

# **BANK INDONESIA**

**REPORT FOR THE  
FINANCIAL YEAR  
1973/1974**

# BANK INDONESIA

*Head office:*

JAKARTA

*Representatives:*

KUALA LUMPUR

LONDON

NEW YORK

SINGAPURA

TOKYO

*Branch offices:*

AMBON, AMPENAN; BANDA

ACEH, BANJARMASIN, BANDUNG

DENPASAR, JAMBI, JAYAPURA, JEM

BER, YOGYAKARTA, KEDIRI, KENDARI, KU

PANG, MALANG, MEDAN, MENADO, PADANG,

PEKANBARU, PALEMBANG, PALU, PONTIANAK,

SAMARINDA, SEMARANG, SOLO, SURABAYA, TELUK

BETUNG, CIREBON, UJUNG PANDANG

*Cash offices:*

BALIKPAPAN

PURWOKERTO

Position as per end of March 1974.

## NOTES, SYMBOLS AND SOURCE OF DATA

r	Revised figures
*	Provisional figures
**	Incomplete figures (i.e. compiled from incomplete data)
. . .	Data not yet available
- -	Nil or less than the last digit
( )	Partial data
x	Break in comparability before and after the symbol
\$	United States Dollar

Source of data: Bank Indonesia, unless mentioned otherwise.

## P R E F A C E

The fiscal year 1973/1974 was the last year of the First Five Year Development Plan ( PELITA I ). The development both in the real as well as in the monetary sector presented the rate of progress achieved during the first stage of the implementation of the Five Year Development Plan (REPELITA). The general picture of the results of the development activities indicated a progress radiating hope for the future, especially in infrastructure, production and services, while price development moved into unexpected direction, both because of foreign influences as well as internal causes.

The inflation, as may be observed from the movement of the index number of the prices of 62 kinds goods and services in Jakarta during the period under report, exhibited an increase of 47% as against 21% during the previous fiscal year.

The stated price increase was due, among others, to international monetary upheaval and inflation abroad. Besides, monetary expansion, which is closely related with the credit expansion, adversely affected the efforts made to preserve relative price stability within limits which did not disturb the smoothness of development.

The money supply increased by Rp 254 billion to Rp 784 billion or an increased of 48% during the year under reports as against 47% during the previous fiscal year.

This increase was due on the one hand to the existence of expansionary effects of the credit sector to the amount of Rp 470 billion and foreign sector to the amount of Rp 153 billion, and on the other hand to contractionary effects to the amount of Rp 24 billion accounted for by the Government sector, the amount of Rp 180 billion from time and savings deposits and the amount of Rp 165 billion from net other items.

Compared with the previous fiscal year Budget, the receipts and expenditures for the fiscal year 1973/1974 increased by 57% and by 58% respectively, i.e. Rp 1,172 billion and Rp 1,164 billion. The increase in routine expenditures of the order of 63% and development expenditures to the extent of 51% was made possible by an increase in domestic receipts to the tune of 64% and foreign receipts to the extent of 29%. As foreign receipts constituted only an increase by 29%, so the shares of Government savings (Rp 254 billion) constituted 55% of the financing for development expenditures (Rp 458 billion) as against 51% during the previous fiscal year. It may be mentioned, that the increase in domestic receipts was mainly due to a substantial increase in the receipts from oil corporate tax and import duty, being respectively at 73% and 75%.

On the side of expenditure, may also be observed fairly high increase, among others, in Personnel Expenditure, especially for Salaries and Pensions to the amount of Rp 174 billion or 32%. Development expendi-

tures, especially for Department/Institutions, increased from the level of Rp 144 billion during the fiscal year 1972/1973 to Rp 210 billion in the fiscal year under report this registering a rise of 46%. Other expenditure items on the average indicated unobtrusive increases, except subsidy for the import of foodstuffs particularly rise, which went up by about Rp 150 billion.

As foreign short term funds were anticipated to flow in large amounts, it was considered necessary to take steps to offset realistically their adverse effects. For this purpose, instructions were issued to the banks in the month of April 1973 which essentially tightened the reserve requirement in foreign exchange. Besides, additional steps were taken thereby making it obligatory that at least 1/3 of the required liquid assets should be kept with Bank Indonesia.

By having these stipulations, it was expected that the inflationary pressure generated by the credit expansion based on foreign funds would be limited.

Another important step in the banking sector consisted of Government efforts to stimulate cooperation between foreign banks and national banks in the context of rendering services outside Jakarta. This cooperation was intended to promote the activities of national private banks concurrently utilizing the services and capital of foreign banks to promote local (regional) developments. In the context of stimulating national private banks to make its business

more sound, among others by way of strengthening its capital, the Government once more extended the granting of tax facilities to banks performing merger/consolidation. These facilities were extended until the end of December 1974.

Meanwhile the number of banks and commercial bank-offices underwent a decline in the fiscal year under report due to the merger/consolidation of some private banks, next to the revocation of operating licenses of some other banks.

As may be observed from the increase in the number of consolidated balance sheets, the deposit liabilities collected and the amount of loans granted by all commercial banks, the development of banking business during the fiscal year under report exhibited an upward trend as compared with the previous fiscal year. The increase in the number and volume of loans granted was mainly due to the increase of own funds, which among others signified that the management of the liquidity of commercial banks has improved. The development of the liquidity of the banks as a whole on the average was slightly over the minimum reserve requirements of 30%, while the required minimum deposit with Bank Indonesia to the extent of 10% could always be maintained.

The credit policy was always implemented in such a way so that the granting of credits by banks could be kept within limits which would not endanger the monetary stability. Therefore the volume of credits

should be commensurate with the growth of sound economy, while the direction of credits should achieve effective targets of increased production and services in various economic sectors. For achieving these goals, some adjustments were made to simplify the classification of the rates of interest of the loans of state banks from 4 categories into 3 categories, while the rates themselves, which were formerly fixed within limits between 6% and 36%, were now decreased so that the limits became between 6% and 24%. Next thereto the highest rate of interest of refinancing facility was decreased from 15% to 10%, while the amount of refinancing facility by given to state banks was determined 50% of the maximum of the credits granted by said banks in favor of category I and 25% in favor of category II.

Further, for the purpose of assisting small enterprises, two types of credits, viz Credits for Small Investment (KIK) and Credits for Permanent Working Capital (KMKP) have been initiated. The credit limits for each of these two kinds of credits was set at Rp 5 million per borrower, while the periodicities and rates of interest for the said credits were different, namely a maximum of 5 years with a rate of interest of 12% per annum for KIK and a maximum of 3 years with a rate of interest of 15% per annum for KMKP.

The volume of the total loans granted by banks—both short term loans as well as investment loans—increased by 58% during this fiscal year as against 47% in the previous one. A large part of the short term cred-

its has been channeled to the commercial, industrial and agricultural sectors. In the case of investment credit a large part of the credit has been utilized in the manufacturing industries, communication and tourist sectors.

Together with the adjustments made with respect to the terms and conditions and the rates of interest of the loans, a change has also been made with respect to the rate of interest of time deposits and TABANAS (Development Savings) deposits in order to obtain an interest structure which might stimulate economic growth while at the same time preserve relative price stability. The volume of time deposits has slightly decreased due to the decrease of deposits from abroad, although the domestic deposits increased by Rp 7 billion or 14%. The decrease in time deposits from abroad was due to steps taken to prevent short term capital inflow into the country.

On the contrary the number of deposit certificates in the fiscal year under report registered a rapid increase of Rp 49 billion and reached the amount of Rp 57 billion. The increase during the year 1972 - 1973 over 1971 - 1972 amounted approximately to Rp 6 billion only. The phenomenal increase mentioned above was, among others due to the ever expanding acquisition of deposit certificates by the public next to the increase of banks issuing deposits certificates. The outstanding of TABANAS deposits showed that there was an increase although the new provision debarred under-

takings in the form of entities in taking part in this savings scheme. Incidentally the restriction was imposed so that only small savers could keep TABANAS deposits.

In undertaking to develop the money and capital market, the Government endeavored to cancel such regulations as were less stimulating to the mobilization of funds in the private sector. Accordingly the Government Regulation No. 6 of the year 1963 regarding Bond loans was revoked by the Government Regulation No. 20 of the year 1973.

In the meantime, the number of nonbank financial institutions has increased to 11 during the year under report of whom 7 act as agents (intermediaries) in the issuance of and transactions on negotiable instruments.

Regarding development in the foreign sector, it would be noted that foreign trade for the fiscal year 1973/1974, especially on account of merchandise, exhibited an increase of the order of 86%, both in the export and the import sectors. The increase other than due to the very substantial rises in prices of some export commodities was also due to the increase in value of import commodities. Compared with the preceding year, the balance of trade showed a surplus of Rp 539 million, as against the surplus achieved during the fiscal year 1972/1973 of the amount of Rp 288 million.

With an increase in the non monetary capital movement from \$ 818 million to \$ 1,048 million during the year under report, the Balance of Payment of Indonesia as a whole showed a surplus amounting to \$ 360 million as against that of \$ 425 million achieved during the fiscal year 1972/1973. It may be mentioned that the decrease of surplus among others was due to the uncertainty in international trade and monetary system.

The Committee of Twenty (C—20) assigned with the task of creating a new international monetary system discussed various problems in its session at Nairobi in the month of September 1973, among others the adjustment as well as the solution of the deficit/ surplus in the balance of payments of member countries of the International Monetary Fund. With the prescribed directives and the agreement reached, the reform of the monetary system was expected to achieve impetus.

However the undertaking being made experienced disturbances due to the arising of new problems mainly connected with the problem of energy.

Promising development may also be noted in the domestic production and infrastructure. The production of foodstuffs increased in general and in the case of rice the production thereof reached the amount

of 14.6 million metric ton or 11% higher over the figure of the previous fiscal year. Such was also the case with the production of export commodities especially oil, timber and rubber. During the fiscal year 1973 the production of rubber increased by the extent of 5%, while the production of timber showed an increase of 46%, viz 26 million cubic meter. Tin and copper were mining products which were also increasing while coal and silver indicated declines. The manu-

facturing industries, electric and communication sector were also included among some kinds of economic activities having experienced rapid progress.

Governor of Bank Indonesia

RACHMAT SALEH

## I. MONEY SUPPLY

### Money supply

As may be observed in Table 1 the volume of money supply during the fiscal year 1973/1974 under report showed an increase of Rp 254.0 billion reaching the level of Rp 784.3 billion at the end of March 1974.

The increase in absolute terms of money supply during 1973/1974 was higher as compared with the increase in 1972/1973 viz., Rp 170.1 billion. Computed in terms of percentages the said increase was 48% during 1973/1974 as against 47% a year earlier.

Looking at the quarterly figures of money supply, it would be noted that almost half of the said increase i.e. Rp 115.3 billion occurred in the 4th quarter of the fiscal year, while during the 1st, 2nd and 3rd quarters the increments were respectively Rp 68.5 billion, Rp 30.4 billion and Rp 39.8 billion.

The volume of money supply indicated in prices during the month of September 1966 as may be observed from Table 2, showed a development indicating an increasing index figure. This is to reflect that the percentage of the increase of money supply was higher than the percentage of price increase which may be contoured furthermore that based on constant prices the liquidity preference was higher than during the preceding years.

During the fiscal year 1973/1974 under report the money supply indicated a slight decrease.

### Factors affecting money supply

The increase in money supply was partly due to expansionary effect of foreign sector and partly that of domestic credits granted to Government institutions, enterprises and individuals of amounts of Rp 153.2 billion, Rp 2.0 billion and Rp 470.1 billion respectively. This was offset to some extent by the contractionary effect of the Government sector amounting to Rp 24.4 billion, by other sectors to the tune of Rp 164.5 billion and by time and savings deposits to the amount of Rp 180.4 billion.

The expansionary effect of foreign sector of the order of Rp 153.2 billion was mainly accounted by the increase of Rp 144.7 billion in the foreign exchange reserves with Bank Indonesia, while the balance of Rp 8.3 billion was reflected in a net increase of foreign assets of other banks. Of the yearly aggregate, the expansion of Rp 97.3 billion took place during the IVth quarter of the fiscal year under report, while the residual expansion of Rp 56.0 billion occurred in the first three quarters.

