3%     | 1950 RI loan                             | nominal | Rp 91,588,700.– |
| 3 1/2% | 1959 loans<br>against blocked<br>account | nominal | Rp 25,141,480.– |
| 6%     | 1959 RI Lottery<br>bonds                 | nominal | Rp 42,555,500.– |
| 5 1/2% | BIN bonds<br>1959/1974                   | nominal | Rp 750,000.–    |

Redemption of the BIN 1957/1972 bonds was completed in October 1972. The ledger of the 1959 Consolidated Debts, however, still carried a loan with a nominal value of Rp 253,831,691.31 which had as yet not been converted into bonds and could therefore not be offered to the public.

A slight demand for foreign securities was noted near the end of the period under report; the nominal value of the turnover, however, was rather insignificant.

In the meantime, in the context of the execution of Minister of Finance Decision No. Kep. 732/MK/IV/11/1972 dated November 25, 1972 concerning the provisions on the trading in securities, the Board of Directors of Bank Indonesia stipulated that all securities offered for trade at the Jakarta Stock Exchange must be provided with a

certificate of ownership issued by Bank Indonesia.<sup>2)</sup>

On July 31, 1972 the Third Interim Agreement on securities matters between Indonesia and the Netherlands was signed. The said agreement represents the final ruling on securities matters; it also carries the implication that all questions concerning the above matter are considered closed. Thus, the Government of the Netherlands liquidated all securities which it had formerly placed on the IE list (list of Indonesian securities not acceptable for trade), while securities held in Indonesia were henceforth free to be sent to the Netherlands for trading, redemption and so forth.

### *Certificates of Deposit*

In step with the lowering of interest rates on time deposits, banks which issued certificates of deposit effected a gradual adjustment on the interest rates on the said papers. At the end of 1972/1973, the annual interest rate on certificates

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2) Decision of the Board of Directors of Bank Indonesia No.5/23 Kep.Dir. dated January 25, 1973.

of deposit varied between 6% and 15% depending upon the maturities of the certificates concerned. It should be noted that, in general, the issuing banks provided a discount instead of paying interest on the said papers.

Until the end of the 1st quarter of 1973, certificates of deposit presented the following development (as per the end of

the quarter in thousand Rupiahs) :

The figures show that at the end of the 1st quarter of 1973, the sale of certificates of deposit reached a volume of Rp 7.8 billion, which means an increase of Rp 5.7 billion as compared with the figure for the 1st quarter of the previous year. The highest volume of sales, viz. Rp 17.4 billion was recorded in the 3rd quarter of 1972.

|                             | 1972             |                  |                   |                  | 1973             |
|-----------------------------|------------------|------------------|-------------------|------------------|------------------|
|                             | I                | II               | III               | IV               | I                |
| BNI 1946                    | 585,500          | 1,124,000        | 527,600           | 228,550          | 338,275          |
| Bank Bumi Daya              | 686,500          | 5,490,400        | 10,068,300        | 2,959,600        | 3,585,700        |
| BEI                         | —                | —                | —                 | 1,771,145        | 2,335,207        |
| FNCB                        | 833,150          | 2,508,435        | 6,431,035         | 3,302,282        | 1,190,112        |
| American Express            | —                | 28,500           | 432,250           | 370,350          | 332,750          |
| Algemeene Bank<br>Nederland | —                | —                | —                 | 22,000           | 50,000           |
| <b>Total</b>                | <b>2,105,150</b> | <b>9,151,335</b> | <b>17,459,185</b> | <b>8,653,927</b> | <b>7,832,044</b> |

## V. BANKS AND OTHER FINANCIAL INSTITUTIONS

### Banking policy

On August 16, 1972 in the context of supervising the representative offices of foreign banks in Indonesia, Bank Indonesia stipulated the provisions on representative offices of foreign banks.<sup>1)</sup> On the basis of the said provisions, the representative office of a foreign bank is not permitted to carry out banking operations, but may only perform as a link between its head office and the customers.

In the meantime, on January 3, 1973 the Minister of Finance issued provision concerning the auditing of foreign banks in Indonesia by auditors from abroad.<sup>2)</sup> Henceforth, any audit by an auditing institution of the Government of the foreign bank's country of origin or by an individual/body representing the Government of the country concerned may be performed subject to the obtaining of a permit from the Minister of Finance, whereas any internal audit performed by the bank's head office requires a prior notification to Bank Indonesia which states the objective of the said audit.

To bring order in the establishing of banks by Local Governments, all Governors/Chief Administrators of the regions in the whole of Indonesia were reminded that Local Governments may establish the following banks only, viz :

- Local Development Banks,
- Village Banks, Paddy Banks, Retailers Banks, Personnel Banks and other secondary banks of a similar kind.<sup>3)</sup>

As is already known, article 16 of the Banking Act of 1967 stipulates that Local Development Banks are to be established in accordance with the provisions stipulated by Law. Hence, a Local Development Bank must be established on the basis of an Act which conforms to the Banking Act of 1967. Since a law which governs the establishing of Local Development Banks in the sense as meant above does as yet not exist, whereas the earlier Act concerning the principal requirements for the establishing of Local Development Banks, viz. Act No. 13/1962 has as yet not been revoked, the said Act in con-

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1) Bank Indonesia circular letter No. 5/81/UPPB/PbB dated August 16, 1972.

2) Minister of Finance Decision No. Kep. - 04/MK/IV/1/1973 dated January 3, 1973.

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3) Letter of the Department of Interior/Directorate General of General Government & Autonomous Regions No. Ekbang 14110146 dated July 14, 1972.



junction with Act No. 14/1967 remains officially effective until its substitution by another Act. <sup>3)</sup>

With respect to cash operations outside the banks' regular offices which are normally referred to as mobile banks, floating banks and other operations similar thereto, it was determined that such a privilege may basically also be granted to national private banks and Local Development Banks; foreign banks, however, are in principle prohibited from carrying out such operations.<sup>4)</sup> National private banks will be granted the required approval, provided that they have completely satisfied the necessary requirements, while foreign banks will be granted such an approval only on the basis of special considerations, viz. that they are to render their services to selected customers only and only at certain locations. At the end of March 1973, the records listed 153 units of cash operations outside the banks' offices, all of which were owned by state banks.

In connection with the suggestion to national private banks to effect a merger, the Minister of Finance extended the time limit during which na-

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4) Bank Indonesia circular letter No.5/42/UPPB/ PbB dated July 4,1972.

tional private banks which effected such a merger were granted tax abatements, viz. from before the end of December 1972 to before the end of December 1973.<sup>5)</sup>

In the meantime, Bank Indonesia determined also the means by which the banks could join forces, viz.:

- through consolidation: two or more banks join together in the establishing of a new bank and by liquidating all the banks which have participated in the consolidation;
- through merger: two or more banks which have joined together decide to keep one of the banks going, while the remaining bank(s) is (are) liquidated.<sup>6)</sup>

During the period under report, 14 banks had effected a merger, so that at the end of March 1973, the total number of banks which had merged was 17.

In the frame of efforts to help national private banks in the matter of capital and management, Bank Indo-

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5) Minister of Finance Decision No.Kep.740/MK/II/11/1973 dated November 30,1972.

6) Bank Indonesia circular letter No. 5/1 04/UPPB/ PbB dated December 12,1972.

nesia urged the banks to intensify inter-bank cooperation. In connection thereto, Bank Indonesia stipulated the provisions concerning inter alia:

- cooperation between national private banks and state banks;
- cooperation between national private banks and foreign banks.<sup>7)</sup>

Cooperation in the framework of increasing the volume of operations of national private banks may be achieved by means of joint financing, especially with respect to working capital, in order to facilitate the granting of loans in greater volumes, whereas cooperation in the context of improving the quality of management may take the form of technical aid, viz. the training of bank officials/personnel, having experts work side-by-side with officers of the bank, or have the same experts work in the capacity of advisers.

At the end of March 1973, 5 national private banks were cooperating with state banks and 2 with foreign banks.

As of July 1972, to prevent the banks from their liabilities exceeding

their capabilities in the context of the granting of bank guarantees, Bank Indonesia revised the operating limits for the granting of the said guarantees.<sup>8)</sup> Thenceforth, bank guarantees may only be granted in Rupiah currency and only to residents, whereas the granting of bank guarantees in foreign exchange was prohibited.

The Bank Indonesia's policy with respect to the guidance of banks, especially national private banks, resulted until the end of March 1973 in credit approvals by Bank Indonesia to the extent of Rp 8,904 million with a debit balance of Rp 7,948 million. Of the said approvals, loans on the basis of rediscount amounted to Rp 5,058 million and were granted to 56 banks; of the aforesaid amount Rp 4,265 million was realized by 40 banks. Then emergency credit facilities to the amount of Rp 3,515 million were granted to 14 banks; of the aforesaid amount Rp 3,522 million was realized by 15 banks. Credit approvals for clearing to the extent of Rp 331 million were granted to 21 banks, of which amount Rp 161 million was realized by 13 banks.

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7) Bank Indonesia circular letter No. 5/87/UPPB/PbB dated September 13, 1972.

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8) Bank Indonesia circular letter No. 5151 / UPPB/PbB dated July 12, 1972.

In the meantime, national private banks and Local Development Banks were granted the opportunity to deposit their excess cash with Bank Indonesia in a Special Deposit account. The said deposits enjoy a monthly interest of 1 % computed over the lowest balance in the month concerned.

At the end of March 1973, the figure representing the highest balance on special deposits was Rp 1,436.6 million, the lowest Rp 758.7 million. The foregoing figures show a decline in comparison with end of March 1972 figures, viz. Rp 2,405.05 million for the highest balance and Rp 1,897.5 million for the lowest.

### Banking developments

Table 13 shows the number of banks and their offices in the whole of Indonesia. At the end of March 1973, the number of banks and commercial bank offices declined and numbered respectively 130 banks and 889 offices as against 142 banks and 899 offices at the end of March 1972. The number of Local Development Banks increased by 6, whereas the number of other bank offices did not change. The decline in the number of banks was

mainly connected to the merging of several banks in response to the suggestions made by the Government. In addition, some banks had lost their operating licenses due to the fact that they had been found incapable of continuing their operations in a proper manner.

The number of banks established during the period under report was 46 and consisted of 40 Commercial Bank offices and 6 Local Development Bank offices. Most of the newly established bank offices were the direct result of expanded banking operations due to the growing public demand for banking services.

At the end of the period under report, the consolidated balance sheet mobilized funds and loans granted with respect to commercial banks as a whole had reached the extent of Rp 1,146.6 billion, Rp 631.4 billion and Rp 567.5 billion, respectively. The consolidated balance sheet total of commercial banks had thus increased by Rp 359.6 billion or by 45.7%. The increase in mobilized funds of Rp 159.9 billion or 33.9% facilitated the increase in the volume of loans granted by Rp 162.6 billion or by 40.2%. It should be added that funds received from Bank Indonesia amounted to Rp 174.8 billion as

**TABLE 13 – NUMBER OF BANKS AND THEIR OFFICES IN INDONESIA <sup>1)</sup>**

|   | March 1972                 | 1972/1973   |                    | March 1973                 |
|---|----------------------------|-------------|--------------------|----------------------------|
|   | Number of<br>banks/offices | Established | Licence<br>revoked | Number of<br>banks/offices |
| <b>Commercial Banks</b>                   |                            |             |                    |                            |
| State Banks                               |                            |             |                    |                            |
| Number of banks                           | 5                          | —           | —                  | 5                          |
| Number of offices                         | 598                        | 20          | 17                 | 601                        |
| National private banks                    |                            |             |                    |                            |
| Number of banks                           | 126                        | 3           | 15                 | 114                        |
| Number of offices                         | 285                        | 18          | 33                 | 270                        |
| Branches of Foreign Banks                 |                            |             |                    |                            |
| Number of banks                           | 11                         | —           | —                  | 11                         |
| Number of offices                         | 16                         | 2           | —                  | 18                         |
| <b>Development Banks</b>                  |                            |             |                    |                            |
| BAPINDO                                   |                            |             |                    |                            |
| Number of banks                           | 1                          | —           | —                  | 1                          |
| Number of offices                         | 19                         | —           | —                  | 19                         |
| Local Development Banks                   |                            |             |                    |                            |
| Number of banks                           | 26                         | —           | —                  | 26                         |
| Number of offices                         | 92                         | 6           | —                  | 98                         |
| Private Development Banks                 |                            |             |                    |                            |
| Number of banks                           | 1                          | —           | —                  | 1                          |
| Number of offices                         | 1                          | —           | —                  | 1                          |
| <b>Savings Banks</b>                      |                            |             |                    |                            |
| State Saving Banks                        |                            |             |                    |                            |
| Number of banks                           | 1                          | —           | —                  | 1                          |
| Number of offices                         | 7                          | —           | —                  | 7                          |
| Private Saving Banks                      |                            |             |                    |                            |
| Number of banks                           | 10                         | —           | —                  | 10                         |
| Number of offices                         | 10                         | —           | —                  | 10                         |
| <b>Other Secondary Banks<sup>2)</sup></b> |                            |             |                    |                            |
| Village banks                             | 2,387                      | —           | —                  | 2,387                      |
| Paddy banks                               | 1,667                      | —           | —                  | 1,667                      |
| Retailers banks                           | 74                         | —           | —                  | 74                         |
| Cooperative banks                         | 2                          | —           | —                  | 2                          |
| Total number of offices                   | 5,158                      | 46          | 50                 | 5,154                      |

1) Excludes representative offices

2) Only secondary banks which have received operating licences/certificates to continue their operations.

**TABLE 14 – COMBINED BALANCE SHEET OF DEPOSIT MONEY BANKS**  
( millions of Rupiahs )

|                                      | March 1972 1)  |                           |   |                | March 1973     |                           |   |                  |
|--------------------------------------|----------------|---------------------------|---|----------------|----------------|---------------------------|---|------------------|
|                                      | State Banks 2) | National Private banks 3) | Branches of foreign banks/ joint ventures | Total          | State Bank 2)  | National Private banks 3) | Branches of foreign banks/ joint ventures | Total            |
| <b>Assets</b>                        |                |                           |   |                |                |                           |   |                  |
| Cash in hand                         | 13,402         | 2,413                     | 739                                       | 16,554         | 21,424         | 3,301                     | 1,247                                     | 25,972           |
| Bank Indonesia                       | 50,354         | 6,771                     | 3,542                                     | 60,667         | 72,757         | 8,814                     | 6,271                                     | 87,842           |
| Other banks                          | 8,562          | 3,302                     | 22,051                                    | 33,915         | 11,192         | 7,163                     | 20,898                                    | 39,253           |
| Securities                           | 3,262          | 148                       | 1   | 3,411          | 9,466          | 259                       | —   | 9,725            |
| Domestic drafts                      | 2,605          | 542                       | 222                                       | 3,369          | 828            | 1,103                     | 723                                       | 2,654            |
| Loans outstanding                    | 357,183        | 32,346                    | 15,300                                    | 404,829        | 481,344        | 51,897                    | 34,237                                    | 567,478          |
| Foreign exchange assets              | 112,456        | 940                       | 62,533                                    | 175,929        | 204,996        | 7,697                     | 77,687                                    | 290,380          |
| Participations                       | 58             | 150                       | —   | 208            | 839            | 180                       | —   | 1,019            |
| Premises and inventory               | 12,441         | 4,127                     | 1,523                                     | 18,091         | 15,094         | 4,919                     | 2,262                                     | 22,275           |
| Other assets 4)                      | 56,379         | 6,584                     | 7,038                                     | 70,001         | 78,713         | 8,504                     | 12,745                                    | 99,962           |
| <b>Total assets</b>                  | <b>616,702</b> | <b>57,323</b>             | <b>112,949</b>                            | <b>786,974</b> | <b>896,653</b> | <b>93,837</b>             | <b>156,070</b>                            | <b>1,146,560</b> |
| <b>Liabilities</b>                   |                |                           |   |                |                |                           |   |                  |
| Paid-up capital                      | 821            | 5,728                     | 3,831                                     | 10,380         | 821            | 10,025                    | 4,346                                     | 15,192           |
| Reserves and profit and loss account | 23,715         | —443                      | 1,777                                     | 25,049         | 45,528         | 1,744                     | 3,388                                     | 50,660           |
| Debt outstanding                     | 3,993          | 827                       | —   | 4,820          | 876            | 1,224                     | —   | 2,100            |
| Time deposit/saving                  | 127,474        | 14,911                    | 15,529                                    | 157,914        | 161,563        | 15,228                    | 25,794                                    | 202,585          |
| Balance on current account           | 121,318        | 20,003                    | 11,250                                    | 152,571        | 200,454        | 31,568                    | 22,054                                    | 254,076          |
| Bank Indonesia                       | 154,018        | 7,025                     | —   | 161,043        | 168,431        | 6,355                     | —   | 174,786          |
| Other banks                          | 23,032         | 1,030                     | 139                                       | 24,202         | 34,103         | 2,744                     | 608                                       | 37,455           |
| Drafts payable                       | 2,733          | 440                       | 154                                       | 3,327          | 3,625          | 1,536                     | 756                                       | 5,917            |
| Guarantee deposits                   | 4,362          | 1,823                     | 2,525                                     | 8,710          | 4,341          | 2,004                     | 2,153                                     | 8,498            |
| Foreign exchange liabilities         | 110,726        | 700                       | 71,022                                    | 182,448        | 208,255        | 12,856                    | 90,552                                    | 311,663          |
| Other liabilities 4)                 | 44,510         | 5,279                     | 6,722                                     | 56,511         | 68,656         | 8,553                     | 6,419                                     | 83,628           |
| <b>Total liabilities</b>             | <b>616,702</b> | <b>57,323</b>             | <b>112,949</b>                            | <b>786,974</b> | <b>896,653</b> | <b>93,837</b>             | <b>156,070</b>                            | <b>1,146,560</b> |

1) Revised figures

2) Includes BAPINDO

3) Includes local development banks

4) Includes inter-office accounts as a compensating result of assets and liabilities

**TABLE 15 – MONTHLY AVERAGE OF LIQUIDITY POSITION OF BANKS**  
( millions of Rupiahs )

|                                       | 1971/1972      |                           |               |         | 1972/1973      |                           |               |         |
|---------------------------------------|----------------|---------------------------|---------------|---------|----------------|---------------------------|---------------|---------|
|                                       | State Banks 1) | National Private Banks 2) | Foreign Banks | Total   | State Banks 1) | National Private Banks 2) | Foreign Banks | Total   |
| Liquid assets                         | 46,928         | 9,578                     | 5,971         | 62,477  | 80,063         | 14,532                    | 9,019         | 103,615 |
| Current liabilities                   | 130,316        | 24,131                    | 13,406        | 167,852 | 227,608        | 31,223                    | 25,142        | 283,972 |
| Percentage of liquidity               | 36,0%          | 39,7%                     | 44,5%         | 37,2%   | 35,2%          | 46,5%                     | 35,9%         | 36,5%   |
| 30% of current liabilities            | 39,095         | 7,239                     | 4,022         | 50,356  | 68,282         | 9,367                     | 7,543         | 85,192  |
| Excess liquid assets                  | 7,833          | 2,339                     | 1,949         | 12,121  | 11,781         | 5,165                     | 1,476         | 18,423  |
| Required reserves with Bank Indonesia | 13,032         | 2,413                     | 1,341         | 16,785  | 22,761         | 3,122                     | 2,514         | 28,397  |
| Total reserves with Bank Indonesia    | 30,064         | 4,651                     | 2,986         | 37,701  | 60,350         | 6,577                     | 5,089         | 72,016  |

1) Includes BAPINDO

2) Includes local development banks.

against Rp 161.0 billion in the previous year, which implies that the increase in the volume of loans granted was financed mainly by the increase in the banks' own funds.

State banks continued to play the most prominent role in Indonesian banking operations, whether viewed from the balance sheet total (78.2%), mobilized funds (84.0%) or from the volume of loans granted (84.8%).

The balance sheet total of national private banks increased from Rp 57.3 billion to Rp 93.8 billion or by Rp 36.5 billion (63.7%). In comparison to the consolidated balance sheet total of commercial banks, the share of national private banks had also increased, viz. from 7.3% to 8.2%.

On the other hand, despite the fact that the balance sheet total of the branch offices of foreign banks had also increased, viz. by Rp 43.1 billion, at the end of the period under report, the activities of the said offices if projected against the combined balance sheet total had declined from 14.4% to 13.6%.

Aside from looking at it from the balance sheet totals, the develop-

ment of banking activities may also be viewed from their liquidity position. During the period under report, the banks' liquidity position continued to stay above the mandatory minimum requirement of 30%. If compared with the percentage average during 1971/1972, a slight decline may be observed, viz. from 37.2% to 36.5%. Even so, an increase could be observed in the use of the banks' own funds to support economic activities.

The banks were not only found to be successful in keeping their liquidity position above the mandatory minimum percentage of 30%, but they also succeeded in meeting the requirements concerning the mandatory minimum balance on transfer account with Bank Indonesia.