In the credit-sector, which cause the money supply to increase by Rp 470.1 billion, the granting of credits by commercial banks played the prime role viz to the tune of Rp 436.8 billion, while credits through

Bank Indonesia and the change of position of counterpart funds were respectively of the order of Rp 14.2 billion and Rp 19.0 billion. With substantial accretion of time and savings deposits of the value of Rp 180.4 billion during the fiscal year under report, the expansionary pressure from the banking sector as a whole somewhat subdued so that the same became Rp 289.6 billion.

The contractionary effect to the amount

of Rp 24.4 billion of the Government sector was due to the decline in the claim of the Central Bank on the Government of Rp 5.6 billion and the increase of the balance on Government account with other banks amounting to Rp 18.8 billion, while other sectors generating contractionary pressure to the amount of Rp 164.5 billion covered items arising out in the increase in the capital accounts of banks and the movement in the balance of interbank accounts.

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

End of	Total	Move- ment	Percen- tage change	Currency	% of total	Deposit	% of total
1968	113,894			74,684	66	39,210	34
1969	183,439	69,545	61	115,698	63	67,741	37
1970	250,284	66,845	36	154,618	62	95,666	38
1971	320,759	70,475	28	199,355	62	121,404	38
1972 : March	360,251	39,492	12	210,275	58	149,976	42
June	386,030	25,779	7	220,979	57	165,051	43
September	436,380	50,350	13	245,472	56	190,908	44
December	474,611	38,231	9	271,769	57	202,842	43
Total 1972		153,852	48				
1973 : March	530,291	55,680	12	291,144	55	239,160	45
June	598,763	68,472	13	331,608	55	267,155	45
September	629,156	30,393	5	350,823	56	278,333	44
December	669,003	39,847	6	374,968	56	294,035	44
Total 1973		194,392	41				
1974 : March	784,288	115,285	17	421,071	54	363,217	46
Total 1973/1974		253,984	48				

1) In this report all accounts, which is regarded as component of money supply have been reclassified. Moreover the definitions of money supply have also been revised in that only the liabilities to resident regarded as money supply. The adjustment comprises the data since 1968.

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

	Money Supply	Price Index	Money Supply based on September 1966 prices	Index of Money Supply based on September 1966 prices <sup>1)</sup>
1968	113,894	523	21,777	148
1969	183,439	575	31,902	212
1970	250,284	626	39,981	266
1971	320,759	642	49,962	332
1972 : March	360,251	668	53,930	358
June	386,030	650	59,389	395
September	436,380	658	66,319	441
December	474,611	807	58,812	391
1973 : March	530,291	806	65,795	437
June	598,763	871	68,744	457
September	629,156	945	66,577	442
December	669,003	1,028	65,078	432
1974 : March	784,288	1,188	66,018	439

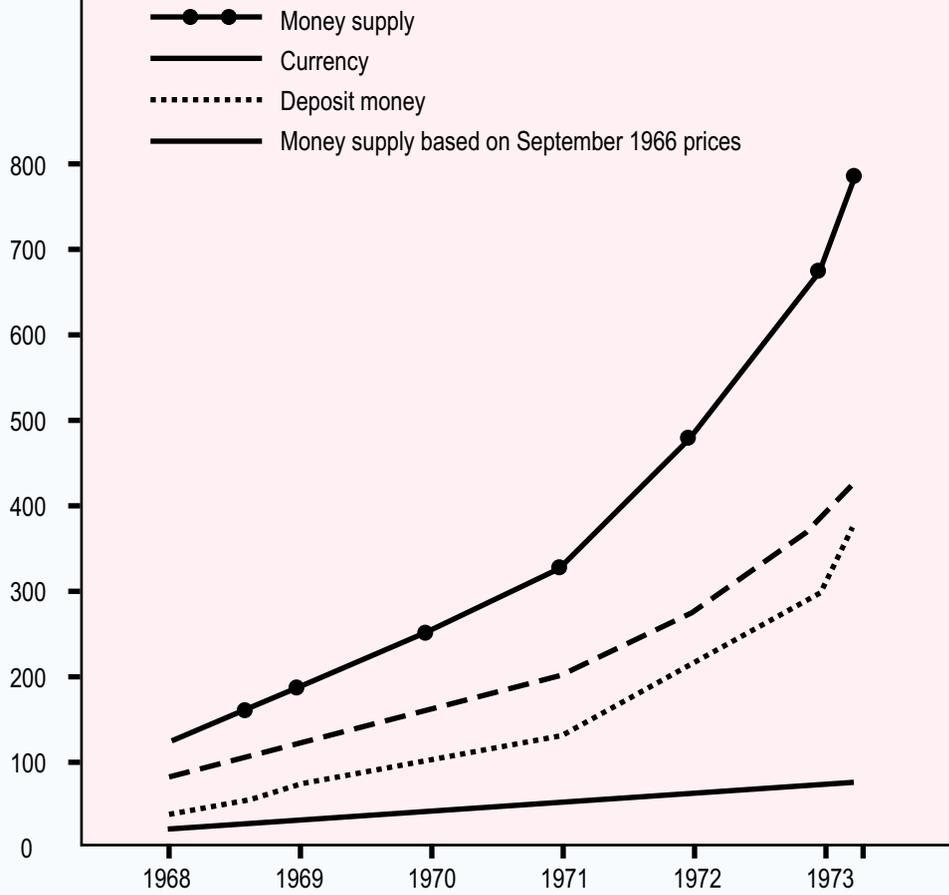
1) September 1966 = 100

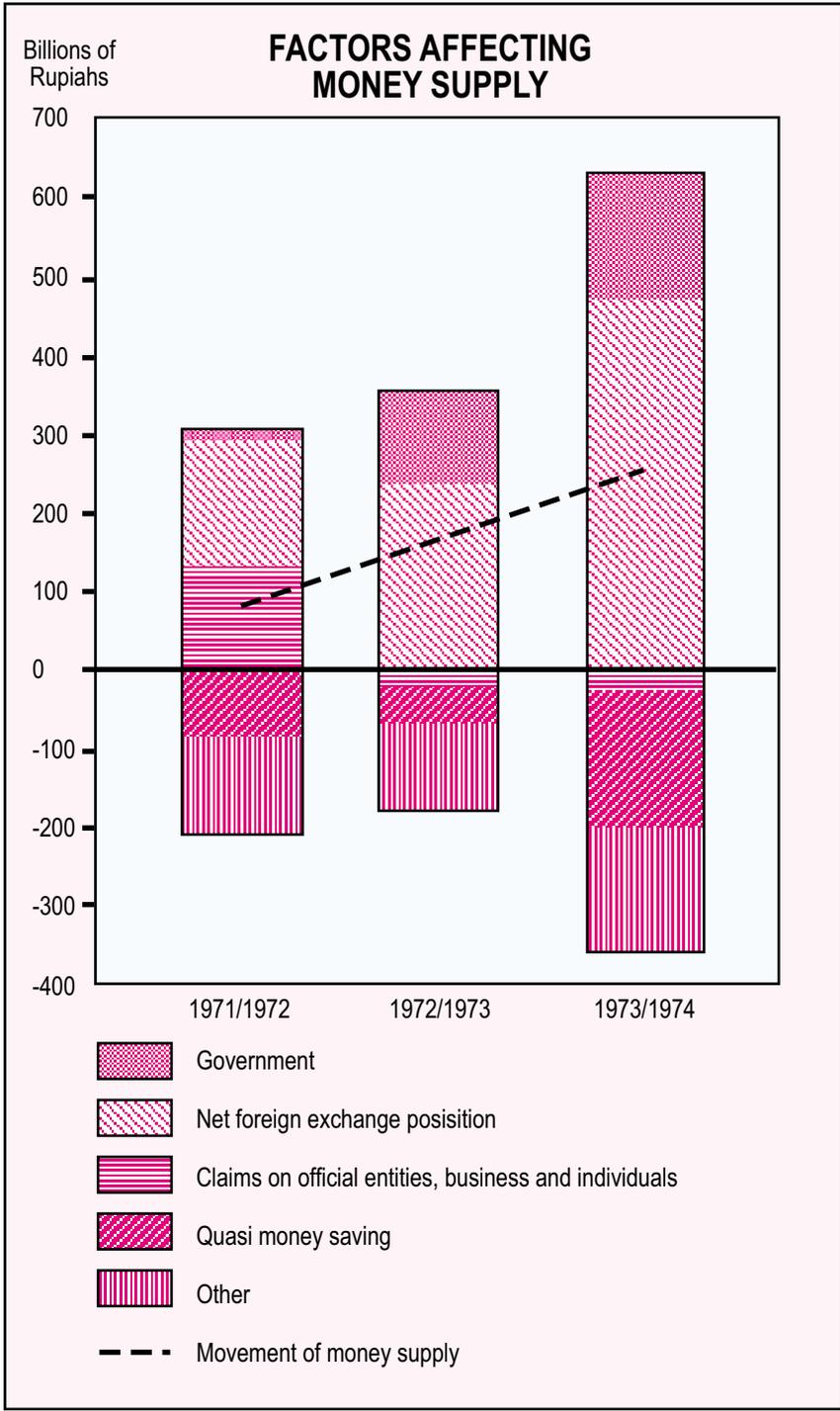
**TABLE 3 - FACTORS AFFECTING MONEY SUPPLY**  
(millions of Rupiahs)

	1973				1974		1973/1974			
	I	II	III	IV	I	I				
<b>Net foreign assets</b>										
a. Foreign exchange reserves	+ 154,651	+ 212,277	+ 124,428	+ 75,283	+ 19,289	+ 25,598	+ 628	+ 31,024	+ 97,250	+ 153,244
b. Other foreign assets	+ 102,205	+ 175,651	+ 177,598	+ 134,834	+ 49,313	+ 45,254	+ 64,083	- 23,816	+ 59,207	+ 144,728
- Bank: Indonesia	+ 52,446	+ 36,626	- 53,170	- 59,551	- 30,024	- 19,656	- 64,711	+ 54,840	+ 38,043	+ 8,516
- Other banks	(+ 7,768)	(+ 4,676)	(- 80)	(+ 180)	(+ 284)	(+ 174)	(- )	(- 278)	(+ 326)	(+ 222)
(+ 44,678)	(+ 31,950)	(- 53,090)	(- 59,731)	(- 30,308)	(- 19,830)	(- 64,711)	(+ 55,118)	(+ 37,717)	(+ 8,294)	
<b>Central Government</b>	+ 16,553	- 50,766	- 21,406	- 42,521	+ 30,998	- 38,440	- 35,562	+ 483	+ 49,145	- 24,374
- Bank Indonesia										
- Claim on Government	- 9,321	- 57,943	- 8,821	- 26,287	+ 36,719	- 38,514	- 31,311	+ 6,719	+ 57,435	- 5,571
- Government accounts on other banks	+ 25,874	+ 7,177	- 12,585	- 16,234	- 5,721	+ 74	- 4,351	- 6,236	- 8,290	- 18,803
<b>Claim on official entities, business and individuals (public and private enterprises)</b>										
- Bank Indonesia	+ 121,910	+ 180,443	+ 225,364	+ 474,548	+ 85,251	+ 128,780	+ 134,907	+ 125,610	+ 80,757	+ 470,054
- Credit	+ 3,256	+ 28,471	+ 42,667	+ 38,765	+ 9,553	+ 15,434	+ 66,979	- 53,201	- 15,028	+ 14,184
(+ 1,804)	(+ 27,974)	(+ 42,442)	(+ 36,891)	(+ 9,447)	(+ 9,447)	(+ 14,200)	(+ 66,760)	(- 53,516)	(- 15,347)	(+ 12,097)
(+ 1,452)	(+ 497)	(+ 225)	(+ 1,874)	(+ 106)	(+ 106)	(+ 1,234)	(+ 219)	(+ 315)	(+ 319)	(+ 2,087)
- Other banks	+ 120,609	+ 176,618	+ 246,955	+ 442,262	+ 100,679	+ 104,882	+ 131,766	+ 104,935	+ 95,265	+ 436,848
(+ 368,669)	(+ 165,841)	(+ 220,613)	(+ 341,842)	(+ 80,862)	(+ 80,041)	(+ 100,362)	(+ 80,577)	(+ 172,741)	(+ 433,721)	
(- 248,060)	(+ 10,777)	(+ 26,342)	(+ 100,420)	(+ 19,817)	(+ 24,841)	(+ 31,404)	(+ 24,358)	(- 77,476)	(+ 3,127)	
- Counterpart funds	- 1,955	- 24,646	- 64,258	- 6,479	- 24,981	+ 8,464	- 63,838	+ 73,876	520	19,022
<b>Time and savings deposits</b>	- 91,185	- 72,232	- 52,531	- 98,077	- 18,286	- 31,802	- 12,600	- 35,389	- 100,625	- 180,416
<b>Other items (net)</b>	- 119,816	- 115,870	- 105,802	- 214,841	- 61,559	- 15,677	- 55,724	- 81,881	- 11,243	- 164,524
<b>Money Supply</b>	+ 82,113	+ 153,852	+ 170,053	+ 194,392	+ 55,693	+ 68,459	+ 30,393	+ 39,847	+ 115,284	+ 253,984
- Currency	+ 41,759	+ 72,414	+ 80,869	+ 103,199	+ 19,375	+ 40,464	+ 19,215	+ 24,145	+ 46,103	+ 129,927
- Demand deposit	+ 40,354	+ 81,438	+ 89,184	+ 91,193	+ 36,318	+ 27,995	+ 11,178	+ 15,702	+ 69,181	+ 124,057