### [Financial institutions other than banks](#)

The establishing of financial institutions other than banks was subjected to the condition that foreign banks already in the possession of a branch office in Indonesia or of an enterprise the shares of which are for a part or for the whole owned by the said foreign banks or by their head

office, may not take part in the establishing of the said institutions.<sup>1)</sup>

Financial institutions other than banks shall for the time being take one of the two forms mentioned below, viz.:

- development finance corporations
- investment finance corporations.

With respect to development finance corporations may be reported

that PT Indonesian Development Finance Company ( I D F C ) was granted a permanent operating licence, whereas PT Private Development Finance Company of Indonesia (PDFCI) was still in the process of being established. As regards investment finance corporations, a principal approval was granted to 5 state banks and 2 national private enterprises for the establishing of a financial institution in the form of, a joint venture with foreign partner.

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1) Bank Indonesia circular letter No. 5/266/UPD/DPUM dated November 16, 1972



## VI. INTERNATIONAL RELATIONS

The policy in the field of international sector aimed at improving foreign trade and economic relations as well as foreign exchange earnings. To achieve the said objectives, a number of regulations were issued with respect to the sectors of export, import and foreign payments transactions.

### Export

Since export plays such an important part in development executions, the Government has always paid attention to the intensification of the export sector. In this connection, the broadening of the pattern of exports, the changing over from exporting raw material to that of finished as well as semi-finished goods must be continuously improved and be stimulated by various kinds of incentives beneficial to exporters.

In order to achieve the above objectives, a number of regulations were issued pertaining to the export sector, inter alia, those mentioned below:

1. To intensify the production of agricultural produce for export, the

Minister of Finance subjected the cess on the export of coffee, tea and palm oil/kernels to the following revision :

|                      | Old        | New        |
|----------------------|------------|------------|
| — Coffee with stamps | Rp 5.— /kg | Rp 7.50/kg |
| — T e a              | Rp 3.— /kg | Rp 6.— /kg |
| — a. Palm oil        | Rp 0.60/kg | Rp 2.60/kg |
| b. Palm kernels*)    | Rp 0.60/kg | Rp —.—     |

\*) For interinsular trade and industry

For the purpose of shifting the pattern of exports from the exports of copra to that of finished products from copra, as of March 1973 the cess on copra was revised as follows :

|  | Tariff change |            |
|--|---------------|------------|
|  | Old           | New        |
| — Copra for export   | Rp 2.50/kg    | Rp 2.50/kg |
| — Copra for inter-insular trade  | Rp 5.— /kg    | Rp —.—     |
| a. In Bapengko areas :   |               |            |
| copra for the industry/oil extraction plants which export oil          | Rp —.—        | Rp 2.50/kg |
| b. Outside Bapengko areas  | Rp —.—        | Rp 5.— /kg |
| c. From one Bapengko area to another                                   | Rp —.—        | Rp 5.— /kg |
| — Copra used as raw material of industry/coconut oil extraction plants | Rp 5.— /kg    | Rp —.—     |
| a. For export  | Rp —.—        | Rp 2.50/kg |
| b. For domestic consumption  | Rp —.—        | Rp 5.— /kg |

2. To develop the trade in hides and increase the foreign exchange earnings from the export of hides in the respective areas, exporters as well as traders in hides so designated by the Department of Trade were placed in the following categories, viz.:
  - a. Recognized exporters of hides
  - b. Recognized traders in hides.

As of March 1973 the export of and inter-insular trade in raw hides was prohibited. This was intended to support and facilitate the development of the domestic leather industry and to speed up the change-over from the export of raw hides into that of leather.

3. To facilitate the export of rubber, as of May 1972 the exports of rubber produced by state rubber plantations was exempted from the provision on rubber check prices.

## Import

The policy in the import sector always aimed at developing the do-

mestic industries as a means of supporting the development executions. In order that the said policy be more effective in achieving the desired objectives, both the structure of import goods and their categorization by tariff of import duty became the subject of an expansion, with the result that the scale of demand for import goods had improved. In the meantime, the import duties on goods included in the categories of essential commodities, raw material and capital goods were reduced in order to ensure the supply thereof.

The import regulations consisted, inter alia, of the following:

1. Since the domestic offset printing industry was found to be capable of producing goods of as good a quality as that of those produced abroad, the import of selected products of the offset printing industry, such as cigarette wrappers and drug labels, was prohibited.
2. To develop the sole agency and the assembly of motor vehicles, as of May 1972 the import of motor vehicles in c.k.d. condition was to be effected only by hold-

- ers of trade marks or sole agents of the motor vehicles concerned.
3. To ensure the smooth supply of salt which is considered as an essential commodity, both the import and distribution of salt was to be effected only by and under the coordination of the Badan Urusan Logistik (Food Procurement Agency).
  4. In virtue of Government Regulation No. 2 of 1973 effective as of January 1973, the Brussels Tariff Nomenclature (BTN) was introduced in substitution of the Geneva system of 1937 to determine the tariff schedule of Indonesian import duties. The said substitution was made with, inter alia, the following objectives in mind:
    - a. To accomodate the new commodity developed by modern technological means, which have not been listed by the Geneva system of classification.
    - b. To make perfect the tariff schedules of both import duty and sales tax, by means of which it was expected:
      - to give proper protection to the domestic industry;
      - to help expand production activities as well as work opportunities;
      - to limit the consumption of non-essential goods;
      - to make better use of the foreign exchange earned;
      - to make for a better collection of government receipts.
  5. In the frame of the supply of fertilizers, the Government after due consideration of the fact that the domestic production of fertilizers fell still short of the demand for the said product, stipulated that as of March 1973 the import of selected kinds of fertilizers shipped under certain conditions of packaging, were to be exempted from both import duty and import sales tax.

## Services

During the period under report, the policy in the services sector had not changed much compared with

the previous year. All kind of services transactions, whether in the form of receipts from abroad or payments to abroad could still be effected without interference from or prior approval of the Government.

### Foreign loans

1. To bring order in the matter of loans received from abroad and to get more benefit as well from the said loans, Presidential Decision No. 59 of 1972 stipulated inter alia that:

- a. Departments, Government institutions other than Departments and Local Governments were not permitted to utilize and/or receive loans from abroad. The said bodies may utilize only those foreign loans which the Government of the Republic of Indonesia has received from abroad.
- b. State enterprises and Local Government enterprises may receive loans from abroad on condition that they have the permit of the Minister of Finance to receive such loans

and that they submit periodic reports of the receipts of the said loans to the Department of Finance and Bank Indonesia.

- c. Private enterprises do not require a permit from the Minister of Finance to receive foreign loans; they are obligated, however to report the receipt of such foreign loans to the Department of Finance and Bank Indonesia.

### Balance of payments

The economic and monetary policies of the Government during 1972/1973 were a continuation of the measures drawn up in the preceding years, and consisted inter alia of efforts to intensify the development process and at the same time to secure the stable monetary situation which had already been achieved. Especially with respect to the balance of payments sector, the said policies aimed at strengthening the position of export commodities and at building up foreign exchange reserves at a more appropriate level. In this connection, Indonesia's bal-

**TABLE 16 – BALANCE OF PAYMENTS OF INDONESIA 1)**  
(millions of US \$)

|   | 1970/1971 | 1971/1972 | 1972/1973 2) |
|---|-----------|-----------|--------------|
| <b>A. Goods and services</b>                                    | – 353     | – 452     | – 660        |
| 1. Merchandise goods: Export f.o.b.                             | + 1,204   | + 1,374   | + 1,939      |
| Import f.o.b.   | – 1,102   | – 1,287   | – 1,832      |
| 2. Non-monetary gold  | –         | –         | –            |
| 3. Freight and insurance related to import                      | – 140     | – 153     | – 205        |
| 4. Other transportation   | – 5       | – 10      | – 20         |
| 5. Travel   | – 16      | – 26      | – 22         |
| 6. Investment income  | – 135     | – 199     | – 360        |
| 6.1. Direct investment  | (– 129)   | (– 187)   | (– 318)      |
| 6.2. Other  | (– 6)     | (– 12)    | (– 42)       |
| 7. Government, not included elsewhere                           | – 20      | – 20      | – 14         |
| 8. Other services   | – 139     | – 131     | – 146        |
| Balance of goods and services (1 through 8)                     | – 353     | – 452     | – 660        |
| Balance of goods (1 through 2)                                  | + 102     | + 87      | + 107        |
| Balance of services (3 through 8)                               | – 455     | – 539     | – 767        |
| <b>B. Grants</b>  | + 45      | + 52      | + 63         |
| 9. Private  | –         | –         | –            |
| 10. Government  | + 45      | + 52      | + 63         |
| <b>C. 11. Special Drawing Rights (SDR)</b>                      | + 28      | + 30      | –            |
| Total (1 through 11)  | – 280     | – 370     | – 597        |
| <b>D. Capital and Monetary Gold</b>                             | + 336     | + 413     | + 501        |
| <i>Non-monetary sector</i>                                      | + 357     | + 438     | + 873        |
| 12. Private sector  | + 131     | + 177     | + 515        |
| 12.1. Long term liabilities                                     | + 90      | + 173     | + 504        |
| a. Direct investment  | (+ 90)    | (+ 173)   | (+ 254)      |
| b. Other  | (– )      | (– )      | (+ 250)      |
| 12.2. Long term assets  | + 5       | –         | –            |
| a. Direct investment  | (– )      | (– )      | (– )         |
| b. Other  | (+ 5)     | (– )      | (– )         |
| 12.3. Short term liabilities                                    | + 36      | + 4       | + 11         |
| 12.4. Short term assets   | –         | –         | –            |
| 13. Government sector   | + 226     | + 261     | + 358        |
| 13.1. Long term liabilities (net)                               | + 256     | + 261     | + 358        |
| 13.2. Long term assets  | –         | –         | –            |
| 13.3. Short term liabilities (net)                              | – 30      | –         | –            |
| 13.4. Short term assets   | –         | –         | –            |
| <i>Monetary sector</i>  | – 21      | – 25      | – 372        |
| 14. Central Bank  |           |           |              |
| 14.1. IMF position (net)  | + 29      | – 17      | – 30         |
| 14.2. Short term liabilities (net)                              | – 50      | + 40      | + 22         |
| 14.3. Movement in foreign exchange holdings<br>( – = Increase ) | –         | – 48      | – 364        |
| 14.4. Movement in monetary gold holdings<br>( – = increase )    | –         | –         | –            |
| 15. Foreign exchange banks                                      |           |           |              |
| 15.1. Short term liabilities (net)                              | –         | –         | –            |
| 15.2. Movement in foreign exchange holdings<br>( – = increase ) | –         | –         | –            |
| <b>Net errors and omissions</b>                                 | – 56      | – 43      | + 96         |

1) Includes oil and oil products

2) Provisional figures

ance of payments during 1972/1973 enjoyed a surplus of US \$ 372 million as against a surplus of US \$ 25 million in 1971/1972 (Table 16).

Since the total export value had risen by US \$ 565 million, viz. from US \$ 1,374 million in 1971/1972 to US \$ 1,939 million in 1972/1973, while the total import value over the same period had increased by US\$ 545 million to reach US \$ 1,832 million, the balance of trade in 1972/1973 revealed a surplus of US - \$ 107 million as against a surplus of US \$ 87 million in the previous year. But since the service account continued to suffer a large deficit which failed to be offset by the surplus in the balance of trade, the current account suffered a deficit of US\$ 660 million in 1972/1973 in comparison with the deficit of US \$ 452 million in 1971/1972.

Grant receipts rose from US \$ 52 million in 1971/1972 to US \$ 63 million in 1972/1973, whereas the non-monetary capital sector increased by US \$ 435 million, viz. from US \$ 438 million in 1971/1972 to US \$ 873 million in 1972/1973.

Taking into account the net errors and omissions as represented by the receipts of US \$ 96 million, the balance of payments as a whole showed in 1972/1973 a surplus of US \$ 372 million. It should be mentioned that the said surplus was achieved in the presence of payments to the I.M.F. to the extent of US\$ 30 million, an increase in short-term liabilities of US \$ 22 million and an improvement in foreign exchange reserves of US \$ 364 million.

### Balance of trade

In contrast to 1971/1972 in which the foreign trade sector was to a great extent affected by the recession and inflation in several industrial nations and by the decline in the world market prices of some Indonesia's export commodities, the development of the foreign trade sector in 1972/1973 was quite satisfactory. This was not only attributable to the increasing rate of growth of the world trade, but also to higher world market prices. At the same

**TABLE 17 – EXPORTS (F.O.B.)**  
(millions of US \$)

|   | 1970/1971         | 1971/1972         | 1972/1973         | Percentage change (%)<br>1971/1972-1972/1973 |
|---|-------------------|-------------------|-------------------|--|
| <b>A. Export excl. oil and oil products</b> | <b><u>752</u></b> | <b><u>784</u></b> | <b><u>974</u></b> | <b><u>24.2</u></b>                           |
| Rubber                                      | 256               | 215               | 211               | -1.9   |
| Coffee                                      | 62                | 54                | 83                | 53.7   |
| T i n                                       | 61                | 64                | 70                | 9.4  |
| Wood  | 130               | 170               | 273               | 60.6   |
| Palm oil products                           | 46                | 51                | 46                | -9.8   |
| – Palm oil                                  | ( 41 )            | ( 46 )            | ( 42 )            | ( -8.7 )                                     |
| – Palm kernels                              | ( 5 )             | ( 5 )             | ( 4 )             | ( - 20.0)                                    |
| Copra products                              | 41                | 20                | 19                | -5.0   |
| – Copra                                     | ( 33 )            | ( 8 )             | ( 6 )             | ( -25.0 )                                    |
| – Copra cakes                               | ( 8 )             | ( 12 )            | ( 13 )            | ( 8.3 )                                      |
| Tobacco                                     | 14                | 19                | 32                | 68.4   |
| Pepper                                      | 10                | 21                | 21                | —  |
| T e a                                       | 23                | 30                | 31                | 3.3  |
| Hides                                       | 6                 | 6                 | 11                | 83.3   |
| Foodstuffs                                  | 31                | 42                | 37                | -11.9  |
| – Tapioca                                   | ( 10 )            | ( 14 )            | ( 11 )            | ( -21.4)                                     |
| – Other foodstuffs                          | ( 21 )            | ( 28 )            | ( 26 )            | ( - 7.1)                                     |
| Nutmeg and mace                             | 2                 | 2                 | 2                 | —  |
| Animals and livestock products              | 11                | 23                | 42                | 82.6   |
| Mining products                             | 16                | 18                | 29                | 61.1   |
| Other Spices                                | 4                 | 4                 | 4                 | —  |
| Other                                       | 39                | 45                | 63                | 40.0   |
| <b>B.Over price</b>                         | <b><u>9</u></b>   | <b><u>—</u></b>   | <b><u>—</u></b>   | <b><u>—</u></b>                              |
| <b>C.Export of oil and oil products</b>     | <b><u>443</u></b> | <b><u>590</u></b> | <b><u>965</u></b> | <b><u>63.5</u></b>                           |
| <b>Total (A + B + C)</b>                    | <b>1,204</b>      | <b>1,374</b>      | <b>1,939</b>      | <b>41.1</b>                                  |

time imports also increased significantly, inter alia, because of the higher prices of commodities imported from abroad, the devalua-

tion of the U.S. Dollar and the larger volume of foodstuffs imports, especially rice, due to the fall of domestic rice production.

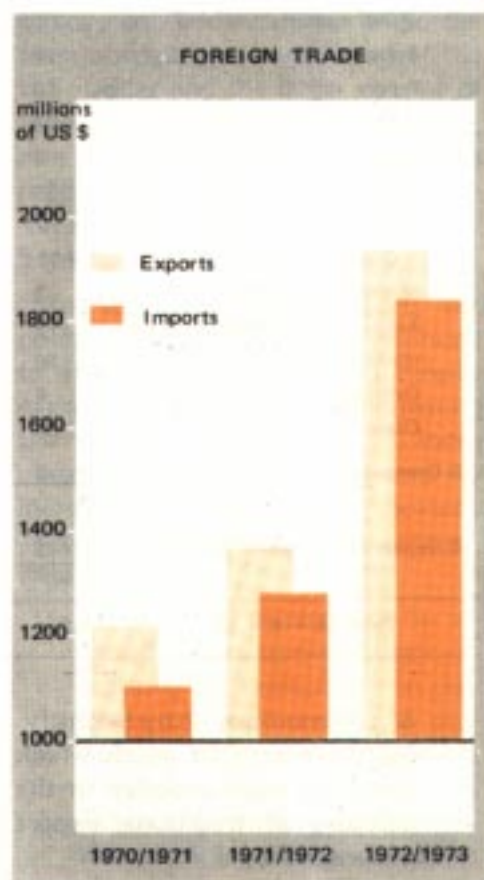
**TABLE 18 — BALANCE OF TRADE**  
(millions of US \$)

|           | Import (f.o.b.) |               |               | Export (f.o.b.) |               |               | Balance of trade |               |               | Percentage change (%)<br>1971/1972—1972/1973 |        |
|-----------|-----------------|---------------|---------------|-----------------|---------------|---------------|------------------|---------------|---------------|--|--------|
|           | 1970/<br>1971   | 1971/<br>1972 | 1972/<br>1973 | 1970/<br>1971   | 1971/<br>1972 | 1972/<br>1973 | 1970/<br>1971    | 1971/<br>1972 | 1972/<br>1973 | Import                                       | Export |
| 1st Qtr.  | 259             | 294           | 363           | 281             | 314           | 425           | + 22             | + 20          | + 62          | 23.4   | 35.3   |
| 2nd Qtr.  | 291             | 348           | 393           | 298             | 340           | 458           | + 7              | — 8           | + 65          | 12.9   | 34.7   |
| 3rd Qtr.  | 280             | 312           | 517           | 315             | 343           | 497           | + 35             | + 31          | — 20          | 65.7   | 44.9   |
| 4th Qtr.  | 272             | 333           | 559           | 310             | 377           | 559           | + 38             | + 44          | —             | 66.8   | 48.3   |
| T o t a l | 1,102           | 1,287         | 1,832         | 1,204           | 1,374         | 1,939         | +102             | + 87          | +107          | 42.3   | 41.1   |

## Export

In the year under report, the policy in the export sector continued to emphasize the effort to intensify exports by means of strengthening the competitive position of Indonesian export commodities and by increasing the earnings of exporters. This was accomplished by means of, inter alia:

- lowering the export tax on selected export commodities;
- granting tax exemptions on products of handicraft and products of the domestic industry designed for export;
- expanding the export base by means of exporting new kinds of



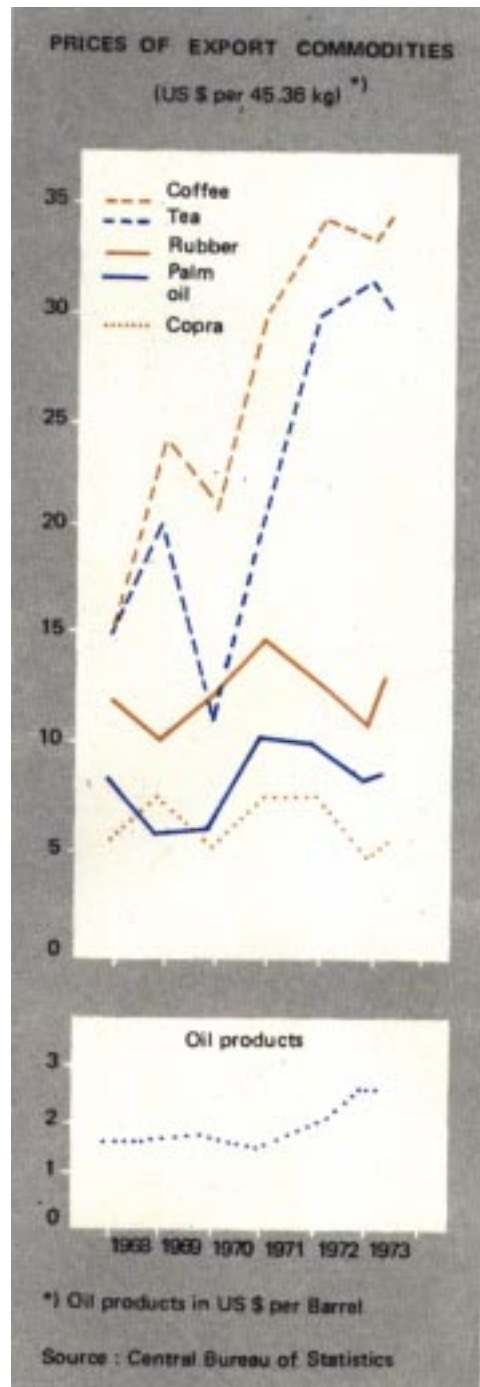
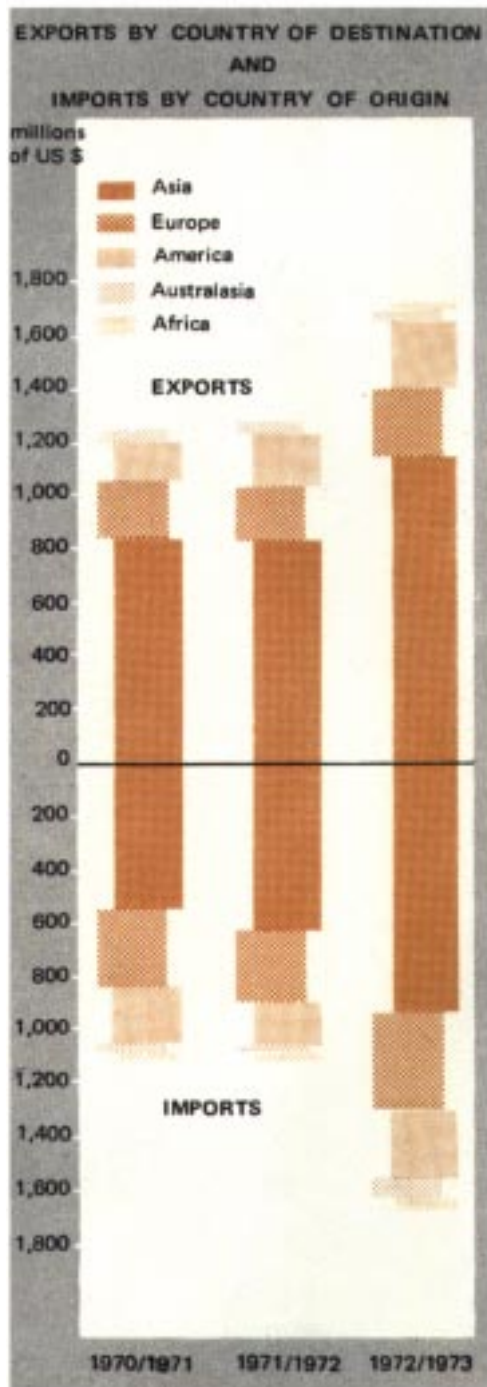


**TABLE 19 —EXPORTS BY COUNTRY OF DESTINATION**  
(millions of US \$)

|  | 1970/1971    | 1971/1972 <sup>1)</sup> | 1972/1973 <sup>1)</sup> |
|--|--------------|-------------------------|-------------------------|
| <b>Europe</b>  |              |                         |                         |
| United Kingdom and Republic of Ireland                                       | 17           | 10                      | 18                      |
| Germany  | 64           | 61                      | 69                      |
| France   | 8            | 7                       | 11                      |
| Belgium and Luxemburg  | 16           | 16                      | 25                      |
| Netherlands  | 67           | 64                      | 78                      |
| Italy  | 8            | 8                       | 21                      |
| Denmark  | 3            | 5                       | 5                       |
| Norway   | 1            | 1                       | 1                       |
| Sweden   | 1            | 1                       | 1                       |
| Other  | 30           | 13                      | 17                      |
| Total exports to Europe  | 215          | 186                     | 246                     |
| Percent of total export value  | 17.3%        | 14.8%                   | 14.3%                   |
| <b>America</b>   |              |                         |                         |
| Canada   | —            | 3                       | 1                       |
| United States of America   | 146          | 206                     | 240                     |
| Other  | 4            | 4                       | 41                      |
| Total exports to America   | 150          | 213                     | 282                     |
| Percent of total export value  | 12.1%        | 16.9%                   | 16.4%                   |
| <b>Africa</b>  |              |                         |                         |
| United Arab Republic   | —            | —                       | 1                       |
| Portugese East Africa  | —            | —                       | —                       |
| Union of South Africa  | —            | —                       | —                       |
| Other  | 1            | 1                       | 4                       |
| Total exports to Africa  | 1            | 1                       | 5                       |
| Percent of total export value  | 0.1%         | 0.1%                    | 0.3%                    |
| <b>Asia</b>  |              |                         |                         |
| Iraq   | —            | —                       | 5                       |
| India  | —            | —                       | —                       |
| Pakistan   | —            | —                       | —                       |
| Burma  | —            | 1                       | —                       |
| Thailand   | —            | —                       | —                       |
| Malaysia   | 16           | 7                       | 22                      |
| Singapore  | 175          | 131                     | 198                     |
| Vietnam  | —            | —                       | —                       |
| Hongkong   | 13           | 10                      | 13                      |
| China  | —            | —                       | —                       |
| Japan  | 476          | 602                     | 852                     |
| Philippines  | 25           | 25                      | 1                       |
| Other  | 139          | 59                      | 65                      |
| Total exports to Asia  | 844          | 834                     | 1,156                   |
| Percent of total export value  | 68.1%        | 66.2%                   | 67.0%                   |
| <b>Australasia</b>   |              |                         |                         |
| Australia  | 18           | 14                      | 13                      |
| New Zealand  | —            | 1                       | 1                       |
| Oceania—Hawaii   | 12           | 11                      | 20                      |
| Total exports to Australasia   | 30           | 26                      | 34                      |
| Percent of total export value  | 2.4%         | 2.0%                    | 2.0%                    |
| Via free ports : Sabang, Tajung Uban, and port<br>not specifically mentioned | —            | —                       | —                       |
| Percent of total export value  | —            | —                       | —                       |
| <b>Grand total</b>   | <b>1,240</b> | <b>1,260</b>            | <b>1,723</b>            |

1) Provisional figures

Source : Central Bureau of Statistics.



commodities or by intensifying the export of goods which have not been included in the category of traditional export commodities.

Table 17 shows the development of the export value by export commodities during 1970/1971 through 1972/1973 inclusive.

The export value of crude oil increased by 63.5%, viz. from US \$ 590 million in 1971/1972 to US \$ 965 million in 1972/1973. The said increase was due not only to the increase in the price of crude oil from US \$ 2.60 to US \$ 2.96 per barrel, effective as from April 1972, but also because of the higher level of production mainly of the foreign oil companies operating under production sharing arrangements. Accounting for the payments for imports and services in the oil sector of US \$ 159 million and US \$ 407 million, respectively, the net earnings from crude oil exports in 1972/1973 amounted to US \$ 399 million as against US \$ 204 million in 1971/1972.

The increase in export value (excluding crude oil) from US \$ 784 million to US \$ 974 million in 1972/1973 (+ 24.2%) was mainly due to the higher figures for timber, coffee, tin, tobacco, cattle and mineral exports. Other kinds of export commodities, however, such as rubber, palm oil/kernels, copra and foodstuffs had declined. The export value of timber increased by 60.6% to reach US \$ 273 million in 1972/1973. Hence, as of the year under report, timber occupies the second most prominent position (after crude oil) in the order of export commodities, having crowded out rubber which had slightly declined in export value, viz. from US \$ 215 million in 1971/1972 to US \$ 211 million in 1972/1973. Although the export volume of rubber had slightly increased, its export value, however, failed to reach the level of the previous year due to the fact that the increase in the rubber price during the second semester failed to offset the decline in the rubber price during the preceding periods.

Table 18 presents the quarterly developments of the export value.

**TABLE 20 – IMPORT (C.I.F.) BY COMMODITY GROUP**  
(millions of US \$ )

|                  | 1970/1971    | 1971/1972    | 1972/1973 <sup>1)</sup> | Percentage change (%)<br>1971/1972 – 1972/1973 |
|------------------|--------------|--------------|-------------------------|--|
| Raw materials    | 418          | 444          | 659                     | 48.4   |
| Capital goods    | 424          | 501          | 745                     | 48.7   |
| Consumer goods   | 268          | 187          | 260                     | 39.0   |
| <b>T o t a l</b> | <b>1,110</b> | <b>1,132</b> | <b>1,664</b>            | <b>47.0</b>                                    |

1) Provisional figures

Source : Central Bureau of Statistics

**TABLE 21 – IMPORT (F.O.B.)**  
(millions of U.S. \$.)

|   | 1970/1971    | 1971/1972    | 1972/1973    | Percentage change (%)<br>1971/1972 – 1972/1973 |
|---|--------------|--------------|--------------|--|
| General foreign exchange imports        | 419          | 361          | 816          | 126.0  |
| Aid foreign exchange imports            | 346          | 393          | 497          | 26.5   |
| – Program aid                           | ( 125)       | ( 139)       | ( 174)       | 25.1   |
| – Food aid                              | ( 39)        | ( 40)        | ( 67)        | 67.5   |
| – PL 480 (rice, wheat, cotton and yarn) | ( 105)       | ( 111)       | ( 126)       | 13.5   |
| – Project aid                           | ( 77)        | ( 103)       | ( 130)       | 26.2   |
| DP and free import                      | 32           | 42           | 19           | – 54.7   |
| Imports under direct investment         | 65           | 121          | 130          | 7.4  |
| Imports under merchant's L/C            | 146          | 238          | 211          | – 11.3   |
| <b>T o t a l</b>                        | <b>1,008</b> | <b>1,155</b> | <b>1,673</b> | <b>44.8</b>                                    |
| Imports of oil companies                | 94           | 132          | 159          | 20.4   |
| <b>T o t a l</b>                        | <b>1,102</b> | <b>1,287</b> | <b>1,832</b> | <b>42.3</b>                                    |

**TABLE 22 – IMPORTS BY COUNTRY OF ORIGIN**  
(millions of US \$)

|   | 1970/1971 | 1971/1972 | 1972/1973 <sup>1)</sup> |
|---|-----------|-----------|-------------------------|
| <b>Europe</b>   |           |           |                         |
| United Kingdom and Republic of Ireland                    | 34        | 51        | 69                      |
| Federal Republic of Germany                               | 97        | 78        | 125                     |
| German Democratic Republic                                | 1         | 31        | —                       |
| France  | 15        | 17        | 21                      |
| Belgium and Luxemburg                                     | 7         | 7         | 9                       |
| Netherlands   | 48        | 49        | 64                      |
| Italy   | 17        | 12        | 17                      |
| Czechoslovakia  | 4         | 1         | 1                       |
| Switzerland   | 8         | 9         | 12                      |
| Sweden  | 3         | 4         | 5                       |
| Spain   | —         | —         | —                       |
| Other   | 54        | 21        | 25                      |
| Total imports from Europe                                 | 288       | 280       | 348                     |
| Percent of total import value                             | 25.9%     | 24.7%     | 20.9%                   |
| <b>America</b>  |           |           |                         |
| Canada  | 2         | 1         | 9                       |
| United States of America                                  | 200       | 162       | 259                     |
| Other   | —         | 3         | 3                       |
| Total imports from America                                | 202       | 166       | 271                     |
| Percent of total import value                             | 18.2%     | 14.7%     | 16.3%                   |
| <b>Africa</b>   |           |           |                         |
| United Arab Republic                                      | 4         | —         | —                       |
| British East Africa                                       | 30        | 31        | 41                      |
| Union of South Africa                                     | —         | —         | —                       |
| Other   | 6         | 5         | 3                       |
| Total imports from Africa                                 | 40        | 36        | 44                      |
| Percent of total imports value                            | 3.6%      | 3.2%      | 2.6%                    |
| <b>Asia</b>   |           |           |                         |
| India   | 5         | 5         | 7                       |
| Pakistan  | 16        | 13        | 25                      |
| Burma   | 7         | 1         | —                       |
| Thailand  | 9         | 7         | 35                      |
| Malaysia  | 6         | 6         | 7                       |
| Singapore   | 64        | 71        | 98                      |
| Cambodia  | —         | —         | —                       |
| Hongkong  | 22        | 19        | 25                      |
| China   | 33        | 29        | 43                      |
| Japan   | 326       | 396       | 587                     |
| Philippines   | 2         | 4         | 5                       |
| Other   | 60        | 66        | 111                     |
| Total imports from Asia                                   | 550       | 617       | 943                     |
| Percent of total import value                             | 49.6%     | 54.5%     | 56.7%                   |
| <b>Australasia</b>  |           |           |                         |
| Australia   | 27        | 31        | 52                      |
| New Zealand and Oceania                                   | 3         | 2         | 6                       |
| Total imports from Australasia                            | 30        | 33        | 58                      |
| Percent of total import value                             | 2.7%      | 2.9%      | 3.5%                    |
| Via free port :   |           |           |                         |
| Sabang, Tanjung Uban and ports not specifically mentioned | —         | —         | —                       |
| Percent of total import value                             | —         | —         | —                       |
| Total imports of Indonesia                                | 1,110     | 1,132     | 1,664                   |

1) Provisional figures

Source : Central Bureau of Statistics.

The quarterly developments of the export value as a whole shows a continuously rising trend, viz. from US\$ 425 million in the 1st quarter of 1972/1973 to US \$ 559 million in the 4th quarter of the same year. Besides, the quarter of the year figures for exports in 1972/1973 are consistently higher than those for the corresponding periods in 1971/1972.

In 1972/1973 the pattern of exports by country of destination remained, broadly speaking, unchanged (Table 19). The bulk of exports was still directed to Asian countries (67.0%), the United States (16.4%) and Europe (14.3%). Japan and the United States took the biggest shares of our exports, viz. 49.4% and 13.9%, respectively, of the total export value in 1972/1973, followed successively by Singapore, the Netherlands and West Germany with shares of 11.5%, 4.5% and 4.0%, respectively. In contrast to the previous year, the exports to Australia had increased, viz. from US \$ 26 million in 1971/1972 to US \$ 34 million in 1972/1973.

## Import

The import value in the year under report increased by US \$ 545 million or by 43.1%, viz. from US\$ 1,287 million in 1971/1972 to US \$ 1,832 million. Factors affecting the higher import value were, inter alia, the inflation abroad, the devaluation of the US Dollar and the larger import of foodstuffs, especially that of rice. In contrast to 1971/1972 in which the import value of consumers' goods had declined in comparison with the preceding year, all categories of import commodities in 1972/1973 had increased in value. The import value of consumers' goods, raw material and capital goods were respectively higher by 39%; 48.4% and 48.7% (Table 20).

Most of the import in 1972/1973 consisted of capital goods and raw material, their percentage share being 44.8% and 39.6%, respectively, whereas consumers goods shared only for 15.6% of the total. The higher figure, in terms of percentages, for the first two categories of import

commodities was due to the larger imports in the context of project aid, foreign investments and to the import of raw material and other capital goods for the domestic industry.

In contrast to 1971/1972 in which imports financed by general foreign exchange had declined in value in comparison with the preceding year, the same had in 1972/1973 increased by US \$ 555 million (126.0%) to reach US\$ 816 million (Table 21).

Imports with the foreign aid rose by US \$ 104 million (or by 26.4%) viz. from US \$ 393 million in 1971/1972 to US \$ 497 million in 1972/1973. From the said increase, US \$ 77 million (or 74.0%) represented the increase in program aid, whereas US \$ 27 million (or 26.0%) constituted the increase in project aid.

No comparison can be made with the figures for the previous year in regard to complementary foreign exchange (DP) and free imports, due to the fact that as of the year under report such imports have been brought under the category of imports financed with general foreign

exchange. Imports under Merchant's L/C declined from US \$ 238 million in 1971/1972 to US \$ 211 million in 1972/1973.

The pattern of imports by country of origin was basically the same as that of the previous year (Table 22). Japan continued to maintain its position as the largest supplier with a share of 35.3% of the total import value, followed successively by the United States, West Germany and Singapore with shares of 15.6%, 7.5% and 5.9%, respectively.

### Services and Grants

The deficit in the service account in 1972/1973 grew by US \$ 228 million (or by 42.3%) if compared with the previous year's figure. The increase in the deficit was mainly due to the increases in the transfers of profits which rose by US \$ 161 million, freight and insurance related to imports which were higher by US \$ 52 million and payments for other services which exceeded the previous figure by US \$ 15 million. Net payments on account of the Government and for travel abroad declined

**TABLE 23 – GRANTS RECEIVED**  
(millions of US \$ )

|                             | 1970/1971 | 1971/1972 | 1972/1973 |
|-----------------------------|-----------|-----------|-----------|
| Australia                   | 11        | 11        | 18        |
| U.S.A                       | —         | —         | —         |
| Netherlands                 | 14        | 22        | 26        |
| Japan                       | 10        | 10        | 8         |
| Belgium                     | 1         | 1         | —         |
| Federal Republic of Germany | 1         | 2         | 3         |
| United Kingdom              | 3         | 2         | —         |
| Italy                       | 1         | 1         | 1         |
| Canada                      | 3         | 2         | 6         |
| France                      | 1         | 1         | 1         |
| <b>T o t a l</b>            | <b>45</b> | <b>52</b> | <b>63</b> |

by US \$ 6 million and US \$ 4 million, respectively. The decline in net payments of the latter items was due to the higher number of tourist who visited Indonesia. Foreign oil companies were for the most part (70%) responsible for the increase in the transfers of profits, due to the fact that more foreign oil companies are currently operating in Indonesia under production sharing contracts.

Grant receipts increased by US\$ 11 million (or by 21.2%) to reach US

\$ 63 million in 1972/1973. The Netherlands, Australia and Japan contributed respectively 41.3%; 28.6% and 12.7% of the total volume of grant receipts.

### Capital movements

Capital movements increased by US \$ 435 million (or by 99.3%) to reach US \$ 873 million in 1972/1973. Of the aforesaid amount, US\$ 515 million was contributed by the pri-



**TABLE 24 – LONG TERM FOREIGN LOANS**  
(millions of US \$)

|                             | 1970/1971  | 1971/1972  | 1972/1973  |
|-----------------------------|------------|------------|------------|
| U.S.A.                      | 145        | 158        | 186        |
| Japan                       | 92         | 115        | 104        |
| Netherlands                 | 7          | 9          | 19         |
| Belgium                     | 1          | 2          | 5          |
| Federal Republic of Germany | 21         | 32         | 29         |
| France                      | 7          | 6          | 17         |
| Italy                       | 6          | 1          | 1          |
| United Kingdom              | 8          | 10         | 28         |
| German Democratic Republic  | 1          | —          | —          |
| Yugoslavia                  | 1          | —          | —          |
| Denmark                     | 3          | —          | —          |
| Canada                      | —          | 2          | 9          |
| New—Zealand                 | 1          | —          | 1          |
| I D A                       | 30         | 33         | 56         |
| A D B                       | 1          | —          | 5          |
| <b>T o t a l</b>            | <b>324</b> | <b>368</b> | <b>460</b> |

vate sector and US \$ 358 million by the Government sector.

During the period under report, the inflow of private capital increased by 190.9% due to the greater activity of the companies working under foreign investment regulations.

Other capital inflow to the extent of US \$ 250 million in the form of long term loans was mainly due to the foreign loans granted directly to domestic enterprises and to include also the deposits of non-residents with banks in Indonesia.

In 1972/1973 the long term loans realized by the Government sector

rose by US \$ 92 million (or by 25%) if compared with the figure for the previous year, and reached US \$ 460 million (Table 24). From the point of view of the creditor nations, the United States was the biggest creditor nation with loans totalling US \$ 186 million (44.3%), followed successively by Japan with US \$ 104 million (22.6%) and IDA with US \$ 56 million (12.2%).

### Foreign trade and payments agreements

During the period under report agreements on foreign trade and payments were reached with Malaysia, Pakistan, Australia and Italy. Of the principal matter of the aforesaid agreements may be mentioned the following:

#### Malaysia

In August 1972 a joint committee meeting was convened to discuss economic and trade relations between Indonesia and Malaysia. The parties to the meeting agreed to intensify the economic and technical cooperation between the two countries in such matters as trade, for-

estry, shipping, technology and science.

The meeting also resolved on the border trade between the two countries.

- On the Indonesian side, the border trade areas are to include inter alia, the kecamatan Kubu, Bangko, Rupert, Dumai, Bukit Batu, Merbau, Bungkates, Tebing Tinggi, Sungai Apit, Kuala Kampar, Karimun, Kundur, Marosulit, Bantam, Bintan (in part only), Hidai, Serasan, Bunguran (in part only), Siantan, Jemaja and Tambelan.
- On the Malaysian side, the border trade areas are to include the areas of Johore Bharu, Batu Pahat, Kelang, Pulau Pinang, Sematan, Kuching and Malacca.

#### Pakistan

In May 1972 the 4th conference of the Board of Ministers of the Indonesia—Pakistan Economic and Cultural Cooperation Organization (IPECC) was convened to discuss the economic relations between the two countries.

The said conference adopted the resolution on cooperation in the fields of international trade exhibitions, bonded warehouses, telecommunications and insurance.

### *Australia*

In November 1972, Indonesia and Australia signed a trade agreement on, inter alia, the following matters:

1. To give support to and intensify the trade between the two countries.
2. The Australian Government will urge Australian entrepreneurs to invest their capital in Indonesia, mainly in the form of joint ventures with Indonesian entrepreneurs, and especially in the sector of industry which utilizes Indonesian raw material.
3. Conform to the GATT provisions, both sides will grant abatements on the custom duties on both import and export commodities of the two countries.
4. Both Governments support the principle of drawing up commodity agreements for the purpose of improving the international trade position of primary

commodities in which both sides have an interest.