# MONEY SUPPLY

Billion of  
Rupiah





## II. GOVERNMENT FINANCE

### General

The fiscal year 1973/1974 was the last year of the First Five Year Development Plan (REPELITA I), which together with the results achieved during the previous fiscal years should determine to what extent the targets of the said Plan have been achieved. Accordingly, the State Budget of Revenues and Expenditures for the fiscal year 1973/1974 should not only be viewed in the light of the rate of economic development achieved therein but attention should also be paid to the shortfalls observed with regard to the implementation of REPELITA in the four previous fiscal years.

The State Budget of Revenues and Expenditures for the fiscal year 1973/1974 was characterized by very conspicuous increases in almost all sectors.

Initially, the estimates of revenues equated those of expenditures for the fiscal year 1973/1974 thereby giving a balanced budget at the level of Rp 862.4 billion, which meant an increase of 15% over the amount reached during the previous fiscal year. Domestic receipts were planned to increase by 14% over 1972/1973 reaching Rp 671.0 billion and routine expenditures by 18% to become Rp 518.3 billion, while development receipts were expected to increase by 21%. Development receipts and Government savings (viz excess of domestic receipts over routine expenditures) which were totally allocated to development expenditures

11% larger than the realization of the previous fiscal year.

Subsequent developments made it possible to realize higher receipts which enabled larger amount of expenditures than were initially estimated. The amount of accrued receipts came to Rp 1,171.7 billion registering an increase of 57%, while the amount of expenditures became Rp 1,164.3 billion or 58% higher as against the previous fiscal year's figures. It also enabled a carry over of Rp 7.4 billion which constituted an extra development fund for the subsequent fiscal year.

The increase in the total revenue took place mainly on the domestic side where they reached the amount of Rp 967.7 billion or signifying a rise of 64% over the fiscal year 1972/1973, while routine expenditures amounted to Rp 713.3 billion or increased by 63%. Development funds derived from Government savings increased by 67% to reach Rp 254.4 billion during the fiscal year 1973/1974.

As Government savings turned out to be larger than those initially budgeted and foreign receipts for development came to be 29% higher than the previous fiscal year, actual development expenditures went up to the level of Rp 451.0 billion or 51% larger than 1972/1973.

### Government receipts

Domestic receipts for the fiscal year 1973/1974 of the amount of Rp 967.7 billion

consisted of direct tax receipts, indirect tax receipts and non-tax receipts in the proportion of 52%, 43% and 5% respectively.

Direct tax receipts amounted to Rp 505.0 billion or exceeded those for the fiscal year 1972/1973 by 67%. This substantial increase was mainly due to the increase in oil corporate tax receipts to the extent of 73% consequent upon the increase in the production and export price of oil.

Income tax, corporate tax (excluding oil) and M.P.O. (Computing One others Tax) receipts also exhibited sufficiently large increases, being respectively 45%, 45% and 88%. These increases were attributable to the over increasing economic activities, and to efforts in improving tax- regulations and tariff structure and to the increase in the number of tax- payers, sense of responsibility to pay tax and intensified efforts at collection thereof.

As of the fiscal year 1973/1974 the ceiling of tax-free income had been raised again for tax-payers and their wives respectively from Rp 60,000.— to Rp 90,000.—and for each dependant from Rp 24,000.— to Rp 40,000.— with a maximum number of 5 dependants.

The tax amount was computed on the basis of net income after pension fee and pension fund payable to authorized bodies having been deducted.

In the sector of corporate tax also, tax-relief was granted again by raising the

floor of the taxable additional profits from Rp 5 million to Rp 10 million.

The large increase in M.P.O. receipts (including corporate tax and income tax), was, besides the effect of a more favourable economic and fiscal climate, closely related to measures in simplifying mandatory collection of M.P.O. as from the month of July 1973. Since then mandatory collection of M.P.O. was stimulated only in the distribution trade, collection trade, service transactions and Government institutions. The measure was meant to facilitate the implementation of the task of mandatory collection and the supervision thereof.

The collection of IPEDA [Regional Development Contribution (tax) ] being a land tax levied on the produce of the soil in this fiscal year under report exceeded the previous fiscal year by 28%, due to extensification and intensification endeavours made in urban and rural communities and in the estate, forestry and mining sectors.

Other direct taxes consisted of property tax, tax on interest, dividend and royalty. Although its role was nominal in the entirety of direct taxes but as compared with the fiscal year 1972/ 1973 the corresponding receipts increased by 52%.

The development of indirect tax receipts was closely related with economic and trade development, by reason that the same was imposed on the value of goods and services produced and exchanged by the populace. These receipts during the fiscal year 1973/

1974 amounted to Rp 412.9 billion, which signified an increase of 63% over that of the previous fiscal year.

The aforementioned increase was due to increases in receipts of import duty (75%), sales tax on imported goods (82%) and export tax (110%), indicating rapid development in the foreign trade sector. The foregoing, besides in line with economic development in general, was also affected by measures aiming at simplifying and putting in order import, export and customs procedures, the use of the system of Brussels Tariff Nomenclature (B.T.N.), improvement in the quality of export goods and policies aiming at inducing exports.

In regard to sales tax, a classification of goods has been introduced according to tariffs providing more inducements to the business community in accordance with the pattern of development. Receipts derived from this source increased by 58% in comparison to the previous fiscal year, due to the measures mentioned above and the **effect of the increase of prices in general and improvement in the administration of collection thereof.**

The increase in excise receipts by 30% during the fiscal year 1973/1974 took place because of the increase in production of tobacco, sugar, beer and distilled alcohol and the increase in the floor-price for the purpose of imposing alcohol excise from Rp 70.— to Rp 85.— per litre.

Although the scope of receipts from

stamp duty, duty on auctions and other levies included in Other-Direct-Tax Revenue could not be increased, nevertheless its quantum also showed a large increase viz 72% over 1972/1973.

Non-tax receipts included various kinds of receipts of departments, government share in the profit of state owned enterprises and state banks and the surplus of the budget for the fiscal year 1972/1973 (Rp 12.1 billion). The amount of this receipt increased by 44% compared with that of the previous fiscal year mainly due to the increase in the receipts of the share in the profit of enterprises and other receipts like compensation on the subsidy of domestically produced sugar.

Development receipts from foreign sources consisting of the counter value of program and project aid was in the aggregate subject to an increase of 29%. This came about as the net result of increase of project aid by 83% and the decrease program aid by 6% as compared with the fiscal year 1972/1973.

The increase in receipts of the counter value of project aid, besides the shift from program aid to project aid, was caused by the continuous smoothness of procedures used in the implementation thereof.

### **Government expenditures**

Out of the routine expenditures for the fiscal year 1973/1974 amounting Rp 713.3 billion, 38% was incurred way of personnel

expenditure and pensions, while the balance consisted of material expenditure, subsidies to autonomous regions, payment of interest, and installments on debts and other expenditures.

The amount for personnel expenditure and pensions and subsidies to autonomous regions during the fiscal year 1973/1974 increased respectively by 34% and 29% over the figure of the previous fiscal year due to the increase of the salaries of Government officials and members of the Armed Forces (ABRI) to the extent of 20% of the salary scale prevalent in 1972/1973 and the increase in the minimum salary scale to Rp 4,300. - . This expenditure was also affected by the increase in the calculation of rice price budget category from Rp 45.— to Rp 66— per kilogram and the increase in the prices of foodstuffs.

The need of the Departments to improve their office-equipments increased the material expenditure by 15% compared with the figures of the previous fiscal years.

Expenditure for the repayments of debts showed an increase to the extent of 32%, mainly for discharging foreign debts. This increase was in accordance with the agreements reached with creditor countries besides the effects of adjustments in the rates of foreign exchange as a consequence of international monetary developments.

In the effort to overcome the instabilities taking place in the price of foodstuffs during the fiscal year 1973/ 1974, the Government

granted subsidy on the import of foodstuffs on commercial basis.

Development expenditures during the fiscal year 1973/1974 reached the amount of Rp 451.0 billion or 51% over the fiscal year 1972/1973 and shared by the economic sector to the extent of Rp 373.2 billion, by the social sector to the amount of Rp 56.8 billion and by the general sector to the amount of Rp 21.0 billion.

Expenditures in the economic sector constituted 83% of the total expenditures and consisted of the financing of agriculture and irrigation to the amount of Rp 98.1 billion (26%), communication and tourism to the amount of Rp 79.4 billion (21%), regional development to the amount of Rp 69.8 billion (19%) electric power to the amount of Rp 45.1 billion (12%), investment through the banking system to the amount of Rp 44.5 billion (12%), industry and mining to the amount of Rp 33 billion (9%) and miscellaneous to the amount of Rp 3.0 billion (1%). Compared with the figure of the fiscal year 1972/1973, these expenditures increased by the amount of Rp124.6 billion (50%) and mainly constituted an increase for agriculture and irrigation to the amount of Rp 45.4 billion (86%), electric power to the amount of Rp 21.4 billion (90%) and investment through the banking system to the amount of Rp 22.0 billion (98%). At the same time the financing of industry and mining increased by the amount of Rp 12.6 billion (61%), regional development by the amount of Rp10.7 billion

(18%), while communication and tourism to the extent of Rp 9.5 billion (14%).

Expenditures in the social sector covered 13% of the total development expenditures and most of it viz the amount of Rp 36.9 billion (65%) was utilized to finance education and culture. Outlays for health care and family planning like social welfare amounted to Rp 8.5 billion (15%). The social sector during the fiscal year of 1973/ 1974 got an increased amount of Rp 21.7 billion (62%) and which mainly constituted an increase for education and culture of the order of Rp 18.9 billion (105%).

The general sector outlay constituted only 5% of the total expenditures and, among others, involved an expenditure for HANKAM (Defense and Security) of the amount of Rp 7.2 billion (34%). Compared with the fiscal year 1972/ 1973, the expenditures in the general sector exhibited an increase of Rp 6.5 billion (45%).

The classification of development expenditures according to the field and sector financed with domestic sources and the counter value of project aid may be observed respectively in Table 7 and Table 8.

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

	1969/1970	1970/1971	1971/1972	1972/1973	1973/1974
Domestic receipts	243,704	344,606	428,021	590,608	967,687
Routine expenditure	<u>216,544</u>	<u>288,177</u>	<u>349,095</u>	<u>438,100</u>	<u>713,302</u>
Government savings	27,160	56,429	78,926	152,508	254,385
Foreign receipts	<u>91,058</u>	<u>120,531</u>	<u>135,527</u>	<u>157,800</u>	<u>203,994</u>
Development receipts	118,218	176,960	214,453	310,308	458,379
Development expenditure	<u>118,127</u>	<u>169,752</u>	<u>195,900</u>	<u>298,224</u>	<u>450,956</u>
Surplus (+) / Defisit (–)	91	7,208	18,553	12,084	7,423

Source : Department of Finance

**TABLE 5 — GOVERNMENT RECEIPTS**

(millions of Rupiahs)

	1969/1970	1970/1971	1971/1972	1972/1973		1973/1974	
	Actual receipts	Actual receipts	Actual receipts	Budget	Actual receipts	Budget	Actual receipts
<b>I. Domestic receipts</b>	<u>243,704</u>	<u>344,606</u>	<u>428,021</u>	<u>573,600</u>	<u>590,608</u>	<u>671,000</u>	<u>967,687</u>
<b>A. Direct taxes</b>	<u>91,468</u>	<u>121,617</u>	<u>180,989</u>	<u>297,300</u>	<u>302,229</u>	<u>372,500</u>	<u>504,974</u>
— Income tax	12,060	13,375	17,394	21,400	23,722	26,700	34,393
— Corporation tax	15,640	20,091	25,405	29,500	30,598	39,500	44,223
— Oil company tax	48,332	68,818	112,497	206,400	198,885	252,400	344,612
— M.P.O.	15,268	19,132	24,610	26,000	30,195	30,600	56,745
— IPEDA	—	—	—	12,000	15,200	18,500	19,501
— Other direct taxes	168	201	1,083	2,000	3,629	4,800	5,500
<b>B. Indirect taxes</b>	<u>149,069</u>	<u>209,876</u>	<u>219,538</u>	<u>267,500</u>	<u>253,770</u>	<u>285,100</u>	<u>412,949</u>
— Sales taxes	15,099	18,333	24,010	26,500	34,491	40,500	54,621
— Sales tax on imports	15,865	22,097	22,402	29,600	27,801	28,900	50,725
— Excises	32,090	38,881	40,391	45,800	47,279	51,100	61,674
— Import duties	57,671	70,696	69,417	93,900	73,223	76,400	128,172
— Export tax	7,447	25,023	28,101	30,900	32,739	29,400	68,623
— Net petroleum profit	17,460	30,427	28,213	34,800	31,563	51,300	37,634
— Other indirect taxes	3,437	4,419	7,004	6,000	6,674	7,500	11,500
<b>C. Non-tax receipts</b>	<u>3,167</u>	<u>13,113</u>	<u>27,494</u>	<u>8,800</u>	<u>34,609</u>	<u>13,400</u>	<u>49,764</u>
<b>II. Development receipts</b>	<u>91,058</u>	<u>120,531</u>	<u>135,527</u>	<u>178,000</u>	<u>157,800</u>	<u>191,400</u>	<u>203,994</u>
1. Program Aid	65,761	78,951	90,527	95,000	95,500	108,400	89,869
2. Project Aid	25,297	41,580	45,000	83,000	62,300	83,000	114,125
<b>T o t a l</b>	<u>334,762</u>	<u>465,137</u>	<u>563,548</u>	<u>751,600</u>	<u>748,408</u>	<u>862,400</u>	<u>1,171,681</u>

Source : Department of Finance

**TABLE 6 — GOVERNMENT EXPENDITURE**

(Millions of Rupiahs)

	1969:1970		1970:1971		1971:1972		1972:1973		1973:1974	
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Actual Expenditure	Original Budget	Actual Expenditure	Original Budget	Actual Expenditure	Original Budget	Actual Expenditure
<b>I. Routine Expenditure</b>	215,544	288,177	349,095	438,100	518,300	518,300	518,300	719,302	518,300	719,302
<b>Personnel expenditure</b>	103,840	131,437	163,340	200,379	246,100	246,100	246,100	268,862	246,100	268,862
— Rice allowances	28,852	33,850	31,178	33,850	33,800	33,800	33,800	50,672	33,800	50,672
— Salary and Pension	55,432	70,586	100,412	137,400	167,400	167,400	167,400	173,893	167,400	173,893
— Food allowance	10,730	11,898	13,177	18,400	18,400	18,400	18,400	16,800	18,400	16,800
— Other domestic persons expenditure	3,758	10,508	14,058	20,800	20,800	20,800	20,800	20,200	20,800	20,200
— Externa	4,068	4,733	4,615	8,900	8,900	8,900	8,900	7,365	8,900	7,365
<b>Material expenditure</b>	50,295	62,567	87,125	95,621	105,700	105,700	105,700	110,140	105,700	110,140
— Domestic	42,402	56,285	58,725	83,428	94,100	94,100	94,100	98,340	94,100	98,340
— External	7,893	6,282	7,400	11,973	11,600	11,600	11,600	11,800	11,600	11,800
<b>Subsidies to Local Government</b>	44,121	56,186	56,800	83,800	101,200	101,200	101,200	128,600	101,200	128,600
— Irian Jaya	8,927	10,068	10,800	10,600	10,300	10,300	10,300	10,300	10,300	10,300
— Other Local Government	35,194	46,088	56,200	73,300	90,900	90,900	90,900	98,300	90,900	98,300
<b>Interest &amp; installment on debts</b>	14,436	25,600	46,800	63,400	47,700	47,700	47,700	70,700	47,700	70,700
— Domestic	1,740	2,000	5,800	7,400	8,700	8,700	8,700	8,200	8,700	8,200
— Foreign	12,696	23,600	41,000	46,000	38,700	38,700	38,700	62,500	38,700	62,500
<b>Other Routine Expenditure</b>	3,852	2,407	5,230	5,000	8,800	8,800	8,800	155,000	8,800	155,000
<b>II. Development expenditure</b>	118,127	159,752	195,800	238,224	314,100	314,100	314,100	450,958	314,100	450,958
— Departments' institutions	75,474	78,469	97,660	144,043	156,988	156,988	156,988	210,256	156,988	210,256
— Department of Defence	4,264	4,500	5,000	6,000	6,000	6,000	6,000	7,225	6,000	7,225
— Subsidies to village	2,600	5,590	5,250	5,700	5,700	5,700	5,700	6,700	5,700	6,700
— Subsidies to "Kaulobans"	—	5,645	8,823	12,800	12,800	12,800	12,800	19,200	12,800	19,200
— Irian Jaya	2,910	732	2,374	3,300	3,500	3,500	3,500	3,300	3,500	3,300
— Subsidies to provinces	—	20,664	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800
— Government capital share	—	1,000	7,046	22,543	24,719	24,719	24,719	23,000	23,000	23,000
— IPEDA	—	—	—	—	12,000	12,000	12,000	15,200	12,000	15,200
— Others	7,982	1,946	3,047	—	8,583	8,583	8,583	6,538	8,583	6,538
— Simas project	—	9,578	1,000	—	—	—	—	—	—	—
— Project Aid	25,297	51,550	45,000	83,000	83,000	83,000	83,000	82,300	83,000	82,300
<b>T o t a l</b>	334,671	457,929	544,895	736,324	832,400	832,400	832,400	1,164,268	832,400	1,164,268

Source : Department of Finance

**TABLE 7 – DEVELOPMENT EXPENDITURE BY SECTORS <sup>1)</sup>**  
(Billions of Rupiahs)

S e c t o r s	1969/1970	1970/1971	1971/1972	1972/1973	1973/1974
<b>Economic Sector</b>	<u>66.5</u>	<u>98.4</u>	<u>118.9</u>	<u>190.3</u>	<u>264.3</u>
Agriculture and Irrigation	23.0	31.8	32.9	40.9	79.5
Industry and Mining	8.6	2.2	2.9	4.6	4.6
Electric power	4.2	6.7	8.3	14.8	17.6
Communication and Tourism	24.8	19.1	30.2	48.4	51.1
Regional Development	5.9	37.6	37.6	59.1	69.8
Investment through the Banking System	---	1.0	7.0	22.5	40.8
Others	---	---	---	---	0.9
<b>Social Sector</b>	<u>15.2</u>	<u>16.4</u>	<u>21.4</u>	<u>31.1</u>	<u>51.6</u>
Religion	1.2	0.5	0.7	0.7	0.6
Education	7.8	7.8	10.9	15.8	35.4
Manpower and Resident	0.2	1.0	0.7	0.3	0.3
Health and Family planning	2.2	3.3	4.6	7.4	7.5
Social Welfare	2.0	2.1	2.4	4.3	5.8
Others	1.8	1.7	2.1	2.6	2.0
<b>General (Sector)</b>	<u>11.2</u>	<u>13.3</u>	<u>10.6</u>	<u>14.5</u>	<u>21.0</u>
Defence	4.6	4.5	5.0	6.0	7.2
Others	6.6	8.8	5.6	8.5	13.8
<b>T o t a l</b>	<b>92.9</b>	<b>128.1</b>	<b>150.9</b>	<b>235.9</b>	<b>336.9</b>

1) Excluding project aid

Source : Department of Finance

**TABLE 8 – ACTUAL PROJECT AID**  
(Billions of Rupiahs)

S e c t o r s	1969/1970	1970/1971	1971/1972	1972/1973	1973/1974
<b>Economic Sector</b>	<u>23.8</u>	<u>40.5</u>	<u>41.2</u>	<u>58.3</u>	<u>108.9</u>
Agriculture and Irrigation	6.8	8.6	13.9	11.8	18.6
Industry and Mining	4.4	5.4	8.2	16.1	28.7
Electric power	4.1	9.8	6.1	8.9	27.5
Communication and Tourism	8.5	16.7	13.0	21.5	28.3
Investment through the Banking System	---	---	---	---	3.7
Others	---	---	---	---	2.1
<b>Social Sector</b>	<u>1.5</u>	<u>1.0</u>	<u>3.8</u>	<u>4.0</u>	<u>5.2</u>
Education and Culture	0.3	0.2	1.9	2.2	1.5
Housing and Social Welfare	0.6	0.8	1.6	1.4	2.7
Health and Family planning	0.6	---	0.3	0.4	1.0
<b>T o t a l</b>	<b>25.3</b>	<b>41.5</b>	<b>45.0</b>	<b>62.3</b>	<b>114.1</b>

Source : Department of Finance

### III. BANK CREDIT DEVELOPMENT

#### Credit Policy

The credit policy during the fiscal year 1973/1974, being the last year of the First Five-Year Development Plan (REPELITA I), formed a sequel to the policy pursued during the preceding years.

The main objective of the credit policy was to utilize and to allocate the available funds in the context of stepping-up economic development activities in general. This policy was to be so implemented as to absorb monetary pressures which might otherwise come to prominence thereby endangering to the monetary stability achieved.

The policy measures on the granting of credits taken in the fiscal year 1973/ 1974, inter alia, were as follows :

1. Readjusting the classification of the interest rates of credits granted by state banks from 4 categories to 3 categories as of April 12, 1973 with the following specification <sup>1)</sup> :

#### *Category I*

- a) 6% per annum  
Credit for the procurement of food-stuffs
- b) 12% per annum  
Credit for :

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1) Circular Letter of Bank Indonesia Number 6/11 UPK dated April 12, 1973.

- Paddy BIMAS (Mass Counseling)
  - Imports financed by PL 480
  - Import/Distribution of fertilizers and insecticides
- c) 15% per annum  
Credit for:
    - Other BIMAS (Mass Counseling)
    - Exports and production of export goods
    - Public transportation

#### *Category II*

18% per annum

Credit for :

- Other production (excluding services of a recreational nature)
- Other distribution
- Exploitation of building construction enterprises/contractors
- Professional undertakings.

#### *Category III*

Over 18% and up to and including 24% per annum

- Other credits not included in category I and II

Banks, other than State Banks were requested to follow the provisions mentioned above as guidelines.

2. Adjusting the rates of interest and the share of credits refinanced by Bank Indonesia with effect from April 12, 1973 as follows <sup>2)</sup> :

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2) Circular Letter of Bank Indonesia Number 6/5/UPK dated April 17, 1973.

### Category I

For economic sectors with a rate of 15% per annum the rate of interest for Bank Indonesia refinancing was fixed to be 10% per annum viz for : —BIMAS (Mass Counseling) Credits other than Paddy

- Credits for exports and the production of export goods
- Credits for public transportation

The volume of credits refinanced by Bank Indonesia for the said sectors being previously 15% up and including 80% was adjusted to 50% of the maximum credit granted.

The rate of interest and the percentage of credits refinanced by Bank Indonesia for Paddy BIMAS (Mass Counseling) Credits, Credits for imports financed by PL 480 and credits for the import/distribution of fertilizers and insecticides did not undergo any adjustment.