5. With respect to the commercial procurement of goods made of wheat and cotton, Indonesia will pay full attention to Australian products.

### *Italy*

The conferences on economic and trade cooperation between Indonesia and Italy held in January 1973 provided, inter alia, the following results:

- An intensification of economic and technical cooperation in various fields.
- Italy was requested to help introduce Indonesian export commodities into Italian markets and into those of the European Economic Community.
- Italian entrepreneurs were expected to invest their capital in Indonesia.

### *Rescheduling of debts*

As a sequel to the effort made by the Government to reach bilateral settlements on the repayments of debts pursuant to the provisions of

the Paris "Agreed Minutes" of 23-24 April, 1970, the year under report saw the signing of agreements on the rescheduling of debts with the following countries:

- Bulgaria to the extent of + US \$ 2.7 million
- The United Kingdom to the extent of + US \$ 13.5 million
- Hongaria to the extent of + US \$ 22.3 million.

In addition to the above, an agreement was signed concerning the settlement of Indonesia's debt to Japan in the context of the Japan— Indonesia Sugar Development Coy. Ltd. which had not been included in an earlier agreement. The said debt amounted to +US \$ 7.8 million and consisted of a principal debt of + US \$ 6.1 million and debt on interest of + US\$ 1.7 million. Hence the debts which have not been settled so far are those to India, the United Arab Republic, Pakistan, the People's Republic of China and Yugoslavia.

## [International monetary developments and international financial institutions](#)

### *International monetary developments*

Since the last few years, international monetary developments were not satisfactory. The situation became worse when the Government of the USA terminated the convertibility of the US Dollar into gold on August 15, 1971 and abolished the par value of the US Dollar.

Besides terminating the convertibility of the US Dollar into gold, the US Government introduced a number of other measures, such as imposition of an import surcharge which were designed to reduce the balance of payments deficit. Thenceforth the US Government and the governments of a number of other countries floated their currencies, and therefore, the Bretton Woods system with its fixed par values ceased to exist; the exchange rate of a particular currency vis-a-vis other currencies was determined by sup-

ply and demand in the free market. Consequently, governments were no longer obliged to defend the rate of their currencies by means of intervention, i.e. to buy their currency when the rate was moving downwards substantially and to sell their currency when the rate was moving upwards substantially. Therefore, the rate of a particular currency not only depended on the balance of payments position of the country concerned, but on psychological and speculative factors as well. Particularly with respect to the US Dollar, speculative factors played an important role, since large amounts of US Dollars were held outside the USA, especially in Euro-Dollars.

In order to restore international monetary stability, in December 1971 representatives of a number of countries came together and the outcome was an agreement which became known under the name of Smithsonian Agreement. The main features of the agreement were as follows:

(1) Each IMF (International Monetary Fund) member country

should realign its currency vis-à-vis other currencies. This rate became the central rate and was meant to be the new temporary par value. On this occasion, the US Dollar devalued by 7.9 per cent against gold, whereas a number of other currencies, such as the Deutsche Mark, Yen, and Netherlands Guilder were re-valued by 4.6 per cent, 7.7 per cent and 2.8 per cent, respectively.

(2) Each country should defend the rate of its currency within a margin of  $2\frac{1}{4}$  per cent below and above the central rate (i.e. no longer within the 1 per cent margin as before) by means of intervention, i.e. purchase and sale of its currency by the monetary authorities.

(3) The US Dollar was no longer convertible into gold.

A few months after the implementation of the Smithsonian Agreement, monetary developments were relatively stable. However, in June 1972 the international monetary situation was disturbed again, thereby

revealing the weaknesses of the Bretton Woods system which was modified by the Smithsonian Agreement as explained above.

In the aforesaid months, the British Government was necessitated to float the Pound Sterling. The rate of a number of other currencies had to be adjusted as a consequence. Psychological and speculative factors played their role and worsened the international monetary situation. Certain groups, including oil producers in a number of Middle East countries who were holding sizable foreign exchange reserves, converted their US Dollars into other currencies as well as into gold in the free market. This caused a further decline in the rate of the US Dollar and an increase in the rate of other currencies i.e. the Deutsche Mark and Yen in particular. It made the US Government unable to defend the central rate of its currency, and therefore, a de facto devaluation followed for the second time in February 1973.

It can be understood that the devaluation of the US Dollar, for the second time in such a short period, aroused feelings of uncertainty in

Government as well as private circles with respect to the international monetary situation. These feelings were culminated in the monetary disturbances which followed the second US Dollar devaluation. In order to overcome this situation, a number of industrial countries met in Paris in March 1973 and agreed to implement a policy which thenceforth became known as joint floating.

In the context of this joint floating, six EEC countries, i.e. Germany, France, the Netherlands, Belgium, Luxemburg and Denmark, determined a rate for their respective currencies which were effective among themselves. The rates of the said currencies were only permitted to move upwards or downwards within a margin of 21/4 per cent. In this context, the monetary authorities of the six countries should intervene. However, the rates of the aforementioned six currencies vis-avis other currencies, such as the US Dollar and Yen, were floating, i.e. determined by supply and demand. A number of countries outside the EEC, i.e. Sweden and Norway, later joined the EEC countries in their joint float.

In the initial stage of the joint float the situation was rather quiet; however, further developments showed the inability of the joint float to restore stability in international finance and trade. Feelings of uncertainty were still prevailing in government as well as private circles.

It all revealed that the measures which until then were taken to resolve international monetary problems were only of a temporary and short-term nature. It also revealed that the Bretton Woods system, although adjusted by the provisions of the Smithsonian Agreement, still contained shortcomings and weak spots that did not enable a successful implementation of the system.

The weaknesses mentioned above were mainly caused by inadequate willingness on the part of a number of industrial countries to adhere to the rules of the game, in particular where it concerned timely and proper adjustment to correct payments imbalances. It should be mentioned that a number of industrial countries with a balance of payments deficit, in particular the USA, did not take any or did take inadequate

measures towards timely adjustment -- neither fiscal and monetary measures nor adjustment of the US Dollar rate -and adjustment to eliminate such deficit as required under the Bretton Woods system. On the other hand, a number of surplus countries, notably Japan and Germany did not take any measures or did only take inadequate measures toward a timely elimination of their balance of payments surplus.

The shortcomings and weaknesses of the Bretton Woods system as set out above were the underlying reason for the need to establish a new international monetary system, which would be able to accommodate the important developments in the international trade pattern and international monetary trade structure. This future system should also provide for rules of the game that would be adhered to by all member countries. For this purpose, the "Committee of the International Monetary Fund Board of Governors on Reform of the International Monetary System and Related Issues", thenceforth known under the name of "Committee of Twenty" (C-XX) was established in 1972. The C-XX

was charged with the creation of an international monetary system adapted to the recent developments and should provide for rules of the game that could and would be adhered to by all its member countries.

The C-XX is composed of Ministers of Finance or authorities of a similar rank representing all the member countries of the International Monetary Fund (IMF) including the developing countries. Prof. Dr. Ali Wardhana, Minister of Finance of the Republic of Indonesia, is the Chairman of the C-XX at ministerial level. The C-XX is assisted by a Committee of Deputies which has the task to study and formulate recommendations on the basis of directives from the C-XX. The said recommendations will be submitted to the Ministers of the C-XX for their approval.

In the various meetings convened so far, the C-XX discussed a number of principal issues and determined the basic principles and the direction in which the new monetary system should evolve. With respect to exchange rates it has been agreed

that the par value or central value system should be maintained. However, the system should be more flexible so as to enable adjustment of exchange rates along with the changing circumstances. Adjustments should be taken timely and in small percentages. In extraordinary circumstances, such as capital flight and massive capital inflows, temporary floating is permitted under surveillance of an international institution such as the IMF.

It has moreover been decided that in principle, an international currency unit, such as Special Drawing Rights (SDR) be used as the international unit of account and as the primary reserve asset in the new international monetary system. The value of each currency will be determined on the basis of the international currency unit, i.e. no longer on the basis of gold or a single currency such as the US Dollar. If the SDR is to be the international currency unit, then a few provisions governing the SDR should be amended so as to enable the SDR to really serve its purpose. It may be mentioned in this context that the SDR has presently certain characteristics -such as conditional



use—which make it less attractive to hold, both as an international unit of exchange and as a reserve asset.

Since an international currency unit will serve as the basis of the new international monetary system, it is in principle agreed that the role of gold in the international monetary system be gradually abolished.

It may be mentioned that, besides highly technical matters—such as adjustment process, multi-currency intervention, convertibility, consolidation, etc. —the C-XX has a number of political and psychological matters to solve. Therefore, the members of the C-XX need some time to convince each other that certain proposals truly serve the interest of all member countries and that the rules of the game could be and would be adhered to by all participants. However, there is a desire for a speedy creation and implementation of a new monetary system. It has been agreed that the C-XX will compete the formulation of the new international monetary system not later than end of July 1974. Although this target could be achieved, sufficient time will still be needed to im-

plement the new system, since the rules for implementation, such as legal provisions and amendment of the Articles of Agreement of the International Monetary Fund, must as yet be drafted and approved by the member countries.

Monetary instability will be the main characteristic of the world economy, as long as the new international monetary system has not been implemented. Stability at a certain time may change into instability a few moments thereafter.

## [International financial institutions](#)

### [International Monetary Fund \(IMF\)](#)

With respect to the financial relations between Indonesia and IMF during the period under report may be mentioned the following:

- a. In April 1972, IMF approved the stand-by arrangement for 1972/1973 involving an amount of SDR 50 million.<sup>1)</sup> In similarity to

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1) SDR 1 = 0.888671 grams of fine gold = US\$ 1.08571 after the official devaluation of the US Dollar in May 1972.

the stand-by arrangement for 1971/1972, until the end of the period under report Indonesia had not effected any drawing under the said stand-by arrangement.

- b. In the context of the financing of international tin bufferstock, a drawing of SDR 1.8 million was effected in September 1972.

- c. In the context of the 1968/1969 and 1969/1970 stand-by arrangements, Indonesia repurchased an amount of SDR 28.5 million. Besides a repurchase of SDR 0.9 million was also effected in the context of the second instalment of the quota increase. Therefore, Indonesia's debt position with respect to IMF at the end of the period under report amounted to SDR 93.6 million, viz. the total drawings of SDR 105.8 million under the 1968/1969 up to 1970/1971 stand-by arrangement meets, less subscriptions in the form of gold payments of SDR 12.2 million.

- d. IMF approved the schedule for the deferment of the repurchase

of SDR 59 million drawn by Indonesia under the 1969/1970 stand-by arrangement. The schedule mentioned above calls for the following repurchases (in million SDR):

|      |            |      |
|------|------------|------|
| 1973 | 17 January | 8.5  |
|      | 25 April   | 8.5  |
|      | 18 July    | 7.0  |
|      | 18 October | 7.0  |
| 1974 | 18 January | 7.0  |
|      | 18 April   | 7.0  |
|      | 19 July    | 7.0  |
|      | 18 October | 7.0  |
|      |            | 59.0 |

- e. In 1972/1973 IMF refrained from making SDR allocations, so that Indonesia's position remained at SDR 90.2 million. Until the end of the period under report, an amount of SDR 60.4 million had already been drawn, while a reconstitution to the extent of SDR 4.9 million was effected in order to maintain the minimum balance in accordance with prevailing provisions. Hence, the SDR balance at the end of the period under report amounted to SDR 34.6 million.

In September 1972, Indonesia was re-elected for the Executive Di-

rector of the Fund for the next two years, representing the group of countries which include Burma, Fiji, Indonesia, the Republic of Khmer, South Korea, Laos, Malaysia, Nepal, the Philippines, Singapore, Thailand and South Vietnam.

### *World Bank (IBRD)*

In the period under report, the loans committed by IDA to Indonesia amounted to US\$ 91.3 million for financing the following projects:

|   |                   |
|---|-------------------|
| – Population/Family Planning                                      | US\$ 13.2 million |
| – Development finance through Bapindo                             | US\$ 10.0 million |
| – Inter-Island Fleet Rehabilitation                               | US\$ 8.5 million  |
| – Rehabilitation of PNP X (South Sumatra)                         | US\$ 11.0 million |
| – Rehabilitation and Expansion of the Electrical System (Jakarta) | US\$ 40.0 million |
| – Modernization of Livestock Farming (South Sulawesi and Sumba)   | US\$ 3.6 million  |
| – Reconstruction of Small-holders' plantations (North Sumatra)    | US\$ 5.0 million  |

The total volume of the loans committed by IDA to Indonesia at the end of the period under report amounted therefore to US\$ 341.5 million. The said loans were granted

on very soft terms, viz. maturities of 50 years which include a grace period of 10 years. The loans were further interest free and required only the payment of an annual service charge of 3/4% of the disbursed part of the loans.

In the same period the International Finance Corporation (IFC) agreed to invest US \$ 11 million in the PT Jakarta International Hotel (formerly referred to as PT Perhotelan Banteng Baru).

Therefore, until the end of the period under report, IFC's investments in Indonesia had reached the amount of US \$ 39.1 million, which was allocated as follows :

|                                |                   |
|--------------------------------|-------------------|
| PT Semen Cibinong (Cement)     | US\$ 13.1 million |
| PT Unitex (Textile)            | US\$ 3.3 million  |
| PT Primatex (Textile)          | US\$ 2.5 million  |
| PT Kabelindo (Cable)           | US\$ 3.2 million  |
| PT Daralon (Textile)           | US\$ 6.0 million  |
| PT Jakarta International Hotel | US\$ 11.0 million |

In September 1972, Malaysia was elected for the Executive Director of IBRD/IDA/IFC for two years, representing the group of countries which include Burma, Fiji, Indonesia,

the Republic of Khmer, South Korea, Laos, Malaysia, Nepal, Singapore, Thailand and South Vietnam.

### *Asian Development Bank (ADB)*

In the period under report, the new loans committed by ADB to Indonesia reached US\$ 27.1 million. These loans originated from the Special Fund and were used to finance the following projects:

|   |                  |
|---|------------------|
| — Tanjung Priok Port Development          | US\$ 5.3 million |
| — Wampu River Flood Control & Development | US\$ 5.9 million |
| — Riau Fishery                            | US\$ 2.5 million |
| — Surabaya Port Development               | US\$ 5.5 million |
| — Pekanbaru Power Development             | US\$ 2.6 million |
| — Ujung Pandang Power Development         | US\$ 5.3 million |

It should be noted that the loans provided out of the Special Fund were subjected to soft terms, viz. maturities of 25 years, in general, including a 7 years' grace period, and at interest of 21/2% per annum.

The total volume of loans committed by ADB to Indonesia until the end of the period under report

amounted therefore to US \$ 74.9 million, vis. US \$ 3.4 million in 1969, US \$ 20.1 million in the 1970/1971 budget year, US \$ 24.3 million in the 1971/1972 budget year and US \$ 27.1 million in the 1972/1973 budget year.

In addition to the aforesaid loans, Indonesia also received technical assistance for the project preparation of Ujung Pandang Power Development, Bandung Water Supply, the Minahasa Power Development, and for the project implementation of the Tanjung Priok rehabilitation amounted to a total of US \$ 0.7 million.

The technical assistance received by Indonesia from ADB since 1967 had therefore reached the amount of US \$ 2.2 million.

In November 1972, the resolution adopted by the Board of Governors of ADB concerning the ADB's authorized capital increase by 150% was declared effective. Consequently, Indonesia's capital subscription was increased from US \$ 25 million to US \$ 62.5 million.

*Inter-Governmental Group on Indonesia (IGGI)*

At the 12th IGGI conference held in April 1972, the creditor member countries approved Indonesia's request for aid amounted US \$ 723.6 million for the 1972/1973 financial year. In subsequent bilateral meeting, however, and also due to the adjustment of the currency rates of the creditor member countries, the said amount was increased to US \$ 823.5 million, which was specified into US \$ 417.1

million for program aid and US \$ 406.4 million for project aid.

The 13th IGGI conference which convened in December 1972 approved Indonesia's request for aid for 1973/1974 to the extent of US\$ 760 million, which was specified into US \$ 370 million for program aid and US \$ 390 million for project aid.

As is already known, the aid provided in the context of IGGI consists of grants and long term loans which are subject to soft terms.

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

### Production of foodstuffs

In 1972 the production of foodstuffs and particularly of rice was rather unsatisfactory.

The production of *rice* which developed quite well from 1968/1969 until 1971 started to fall off in 1972 and reached only 12.3 million tons as against 12.7 million tons in the previous year. The decline was caused mainly by the dry season which was not only quite lacking in rainfall but was also of considerable length as was the experience of several rice producing areas. The result was that the harvested acreage declined by 4%, from 8.3 million ha (1971) to 8.0 million ha (1972).

The production of *maize* in 1972 fell off by 13.8%, from 2,632 thousand tons (1971 ) to 2,269 thousand tons (1972) due to the fact that the harvested acreage had dropped by 410 thousand ha

(1972), especially in East Jawa (222 thousand ha) which is the largest maize producing region.

The production of *cassava* and *sweet potatoes* declined respectively by 5.6% and 9.8% in comparison with the previous year's figures. The production of cassava dropped from 10,685 thousand tons (1971) to 10,099 thousand tons (1972), while that of sweet potatoes dropped from 2,154 thousand tons (1971) to 1,944 thousand tons.

The production of *peanuts* declined by 2.5% to become 273 thousand tons as against 280 thousand tons in the previous year. The harvested acreage was 5.3% less than that of the previous year and had dropped from 376 thousand ha to 356 thousand ha.

The production of *soya beans* in 1972 declined slightly, viz. from 516 thousand tons (1971) to 515 thousand tons (1972).

## Measures of the Government to increase the production of food-stuffs

Intensification of the paddy cultivation through BIMAS and INMAS schemes were still considered the principal means of the Government for increasing the production of rice. The BIMAS/INMAS areas for 1972 had therefore been expanded to 3.2 million ha, of which 0.7 million ha was to be cultivated under the Ordinary BIMAS scheme, 0.7 million ha under the new BIMAS and 1.8 million ha under the ordinary and new INMAS schemes. The total acreage cultivated under the BIMAS and INMAS schemes in 1971 was 2.8 million ha.

Starting with the 1970/1971 wet season a perfected BIMAS scheme had been put into effect through the establishment of village units by Bank Rakyat Indonesia (BRI). These village units extend over an area of wet paddy fields of 600 to 1,000 ha each. In step with the enlarging area cultivated under the said BIMAS scheme, the number of village units had grown to 1,300 at the end of 1972. The direct contact which ex-

isted between units of the bank and the farmers who participated in the BIMAS scheme through the said village units greatly facilitated the execution of the BIMAS scheme, including the repayment of loans. It was considered, however, that the system still provided room for improvement.

Although the BRI loans continued to be granted on a selective basis, the terms of the loans, however, had been eased in order to speed up the process connected with the granting of loans. In the meantime, the term for repayment had been extended by one season to two seasons. In order to repay their loans, farmers therefore need not to sell their paddy soon after harvest time. In addition, the amount of loans which the farmers needed to cover their living expenses and to buy seed had been raised.

It was revealed that the implementation of the village unit system did not only improve the disbursement and repayment of the BIMAS loans, but that it was also directly responsible for the increase in work opportunities for graduates of senior

high schools and those of secondary schools of agriculture.

In the period under report the supply and distribution of fertilizer were improved in the following manner :

- more fertilizer was supplied and distributed in order to meet the demand created by the more intensive cultivation of paddy and that of other crops;
- the number of depots of current input for production was increased to keep pace with the growing number of BRI village units;
- subsidies were granted with respect to the transportation of fertilizer to the regions outside Jawa.

In support of the effort made to intensify the cultivation of paddy, the irrigational network and structures were repaired, while in the context of flood control, rivers were rehabilitated and dikes reinforced.

During PELITA I the irrigational system was rehabilitated covering an area of 688 thousand ha and the irri-

gation expanded covering 126 thousand ha of wet paddy fields.

To more stimulate the increase of paddy production and for farmers to earn a more profitable income, the Government had raised the minimum price of dried paddy off village godowns (padi kering lumbung desa) from Rp 13.20/kg to Rp 17.50/kg. It is already known that the policy implemented by the Government so far is to buy paddy through BULOG in such way that the farmers would not be paid less than the minimum price determined by the Government for paddy.

In support of the effort to raise the production of foodstuff, especially that of rice, and to improve the farmers' well being, the Government developed Badan Usaha Unit Desa (BUUD) which constitutes a consolidation of cooperative organizations in rural areas. When a BUUD becomes strong enough in the economic sense, it is expected to turn it into a Koperasi Unit Desa (KUD). The Koperasi Unit Desa then becomes the main vehicle for economic development of the village.