### Category II

The rate of interest of the Bank Indonesia refinancing was decreased from 15% to 10% per annum, while the volume was increased from 15% to 25% of the maximum credit granted.

### Category III

No Bank Indonesia refinancing is available for credits with interest rate included into Category III.

3. In consideration of the importance of fertilizer and insecticide for smallholders (pertanian rakyat), the shares of the fi-

nancing of the import/distribution of said goods were fixed as follows :

<b>Pre-financing</b>	<b>Old</b>	<b>New</b>
— Bank Indonesia	65%	78%
— Bank Rakyat Indonesia	25%	12%
— Importer	10%	10%

<b>Post-financing</b>		
— Bank Indonesia	50%	60%
— Bank Rakyat Indonesia	20%	10%
— Importer	30%	30%

4. For the purpose of improving domestic rice procurement, Bank Rakyat Indonesia made credits available to the Badan Usaha Unit Desa/Koperasi Unit Desa (Village Unit Undertaking Body/Village Unit Cooperative) through credits refinanced fully by Bank Indonesia for the amount of Rp 10.4 billion to implement the Presidential Instruction Number 2/ 1973 dated March 14, 1973 and for the amount of Rp 12.1 billion to implement the Presidential Instruction Number 1/ 1974 dated February 5, 1974. The said credits were guaranteed by the Government and the rate of interest thereof was 9% per annum whereas the rate of interest of the Bank Indonesia refinancing was 3% per annum.
5. In order to stimulate the activities of small scale and labour-intensive undertakings, investment loans were classified into 4 categories based on the amount of said loans <sup>3)</sup> :

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3) Circular Letter of Bank Indonesia Number 6/2/ UPK dated April 12, 1973.

- Category I : up to and including Rp 25.—million.
- Category II : over Rp 25 million and up to and including Rp 100 million.
- Category III : over Rp 100 million and up to and including Rp 300 million.
- Category IV : over Rp 300 million.

The provision concerning self-financing by the customer for categories I, II and III was fixed at 25% for priority projects and at 50% for non- priority projects while for category IV the stipulation was 35% for priority projects and 50% for non-priority projects.

6. In order that the granting of credits conforms increasingly with the availability of loanable funds of state banks, a *modus operandi* was established for the cooperation amongst these banks whereby sanctions can be made on a joint or consortium basis <sup>4)</sup>. This arrangement was made applicable to investment loans over Rp 300 million and working capital loans over Rp 500 million where joint- financing by two or more of state banks, of which one was to act as the principal bank, was resorted to. In such a consortium, the amount of share of the principal bank was to be at the most 50% of the amount of the loan concerned.
7. Based on the Act Number 14/1967 article 25, foreign banks operating in Indonesia are obliged to observe the pro-

visions governing the granting of medium/long term loans as set out by Bank Indonesia for state banks. Therefore, in granting investment loans the foreign bank concerned must observe the prevailing provisions governing investment loans, among others, concerning the classification of projects into priority projects and non-priority projects and concerning sectors for which no more investment loan could extended.

In the meantime, having in mind that undertaking activities in some regions outside Jakarta also called for the need of the best banking services, a provision was stipulated enabling cooperation between foreign and national banks for rendering such services there.

8. For the purpose of extending larger assistance to small businessmen of whom most were indigenous, it was provided that applications for investment loans received by state banks as of January 22, 1974 should be taken into consideration in favour of indigenous enterprises only <sup>5)</sup>.

An enterprise shall be classified as an indigenous enterprise if at least 75% of the statutory capital is owned by indigenous persons or if at least 50% of the

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4) Decision of the Board of Directors of Bank Indonesia Number 6/44/Kep./Dir/UPK/73 dated September 18, 1973.

5) Decision on the Board of Directors of Bank Indonesia Number 6/76A/Kep/Dir/UPK/74 dated February 11, 1974.

capital is owned by indigenous persons and majority of the members of Board of Management are indigenous persons.

Furthermore, Bank Indonesia decided that the policy on granting Small Investment Credit (KIK) and Permanent Working Capital Credit (KMKP) shall be on the terms and conditions as follows :

- a. Small Investment Credit (KIK)
  - the amount shall be at the most Rp 5 million for each customer.
  - the term shall be at the most 5 years including the grace period of repayment.
  - the customer shall pay interest at the rate of 12% per annum and the obligation of self-financing shall be determined according to his real capacity.
  - may be utilized for financing all economic activities mainly the production units performing rehabilitation, undertaking and expansion of producing goods and services except services of a recreational nature.
  - the principal collateral shall be the project financed by the loan concerned.
- b. Permanent Working Capital Credit (KMKP)
  - the amount shall be at the most Rp 5 million for each customer
  - to be utilized for financing working capital continuously required

- may be utilized for financing all economic activities such as KIK.
- the interest of the loan shall be at the rate of 15% per annum and the term shall be at the most 3 years including the grace period of repayment of 1 year.

- c. Without prejudice to the provision mentioned under a and b above, the credit for 1 customer shall be at the most Rp 10 million, Rp 5 million for KIK and Rp 5 million for KMKP. In the meantime in order to secure the loan repayment by the customer, an insurance agreement shall be concluded between the Bank and PT Asuransi Kredit Indonesia (PT Askrindo).

9. In line with the policy of decreasing the lending rates, as of May 1, 1973 Bank Indonesia has lowered the interest rate of its loan to banks for loan refinancing, clearing purpose and for emergency from 15% to 10% per annum.

#### **The volume and allocation of credits**

At the close of the fiscal year 1973/1974, the volume of bank credits consisting of short term credits and medium/ long term credits ( investment) reached the level of Rp 1,215.5 billion, which exhibited an increase of Rp 445.7 billion (57.9%) as compared with the figure at the end of the fiscal year 1972/1973.

The largest increase in the volume of credits took place during the third quarter of 1973 viz by the amount of Rp 167.1 billion, mainly for trade and industry.

Short term credits at the end of March 1974 amounted to Rp 968.9 billion and constituted 79.7% of the total bank credits.

Compared with the volume of short term credits at the close of the previous fiscal year, the credit witnessed an increase of Rp 381.1 billion (64.9%). A large part of the short-term credits viz to the amount of Rp 401.3 billion (41.4%) was to the trade sector. The other sectors which also received short term credits of a fairly large amount was the industrial sector accounting for Rp 285.9 billion (29.5%) and the agricultural sector of the tune of Rp 90.8 billion (9.4%).

During the fiscal year 1973/1974, an increase in the volume of short term credits of Rp 146.4 billion (104.9%) was recorded for the industrial sector, of Rp 111.1 billion (38.3%) for trade sector, of Rp 31.4 billion (52.9%) for agriculture, of Rp 23.8 billion (89.8%) for services, of Rp 1.8 billion (41.9%) for mining and of Rp 66.7 billion (98.2%) for miscellaneous sectors.

In line with the development of short term loans, the extension of investment credits also showed an upward trend. At the end of March 1974 investment credits approved by State Banks (after having been reduced with the ceiling of the credits satisfied and repaid in installment) amounted to Rp 157.5 billion or exceeded the figure at the close of

the previous fiscal year by Rp 23.8 billion (17.8%).

The volume of investment credits utilized by customers reached the amount of Rp 108.0 billion or increased by the amount of Rp 17.4 billion (19.2%) compared with the preceding year.

The industrial sector has received investment credits of the largest amount viz to the extent of Rp 52.8 billion (48.4%) and further the communication and tourism received the amount of Rp 41.2 billion (38.1%) A major part of the source of financing for investment credits was derived from Bank Indonesia in the form of liquidity loans viz an amount of Rp 64.1 billion (59.4%), while the financing from state banks amounted to Rp 39.0 billion (36.1 %). The balance has been financed from investment-loans fund of the State Budget.

Investment credits for Rupiah (local) cost of project aid at the close of the fiscal year 1973/1974 reached the amount of Rp 11.3 billion The sector financed was mainly the industrial sector (72.8%), while the source of funds was mainly Bank Indonesia (79.0%).

The development of investment credits and credits for Rupiah (local cost of project aid may be observed from Table 10 and Table 11.

The utilization of own funds by banks in granting credits was on the increase although the refinancing from the Cen-

tral Bank still constituted a decisive factor. The role of the Bank Indonesia refinancing dropped gradually from 31.6% at the close of the fiscal year 1971/1972 to 21.6% at the close of the fiscal year 1973/1974.

The granting of credits in foreign exchange indicated also a significant development viz the same became Rp 127.4 billion at the close of the fiscal year 1973/1974 or increased by the amount of Rp 42.2 billion (49.5%) compared with the previous year.

**TABLE 9 – TOTAL BANK CREDITS <sup>1)</sup>**  
(millions of Rupiahs)

	1972	1 9 7 3				1974
	IV	I	II	III	IV	I
<b>Credits in Rupiah</b>	<u>627,953</u>	<u>684,558</u>	<u>771,251</u>	<u>953,636</u>	<u>969,148</u>	<u>1,088,166</u>
– Short term credits	535,787	587,754	676,753	846,043	858,065	968,894
1. Agriculture	54,644	59,360	63,590	62,528	78,937	90,751
2. Mining	6,598	4,313	4,925	3,723	7,949	6,135
3. Manufacturing industry	121,570	139,529	169,927	195,314	218,006	285,880
4. Trade	275,371	290,156	329,997	451,478	390,994	401,262
5. Service rendering industry	20,446	26,461	34,850	37,025	39,202	50,295
6. Others	57,158	67,935	73,464	95,975	122,977	134,571
– Investment credits	86,560	90,604	93,447	99,266	101,746	107,952
– Rupiah local cost of Project Aid	5,606	6,200	7,051	8,327	9,337	11,320
<b>Credits in Foreign Exchange</b>	<u>51,502</u>	<u>85,205</u>	<u>86,754</u>	<u>77,491</u>	<u>89,223</u>	<u>127,415</u>
1. Exports	4,622	5,152	5,802	6,501	6,594	6,543
2. Imports	19,024	45,794	32,801	28,789	30,635	17,926
3. Others	27,856	34,259	48,151	42,201	51,9	102,946
<b>T o t a l</b>	<b>679,455</b>	<b>769,763</b>	<b>864,005</b>	<b>1,031,127</b>	<b>1,058,371</b>	<b>1,215,581</b>

1) Includes Bank Indonesia direct credits.

Excludes interbank credits, credits to government and credits to non-residents.

**TABLE 10 – INVESTMENT CREDITS <sup>1)</sup>**  
(millions of Rupiahs)

	1972	1 9 7 3				1974
	IV	I	II	III	IV	I
<b>Approved by banks</b>	<u>128,341</u>	<u>133,722</u>	<u>135,445</u>	<u>141,845</u>	<u>144,490</u>	<u>157,478</u>
<b>1. By economic sectors</b>						
– Agriculture	9,466	9,061	8,983	8,964	9,000	10,956
– Manufacturing industry	64,559	66,499	67,564	70,675	71,996	75,187
– Mining	465	470	482	495	495	513
– Communication & Tourism	50,772	54,184	54,100	55,555	56,812	62,321
– Others	3,079	3,508	4,316	6,156	6,187	8,501
<b>2. By Sources of funds</b>						
– Central Bank	93,268	96,717	98,224	102,464	102,105	110,351
– State. Banks	24,488	26,535	27,571	29,970	33,702	39,900
– Budget	10,585	10,470	9,650	9,411	8,683	7,227
<b>Credits outstanding</b>	<u>86,560</u>	<u>90,604</u>	<u>93,447</u>	<u>99,266</u>	<u>101,746</u>	<u>107,952</u>
<b>1. By economic sectors</b>						
– Agriculture	7,045	7,046	7,101	7,013	6,764	8,305
– Manufacturing industry	51,242	52,108	52,510	53,763	53,035	52,764
– Mining	270	242	244	155	161	168
– Communication &	26,483	29,271	31,139	35,439	38,501	41,178
– Others	1,520	1,937	2,453	2,896	3,285	5,537
<b>2. By sources of funds</b>						
– Central Bank	59,481	59,010	59,084	60,607	61,469	64,096
– State banks	19,770	24,205	27,196	33,673	35,347	39,011
– Budget	7,309	7,389	7,167	4,986	4,930	4,845

1) Excludes Rupiah local cost of Project Aid.

**TABLE 11 – INVESTMENT CREDITS FOR RUPIAH  
LOCAL COST OF PROJECT AID**  
(millions of Rupiahs)

	1972	1 9 7 3				1974
	IV	I	II	III	IV	I
<b>Approved by banks</b>	13,018	13,018	17,544	17,838	17,838	17,838
<b>1. By economic sectors</b>						
– Agriculture	2,765	2,765	7,291	7,291	7,291	7,291
– Manufacturing industry	8,662	8,662	8,662	8,956	8,956	8,956
– Mining	---	---	---	---	---	---
– Communication & Tourism	---	---	---	---	---	---
– Others	1,591	1,591	1,591	1,591	1,591	1,591
<b>2. By sources of funds</b>						
– Central Bank	11,716	11,716	15,790	16,054	16,054	16,054
– State banks	1,302	1,302	1,754	1,784	1,784	1,784
– Budget	---	---	---	---	---	---
<b>Credits outstanding</b>	5,606	6,200	7,051	8,327	9,337	11,320
<b>1. By economic sectors</b>						
– Agriculture	678	855	1,127	1,359	1,280	1,399
– Manufacturing industry	4,715	5,345	5,924	6,221	6,605	8,238
– Mining	---	---	---	---	---	---
– Communication & Tourism	---	---	---	---	---	---
– Others	213	---	---	747	1,452	1,683
<b>2. By sources of funds</b>						
– Central bank	4,626	5,017	5,920	6,267	6,477	8,939
– State banks	980	1,183	1,131	2,060	2,860	2,381
– Budget	---	---	---	---	---	---

## IV. MOBILIZATION OF FUNDS

Concurrently with the adjustment concerning the requirements governing loans and the rates of interest thereon, the Government considered it necessary to make changes in the rate of interest of deposits, especially time-deposits and TABANAS (National Savings). The said changes were calculated to preserve monetary stability and to stimulate development activities.

### Time Deposits

As of April 12, 1973, the rate of interest on Time Deposits was reduced to:

- 15% per annum for those maturing after 12 months;
- 12% per annum for those maturing after 6 months;
- 9% per annum for those maturing after 3 months, and
- 6% per annum for those maturing within less than 3 months.<sup>1)</sup>

Compared with the position at the close of the fiscal year 1972/1973, time deposits at the end of the fiscal year 1973/1974 denoted a decrease of the amount of Rp 5.3 billion (3.6%) to reach Rp 143.9 billion. As was the case in the previous fiscal years, time deposits maturing after 12 months constituted the major part, being Rp 129.7 billion (90.1%) on March 31, 1974. These time deposits included deposits of branch offices

of foreign banks operating in Indonesia as well as banks having their domiciles abroad.

Table 12 exhibits that time deposits mobilized from domestic sources increased by an amount of Rp 16.6 billion (13.7%) to reach Rp 137.7 billion at the close of the fiscal year 1973/1974. On the contrary, time deposits from abroad, dropped due to the provision stipulated by Bank Indonesia to limit the inflow of such funds for investment as term deposits.

### Certificates of Deposits

The progress relating to sales of Certificates of Deposits indicated an upward trend. Compared with the position at the close of the fiscal year 1972/ 1973, the position at the end of the fiscal year 1973/1974 enjoyed an increase to the tune of Rp 49.1 billion (636.5%), which inter alia was due to:

1. The certificates of deposits and interest thereon was exempted from tax on interest and property tax.<sup>2)</sup>
2. Increase in the rate of interest/ discount by the handling banks.
3. Increase in the number of banks issuing certificates of deposits from 6 banks during the fiscal year 1972/1973 to 10 banks during the fiscal year 1973/1974.

The position of certificates of deposits

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1 ) Decision of the Board of Directors of Bank Indonesia No 6/3/Kep/Dir/UPUM/73 dated 12 4.1973.

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2) Decree of the Minister of Finance of the R.I.No Kep.815/MK/II/8/1973 dated 14.8.1973.

at the close of the fiscal year 1973/1974 may be seen in Table 13.

### **TABANAS (National Development Savings Scheme) and TASKA (Insurance Savings Scheme)**

For the purpose of cultivating the habit of putting aside part of one's income and concurrently participating in supporting national development, it was considered necessary, in addition to the steps taken thus far, to introduce National Development Savings Scheme in an exclusive manner among students and boy-scout. For this purpose, committee for the promotion of Saving Movement among the Youth, Students and Boy-scout was established (PERATA P3).

To achieve success in its implementation, cooperation was secured amongst Bank Indonesia, the Department of Education and Culture, the Department of Home Affairs and the National Quarter of the Boy Scout Movement. In the context of implementing the program, Bank Indonesia established the Board of the Coordination and Fostering of National Saving Movement (Dekop GTN) at the national, regional and local level, at places where branch offices of Bank Indonesia existed.

Concurrently with the reduction in the rate of interest on time deposits, the rate of interest on TABANAS was reduced from 18% to 15% per annum as of April 12, 1973, for amounts up to Rp 100,000.— and 9% per annum on balances in excess thereof.

It may be observed from Table 14 that the amount of TABANAS deposits declines at the close of the 2nd quarter of 1973, which inter alia was due to the restriction imposed on legal bodies not to channel their money into TABANAS as from April 1975. However, its position improved thereafter and by the close of the fiscal year 1973/1974, TABANAS funds stood at Rp 36.8 billion in 3 million accounts, an increase of Rp 6.4 billion (21.1 %). The volume of TASKA exhibited some decline, and at Rp 78 million with 11 million accounts was lower by Rp 8 million (9.3%) compared to Rp 86 million with 15 million accounts. Table 14 provides a time series on the development of TABANAS and TASKA together with the number of accounts (or savings books).

### **Savings for the Haji Pilgrimage**

Banks handling Pilgrimage Fare (ONH) were the same as those in previous years, namely Bank Rakyat Indonesia and Bank Negara Indonesia 1946, while Bank Ekspor Impor Indonesia was specially designated to provide its services to the region of Irian Jaya.

Pilgrimage Fare for each pilgrim for the season within the fiscal year 1973/ 1974 was determined at Rp 424,000.— for those traveling by sea and at Rp 446,000.— for those traveling by air. Aspirant haj is who have paid their ONH some months prior to the time limit of payment were granted a reduction in relation to the month in which ONH had been paid.

The volume of ONH paid until the close of the fiscal year 1973/1974 amounted to Rp 17.1 billion with 39 thousand aspirant hajis as against the amount of Rp 8.6 billion with 22 thousand aspirant hajis at the close of the fiscal year 1972/1973.

## Money and Capital Market

The turnover of Government Bonds during the fiscal year 1973/1974 as compared with fiscal year 1972/1973 showed an increase as indicated by the figures herein below :

	1972/1973 (nominal)	1973/1974 (nominal)
3% RI Bonds 1950	Rp 736,810,-	Rp 4,805,410,-
3,5% Consolidation Bonds	Rp 127,731.30	Rp 87,767.56
6% Lottery Bonds 1959	Rp 354,950,-	Rp 3,923,250,-

Government Bonds as showed above at the close of fiscal year 1973/1974 in circulation was recorded as follows:

	(nominal)
3% RI Bonds 1950	Rp 91,588,700,-
3,5% Consolidation Bonds	Rp 24,335,808.75
6% Lottery Bonds 1959	Rp 37,236,000,-

The ledger of the 1959 consolidated debt, however, still carried a loan with a pro resto nominal value of Rp 245,899,450.96 which had as yet not been converted into bonds and could therefore not be offered to the public.

Bank Industri Negara bonds were not included in the figures, because the volume was too small. The balance of Bank Industri Negara bonds loan for the fiscal year 1959/1975 was recorded pro resto nominal as amounting Rp 750,000.— and has been entirely redeemed in the month of February 1974.

Prices for fiscal year 1963/1974 showed an upward trend as indicated below:

	(nominal)
3% RI Bonds 1950	Rp 91,588,700.—
3½% Consolidation Bonds 1959	Rp 24,335,808.75
6% Lottery Bonds 1959	Rp 37,236,000.—

	1972/1973		1973/1974	
	High-est	Low-est	High-est	Low-est
3% RI Bonds 1950	94%	61%	97¼%	80%
3½% Consolidation Bonds 1959	83%	37½%	91%	68%
6% Lottery Bonds 1959	94%	73%	98%	93%

At a price of 97¼% for 3% RI Bonds 1950, the yield (obtained was  $3/97,25 \times 100\%$ ) was 3.08% per annum, very low when compared to the return which might be obtained from other investments. "Non-economic" factors affected the price of these Government Bonds.

### *On the Settlement of the Problem of Indonesian-Dutch Securities*

It should be noted that the problem of Indonesian-Dutch securities had been solved in its entirety, both with regard to securities owned by individuals as well as

legal bodies including securities owned by ex Dutch enterprises which have been nationalized. Consequently, pending the close of the fiscal year under report, Nederlandsche Bank decided to abolish ail procedures concerning the inflow of securities into the Netherlands from Indonesia and the outflow from the Netherlands to Indonesia, effected through the interim regulation/closing regulation (slotregeling) on the settlement of Indonesian-Dutch securities. Accordingly, the movement of securities between Indonesia and the Netherlands may be freely effected.

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3) RI Government Regulation No. 20/1973 dated 2/5/1973.

### *Efforts in Developing Money and Capital Markets.*

In the context of fostering and developing the money and capital market in Indonesia, the Government has revoked Government Regulation Nr. 6/1963 on Bonds Loan by Banks, Enterprises, Government Institutions as well as private institutions together with all its implementary regulations.<sup>3)</sup>

Pursuant thereto, the Minister of Finance shall further stipulate the required provision for the purpose of accommodating and settling matters which might arise as a consequence of the revocation of the Government Regulation. The permit for issuing bonds loan which has been granted continued to be in force until there will be a provision later on to be stipulated by the Minister of Finance.

**TABLE 12 – TIME DEPOSITS <sup>1)</sup>**  
(million of Rupiahs)

	12 months	6 months	3 months	Less than 3 months	Total	Sources of funds	
						Domestic	Abroad
1973: March	105,200	32,993	8,483	2,486	149,162	121,109	28,053
June	116,666	35,377	8,240	408	160,691	145,205	15,486
September	120,339	23,747	5,921	1,689	151,696	139,482	12,214
December	129,382	14,162	4,000	1,371	148,915	141,530	7,385
1974: March	129,722	9,331	3,621	1,229	143,903	137,746	6,157

1) According to Presidential Decree No. 28/1968

**TABLE 13 – CERTIFICATES OF DEPOSITS <sup>1)</sup>**  
(Millions of Rupiahs)

	State Banks	Foreign Banks	Total
1973: March	6,201	1,505	7,706
June	7,106	2,495	9,601
September	19,447	10,364	29,811
December	23,381	8,354	31,735
1974: March	48,608	8,145	56,753

1) Balance of CD issued over those have been repaid

**TABLE 14 – TABANAS DAN TASKA**  
(Total outstanding in millions of Rupiahs)

	TABANAS		TASKA		TOTAL	
	Number of accounts (1000)	Out- standing	Number of accounts (1000)	Out- standing	Number of accounts (1000)	Out- standing
1973: March	2,560	30,372	15	86	2,575	30,458
June	2,716	30,107	13	92	2,729	30,199
September	2,813	30,514	13	96	2,826	30,610
December	2,870	32,465	12	84	2,882	32,549
1974: March	3,019	36,777	11	78	3,030	36,855

## V. BANKS AND OTHER FINANCIAL INSTITUTIONS

### Banking Policy

In the context of amendments bearing on obligations of banks to maintain minimum reserve in conformity with the monetary and banking developments, Bank Indonesia stipulated a new provision on minimum reserve requirements in foreign exchange for foreign exchange banks<sup>1)</sup>. The new provision was intended to reduce the inflow of short-term funds from abroad by the additional requirement of making liquid instruments in foreign exchange available by the said banks. The basic difference between the new and the former provision was:

- the component of 150% of commitments on L/Cs, 10% time deposits and 10% loans received, was adjusted to 100% import guarantee, 100% time and savings deposits and 100% loans received in the new provision.
- the components of liquid instruments in the new provision shall be cash, deposits with Bank Indonesia, current accounts with correspondent banks abroad and call deposits with correspondent banks abroad. Currents accounts with foreign exchange banks (domestic) and 50% of the balance of realizable bills of exchange shall not be cleared anymore.
- the foreign exchange banks which were

formerly obliged to maintain minimum reserve to the extent of 50% of the amount of current liabilities will under the new regulation, maintain 30% of such liabilities on which at least 1/3 of the amount has to be deposited in US Dollars with Bank Indonesia.