In the period under report, the Government introduced the catch crop BIMAS, although still in the form of pilot projects. In its initial stage, only maize, peanuts and soya beans will be grown under this BIMAS scheme. The loans extended under the BIMAS schemes for maize, peanuts and soya beans are of the order of Rp 8,000.— and Rp 10,500. - ; Rp 9,800.— and Rp 13,000. - ; and Rp 7,950.— and Rp 9,000.— per ha respectively.

## Rice

In the development of the agricultural sector, the intensification of rice production has always been given priority over other crops. The implementation of this policy resulted in a steady increase in the rice output since the start of PELITA I. In 1972, however, for reasons explained earlier the rice output fell below the previous year's level.

In the meantime, world rice output, which since 1968 until 1971 inclusive had steadily increased in volume, revealed an alarming decline in 1972, viz. by 8.9 million metric tons

(3.1%) and reach 296.8 million metric tons only in comparison with the previous year's figure.<sup>\*)</sup> The aforesaid decline was ascribed mainly to the prolonged drought in several countries, also to floods and the effects of war in other countries. Countries in the Far East suffered a decline in output of not less than 7.2 million metric tons of rice. The lower world production of rice gave rise to an increase in the demand for rice imports and a decrease of the stock of export rice in the world market. Several rice producing countries had even put a limit on rice exports in order to ensure that the domestic demand for rice in their respective countries would not be impaired. Such measures led only to the swift increase in the world market price of rice. For instance, the price in Bangkok of white rice 15% broken rose from £ 361/2/long ton in the middle of 1972 to £ 741/2/long ton in January 1973.

In contrast to the years 1970/1971 and 1971/1972 in which the price of rice may be said to be stable, the price of rice near the end of

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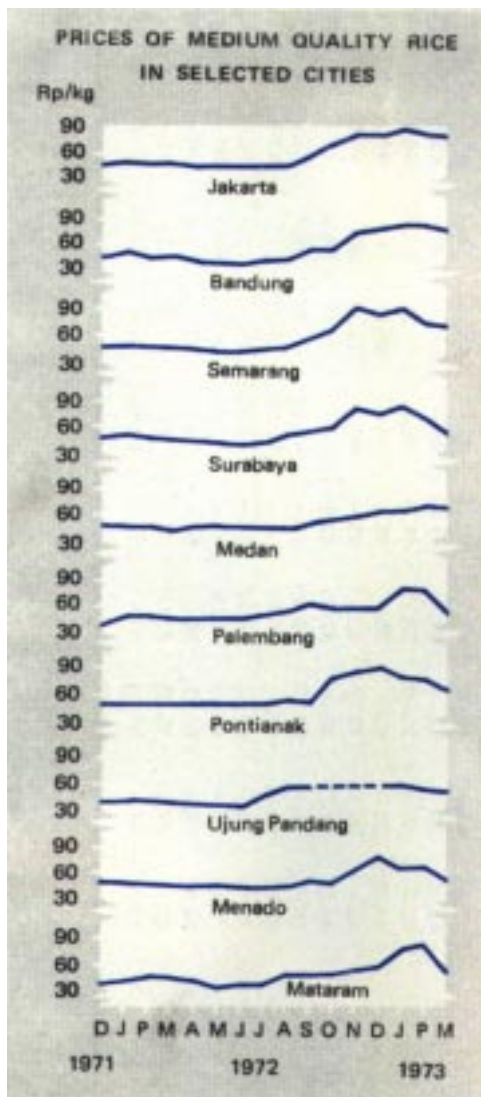
\*) FAO Monthly Bulletin of Agriculture and Statistics, March 1973.

TABLE 25 — PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES

Average price in Rp/kg

|           | Jakarta | Bandung | Samarang | Surabaya | Medan | Palembang | Pontianak | Ujung Pandang | 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  | 40.—    |
| June      | 43.75   | 39.50   | 41.—     | 35.—     | 42.—  | 49.—      | 52.—      | 37.50         | 46.75  | 35.—    |
| December  | 52.40   | 47.—    | 47.50    | 41.—     | 50.—  | 45.—      | 50.—      | 43.—          | ...    | 35.—    |
| 1971      |         |         |          |          |       |           |           |               |        |         |
| January   | 52.15   | 47.50   | 46.—     | 42.—     | 48.30 | ...       | 50.—      | 43.—          | 49.50  | 35.—    |
| June      | 41.25   | 40.—    | 41.50    | 35.90    | 46.—  | 50.—      | 48.25     | 38.75         | 48.50  | 34.—    |
| December  | 45.30   | 43.—    | 45.—     | 44.50    | 45.40 | 35.—      | 48.25     | 40.—          | 51.50  | 40.—    |
| 1972      |         |         |          |          |       |           |           |               |        |         |
| January   | 48.49   | 49.—    | 46.25    | 48.—     | 45.—  | 45.—      | 48.50     | 42.—          | 51.50  | 42.50   |
| February  | 47.80   | 43.—    | 45.—     | 45.—     | 45.—  | 45.—      | 48.50     | 41.—          | 50.—   | 47.50   |
| March     | 47.50   | 44.—    | 44.66    | 43.—     | 40.25 | 43.—      | 48.25     | 40.—          | 48.50  | 46.—    |
| April     | 45.30   | 39.—    | 42.—     | 41.—     | 45.40 | 44.—      | 48.25     | 38.—          | 48.50  | 44.17   |
| May       | 45.—    | 38.—    | 39.66    | 38.—     | 46.10 | 45.—      | 48.21     | 37.50         | 48.—   | 36.43   |
| June      | 44.05   | 36.—    | 40.—     | 38.—     | 45.—  | 45.—      | 48.17     | 36.—          | 47.—   | 39.35   |
| July      | 45.—    | 39.75   | 42.16    | 40.—     | 45.—  | 48.—      | 48.33     | 50.—          | 46.50  | 39.65   |
| August    | 46.25   | 41.75   | 45.—     | 47.50    | 44.80 | 54.—      | 51.67     | 58.—          | 49.—   | 49.01   |
| September | 55.—    | 51.—    | 53.33    | 52.50    | 51.—  | 62.50     | 51.50     | 58.—          | 55.—   | 49.—    |
| October   | 68.75   | 53.—    | 65.—     | 56.62    | 54.—  | 57.50     | 77.50     | ...           | 53.—   | 50.—    |
| November  | 78.10   | 70.—    | 89.17    | 78.50    | 57.—  | 57.50     | 85.—      | ...           | 66.—   | 54.—    |
| December  | 78.10   | 74.—    | 81.67    | 73.85    | 63.—  | 57.50     | 90.—      | 60.—          | 80.—   | 60.—    |
| 1973      |         |         |          |          |       |           |           |               |        |         |
| January   | 84.35   | 78.—    | 88.75    | 80.—     | 65.—  | 78.—      | 80.—      | 60.—          | 70.—   | 77.50   |
| February  | 80.—    | 77.50   | 70.83    | 67.50    | 68.—  | 77.—      | 77.50     | 55.—          | 70.—   | 85.—    |
| March     | 78.10   | 74.—    | 68.33    | 54.87    | 67.—  | 52.50     | 65.—      | 52.50         | 57.50  | 57.50   |

Source : Board of Logistic Affairs.



1972 in urban as well as rural areas in Indonesia began to rise abruptly for reasons mentioned above (Table 25).

To put a halt to the increase in the rice price, the Government took

several measures which consisted of, inter alia, importing rice in great quantities, viz. 1.2 million tons as against only 0.5 million tons in 1971/1972. Since the price of rice in foreign markets had already increased rapidly, the Government granted substantial subsidies especially to the price of imported rice in order to keep the rice price at a sufficiently low level hence to keep rice within the means of the general public.

To keep the rice situation under control, the Government has planned to enlarge the area cultivated under the BIMAS and INMAS schemes, viz. from 2.7 million ha in the 1972/1973 wet season to 3.3 million ha in the 1973/1974 wet season

## Forestry

Forest produce especially timber had in the past years continued to develop at a swift pace. This rapid development was due mainly to the increasingly greater number of national as well as foreign capital investment projects introduced into the forest exploitation sector in Indonesia.

If at the start of the PELITA execution (1969), the timber output was only 8.1 million m<sup>3</sup>, in the 4th year (1972) the output had reached 16.2 million m<sup>3</sup>.

Until the end of March 1973, the HPH (forest exploitation rights) granted by the Government extended over an area of approximately 12 million ha and involved a total capital investment of US\$ 564 million and Rp 520 billion. Field units of enterprises which were already provided with an HPH were busy operating, mainly in East Kalimantan (46 units), Central Kalimantan (18 units), Riau (10 units) and Maluku (6 units).

To bring order in the timber situation, also since the timber output was found to be sufficient for the time being, as of August 1971 the Government ceased to give its considerations to all new applications for an HPH.

The greater activity in the forest exploitation sector stimulated the development of supporting enterprises, such as shipping and servicing companies, which in turn gave rise to

more work opportunities. In 1972 timber exports reached a volume of 11,255 thousand tons, which signifies an increase of 31.5% as compared with the previous year's volume of 8,557 thousand tons.

Timber exports in 1972 were mostly destined for Japan (7,730 thousand tons), other Asian countries (2,832 thousand tons) and Italy (223 thousand tons). The foregoing figures show that more than 60% of the total volume of timber exports was headed for Japan.

#### Other forest produce

Similar to timber exports, the export volume in 1972 of other forest produce, such as rattan, copal and dammar were higher than their respective figures for the previous year. Tengkwang (Shorea nuts), however, stayed at its former level.

In addition to the effort to increase the production and export of timber and that of other forest produce, in 1972/1973 reboisement was carried out over an area of 19 thousand ha and replanting on bare and critical areas over  $\pm$  108 thousand ha.

|                | Volume (thousand tons) |      |         |
|----------------|------------------------|------|---------|
|                | 1971                   | 1972 | Change  |
| Rattan         | 31.4                   | 45.4 | + 44.6% |
| Copal          | 2.2                    | 2.4  | + 9.1%  |
| Shorea nuts *) | 0.5                    | 0.5  | —       |
| Dammar         | 7.1                    | 8.4  | + 18.3% |

|                | Value (thousands of US\$) |       |         |
|----------------|---------------------------|-------|---------|
|                | 1971                      | 1972  | Change  |
| Rattan         | 783                       | 1,361 | + 73.8% |
| Copal          | 235                       | 149   | — 36.5% |
| Shorea nuts *) | 105                       | 92    | — 12.4% |
| Dammar         | 625                       | 664   | + 6.2%  |

\*) Data of the Central Bureau of Statistics.

| Year               | Development of Livestock<br>(in thousand heads) |                     |                   |
|--------------------|---|---------------------|-------------------|
|                    | Large livestock                                 |                     |                   |
|                    | Cows  | Water buffaloes     | Horses            |
| 1969               | 6,499 <sup>1)</sup>                             | 2,976               | 642 <sup>1)</sup> |
| 1970               | 6,189   | 2,976               | 692               |
| 1971               | 6,311   | 2,976 <sup>1)</sup> | 665 <sup>1)</sup> |
| 1972 <sup>2)</sup> | 6,365   | 2,822               | 693               |

| Year               | Small livestock     |                     |                  |
|--------------------|---------------------|---------------------|------------------|
|                    | Goats & sheep       | Pigs                | Chickens & ducks |
| 1969               | 10,542              | 2,878               | 69,745           |
| 1970               | 9,708 <sup>1)</sup> | 3,169               | 70,728           |
| 1971               | 9,089 <sup>1)</sup> | 3,382 <sup>1)</sup> | 86,046           |
| 1972 <sup>2)</sup> | 10,099              | 4,605               | 95,031           |

1) Revised figures

2) Provisional figures

Source : Department of Agriculture.

## Livestock

Besides its role as producer of animal protein in the form of meat, milk and eggs and of export products, livestock farming in Indonesia constitutes also a source of animal power as an aid to farmers in the tilling of the soil.

The number of livestock (water buffaloes excepted) was in '1972 larger than that of the previous year. The development of the livestock sector during 1969— 1972 may be observed from the following figures:

The development of the production of livestock products goes hand in hand with the development of the demand for the said products. It is a well-known fact that the per capita consumption of livestock products, which contains plenty of animal protein, falls still short of the minimum requirement for health. This may, inter alia, be ascribed to the still low per capita income of the people, whereas the price of livestock products has stayed at a rather high level compared with that of other food-

stuffs. The expensive price of livestock products is inter alia due to the high cost of marketing, which in turn is caused by the still undeveloped marketing infrastructure.

| Production of livestock products |                |                             |                         |
|----------------------------------|----------------|-----------------------------|-------------------------|
|                                  | Meat<br>(tons) | Milk (thou-<br>sand litres) | Egg (million<br>pieces) |
| 1969                             | 309,302        | 28,923                      | 1,300                   |
| 1970 <sup>1)</sup>               | 313,621        | 29,306                      | 1,319                   |
| 1971 <sup>1)</sup>               | 332,164        | 35,797                      | 1,503                   |
| 1972 <sup>2)</sup>               | 354,251        | 37,694                      | 1,712                   |

1) Revised figures

2) Provisional figures

Source : Department of Agriculture.

The production of meat, milk and eggs in 1972 rose by 6.6%, 5.3% and 13.9% respectively to reach 354 thousand tons, 38 thousand litres and 1,712 million eggs.

In the context of developing the production of livestock, the Government made several efforts, consisted of, inter alia, artificial insemination especially in regard to milk cows, improving the quality of cattle food and relocating cattle to areas with a low population of livestock. To the foregoing should be added the import of select breeding stock of milk cows and chickens.

To cause livestock farming in the principal livestock regions to become more productive, more intensive efforts were made to prevent and eradicate animal diseases. This was to be accomplished by means of the upgrading and construction of carantinas and slaughter houses, increasing production of vaccines, serum and so forth.

In 1972, the volume as well as the value of water buffalo and cow exports were higher than those of the previous year as may be observed from the following table:

| Cattle exports |        |                           |       |       |
|----------------|--------|---------------------------|-------|-------|
| Volume (tons)  |        | Value (thousands of US\$) |       |       |
|                | 1970   | 1971                      | 1970  | 1971  |
| Water buffalo  | 8,372  | 10,961                    | 462   | 1,201 |
| Cows           | 18,351 | 19,170                    | 1,246 | 2,258 |

Source : Central Bureau of Statistics.

## Fishery

In comparison with 1971, the production of fish in 1972 rose by 23 thousand tons to reach 1,267 thousand tons; to the aforesaid increase the production of sea fish contributed 18 thousand tons and that of in-

land fish 5 thousand tons. The higher production was related to, inter alia, the more favorable market for Indonesian fishery products in foreign countries (especially shrimp, tuna and cakalang), and to the results of the effort made to develop the fishery sector for several years during the PELITA I.

|                    | Production of fish<br>(thousand tons) |                |       |
|--------------------|---------------------------------------|----------------|-------|
|                    | Inland<br>fishery                     | Sea<br>fishery | Total |
| 1969               | 429                                   | 785            | 1,214 |
| 1970 <sup>1)</sup> | 421                                   | 808            | 1,229 |
| 1971 <sup>1)</sup> | 424                                   | 820            | 1,244 |
| 1972 <sup>2)</sup> | 429                                   | 838            | 1,267 |

1) Revised figures

2) Provisional figures

Source : Department of Agriculture.

In the sea fishery sector, the fishing fleet constitutes a decisive factor in determining the output of fish. In 1972, the number of motorized fishing boats was still small (2.6%) in comparison to the total number of fishing boats (285 thousand boats). Since sailboats cannot operate beyond the coastal areas, the output was still low.

In the context of intensifying the productivity of the fishery sector, the

Government recommended the building of fishing boats with a capacity of not less than 25 tons.

Due to the higher output, the export of fish continued to increase with the result that in 1972 the export volume of fish reached 35.6 thousand tons as against 28.8 thousand tons in the previous year, thus signifying an increase of 20%. From 1967 until March 1973 in the context of foreign capital investment, 10 enterprises had invested a total of US \$ 20.4 million in the fishery sector.

## Rubber

In 1972 the production of rubber reached 817 thousand tons, of which 568 thousand tons was produced by small holders and 249 thousand tons by rubber estates. In comparison with the previous year's output of 806 thousand tons (smallholders' rubber 572 thousand tons and estate rubber 234 thousand tons), the total rubber output had in 1972 increased slightly.

The effort made by the Government to raise the output of smallholders' rubber by means of rejuvenation of the rubber trees, met various im-

pediments so that the result was far from satisfactory. An area of 15 thousand ha had been planned for annual rejuvenation during the PELITA I by the implementation of high yielding seed, but only  $\pm$  27% of the said area succeeded to be rejuvenated.

In 1972 the crumb rubber industry showed a rapid progress in terms of volume as well as quality.

Crumb rubber output rose in 1972 by 117.3%, from 129.2 thousand tons in 1971 to 280.8 thousand tons.

The production of crumb rubber according to quality is presented in the following table:

| Quality specification of crumb rubber |        |      |         |      |
|---------------------------------------|--------|------|---------|------|
|                                       | 1971   |      | 1972    |      |
|                                       | Tons   | %    | Tons    | %    |
| SIR 5L                                | 933    | 0.9  | 3,753   | 1.3  |
| SIR 5                                 | 5,606  | 4.3  | 5,632   | 2.0  |
| SIR 20                                | 78,024 | 60.3 | 169,518 | 60.3 |
| SIR 35                                | 9,602  | 7.4  | 658     | 0.3  |
| SIR 50                                | 29,746 | 23.0 | 101,281 | 36.1 |
| Block                                 |        |      |         |      |
| rubber                                | 5,323  | 4.1  | —       |      |

Source : — Crumb Rubber Working Committee  
— Department of Trade.

The table shows that in 1972 the output of SIR 35 was quite small. This is due to the- fact that as per January 1972, the SIR 35 has been dropped from the SIR specification.

In the year under report volume as well as value of rubber exports declined in comparison with the previous year. The export volume declined by 0.37%, from 804 thousand tons (1971) to 801 thousand tons (1972), while its export value dropped by 11.84%, from US \$ 22,099 thousand (1971) to US \$ 19,793 thousand. It should be noted that while in 1972 the export volume of rubber had dropped by a mere 0.37%, its export value had declined by 11.81%. This was due to the fact that during the first 9 months of 1971 the average price of rubber was US \$ cts 17.18/lb

|           | RSS I Prices<br>(New York, C & F, US \$ cents/lb) |       |
|-----------|---|-------|
|           | 1971  | 1972  |
| January   | 17.25   | 16.63 |
| February  | 17.13   | 16.75 |
| March     | 18.50   | 16.25 |
| April     | 18.50   | 15.88 |
| May       | 18.13   | 16.00 |
| June      | 16.63   | 16.00 |
| July      | 16.25   | 16.75 |
| August    | 16.00   | 16.25 |
| September | 16.25   | 16.63 |
| October   | 15.75   | 19.25 |
| November  | 15.38   | 19.38 |
| December  | 16.75   | 20.25 |



while the average price over the same period in 1972 was US \$ cts 16.35/lb.

The main countries of destination for rubber exports from Indonesia are listed in the following table:

|                         | <b>Production<br/>(thousand tons)</b> | <b>Consumption<br/>(thousand tons)</b> |
|-------------------------|---------------------------------------|--|
| <b>Natural rubber</b>   |                                       |  |
| 1970                    | 3,103                                 | 2,963                                  |
| 1971                    | 3,070                                 | 3,055                                  |
| 1972                    | 3,125                                 | 3,160                                  |
| <b>Synthetic rubber</b> |                                       |  |
| 1970                    | 5,855                                 | 5,605                                  |
| 1971                    | 6,083                                 | 6,083                                  |
| 1972                    | 6,515                                 | 6,478                                  |

Source : Rubber Statistical Bulletin.

**Rubber exports by country of destination  
( thousand tons )**

|                          | <b>1971</b> | <b>1972</b> |
|--------------------------|-------------|-------------|
| Singapore                | 440         | 406         |
| United States of America | 150         | 188         |
| West Germany             | 76          | 68          |
| Italy                    | —           | 22          |
| Japan                    | 25          | 22          |
| Soviet Union             | 23          | —           |

The table shows that in 1971 as well as in 1972 more than 50% of the total export volume of rubber was exported to Singapore.

World production as well as world consumption of rubber, both natural and synthetic, were in 1972 higher than those in the previous year as may be observed from the following figures:

The above figures show that world consumption of natural rubber in 1972 exceeded the output by 35 thousand tons, while world production of synthetic rubber was higher than its consumption by 37 thousand tons. From the table above may also be inferred that in the period under report the shares of natural rubber and that of synthetic rubber are respectively 32% and 68%, as against 35% and 65% in 1970.

## Copra

Over the past years the production of copra failed to show a significant development due to the fact that most of the coconut trees are relatively old, the expensive transportation cost and the many levies which

were still in effect. In addition thereto, inefficient marketing system caused the productivity and earnings of copra farmers to be low with the consequence that the process of rejuvenation and maintenance of the culture did not receive enough attention. The development of the copra output since 1969 may be observed from the following figures:

| Production of copra<br>(thousand tons) |       |
|--|-------|
| 1969                                   | 1,220 |
| 1970                                   | 1,198 |
| 1971                                   | 1,147 |
| 1972                                   | 1,216 |

In contrast to 1971 in which year the price of copra in the world market was steadily declining, while in 1972 the development of the copra price was rather uncertain, beginning 1973 the price increased rapidly. If in August 1972 the price of copra was US \$ 111/long ton, at the end of March 1973 the price had jumped to US \$ 215/long ton.

Compared with the previous year, the export volume and export value of copra in 1972 declined by 58% and 73% respectively to 40.6 thousand tons which provided an ex-

port value of US \$ 3.9 million. In contrast to copra, the export volume and export value of copra cakes rose by 27% and 17% respectively, to reach 293 thousand tons and US\$ 13.3 million.

The decline in the export volume of copra during the past years had, inter alia, the following reasons:

- a) Increasing volume of domestic consumption due to the increase in population and demand.
- b) The price of copra abroad in 1971/1972 fell off sharply, while the domestic price, especially in Jawa, rose with the result that interinsular trade was found to be more profitable than the export.
- c) The growing number of new coconut oil plants in BAPENKO areas which were all in need of copra as raw material.
- d) The policy of the Government to start exporting coconut oil.

The main countries of destination for the export of copra and that of copra cakes are listed in the following table:

**Copra and copra cakes exports  
by country of destination  
(thousand tons)**

|              | <b>1 9 7 1</b> |                    |
|--------------|----------------|--------------------|
|              | <b>Copra</b>   | <b>Copra cakes</b> |
| Netherlands  | 12.9           | 17.5               |
| West Germany | —              | 59.6               |
| Japan        | 24.1           | —                  |
| Singapore    | 10.0           | 23.0               |

|              | <b>1 9 7 2</b> |                    |
|--------------|----------------|--------------------|
|              | <b>Copra</b>   | <b>Copra cakes</b> |
| Netherlands  | 11.3           | 59.8               |
| West Germany | 2.0            | 54.5               |
| Japan        | 6.7            | —                  |
| Singapore    | 5.5            | 19.0               |

## Palm oil

The production of palm oil and palm kernels rose in 1972 by 9.5% and 11.7%, respectively, to reach 269 thousand tons and 59 thousand tons in comparison with the previous year.

More than 90% of the total output mentioned above was produced by the palm oil estates in North Sumatra, while the rest was produced by those in Aceh, Lampung and West Jawa.

The steady increase in the output of both palm oil and palm kernels was mainly caused by the periodic rejuvenation of the trees, which

started in 1961 using high yielding seed, and by the proper maintenance. Production of palm oil and palm kernels is expected to rise in the future. In the period under report, palm oil extraction plants have been put under construction in North Sumatra; these plants will use palm kernels as their raw material.

The export volume of palm oil in 1972 rose by 11%, while its export value fell off by 8.9% to reach 242 thousand tons and US\$ 42.2 million, respectively.

The export volume and export value of palm kernels in 1972 fell off by 1.9% and 32.5%, respectively, to become 53 thousand tons and US \$ 3.7 million.

The average price of palm oil and palm kernels in the world market ( London) in 1972 suffered a setback in comparison with the previous year. The average price of palm oil dropped from US \$ 257.7/long ton (1971) to US\$ 211.8/ long ton (1972), while the average price of palm kernels fell off from £ 57.5/ long ton (1971) to £ 46.4/long ton (-1972).

Although the average prices of palm oil and palm kernels for 1972 were lower than those of the previous year, the end of the period under report saw an improvement in the said prices due to the lower output of sunflower seed in several European and South American countries and to the lower copra output in the Philippines.

The main countries of destination for palm oil exports in 1971 and 1972 are listed below :

**Palm oil exports by country of destination  
( thousand tons )**

|                          | 1971 | 1972 |
|--------------------------|------|------|
| United States of America | 59   | 69   |
| Netherlands              | 55   | 52   |
| Japan                    | 32   | 39   |
| West Germany             | 17   | 25   |
| Belgium & Luxemburg      | 5    | 4    |
| Iraq                     | 27   | 30   |
| Italy                    | 3    | 5    |

## Cinchona

The production of cinchona bark by cinchona estates rose in 1972 by 5.6% above the previous year's level, viz. from 1,414 tons to 1,493 tons.<sup>\*)</sup>

The greater cinchona bark output was caused by, inter alia, the

greater demand for cinchona bark for the subsequent processing into cinchona salt for domestic consumption as well as for export. Compared with the figures for the previous year, the volume and value of cinchona salt exports in 1972 rose by 38.2% and 174.6%, respectively, to reach 275 tons and US\$ 3.7 million. Cinchona bark exports reached a volume of 229 tons with a value of US\$ 55 thousand as against 588 tons and US\$ 144 thousand in the previous year.

The greater volume of cinchona salt exports and decline in the volume of cinchona bark exports was caused by, inter alia, the prohibition to export cinchona bark.

## Sugar

In 1972 the production of granulated sugar was, at 883 thousand tons, higher by 5.9% if compared with the previous year's figure. The higher output was due to the rehabilitation of sugar factories and the better maintenance of the sugar cane culture.

During the same period, the production of smallholders' sugar (non centrifugal sugar) did not change

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<sup>\*)</sup> Central Bureau of Statistics, December 1972

from the previous year's level and stayed at 210 thousand tons.

Although the production of granulated sugar had in the past years continued to grow in volume, the sugar industry is still being faced with many impediments, inter alia:

- a) less benefit was obtained from the irrigation system;
- b) the sugar factories, in general, were already obsolete;
- c) it became difficult to lease land suitable for the cultivation of sugar cane;
- d) the high cost connected to the leasing of land;
- e) the inadequate supply of sugar cane for processing by the sugar mills.

In the effort to increase the sugar output, new sugar factories will be built outside Jawa, while the present sugar mills will continue to be rehabilitated. In the meantime, test involving the cultivation of sugar cane are being carried out in several areas in Jawa as well as outside Jawa in the context of finding new areas suitable for the cultivation of sugar cane.

In 1972 the export of molasses which is a by-product of the production of granulated sugar, declined by 12.9% to reach 243 thousand tons only; its export value, however, rose by 7.0% to become US\$ 4.4 million.

### T e a

In 1972 the production of estate grown tea in the form of black tea rose by 5.1% to reach 50 thousand tons, whereas smallholders' tea in the form of green tea did not change in output and stayed at 24 thousand tons.

The higher output of estate tea was caused by the better maintenance of the trees which gave an average yield per ha of 1,000 kg as against 954 kg in the previous year. Besides the higher output, the quality of the tea had also improved due to the more fine picking of the tea leaves.

More than two third of the output of estate tea was exported, whereas smallholders' tea was consumed domestically. The export volume and value of tea rose in 1972 by 2% and 11%, respectively, to reach

46.4 thousand tons and US\$ 31.9 million.

The main countries of destination for tea exports in 1971 and 1972 are listed below (in thousand tons):

|                          | 1971 | 1972 |
|--------------------------|------|------|
| Australia                | 10   | 10.7 |
| Netherlands              | 7    | 10   |
| United States of America | 6.6  | 6.9  |
| United Kingdom           | 4.9  | 3    |

The development of the tea price in the world market (London) during 1972 revealed a declining trend; at the beginning of 1973, however, the price of tea began to improve.

The "Governmental Group on Tea" which is responsible for determining the export quota for tea for producing and exporting countries placed

Indonesia's tea export quota for 1972/1973 at 42.2 thousand tons. In fulfilling the said quota, the quality of export will continue to be the subject of improvement, due to the fact that high quality tea is bound to fetch a relatively more profitable price.

## Coffee

Almost 90% of the coffee output of Indonesia is produced by smallholders while the remaining 10% is supplied by state as well as private coffee plantations.

The production of coffee in 1972 reached 188 thousand tons and consisted of 166 thousand tons of smallholders' coffee and 22 thousand tons of estate grown coffee. Compared with the previous year's output of 179 thousand tons (160 thousand tons of smallholders' coffee and 19 thousand tons of estate grown coffee), the coffee output in 1972 of plantations and smallholders had therefore increased by 3 thousand tons and 6 thousand tons, respectively. \*)

During the past few years the foreign exchange proceeds from coffee exports had continued to increase. In 1972 the export volume increased by 28.4% to reach 95 thousand tons, while the export value rose by 30.3% to become US\$ 72.2 million.

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\*) Central Bureau of Statistics and Annual Report of the Directorate General of Estate 1972.

The main countries of destination for coffee exports from Indonesia are listed below :

| Coffee exports by country of destination<br>( tons ) |        |        |
|--|--------|--------|
|  | 1971   | 1972   |
| United States of America                             | 42,972 | 44,407 |
| Netherlands  | 7,848  | 13,227 |
| Italy  | —      | 3,651  |
| France   | —      | 3,548  |
| Denmark  | 2,537  | —      |
| Japan  | 1,655  | 3,348  |
| USSR   | 1,117  | —      |

In 1962 Indonesia started to become a member of the International Coffee Organization (ICO). The coffee export quota for Indonesia which had originally been set at 70.6 thousand tons (1962) was subsequently raised to 81.4 thousand tons in accordance with the 1968 agreement which remains valid until 1973. The export quota for 1971/1972 (October until September inclusive) was 85.5 thousand tons. In the meantime the ICO had lifted the coffee export quotas for 1972/1973 for all its member nations. The last measure provided

an excellent opportunity for Indonesia to export coffee in as large a volume as possible in accordance with its coffee output potential.

The development of the average coffee price in the world market in 1972 was 14.4% higher than the previous year's figure, viz. US\$ cts 51.22/lb as against US\$ cts 44.80/lb (Brazilian Santos No.4 quality).

The said increase was caused by, inter alia, the decline in the coffee output of Brazil on account of pests and plant diseases and of frost which struck in the middle Of 1972.

## Tobacco

Almost all the areas cultivated by tobacco, whether those in Sumatra or Jawa suffered from lack of water due to the prolonged drought. Only in the case of Sumatra (Deli) tobacco was the inadequate rainfall successfully countered by means of watering the culture so that the quality of the tobacco was still quite satisfactory.

The production of Sumatra tobacco in 1972 rose by 28% to reach

26 thousand bales, mainly because of the larger area cultivated by tobacco. This was also the case with Jawa (Vorstenlanden) tobacco which in 1972 rose by 13% to reach 25.6 thousand bales. Due to the prolonged drought, however, the quality had suffered slightly. In the meantime, the production of Besuki N.O. tobacco had also increased in 1972, viz. by 42% to reach 200 thousand bales due to the larger area cultivated by tobacco.

In 1972 due to the fact that no over production was expected which could adversely affect the price of tobacco in foreign markets, the Government refrained from enforcing its provision on the composition of tobacco shipments.

The export of tobacco to West Europe must normally pass a central marketing mechanism which is located in Bremen where the tobacco

is either sold through auction or not through auction.

Exports destined for countries outside West Europe may be effected directly to the customers concerned on the basis of the general provisions on export.

The export of all kinds of tobacco in 1972 rose by 41.6% to reach 282.3 thousand bales. The higher export figure was due to the presence of a tobacco stock originating from earlier harvests (1968 1969, 1970 and 1971) which only in 1972 succeeded to be recorded as an export.

The volume and value of the tobacco sales through the Bremen exchange rose in 1972 by respectively 65.7% and 51.6% as compared with the previous year's figures, to reach 174.7 thousand bales and DM 146.2 million, in accordance with the following specification :



|  |  | <b>Volume</b><br>( in thousands of bales ) |             |
|--|--|--|-------------|
|  |  | <b>1971</b>                                | <b>1972</b> |
| A. Through auctions                          |  |  |             |
| Sumatra tobacco                              |  | 23.5                                       | 22.7        |
| Jawa tobacco                                 |  | 58.7                                       | 111.9       |
| Total  |  | 82.2                                       | 134.6       |
| B. Not through auctions/by private contracts |  | 23.1                                       | 40.1        |
| Total ( A + B )                              |  | 105.3                                      | 174.7       |

|  |  | <b>Value</b><br>( in millions of DM ) |             |
|--|--|---------------------------------------|-------------|
|  |  | <b>1971</b>                           | <b>1972</b> |
| A. Through auctions                          |  |                                       |             |
| Sumatra tobacco                              |  | 52.4                                  | 61          |
| Jawa tobacco                                 |  | 37.3                                  | 68          |
| Total  |  | 89.7                                  | 129         |
| B. Not through auctions/by private contracts |  | 6.7                                   | 17.2        |
| Total ( A + B )                              |  | 96.4                                  | 146.2       |

spectively 17.7% and 17% to reach 7.4 thousand tons and US\$ 2.1 million. The greater output in the Eastern part of Indonesia was mainly responsible for the increase in the export volume.

The export volume of cassia vera in 1972 increased by 27.6% to reach 3.7 thousand tons, while the export value declined by 17.2% to become US\$ 2.2 million due to a drop in price in foreign markets.

The production of cloves in 1972 rose by 4 thousand tons to reach 18 thousand tons in comparison with the previous year. Although for sev-

## Spices

The production of *pepper* in 1972 reached only 18 thousand tons which was 6 thousand tons less than the figure for the previous year. The export volume of pepper rose slightly, viz. by 2.3% to reach 24.8 thousand tons, while the export value dropped by 16.9% to become US\$ 20.5 million.

The export volume and value of *mace* and *nutmeg* rose in 1972 by re-

eral years in the past the production of cloves was steadily increasing in volume, the output fell still short of domestic demand so that in 1972 it was still necessary to import 12.9 thousand tons of cloves with a value of US\$ 37.7 million.

## Other agricultural and estate produce

The production of estate cocoa rose in 1972 by 5.5% to reach 1,472

tons due to the larger area cultivated by cocoa which had started to become productive.

The production of *hard fibre* in 1972 was 228 tons, or decreased by 90% compared with the previous year. While the export volume in 1971 reached 1.9 thousand tons with a value of US\$ 0.2 million, export of hard fibre in 1972 was insignificant due to the decrease in output.

The production of capok in 1972 fell off by almost 50% and reached 14 thousand tons only as compared with the previous year. The decline in output was ascribed to the lengthy drought in 1972. The export volume and export value dropped by 51 % each to become 611 tons with an export value of US\$ 0.2 million.

The production of cotton dropped in 1972 by 33% to become 1.2 thousand tons in comparison with the previous year. In order to increase the production of cotton; several efforts were made, inter alia, research, test planting, eradication of pests and plant diseases and the cultivation of seed. In addition, in 1972/1973 an area of 5.5 thousand ha was

cultivated by cotton in the context of the BIMAS scheme.

## Mining

During 1972/1973 the output of the mining sector, especially that of important minerals such as crude oil, tin and nickel ore, exceeded the figures for the previous year. On the other hand, all the other minerals had declined in output.

The production of crude oil rose in 1972/1973 by 21% to reach 412.3 million Bbl. The said output was produced by Pertamina to the extent of 70.9 million Bbl in the context of production sharing, by Lemigas to the extent of 0.4 million Bbl, while Caltex and Stanvac reported increases of respectively 314.2 million Bbl and 26.8 million Bbl. In similarity to the previous years, the larger output was attributed to the discovery of new oil wells, both on land and in offshore areas.

The export volume of crude oil and the products of oil refineries had also increased, viz. from 287.8 million Bbl with a value of US\$ 683.9

million in 1971/1972 to 360.7 million Bbl with a value of US\$ 1,040.9 million at the end of the period under report. \*) In the meantime the domestic consumption of fuel and lubricating oil increased by 5.3 million Bbl (11.7%) to become 50.2 million Bbl.

The production of tin rose in 1972/1973 by 5% to reach 21.5 thousand tons. The said increase was caused by the more intensive effort made to replace and rehabilitate the tools for production, auxiliary equipment as well as other components of the technical infrastructure, besides the exploitation of new mines.

In step with the increase in output, the export volume rose by 1.6 thousand tons to reach 20.7 thousand tons, while the export value increased by US\$ 10.3 million to become US\$ 73.4 million.

## Other minerals

The production of bauxite ore declined in 1972/1973 by 47.8 thousand tons and reached only 1,240.2 thousand tons in comparison with the previous year's output. The decline in production was mainly connected to an adjustment which was made to marketing conditions abroad. For the aforesaid reason, even though the export volume succeeded to be raised to 1,255.0 thousand tons, the export value had dropped by US\$ 0.1 million to reach US\$ 6.6 million.

The production of *nickel ore* rose in 1972/1973 by 14% to reach 971.6 thousand tons. This increase stood in direct relation to the willingness of Japan as consumer to buy nickel ore of a specific content (rejection point 2.2%), in addition to the effort made to step up the loading capacities from 3 thousand tons per day to 5 thousand a 6 thousand tons per day

In the meantime the survey conducted by the International Nickel Company (INCO) in the context of the establishing of nickel

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\*) The export value in this paragraph is computed on the basis of the production in the 1972/1973 budget year, whereas the export value in the paragraph on Balance of Payments is computed on the basis of the production in the 1972 calendar year.

processing plants in Central and South East Sulawesi was almost completed.

In the context of the construction of a ferro nickel plant, approval was given to a loan from Japan in the form of project aid to the extent of US\$ 17 million. This loan is expected to facilitate the production of 4 thousand tons of nickel per annum. The export volume of nickel ore during the period under report declined by 27.5 thousand tons to reach 737.5 thousand tons; its export value, however, rose by US\$ 0.8 million to reach US\$ 10.2 million.

The production of *coal* dropped by 10% to become 177.2 thousand tons in 1972/1973. The reduced output was caused by the declining use of coal as a fuel due to the increased use of other fuels (oil). During 1972/1973 the Government made a more intensive effort to rehabilitate the mines by means of, inter alia, providing a budget sufficient to complete the construction of the electric power plant at the ombilin mines, by improving the mining operations at the Ombilin as well as Bukit Asam mines, and by carrying on with the

surveys which had already been started.

The production of *gold* fell off by 3.2%, viz. from 343.3 kg in 1971/1972 to 338.3 kg in 1972/1973, while the production of silver increased by 4.4%, viz. from 8,141 kg to 8,500 kg.

In the context of developing the mining of diamonds, approval was given to a work contract involving the conducting of surveys and excavations in the South Kalimantan region. The work will be performed by the PT Asia Tagor Mining Coy. (a joint venture enterprise in which the Government has a share) and is expected to start soon.

The production of *iron sand* in 1972 declined by 1.8%, viz. from 270.9 thousand tons in 1971 to 265.9 thousand tons because of, inter alia, the limited marketing prospects of the product (Japan), and the as yet unfeasibility of conducting mining operations on a large scale. Iron sand exports which in 1971 reached 243 thousand tons with an export value of US\$ 1,162 thousand rose to 276 thousand tons in 1972. Due to a decline in the quality, however, the ex-

port value dropped to US\$ 1,150 thousand.

Surveys and the mining of *copper* carried out since 1967 in Irian Jaya by the PT Freeport Sulphur Indonesia which involves an investment of US\$ 146 million, is nearing completion. At the end of 1972, the first shipment of copper concentrate with a volume of 9 thousand tons and an export value of US\$ 4 million was exported to Japan. The export program calls for an annual export volume of approximately 225 thousand tons with an annual export value of US\$ 76 million.

## Industry

During 1972/1973 the industrial sector had progressed quite satisfactorily as may be observed from the higher output of the basic, chemical, light and textile industries. The products were of sufficiently good quality and were thus able to compete with imports from abroad.

The more rapid development in the industrial sector during 1972/1973 stood in direct relation to the

increasingly larger funds which were made available to finance the respective fields of industry. The financing supplied by the Development Budget toward the industrial and mining sector during 1972/1973 rose by Rp 2.9 billion to reach Rp 4.6 billion, while the financing supplied by project aid rose by Rp 7.9 billion to reach Rp 16.1 billion during 1972/1973. Besides, the financing from investment loans had also increased in volume, viz. by Rp 10.9 billion to reach Rp 57.6 billion in 1972/1973, as may be seen from the following figures:

|                            |                     |
|----------------------------|---------------------|
| – Chemical industry        | Rp 14,220.5 million |
| – Flour milling industry   | " 2,215.4 million   |
| – State textile industry   | " 299.5 million     |
| – Private textile industry | " 13,234.3 million  |
| – State tire industry      | " 1,432.2 million   |
| – Private tire industry    | " 56.6 million      |
| – Other industries         | " 26,183.5 million  |

Of the development and activities of capital investment until March 1973 inclusive may be mentioned the following:

- The number of project applications in the context of domestic capital investment was 1,838 which involved a total capital investment plan of Rp 1,088.6 billion. Among the aforesaid applications, 1,156 projects were designed for the industrial sector and had a total capital investment plan of Rp 551.8 billion. Project approvals numbered 1,387 with a total investment plan of Rp 774.2 billion, which included 928 projects for the investment sector with a total investment plan of Rp 437.2 billion.
- The number of project approvals in the context of foreign capital investment was 561 which included 312 projects for the industrial sector with a total investment plan of US\$ 749.6 million, and which may be observed from the following schedule :

| Kinds of projects       | Total | Planned investment<br>(millions of US \$) |
|-------------------------|-------|---|
| Light industry          | 152   | 169.1                                     |
| Textile industry        | 41    | 218.8                                     |
| Basic industry          | 69    | 228.9                                     |
| Chemical industry       | 14    | 70.3                                      |
| Pharmaceutical industry | 36    | 62.5                                      |

During the period under report, the field of basic industry showed a quite satisfactory development, which was also the case during the previous year. The production of *incandescent light bulbs*, for example, rose by 105% to reach 12.3 million bulbs. Significant developments were also observed in other parts of the basic industry, such as the assembling of four-wheeled and two-wheeled motor vehicles. If in 1971/1972 the production of four-wheeled motor vehicles was 16 thousand units that of two-wheeled motor vehicles 50 thousand units, the assembling of the said motor vehicles rose in 1973 to respectively 23 thousand units and 100 thousand units.