For the purpose of creating and maintaining unity of action in employing foreign experts by state banks, a provision was stipulated on whether prior approval was required or not from Bank Indonesia in these cases<sup>2)</sup>.

In the context of providing opportunities to national banks as well as foreign banks to step up their participation in regional economic development, Bank Indonesia introduced a regulation on cooperation between foreign banks and national banks in regard to rendering their services outside Jakarta<sup>3)</sup>.

The said regulation, which became effective from April 1, 1974 included, inter alia, the following clauses:

- Foreign banks shall not be permitted to grant guarantee loans or extend other kinds of financial assistance and to render services in international trade to enterprises having their domiciles outside Jakarta.
- Foreign banks may grant loans to undertaking having their domiciles outside

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1) Circular Letter of Bank Indonesia No. SE 6/1/UPPB dated 12/4/1973.

2) Circular Letter of Bank Indonesia No. SE 6/44/UPPB dated 17/12/1973.

3) Decision of the Board of Directors of Bank Indonesia No 6/77/Kep/Dir/Biro/74 dated 13/2/1974.

Jakarta only in the form of joint-financing with national banks both state-owned, regional government-owned as well as private-owned subject to the provisions that:

1. In case the joint-financing was undertaken in collaboration with state-owned national banks, the share of financing by state banks shall be at least 50% of the maximum volume of the loans granted.
  2. In case the joint-financing was undertaken in collaboration with either regional government owned national banks or private national banks, the share of financing of national banks shall be at least 25% of the maximum of the loans granted.
- The execution and administration for extension of loans shall be performed by the local national banks.
  - Foreign banks may grant loans to regional government-owned banks or private banks with the provision that:
    1. The granting of said loans shall not be tied up with the requirement that the funds shall be provided to specific customers to be designated by the foreign bank concerned.
    2. The volume thereof shall not exceed the extent of 40% of the funds of third parties collected by said national bank plus their own capital.

Pursuant to the suggestion to national banks to perform consolidation/merger, the Minister of Finance extended the time limit for granting tax-reliefs to such private na-

tional banks up to the end of the month of December 1974.

During the said period, 16 banks underwent consolidation/merger, so that at the close of the fiscal year 1973/ 1974, 34 banks availed of the opportunity resulting in 13 consolidated/ merger banks.

With a view to assisting growth of banks, particularly private national banks and regional development banks, Bank Indonesia sanctioned liquidity credits of the amount of Rp 8,923 million up to the end of 1973/1974, of which the debit balances amounted to Rp 7,694 million. Out of these credits, those secured by re-mortgage amounted to Rp 5,699 million to 49 banks with debit balance amounting to Rp 4,853 million by 36 banks. Furthermore emergency credits amounting to Rp 3,011 million were sanctioned to 10 banks with debit balances of Rp 2,689 million, while clearing credits amounting to Rp 213 million were granted to 11 banks with debit balance of Rp 152 million against 8 banks of them.

Pursuant to the fact that banks were permitted to issue certificates of deposit, as of November 1, 1973 Bank Indonesia has abated providing opportunities to private national banks and regional development banks to deposit the balance of its cash instruments with Bank Indonesia <sup>4)</sup> as meant in the Circular Letter of Bank Indonesia

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4) Circular Letter of Bank Indonesia No. SE 6/12/UPUM dated 26.10.1973

Number 2/645/UPPB/PbB dated November 10, 1969.

### **Banking Development**

At the close of fiscal year 1973/1974 the number of banks and banks offices stood respectively at 123 and 888 showing a decline compared to 130 banks and 897 offices at the end of the fiscal year 1972/1973 (Table 15).

The reduction was mainly due to consolidations/mergers of some private banks in response to the suggestion of the Government, and partly because of annulment of operating licenses of a few banks on the ground that they could not function on a sound basis. The number of head offices of development banks remained 28 but the number of its offices dropped by 1 due to the change of the status of 8 branch-offices of Bank Pembangunan Indonesia so that the same become 8 representative offices and the opening of 7 new branch-offices of regional development banks. The number of secondary banks increased by 1,700 to 5,827 banks. This increase was not because of opening of new banks but due to the legalization of operating licenses/certificates by the Minister of Finance of existing banks which thusfar existed and functioned with proper authority.

The program of banks may be visualized from their consolidated balance sheets in Table 16.

The total assets/liabilities of funds collected and credits granted by all commercial banks stood respectively at Rp 1,814.4 billion, Rp 962.5 billion and Rp 988.7 billion at the close of 1973/1974. Compared with the end position of the previous year, total assets/liabilities of these banks exhibited an increase of the order of Rp 667.8 billion or 58.2%. In this connection it should be added that the size of own capital at the close of the period under report amounted to Rp 99.3 billion. It follows, therefore, that of the increase funds collected an amount of Rp 107.6 billion or 32.5% constituted an increase in funds derived from Bank Indonesia which signified, that the increase in credits was mainly financed by the increase of funds collected by the commercial banks themselves.

The major of banking business in Indonesia was still with state banks, whether seen in the context of total assets/liabilities (78.6%), funds collected (82.7%) or credits granted (86.2%). The total assets/liabilities of national private banks increased from an amount of Rp 93.8 billion to Rp 150.4 billion by Rp 56.6 billion (60.3%). As compared with the volume of business of commercial banks, the role of private national banks had been small and hardly buoyant.

The total assets/liabilities of foreign banks registered an increase of Rp 81.8 billion (52.4%) during 1973/ 1974, but the ration thereof to total assets/liabilities of commercial banks suffered decline from 13.6% to 13.1%.

Besides, the size of assets and liabilities and their composition, the progress of banking business may also be viewed from the point of view of the management of liquidity (Table 17).

The overall liquidity position of banks during the period under report was on the average higher than the 30% minimum requirement. Compared with the position in 1972/1973, the average monthly liquidity percentage during the fiscal year 1972/1973, dropped slightly from 36.5% to 33.1%. At the same time the overall average monthly obligatory minimum deposits percentage with Bank Indonesia was of the order of 20%, which was sufficiently higher than the prescribed minimum of 10%. The increase in assets/liabilities and the fall in the percentage of the liquidity mentioned above tended to show the increasing participation of the public in the economic development of Indonesia.

### Non-Bank Financial Institutions

In the context of developing the money and capital market and to encourage the public to invest in securities, and by so doing participate in supporting economic growth, the Government has granted operating licenses to 9 non-bank financial institutions. There are now 10 non-bank financial institutions in the possession of operating licenses.

These financial institutions are divided into 2 categories viz. Development Finance Corporations and Investment Finance Corporations as follows :

- I. Development Finance Corporation:
  1. PT Indonesian Development Finance Company (PT PD FCI )
  2. PT Private Development Finance Company of Indonesia (PT PDFCI)
  
- II. Investment Finance Corporation :
  1. PT Indonesian Investment International (PT Indovest)
  2. PT Merchant Investment Corporation (PT MERINCORP)
  3. PT Asian and Euro-American Capital Corporation Ltd.
  4. PT First Indonesian Finance and Investment Corporation (PT FICORINVEST)
  5. PT Mutual International Finance Corporation (PT MIFC)
  6. PT Inter Pacific Financial Corporation
  7. PT Financial Corporation of Indonesia (PT FINCONESIA)
  8. PT Bahana Pembinaan Usaha Indonesia (PT Bahana)

In addition the Government has granted a permit to Commonwealth Development Corporation (C.D.C.), London, and Private Investment Company for Asia (P.I.C.A ) Tokyo to open representative offices in Indonesia. As distinct from the financial institutions mentioned above, representative offices are not permitted to perform operational activities, but can only perform definite activities, inter alia acting as intermediary, promotional activities and gathering informations for their offices abroad.

TABLE 15 – NUMBER OF BANKS AND THEIR OFFICES IN INDONESIA <sup>1)</sup>

	March 1973	1973/1974		March 1974
	Number of banks/office	Established	Licence revoked	Number of banks/office
<b>Commercial Banks</b>				
<b>State Banks</b>				
– Number of banks	5	—	—	5
– Number of offices	606 <sup>r</sup>	11	13	604
<b>National private banks</b>				
– Number of banks	114	3	10	107
– Number of offices	273 <sup>r</sup>	27	36	264
<b>Foreign Banks</b>				
– Number of banks	11	—	—	11
– Number of offices	18	2	—	20
<b>Development Banks</b>				
<b>State Development Bank</b>				
– Number of banks	1	—	—	1
– Number of offices	19	—	8	11
<b>Local Development Banks</b>				
– Number of banks	26	—	—	26
– Number of offices	98	7	—	105
<b>Private Development Banks</b>				
– Number of banks	1	—	—	1
– Number of offices	1	—	—	1
<b>Savings Banks</b>				
<b>State Savings Banks</b>				
– Number of banks	1	—	—	1
– Number of offices	7	—	—	7
<b>Private Savings Banks</b>				
– Number of banks	10	—	—	10
– Number of offices	10	—	—	10
<b>Secondary Banks</b>				
Village banks	2,387	1,118	—	3,505
Paddy banks	1,667	545	—	2,212
Retailers banks	71 <sup>r</sup>	31	—	102
Cooperative banks	2	6	—	8
<b>Total number of offices</b>	<b>5,159</b>	<b>1,747</b>	<b>57</b>	<b>6,849</b>

1) Excludes representative offices

**TABLE 16 — COMBINED BALANCE SHEET OF DEPOSIT MONEY BANKS**  
(millions of Rupiahs)

	March 1973			March 1974		
	State Banks -1)	National Private banks/ joint ventures	Total	State Banks 1)	National Private banks/ joint ventures	Total
<b>Assets</b>						
Cash in hand	21,424	3,301	25,972	29,056	6,743	37,201
Bank Indonesia	72,757	8,814	87,842	107,066	17,781	134,586
Other banks	11,192	7,163	39,253	26,333	21,231	60,908
Securities	9,466	259	9,725	7,887	46	7,934
Domestic drafts	828	1,103	2,654	4,330	1,494	11,172
Loans outstanding	481,344	51,897	567,478	852,762	71,739	988,730
Foreign exchange assets	204,996	7,697	290,380	275,476	6,523	418,719
Participations	839	180	1,019	1,130	462	1,592
Premises and inventory	15,094	4,919	22,275	19,565	6,661	29,176
Other assets	78,713	8,504	99,962	102,474	17,748	124,431
<b>Total assets</b>	<b>896,653</b>	<b>93,837</b>	<b>1,146,560</b>	<b>1,426,099</b>	<b>150,428</b>	<b>1,814,449</b>
<b>Liabilities</b>						
Paid-up capital	821	10,025	15,192	1,097	13,006	18,606
Reserves and profit and loss account	45,528	1,744	50,660	66,673	7,565	80,694
Debt outstanding	876	1,224	2,100	1,688	917	2,505
Time deposits/savings	161,563	15,228	202,585	242,971	22,044	299,239
Balance on current account	200,454	31,568	254,076	276,033	69,099	380,861
Bank Indonesia	168,431	6,355	174,786	277,354	5,053	282,407
Other banks	34,103	2,744	37,455	51,364	4,920	66,121
Drafts payable	3,625	1,536	5,917	5,365	1,515	7,760
Guarantee deposits	4,341	2,004	8,498	13,281	1,746	17,631
Foreign exchange liabilities	208,255	12,856	311,663	347,727	16,375	503,458
Other liabilities	68,656	8,553	83,628	142,646	8,188	155,167
<b>Total liabilities</b>	<b>896,653</b>	<b>93,837</b>	<b>1,146,560</b>	<b>1,426,099</b>	<b>150,428</b>	<b>1,814,449</b>

1) Includes BAPINDO (State Development Bank)

2) Includes local development banks

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

**TABLE 17 – MONTHLY AVERAGE OF LIQUIDITY POSITION OF BANKS**  
(millions of Rupiahs)

	1972/1973			1973/1974			
	State Banks 1)	National Private Banks 2)	Foreign Banks	State Banks 1)	National Private Banks 2)	Foreign Banks	Total
Liquid assets	80,063	14,532	9,019	104,437	23,129	14,973	142,539
Current liabilities	227,608	31,223	25,142	337,749	53,457	39,475	430,681
Percentage of liquidity	35.2%	46.5%	35.9%	30.9%	43.3%	37.9%	33.1%
30% of current liabilities	68,282	9,367	7,543	101,325	16,037	11,843	129,204
Excess liquid assets	11,781	5,165	1,476	3,112	7,092	3,130	13,335
Required reserves with Bank Indonesia	22,761	3,122	2,514	33,775	5,346	3,948	43,068
Total reserves with Bank Indonesia	60,350	6,577	5,089	67,188	11,681	7,989	86,858

1) Includes BAPINDO

2) Includes local development banks

## VI. INTERNATIONAL RELATIONS

The policy on foreign affairs continued to have as one of its aims as promoting foreign trade and economic relations, which also tended to be an effort in acquiring foreign exchange reserves. For this purpose, a set of regulations was issued in the export, import and transfer payments sectors

### Export Sector

Export as the main source of foreign exchange earnings held an important position in development and constantly had the attention of the Government. For stimulating exports, both in volume and value terms, exporters were continuously granted incentive, among others by arranging that exportable raw materials may be exported as finished products. Bearing in mind the prospect of export in the international market it was considered necessary to adjust the amount of cess levies. For the purpose of meeting domestic need for goods and securing the availability of raw materials for domestic industries, it was also considered necessary to issue additional provisions prohibiting the export of specified kinds of goods.