With respect to the chemical industry may be reported that the fertilizer industry experienced an increase in output of 19.5 thousand tons (11.3%) by reaching an output of 127.9 thousand tons in 1972/1973.

The production of *tires* and *tubes* increased by respectively 319.4 thousand pieces (63%) and 315.0 thousand pieces (100%)<sup>1</sup>. In the meantime the production of *cement* in 1972/

1973 rose from 531 thousand tons to 652 thousand tons (+23%) as a result of the expansion of the Gresik cement factory. Because of the growing domestic demand for cement, preparations are going on for the construction of a cement

plant at Cibirong designed for an annual output of 500 thousand tons of cement.

The development of the other industries may be observed from the following schedule:

| Type of products |                    | Production |             | Change  |         |
|------------------|--------------------|------------|-------------|---------|---------|
|                  |                    | 1971/1972  | 1972/1973*) | Total   | %       |
| Paper            | ( thousand tons )  | 29.0       | 38.0        | 9.0     | + 31.0  |
| Automobile tyres | ( thousand pcs )   | 508.0      | 827.4       | 319.4   | + 62.9  |
| Automobile tubes | ( thousand pcs )   | 316.4      | 631.4       | 315.0   | + 100.0 |
| Bicycle tyres    | ( thousand pcs )   | 1,849.7    | 3,076.2     | 1,226.5 | + 66.3  |
| Bicycle tubes    | ( thousand pcs )   | 495.9      | 597.4       | 101.5   | + 20.5  |
| Coconut oil      | ( thousand tons )  | 260.7      | 265.0       | 4.3     | + 1.6   |
| Cooking oil      | ( thousand tons )  | 27.2       | 28.8        | 1.6     | + 1.5   |
| Soap             | ( thousand tons )  | 132.4      | 132.0       | 0.4     | — 0.3   |
| Cigarettes       | ( million pcs )    | 14,700.0   | 16,800.0    | 2,100.0 | + 14.3  |
| Clove cigarettes | ( million pcs )    | 21,400.0   | 21,200.0    | 200.0   | — 0.9   |
| Safety matches   | ( million pcs )    | 348.0      | 475.0       | 127.0   | + 36.5  |
| Dental cream     | ( million tubes )  | 26.0       | 30.0        | 4.0     | + 15.4  |
| Textile          | ( million meters ) | 732.0      | 852.0       | 120.0   | + 16.4  |
| Yarn             | ( thousand bales ) | 239.0      | 287.0       | 48.0    | + 20.1  |
| Radio            | ( thousand sets )  | 416.0      | 700.0       | 284.0   | + 68.3  |

\*) Estimate

Source : Department of Industry

## Electric power and gas

During 1972 the Perusahaan Listrik Negara (State Electricity Company) continued to make an effort to provide better service to public by means of, inter alia, raising the capacity of electric power and by improving and expanding the electricity network and distribution of electric power.

Due to the lengthy drought of 1972/1973 the surface of water reservoirs had dropped to a rather critical level. Because of this condition, the PLTA Jatiluhur had difficulty in supplying the required electric power to the capital city and to several regions in West Jawa.

For the abovementioned reason the construction of the PLTU Unit 111

and IV at Tanjung Priok was speeded up.

The development of electric power production was quite satisfactory. In 1972 the installed capacity in kilowatts rose by 19.2%, viz. from 557.3 thousand kilowatts to 664.1 thousand kilowatts, as may be observed from the following figures (in thousand kilowatts) :

| Power Plant            | 1971    | 1972    |
|------------------------|---------|---------|
| Diesel electric (PLTD) | 203,327 | 213,084 |
| Steam electric (PLTU)  | 125,000 | 225,000 |
| Hydro electric (PLTA)  | 186,938 | 183,968 |
| Gas electric (PLTG)    | 42,000  | 42,000  |
|                        | 557,265 | 664,052 |

Source : State Electricity Company (PLN).

The sale of electric energy to consumers rose in 1972 by 4.5%, viz. from 1,786.1 million KWH to 1,892.6 KWH. Of the construction work in the sector of electric power may be reported the following:

- a. The PLTU project Units 111 and IV at Tanjung Priok which had

been put under construction in 1971 were in 1972 already capable of producing an output of 25 MW each.

- b. The Riam Kanan water-basin in South Kalimantan was put into service as of July 1972. It is anticipated that work on the electric generating plant which has a capacity of 20 MW will be completed in 1973.

- c. Work on the electric power generating plant of the Karangates multipurpose project in East Jawa, which has a capacity of 2 x 35 MW will be completed in the second semester of 1973.

The output of gas produced by the Perusahaan Gas Negara (State Gas Works) rose by 7%, viz. from 35.5 million m<sup>3</sup> in 1971 to 38.0 million m<sup>3</sup> in 1972. The increase was due to the greater efficiency and the better management of the gas works, which may be observed from the following figures :



|  | 1971         | 1972        | Increase<br>(+)<br>decrease<br>(-) |
|--|--------------|-------------|------------------------------------|
| <b>Production<br/>of gas</b>                                       |              |             |                                    |
| — gas from<br>coal pro-<br>cessing<br>(million<br>m <sup>3</sup> ) | 35.53        | 38.0        | + 7%                               |
| — gas from<br>oil pro-<br>cessing<br>(million<br>m <sup>3</sup> )  | 5.78         | 7.5         | +29%                               |
| <b>Raw materials<br/>used</b>                                      | <b>29.75</b> | <b>30.5</b> | <b>+ 2%</b>                        |
| — coal (tons)  | 9,450        | 11,884.5    | +26%                               |
| — fuel oil<br>(thousand<br>litres)                                 | 18,964       | 18,229      | - 4%                               |

| Year | Freight<br>(million<br>tons/Km) | Passengers<br>(million<br>persons/km) |
|------|---------------------------------|---------------------------------------|
| 1970 | 855                             | 3,466                                 |
| 1971 | 949                             | 3,623                                 |
| 1972 | 1,041                           | 3,366                                 |

Source : State Railway Enterprise.

The number of passengers travelling by railway declined by 17.6%, viz. from 51 million passengers in 1971 to 42 million passengers in 1972. The number of passengers-km also declined by 7%, from 3,623 million to 3,366 million. The decline was caused by the more intensive competition offered by highway transportation companies which are owned by the private sector and which succeeded to improve their services on long distance travel by introducing nightbuses into their schedule of operations. The volume of freight carried by railway, however, rose by 9.7% to reach 1,041 million tons-km.

## Transportation

The effort made by the Government in this sector during 1972/1973 consisted of improving the transportation infrastructure in order to facilitate economic activities.

### Land transportation

In the land transportation sector, the State Railway System showed the following developments :

The following figures show the declining trend in the development of the PN Angkutan "DAMRI" which was observed until the end of 1972.

The decline was ascribed to the fact that the motor vehicles of the PN

|                               | 1970    | 1971    | 1972    |     | 1971                  |                    |
|-------------------------------|---------|---------|---------|-----|-----------------------|--------------------|
| <b>Number of buses</b>        |         |         |         | 231 | owned vessels         | 226.7 thousand DWT |
| -- wholly owned               | 356     | 322     | 175     | 75  | hire-purchase vessels | 76.5 thousand DWT  |
| -- in operation               | 184     | 148     | 100     | 29  | chartered vessels     | 42.6 thousand DWT  |
| -- output (thousand km)       | 11,650  | 9,899   | 6,731   |     | <b>1972</b>           |                    |
| -- passengers x km (thousand) | 276,000 | 227,700 | 158,898 | 266 | owned vessels         | 270 thousand DWT   |
|                               |         |         |         | 49  | hire-purchase vessels | 97.3 thousand DWT  |
|                               |         |         |         | 74  | chartered vessels     | 85.7 thousand DWT  |

"DAMRI " are on the average more than 10 years old. In the effort to overcome this condition, also to improve its service in public transportation, especially in the outlying regions, the motor pool of the PN "DAMRI " was rejuvenated by the addition of 200 new buses which were provided in the context of project aid from Japan and by an additional 30 buses which were provided by means of bank credit.

### *Sea transportation*

The interinsular shipping fleet which in 1971 consisted of 335 vessels with a total capacity of 345.8 thousand DWT rose in 1972 to 389 vessels with a total capacity of 453 thousand DWT, as may be seen from the following figures :

In 1972 of the vessels specified above, 54 vessels with a total capacity of 82.3 thousand DWT were owned by PN PELNI, while the remainder owned by private shipping companies. With respect to international shipping, the number of vessels rose from 45 with a total capacity of 405.3 thousand DWT in 1971 to 53 vessels with a total capacity of 472.2 thousand DWT, in accordance with the following specification :

|    | 1971                  |                    |
|----|-----------------------|--------------------|
| 20 | owned vessels         | 183.6 thousand DWT |
| 13 | hire-purchase vessels | 96.4 thousand DWT  |
| 12 | chartered vessels     | 125.3 thousand DWT |
|    | 1972                  |                    |
| 18 | owned vessels         | 165.7 thousand DWT |
| 19 | hire-purchase vessels | 162.8 thousand DWT |
| 16 | chartered vessels     | 143.7 thousand DWT |

The international shipping fleet specified above included the fleet of PN Jakarta Lloyd which consisted of the following vessels :

| 1971 |                       |                    |
|------|-----------------------|--------------------|
| 18   | owned vessels         | 149.9 thousand DWT |
| 4    | hire-purchase vessels | 50.9 thousand DWT  |
| 2    | chartered vessels     | 26.5 thousand DWT  |
| 1972 |                       |                    |
| 12   | owned vessels         | 123.8 thousand DWT |
| 3    | hire-purchase vessels | 32.9 thousand DWT  |
| 4    | chartered vessels     | 37.0 thousand DWT  |

The volume of freight carried by national vessels and the total cost of freight during 1971 and 1972 (that from crude oil, timber and copper ore excepted) are represented by the following figures :

| Destination | 1971                      |                          |
|-------------|---------------------------|--------------------------|
|             | Volume<br>(thousand tons) | Value<br>(millions US\$) |
| Europe      | 605.9                     | 21.2                     |
| Japan       | 584.7                     | 11.7                     |
| Australia   | 58.4                      | 1.8                      |
| America     | 147.9                     | 5.9                      |
| Hongkong    | 83.3                      | 1.2                      |
| Singapore   | 520.4                     | 3.6                      |
|             | <u>2,000.6</u>            | <u>45.4</u>              |
| Destination | 1972                      |                          |
|             | Volume<br>(thousand tons) | Value<br>(millions US\$) |
| Europe      | 448.9                     | 15.7                     |
| Japan       | 441.4                     | 8.8                      |
| Australia   | 60.5                      | 1.9                      |
| America     | 108.0                     | 4.3                      |
| Hongkong    | 36.1                      | 0.5                      |
| Singapore   | 501.0                     | 3.5                      |
|             | <u>1,595.9</u>            | <u>34.7</u>              |

Source: Directorate General of Sea Transportation

The above figures show that the volume of freight had declined by 20% and the cost of freight by 26%.

Cargo in the context of foreign trade was for the most part carried by vessels operating under the "freight conference". in this connection the Government has made an effort to have the Indonesian shipping companies join the said conference as full member so as to enable them to carry as much freight as would lie within their capabilities.

### *Air transportation*

The developments in the domestic air transportation sector were as follows :

|                                     | 1970  | 1971  | 1972    |
|-------------------------------------|-------|-------|---------|
| Output (million tons/km)            | 80.2  | 102.5 | 148.9   |
| Sales (million tons/km)             | 51.1  | 68.5  | 82.2    |
| Passengers flown (thousand persons) | 770.4 | 992.8 | 1,230.1 |
| Distance covered (million km)       | 16.5  | 20.5  | 27.1    |
| Flight hours (thousand hours)       | 54.4  | 60.9  | 74.0    |

Source : Directorate General of Air Transportation.

The table above gives a clear picture of the progress achieved by the national airlines. Specifically in the case of PN Garuda may be reported that the number of its passengers rose by 19.4%, viz. from 629.4 thousand persons in 1971 to 751.4 thousand persons in 1972, while the number of its aircraft had not changed.

The following table shows the development of the other airlines :

|                               | Flight hours<br>(thousand hours)       |       |
|-------------------------------|--|-------|
|                               | 1971                                   | 1972  |
| PN Merpati Nusantara Airlines | 20.8                                   | 26.3  |
| PT Mandala                    | 3.2                                    | 4.3   |
| PT Seulawah                   | 4.0                                    | 2.8   |
| PT Bouraq                     | 4.6                                    | 6.5   |
| PT Zamrud                     | 2.1                                    | 0.5   |
|                               | Passengers flown<br>(thousand persons) |       |
|                               | 1971                                   | 1972  |
| PN Merpati Nusantara Airlines | 202.0                                  | 283.2 |
| PT Mandala                    | 42.5                                   | 42.4  |
| PT Seulawah                   | 57.5                                   | 47.7  |
| PT Bouraq                     | 45.5                                   | 106.4 |
| PT Zamrud                     | 15.8                                   | 3.9   |

## Telecommunication

International telephonic communication rose in 1972 by 6.6% to reach 1,364.8 thousand minutes, while international telex communication and domestic telex communication rose by 5% to reach 1,162.3 thousand minutes and 7,126.0 thousand pulses.

The closing of the final link between Surabaya and Denpasar in the beginning of 1973 signalled the completion of the Jawa—Bali microwave project which was started in 1961. In this connection may be added that the Trans-Sumatra microwave project which was begun in 1969 will probably be completed in 1974 and will henceforth link together the cities of Medan, Sibolga, Padang, Jambi, Palembang and Tanjungkarang to finally join up with the Jawa—Bali microwave project. The microwave project for the Eastern part of Indonesia will probably be completed in 1976.

## Tourism

The number of tourists who visited Indonesia during 1972 rose by

22.2% to reach 221.2 thousand persons as against 181.0 thousand persons in the previous year.

In preparation of the 1974 PATA conference, work was being carried out in Jawa, Bali as well as in Sumatra and Sulawesi in order to provide the necessary facilities such as hotel accomodation, guide services, recreational facilities, transportation and other facilities as well.

## Prices and Wages

### *Prices*

The economic stabilization policy carried out since 1969/1970 in support of the development executions had the result that the price level until and including the 3rd year of the Five Year Development Plan execution (1971/1972) remained stable. At the end of 1972, however, the development of the price level received a jolt when prices began to show a rather substantial increase.

The cost of living index for Jakarta which includes 62 kinds of goods and services had in 1971 not much increased, viz. by only 2.6%.

This stable condition continued until August 1972 when an increase of merely 0.9% was recorded. From August to December 1972, however, the cost of living index rose by 24.5% so that the increase in 1972 as a whole was 25.7%. The said increase was mainly caused by the increase in the foodstuffs index, especially that of rice which singularly carries a weight of 31%. In the last quarter of 1972, the price of rice increased by 88% (the price of tumbuk bulu rice No.2 had jumped from Rp 33.44 to Rp 62.88/litre) mainly because of the insufficient rice supply. This was in turn caused by the unsatisfactory harvest due to the prolonged drought.

The effort made by the Government to overcome the rice problem by means of, inter alia, importing rice in far greater quantities than used to be the case has already been explained earlier. The result of the above mentioned effort was that during the 1st quarter of 1973, the price index of rice and that of other foodstuffs began to fall off; the index of other goods and services, however, especially that of clothing continued their rising trend.

In the meantime, the price index of the 9 essential commodities paralleled the development of the cost of living index as is reflected by the following figures:

**Price indices of the 9 essential commodities  
( 4 October 1966 = 100 )**

|        |           |     |
|--------|-----------|-----|
| 1970 : | December  | 562 |
| 1971 : | March     | 602 |
|        | June      | 517 |
|        | September | 519 |
|        | December  | 535 |
| 1972 : | March     | 582 |
|        | April     | 576 |
|        | May       | 564 |
|        | June      | 541 |
|        | July      | 540 |
|        | August    | 560 |
|        | September | 584 |
|        | October   | 614 |
|        | November  | 776 |
|        | December  | 948 |
| 1973 : | January   | 870 |
|        | February  | 866 |
|        | March     | 861 |

Source : Central Bureau of Statistics

The price index of the 9 essential commodities in Jakarta rose in 1972 by 77.2% (47.9% in 1972/1973) in comparison with the decline by 4.8% in 1971 ( - 3.3% in 1971/1972).

Between the months of December 1971 until August 1972 inclusive, the price index of the 9 essential commodities rose by merely 4.7%, whereas in the months between August 1972 and December 1972 inclusive the said increase was 69.3%, due mainly to the increase in the price of rice. In the 1st quarter of 1973 the said index fell off by 9.2%.

In the meantime the price of clothing during the 1st quarter of 1973 revealed a rather substantial increase as is reflected by the following figures ( Rp/metre) :

|                                     | 1 9 7 2 |        |        |                                     | 1 9 7 2 | 1 9 7 3 |
|-------------------------------------|---------|--------|--------|-------------------------------------|---------|---------|
|                                     | March   | June   | Sept.  |                                     | Dec.    | March   |
| Unbleached cotton, domestic (90 cm) | 100.—   | 100.—  | 105.22 | Unbleached cotton, domestic (90 cm) | 110.—   | 116.80  |
| Unbleached cotton, imported (90 cm) | 114.—   | 113.75 | 116.40 | Unbleached cotton, imported (90 cm) | 120.—   | 195.—   |
| White shirting                      | 114.30  | 115.—  | 119.50 | White shirting                      | 125.—   | 155.—   |
| Drill, domestic (90 cm)             | 240.—   | 228.—  | 221.—  | Drill, domestic (90 cm)             | 243.75  | 272.32  |
| Drill, imported (90 cm)             | 315.—   | 295.—  | 290.—  | Drill, imported (90 cm)             | 293.75  | 323.05  |
| Source : Department of Trade        |         |        |        |                                     |         |         |

**TABLE 26 — INDEX OF COST OF LIVING IN JAKARTA**  
( September 1966 = 100 )

|             | Foodstuffs<br>63.4% | Housing<br>10.8% | Clothing<br>8.5% | Other<br>17.3% | General<br>Index<br>100% | Change               |         |
|-------------|---------------------|------------------|------------------|----------------|--------------------------|----------------------|---------|
|             |                     |                  |                  |                |                          | Annual/<br>Quarterly | Monthly |
| <b>1970</b> |                     |                  |                  |                |                          | <b>+ 8.9</b>         |         |
| December    | 612                 | 871              | 426              | 750            | 626                      |                      |         |
| <b>1971</b> |                     |                  |                  |                |                          | <b>+ 2.6</b>         |         |
| March       | 667                 | 883              | 426              | 770            | 662                      | + 5.8                |         |
| June        | 604                 | 879              | 424              | 771            | 626                      | — 5.4                |         |
| September   | 592                 | 866              | 427              | 770            | 618                      | — 1.3                |         |
| December    | 626                 | 879              | 437              | 777            | 642                      | + 3.9                |         |
| <b>1972</b> |                     |                  |                  |                |                          | <b>+ 25.7</b>        |         |
| March       | 669                 | 875              | 436              | 788            | 668                      | + 4.1                |         |
| April       | 665                 | 875              | 436              | 788            | 666                      |                      | — 0.3   |
| May         | 655                 | 875              | 436              | 788            | 660                      |                      | — 0.9   |
| June        | 640                 | 860              | 436              | 788            | 650                      | — 2.7                | — 1.5   |
| July        | 639                 | 860              | 410              | 788            | 645                      |                      | — 0.8   |
| August      | 642                 | 869              | 413              | 788            | 648                      |                      | + 0.5   |
| September   | 656                 | 883              | 413              | 792            | 658                      | + 1.2                | + 1.5   |
| October     | 691                 | 892              | 434              | 794            | 683                      |                      | + 3.8   |
| November    | 821                 | 892              | 435              | 795            | 757                      |                      | +10.8   |
| December    | 905                 | 892              | 435              | 805            | 807                      | +22.6                | + 6.6   |
| <b>1973</b> |                     |                  |                  |                |                          |                      |         |
| January     | 882                 | 892              | 436              | 805            | 794                      |                      | — 1.6   |
| February    | 881                 | 892              | 445              | 811            | 796                      |                      | + 0.3   |
| March       | 890                 | 903              | 467              | 813            | 806                      | — 0.1                | + 1.3   |

Source : Central Bureau of Statistics

The increase was caused mainly by the higher prices of raw material abroad and by the developments in the international monetary situation.

Because of the increase in the price of export commodities abroad, selected export commodities at home became also the subject of substantial increases in price in 1972/1973 as may be seen from the following figures (prices in Jakarta in Rp/kg):

|                           | 1 9 7 2 |        |         |
|---------------------------|---------|--------|---------|
|                           | March   | June   | Sept.   |
| Rubber RSS I              | 101.—   | 106.50 | 108.—   |
| Robusta coffee (20 — 25%) | 120.—   | 100.—  | 145.—   |
| Black pepper              | 200.50  | 200.50 | 212.—   |
| Copra (Sulawesi)          | 44.—    | 41.—   | 42.—    |
|                           | 1 9 7 2 |        | 1 9 7 3 |
|                           | Dec.    |        | March   |
| Rubber RSS I              | 148.—   |        | 194.—   |
| Robusta coffee (20—25%)   | 160.—   |        | 185.—   |
| Black pepper              | 263.75  |        | 304.—   |
| Copra (Sulawesi)          | 41.50   |        | 56.—    |

Source : Department of Trade

At the same time the higher prices abroad affected the domestic prices of selected import commodities (Jakarta) as may be observed from the following table:

With respect to the development of the price of foreign exchange may

|                             | 1 9 7 2 |        |         |
|-----------------------------|---------|--------|---------|
|                             | March   | June   | Sept.   |
| Printed shirting (Rp/metre) | 147.50  | 145.80 | 148.33  |
| Cement (Rp/50 kg)           | 650.—   | 700.—  | 675.—   |
| Concrete iron (Rp/kg)       | 90.—    | 115.—  | 120.—   |
|                             | 1 9 7 2 |        | 1 9 7 3 |
|                             | Dec.    |        | March   |
| Printed shirting (Rp/metre) | 152.—   |        | 192.17  |
| Cement (Rp/50kg)            | 800.—   |        | 800.—   |
| Concrete iron (Rp/kg)       | —       |        | 130.—   |

Source : Department of Trade

be reported that during 1972/1973 the free market price (Jakarta) of the United States Dollar remained stable at Rp 418.— per US\$ 1. - . In the meantime because of the devaluation of the United States Dollar by 10% in February 1973, and the decision of the Government to maintain the rate of exchange of the United States Dollar to that of the Rupiah, the rate of other foreign exchange became subject to the following revisions:

|           | 1 9 7 2 |         |         |
|-----------|---------|---------|---------|
|           | March   | June    | Sept.   |
| £         | 1,006.— | 1,040.— | 1,015.— |
| M \$      | 143.—   | 148.—   | 153.—   |
| HK \$     | 71.—    | 73.—    | 73.—    |
| Austr. \$ | 480.—   | 480.—   | 486.—   |
|           | 1972    |         | 1973    |
|           | Dec.    |         | March   |
| £         | 970.—   |         | 1.070.— |
| M \$      | 147.—   |         | 170.—   |
| HK \$     | 72.—    |         | 83.—    |
| Austr. \$ | 486.—   |         | 590.—   |



### *Wages/Salaries*

In general, wages/salaries had in 1972/1973 increased although to different extents between sectors of the economy and between enterprises. Based on the data of the Department of Manpower, the average minimum wage paid by selected enterprises in various sectors of the economy (services excepted) rose by 2.7% to 41.8%, while the average maximum wage rose by 4.7% to 53.5%. The average increase in the minimum and maximum wages of a worker with a wife and 2 children in various sectors of the economy may be observed from the following table (as per October 1972 in comparison to October 1971) :

| Sector                       | Percentage increase |              |
|------------------------------|---------------------|--------------|
|                              | Minimum wage        | Maximum wage |
| Estates                      | 2.7                 | 9.2          |
| Mining                       | 11.6                | 11.0         |
| Industry                     | 5.9                 | 14.9         |
| Construction                 | 18.2                | 44.9         |
| Electricity                  | 41.8                | 53.5         |
| Trade                        | 17.7                | 30.8         |
| Communication/transportation | 12.2                | 4.7          |
| Services                     | 0                   | 0            |
| Other/civil servants         | 32.4                | 32.8         |

Source : Department of Labour

The Government continued with its policy to gradually improve the

salaries of civil servants according to the capability of the national budget.

As from April 1, 1972 civil servants are provided an increase in their salaries in the form of an additional working allowance to the extent of 100% of their basic salary <sup>\*)</sup>

### *Labour/Manpower*

The population census of 1971 showed that the labour force in Indonesia consisted of 40.1 million persons or 33.6% of the total population (119.2 million people). Of the said labour force + 0.9 million persons or 2.2% were unemployed, viz. 0.3 million persons in the urban areas and 0.6 million persons in the rural areas. A person is classified as unemployed if during a one week's time reference he has not worked at all or had worked for less than, 2 days. Therefore, the number of employed persons actually includes those who are not fully employed, viz. those people who have worked for less than 40 hours within a one week's period.

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\*) Government Regulation No. 13 of 1972.

Although in 1972/1973 employment opportunities had increased in absolute terms, namely because of the implementation of the Five Year Development Plan and the establishment of new projects in the context of both foreign and domestic capital investments, the substantial addition to the labour force (approximately 1.6% per annum) makes it still necessary to expand employment opportunities.

The effort made by the Government in 1972/1973 to increase the number of employment opportunities in Indonesia, besides continuing

the efforts made during the previous year such as:

- aid programmes to villages and regencies/ municipalities;
- labour, intensive projects;
- sending volunteer workers to the rural areas;

consisted also of sending Indonesian manpower to abroad.

In addition thereto, in the context of foreign capital investment, an effort was made so that foreign investment projects employ as much Indonesian manpower as possible and improve their skill as well.

## APPENDICES

## APPENDIX A

**BANK INDONESIA**  
**CONDENSED BALANCE SHEET \*)**  
**as per March 31, 1973**  
(millions of Rupiahs)

| <b>ASSETS</b>                  |         |         |  | <b>LIABILITIES</b>             |        |         |         |
|--------------------------------|---------|---------|--|--------------------------------|--------|---------|---------|
| GOLD COIN AND BULLION          |         | 913     |  | BANK NOTES/COINS ISSUED        |        | 321,568 |         |
| FOREIGN EXCHANGE ASSETS        |         | 289,550 |  | FOREIGN EXCHANGE LIABILITIES   |        | 79,929  |         |
| CLAIM ON GOVERNMENT :          |         |         |  | BALANCE ON CURRENT ACCOUNT :   |        |         |         |
| a. Advances                    | 79,936  |         |  | a. Government                  | 59,725 |         |         |
| b. Transactions/payments on    |         |         |  | b. Government, foreign aid and |        |         |         |
| account of membership in       |         |         |  | counterpart                    | 89,956 |         |         |
| International financial insti- |         |         |  |                                |        |         |         |
| tutions                        |         |         |  | c. International financial     |        |         |         |
| — in gold                      | 6,471   |         |  | institutions                   | 51,991 |         |         |
| — in Rupiahs                   | 52,792  | 59,263  |  | d. Third parties               |        |         |         |
| c. Promissory notes            | 25,450  | 164,649 |  | — Banks                        | 91,902 |         |         |
|                                |         |         |  | — Other                        | 15,220 | 107,122 | 308,794 |
| LOANS :                        |         |         |  | CAPITAL AND RESERVE            |        | 28,729  |         |
| a. Banks                       | 167,719 |         |  | MISCELLANEOUS LIABILITIES      |        | 91,766  |         |
| b. Other                       | 121,708 | 289,427 |  |                                |        |         |         |
| PREMISES AND INVENTORY         |         | 10,382  |  |                                |        |         |         |
| MISCELLANEOUS ASSETS           |         | 75,865  |  |                                |        |         |         |
|                                |         | 830,786 |  |                                |        | 830,786 |         |

\*) Preliminary figures.

**BANK INDONESIA**  
**PROFIT AND LOSS ACCOUNT**  
**as per March 31, 1973**  
(millions of Rupiahs)

| <b>EXPENDITURE</b>                |        | <b>REVENUE</b>  |        |
|-----------------------------------|--------|-----------------|--------|
| <b>Expenses</b>                   |        |                 |        |
| — Personnel/ Materiel/Operational | 8,497  | — Interest      | 24,255 |
| — Bank notes                      | 3,126  | — Commission    | 347    |
| — Miscellaneous                   | 1,273  | — Miscellaneous | 5,119  |
| — Dotation to Pension Fund        | 200    |                 |        |
| — Depreciation                    | 6,350  |                 |        |
|                                   | 19,446 |                 |        |
| <b>PROFIT</b>                     |        |                 |        |
| — Profit before tax               | 10,275 |                 |        |
|                                   | 29,721 |                 | 29,721 |

## APPENDIX B

### BANK INDONESIA

Management as per March 31, 1973

#### BOARD OF MANAGING DIRECTORS

|                               |   |                   |
|-------------------------------|---|-------------------|
| Radius Prawiro                | : | Governor          |
| Rachmat Saleh                 | : | Managing Director |
| Marathon Wirija Mihardja      | : | Managing Director |
| Soeksmono Besar Martokoesoemo | : | Managing Director |
| J.A. Sereh                    | : | Managing Director |
| Slamet Heryanto               | : | Managing Director |
| Arifin Mohamad Siregar        | : | Managing Director |

## GENERAL MANAGERS

|                              |   |  |
|------------------------------|---|--|
| D. Wisaksana                 | : | Loan Department                                      |
| Abdullah Ali                 | : | Credit Planning and Credit<br>Supervision Department |
| M. D. Joko Soedomo           | : | International and Foreign<br>Exchange Department     |
| R. Soejatno Soemardjo        | : | Issue Department                                     |
| Soetomo                      | : | Bank Supervision Department                          |
| A.U. Laoh                    | : | Administration and<br>Organization Department        |
| R. Dhoemadi Singowigoeno     | : | Internal Control Department                          |
| M.S. Mansoer                 | : | Budget Department                                    |
| Samali T. Budimulia          | : | Economics and Statistics<br>Department               |
| Bambang Soesilo              | : | Personnel Department                                 |
| Eddy Suwardi                 | : | General Services Department                          |
| R. Sujanto                   | : | Office of the Board                                  |
| R. Markoem Djojohadisoeparto | : | Legal Department                                     |
| H.P. Toar                    | : | Mobilization of Funds<br>Department                  |

## REPRESENTATIVES

|                      |   |                            |
|----------------------|---|----------------------------|
| T.M. Zahirsjah       | : | London                     |
| Parjono              | : | New York                   |
| E.J. Hartoko         | : | Tokyo                      |
| Lulu Prawira Subrata | : | Kuala Lumpur and Singapore |

## BRANCH MANAGERS

|                                |   |               |
|--------------------------------|---|---------------|
| R. Soejoto                     | : | Surabaya      |
| Mahfud Jakile                  | : | Medan         |
| Achmad Effendie                | : | Semarang      |
| Oesman Ibrahim                 | : | Bandung       |
| R. Soemartono MS               | : | Ujung Pandang |
| R. Koesmadi Sastrodipoero      | : | Palembang     |
| Sumantri Hadisuryatno          | : | Banjarmasin   |
| Sjarief Iksanoeddien           | : | Padang        |
| Sudarsono                      | : | Menado        |
| Muljana Wiraatmadja            | : | Pontianak     |
| R. Kardana Hardjakusumah       | : | Denpasar      |
| Dewa Made Gunawan              | : | Jayapura      |
| Akhmad Martinus                | : | Pekanbaru     |
| Nuradi Kusumodirjo             | : | Tel ukbetung  |
| Suparto Wignyasubrata          | : | Yogyakarta    |
| Tom Hartono                    | : | Cirebon       |
| Soepardi                       | : | Samarinda     |
| R.M. Soedianto Mangkoesoebroto | : | Solo          |
| Suparman Widjaja               | : | Banda Aceh    |
| R. Jasin Soeriadiredja         | : | Jambi         |
| Husnie Azhurie                 | : | Ambon         |
| Sanjoto Abdulradjak            | : | Malang        |
| Dulkalip                       | : | Jember        |
| E kotjipto                     | : | Ampenan       |
| Wiardi                         | : | Kupang        |
| Wahju Handojo                  | : | Kediri        |
| R.N.G. Natakoesoema            | : | P a l u       |
| Ph. K. Intama                  | : | Kendari       |

## CASH OFFICE MANAGERS

|                          |   |            |
|--------------------------|---|------------|
| Achmad Sanusi Hardjarana | : | Balikpapan |
| R. Imung Sacadipura      | : | Purwokerto |



## APPENDIX C

### REGULATIONS/ACTS ON MONEY AND BANKING

#### Budget of Receipts and Expenditures

1. Act No. 1 of 1972, effective as from April 1, 1972.

This Act stipulates the volume of Receipts and Expenditures with respect to the 1972/1973 budget year.

The volume of Receipts for 1972/1973 is estimated at Rp 751 6 billion and consists of Routine Receipts to the amount of Rp 573 6 billion and of Development Receipts of Rp 178 billion. The budget of Expenditures is estimated at Rp 751.6 billion, which is made up of the Routine Budget and Development Budget to the extent of Rp 437 5 billion and Rp 3141 billion, respectively.

2. Government Regulation No. 22 of 1972, effective as from June 30, 1972 with retroactive powers until April 1, 1972

This Government Regulation stipulated the carry over of un-

used funds allocated for projects amounting to Rp 328 billion from the 1971/1972 Development Budget to the 1972/1973 fiscal year. The said balance after having been transferred constitutes a supplement to the 1972/1973 Budget of Receipts and Expenditures.

3. Presidential Decision No. 28 of 1973, effective as from April 1, 1972

This Presidential Decision stipulates the line of conduct with respect to the implementation of the 1972/1973 Budget of Receipts and Expenditures.

4. Presidential Decision No. 47 of 1972, effective as from June 30, 1972 with retroactive powers until April 1, 1972

This Presidential Decision stipulates the further specification of the 1972/1973 Routine Budget which was laid down and vali-

dated by Act No. 1 of 1972 and which was inserted in the appendix of the said Act.

The transposing of the amounts of the budget items within one account is to be effected by the respective Minister / Institution Head subject to the approval of the Minister of Finance.

5. Presidential Decision No. 48 of 1972, effective as from June 30, 1972 with retroactive powers until April 1, 1972

This Presidential Decision stipulates the further specification of the 1972/1973 Development Budget which was laid down and validated by Act No. 1 of 1972 and which was inserted in the appendix of the said Act.

The transposing of amounts within and/or between projects, between programmes and between sub- sectors is to be effected in accordance with Presidential Decision No. 28 of 1972.

#### [Receipts of foreign loans.](#)

Presidential Decision No. 59 of 1972, effective as from October 12, 1972

This Presidential Decision contains provisions on the receipt of offers of foreign loans by Departments, Government Institutions other than Departments, Local Governments, State Enterprises, Local Enterprises and private enterprises.

The said "foreign loans" is defined as loans other than those received from international organizations and from the governments of the countries of the Inter-Governmental Group on Indonesia (IGGI).

The Department of Finance and Bank Indonesia are to administer and to exercise control over the receipt of the said loans.

#### [Tax, Duty and Excise](#)

1. Minister of Finance Decision No. Kep. 151/M K/V/3/1972, effective as from April 1, 1972.

This Decision governs the depositing of the proceeds of collections and the permit to deposit money by the Collecting Treasurers for customs and excise with Bank Indonesia or with other State Banks.

2. Minister of Finance Decision No. Kep. 327/MK/II/5/1972, effective as from June 12, 1972.

This Decision stipulates that every businessman/shipper who ships goods from one port to another within the customs area of the Republic of Indonesia not for the purpose of exporting the said goods, is required to be in the possession of a Surat Keterangan Fiskal Antar- Pulau (SKFA).

The Director General of Tax determines the form the SKFA is to take, and with respect to each Tax Inspection Area, what kind of goods require a SKFA.

3. Minister of Finance Decision No. Kep. 533/MK/I 1/8/1972, effective as from August 1, 1972.

This Decision stipulates that the delivery of nutmeg and mace by farmers- producers to traders/ exporters shall not be subject to sales tax. The said exemption on sales tax will be effective until March 31, 1973.

4. Minister of Finance Decision No. Kep. 579/MK/II/9/1972, effective as from September 7, 1972.

This Decision stipulates the calculation and determination of the amount of taxable profit of shipping companies and airlines active in the transportation business in Indonesia but are domiciled abroad. The said amount of taxable profit is determined at 5% of their gross turnover.

5. Minister of Finance Decision No. Kep. 740/MK/II/11/1972, effective as from November 30, 1972.

This Decision stipulates the revision of the time limit for the granting of tax abatements to banks which had effected a merger pursuant to Minister of Finance Decision No. Kep. 614/

MK/III/ 8/1971, from before the end of December 1972 into before December 31, 1973.

### Cess

1. Minister of Finance Decision No Kep 132/MK/IV/3/1973, effective as from March 20, 1973

This Decision amends the amount of cess imposed on copra for export, inter-insular trade and for use as raw material by the coconut oil industry.

2. Presidential Decision No 40 of 1972, effective as from May 22, 1972 with retroactive powers until April 1, 1972 inclusive

This Presidential Decision amends for the second time article 7 paragraph 2 of Presidential Decision No. 301 of 1968 concerning the Regulation on the imposition of cess as amended by Presidential Decision No. 23 of 1971. in virtue of the said Decision, the Central Government and Local Governments are to share for 20% and 80%, respec-

tively, of the total amount of cess collected, beginning with the cess collected in 1972/1973.

3. Minister of Finance Decision o. Kep. 211/MK /IV/4/1972, effective as from April 10, 1972.

This Decision stipulates the revision of the cess imposed on coffee, tea and palm oil designed for export.

### Import

Government Regulation No 2 of 1973, effective as from January 31, 1973.

This Government Regulation amends and supplements Government Regulation No. 6 of 1969 concerning import duty as follows :

- a. to replace the former system of classification of commodities on the schedule of tariffs of import duty by the system of classification according to the Brussels Tariff Nomenclature (BTN )
- b. the tariff of import duty on items included in the schedule of con-

cession of the General Agreement on Tariff and Trade (GATT) remains effective;

- c. the basis for determining the imposition of import duty according to the ad valorem and ad naturam systems is to be decided by the Minister of Finance.

#### Fertilizer

1. Minister of Finance Decision, No. Kep. 340/M K/ I V/5/ 1972, effective as from May 16, 1972 with retroactive powers until August 23, 1971.

This Decision determines the delivery price of DAP and UAP fertilizer required by the smallholders sector.

2. Minister of Finance Decision No. Kep. 339/MK/IV/5/1972, effective as from May 16, 1972.

This Decision determines the delivery price of UREA, TSP, DAP and UAP fertilizer imported in bulk to meet the demand of the smallholders' sector.

#### Bonded Warehouse

Government Regulation No. 20 of 1972, effective as from June 13, 1972.

This Government Regulation defines the requirements concerning Bonded Warehouses and the administrative procedure connected therewith.

#### Public Corporations

1. Government Regulation No. 24 of 1972, effective as from July 17, 1972.

This Government Regulation amends article 7 of Government Regulation No. 12 of 1969 and stipulates that the capital of a public corporation may aside from being divided into preference shares and common shares, also be divided into common shares only. In the case that the capital of a public corporation is not wholly owned by the State, the Minister of Finance shall decide whether it shall be necessary or not for the respective public corporation to issue preference shares.

2. Government Regulation No. 27 of 1972, effective as from September 15, 1972.

This Government Regulation stipulates the participation of the Republic of Indonesia in the establishing of public corporations in the business of developing the sector of tourism in the province of Bali.

3. Government Regulation No. 3 of 1973, effective as from January 23, 1973.

This Government Regulation stipulates the participation of the Republic of Indonesia in the establishing of public corporations in the bonded warehouse business.

4. Government Regulation No. 10 of 1973, effective as from March 24, 1973.

This Government Regulation stipulates the participation of the Republic of Indonesia in the establishing of public corporations in the indemnity insurance business.

The public corporation mentioned above constitutes a legal body which has been established in the context of the merger between the PT Asuransi Bendasraya and the PT Umum International Underwriters.

#### Banking

1. Minister of Finance Decision No. Kep. 04/MK/IV/1/1973, effective as from January 3, 1973.

This Decision stipulates the provisions on audits conducted by auditors from abroad on foreign banks in Indonesia.