For achieving the targets mentioned above the following regulations in the export sector were issued:

1. Making changes so that what was determined as export goods should mean finished products lowit :
  - a. "Moulding" and "Dowel" manufactured by machines from sawdusts of raminwood in various models;
  - b. ammonia was classified as finished product for the purpose of export on the condition that the percent targe of ammonia shall not be less than 99.5% and the percentage of water shall not exceed 0.2%;
  - c. - brass copper goods like axle, hexagonal and others in "sparepart" form;  
- "Four Roll Calender" machine for manufacturing lyre-canvas;  
- steel pipes for conduction, pipes for household utensils, bicycles pipes and pipes for sewerage and gas systems
  - d. - "soft solder" tin with "formula"

- Lead (Pb)	: 10%
- Tin (Zn)	: 90%
- Copper (Cu)	: -
- Antimon (Sb)	: -
2. To adjust the amount of cess for some kinds of goods:

- 3 Prohibiting some kinds of goods for export:
  - a. fertilizer, effective as of the month of June, 1973.
  - b. maize, effective as of the month of July 1973.
  - c. clove trees/seeds and pepper, effective as of August 1973
  - d. scrap-iron and scrap-sheet from Java/Madura and Sumatera, effective as of January 1974.
4. Extending the prohibition of the export of copra and coconut oil.
  - foreign exchange banks are permitted to open import L/C with general foreign exchange if importers have paid up cash guarantee money to at least the extent of 40% of the value of the L/C opened.
  - the remaining 60% shall be settled at the time the documents were received by the Bank or at the time of arrival of the goods in case the import documents have not yet been received by the Bank, but not later than 75 days as of the date of opening of the L/C.

### Import Sector

In line with the increasing rate of economic development, the need for import goods was greater, especially raw materials and capital goods. In this context a set of policies was pursued in the import sector aiming to make the inflow of import goods more smooth and to stimulate the development of domestic industries.

The set of regulations in the import sector mentioned above, inter alia, were as follows :

1. The provision on the amount of guarantee money for import to be paid up cash at the time of the opening of L/C with general foreign exchange,<sup>1)</sup> was essentially as follows:

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1) Decision of the Board of Directors of Bank Indonesia No 6/9/Kep/DIR/ULN/73 dated April 30,1973.

2. The provision on the decrease of the amount of compensation from Rp 60.— to Rp 45.— per \$ 1.— or its equivalent<sup>2)</sup> shall be applicable to those utilizing United States and Canadian foreign exchange credits and those whose goods were shipped from ports in the United States and Canada.
3. The provision on the abolition of facilities granted to all kinds of motor vehicles exempting them from import duties and other levies as transferred goods.<sup>3)</sup>
4. For the purpose of developing motor vehicles industries in Indonesia, it was considered necessary to utilize to the utmost extent the capacity of the existing motor vehicles assembly plants in order finally to proceed in the direction of industries manufacturing motor vehicles in Indonesia. For this purpose the Government decided:

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2) Decision of the Monetary Council No 1973 dated September 16, 1973.

3) Decree of the Minister of Finance No. Kep III// 1974 dated January 14,1974.

- a. Motor vehicles of the category of sedan and station wagon in finished condition (B.T.N. item No. 82.02. 40) were prohibited to be imported.
- b. Motor vehicles of the category of sedan and station wagon shall be imported in c.k.d.condition (BTN No. 08.02.29) with the provision:
  - i. The meaning of c.k.d. for each vehicle of the category of sedan and station wagon shall be determined by the Department of Industry.
  - ii. Vehicles of the category of sedan and station wagon were categories which have and will be assembled in the country with the approval of the Minister of Industry, with limits that:
    - the c & f price of the vehicle in c.k.d condition shall not exceed the price of the categories of vehicle which have been permitted to be assembled in the country;
    - the content of the cylinder shall not exceed 4,000 c.c

### Services sector

During the fiscal year under report the policy prevailing in the services sector continued to be purpose. Therefore all kinds of services transactions could continuously be performed without limitation and prior approval of the Government, both for the receipt as well as expenditure of foreign exchange.

### Balance of Payments of Indonesia

The position of balance of payments of Indonesia during the fiscal year under report was immensely affected by upheavals in the international trade and monetary sector. The continuing monetary crises with the floating rates of exchange of currencies of various big countries, food and energy crisis and inflation in various industrial countries greatly effected international development as well as the balance of payments of Indonesia as a whole.

During the fiscal year 1973/1974 the balance of payments of Indonesia showed a surplus of the value of \$ 360 million as against the surplus of \$ 425 million during the fiscal year 1972/1973. The balance on merchandise account during 1973/1974 was favourable to the amount of \$ 539 million as against the fiscal year 1972/1973 when the surplus was of \$ 288 million. The visible trade surplus was greater in 1973/ 1974 because of larger increase in export (\$ 1,674 million) then that in imports (\$ 1,423 million). Like the previous fiscal years, the balance of services continued to be in heavy deficit which more than offset the surplus on merchandise accounts, so that the current account (the balance of goods and services) during 1973/1974 ended in a deficit of \$ 743 million as against that of 1972/1973 of \$ 543 million

In comparison to the previous year, the volume of grants during 1973/1974 declined by \$ 13 million to \$ 50 million. Non-monetary

capital (net) inflows maintained the upward trend from \$ 818 million during 1972/1973 to \$ 1.048 million during 1973/1974.

The overall balance of payments of Indonesia during 1973/1974 showed a surplus of the order of \$ 360 million after allowing for errors and omissions of \$ 5 million.

### Balance of Trade

During of 1973/1974 price trends in international markets were still on the increase, so that their effects were felt in the foreign trade of Indonesia, both in the export and import sectors.

The prices which were on the increase in the 1972/1973 continued their upward trend and reached their peaks during the last quarter of 1973/1974. For some of export goods, prices level surpassed those ever reached earlier even during the "Korean boom" in 1951. As a consequence, foreign exchange earnings in the export sector displayed rates of increase which had not been witnessed in the past. Simultaneously the value of imports also went up steeply both due to larger volume and increases in prices.

### Exports

As was mentioned earlier, the Government issued a regulation classifying certain exportable goods as finished products to stimulate exports while certain goods were prohibited from export for the purpose of protecting domestic interests.

The development of export earnings by type of commodities since the fiscal year 1971/1972 through 1973/1974 may be seen in Table 19. The value of exports, excluding oil during 1973/ 1974 indicated an increase of the order of 95.6% and amounted \$ 1,905 million. This increase occurred mainly with regard to rubber, timber, palm-oil produce, live-stock, mining products and spices. Timber exports enjoyed an increase to the extent of 161.8% reaching a total of \$ 720 million during the fiscal year of 1973/1974 and continued to top the list after oil. Rubber, which suffered a decline during 1972/1973 to the extent of 1.9% as against the previous fiscal year, came up tremendously during the fiscal year of 1973/1974 and exhibited an increase of its order of 128.9%. So was also the case of palm oil produce which having suffered a decrease to the extent of 8.0% during 1972/1973 as against the previous year went up to the turn of 106.5% during 1973/1974. This expansion, apart from prices increases was also due to an increase in volume. However, the position of coffee, which having enjoyed a spurt of the order of 53.7% in 1972/1973 over 1971/1972, happened to show a decrease to the extent of 4.8% during 1973/1974.

Oil exports continued to expand and during 1973/1974 increased to the extent of 77.0% to reach \$ 1,708 million. This expansion was mainly due to price increases which during the fiscal year under report almost tripled from \$ 3.73 per barrel to reach \$ 10.80 per barrel. Allowing for expenditures for import and services in the oil business

sector of the amounts of \$ 461 million and \$ 606 million respectively, the net earnings from oil exports in 1973/1974 reached the amount of \$ 641 million as against \$ 399 million in 1972/1973.

Table 20 exhibits that the value of exports had continuously enjoyed in creases from quarter to quarter, viz from \$ 663 million in the first quarter to \$ 1,215 million in the last quarter of 1973/1974. This was also true, mutates mutandis, of quarterly figures for 1973/1974 are compared with the corresponding quarters of 1972/1973.

Table 21 displays the geographical pattern of exports from the beginning of 1971/1972 to the end of 1973/1974. It does not reveal any significant shifts, except that the exports to Europe suffered a decline to the extent of 14.4% during 1972/1973 and 9.0% during 1973/1974 while exports to the United States of America showed an increase of 17.2% during 1972/1973 and 20.0% during 1973/1974.

Asia continued to be the largest market for Indonesian export goods during the fiscal year 1973/1974 attaining a share of 69.3% as against that of 65.8% during 1972/1973. Japan and the United States of America continued to be the main countries of destination for exports respectively accounting for 62.1% and of 16.8% of the share in the aggregate value of exports of Indonesia during 1973/1974, followed by Singapore, west-Germany and the Netherlands at 10.2%, 2.8% and 2.5% respectively.

## Imports

The value of imports during the fiscal year 1973/1974 reached the amount of \$ 3,074 million as against \$ 1,651 million in the preceding year, which meant an increase of 86.2%. This increase in prices in the international markets and an increase in the volume of imports of foodstuffs, especially rice.

Table 22 shows that imports for all categories of goods registered increases, imports of raw materials, capital goods respectively increased by 34.1%, 81.7% and 67.4% as against the corresponding figures of the previous fiscal year. The shares of these categories of good in 1973/1974 came to respectively to 31.2%, 50.4% and 18.4%.

Like the previous fiscal year, the volume of import of raw materials and capital goods registered increases because of larger volume of imports under project aid and import for foreign capital investment and also for meeting the enlarged needs for other domestic industries. During the fiscal year 1973/1974, imports financed by 122.5% and this amounted to \$ 1,524 million while imports financed by foreign credits increased only to the extent of 24.2% (Table 23).

The increase in import financed by foreign credits took place both in the case of project aid and Foreign Exchange Credits which respectively registered increments of 132.8% and 17.4%. As against that, import under food aid and PL 480 respectively dropped by 25.4% and 68.2%. The increase

in imports procured through general foreign exchange from exports. Another notable feature was that though imports financed by foreign credits had gone up, their relative share in import share had shrunk. Imports on account of direct investments and against merchants Letters of Credit respectively showed increase of 53.4% and 45.9% thereby amounting to \$ 201 million and \$ 324 million during the year under report.

It should be noted that the geographical pattern of imports by countries of origin did not undergo any material change in 1973/1974 as compared with the previous year. Japan, the United States of America and West Germany continued to be the largest suppliers of goods having their shares respectively at 28.9%, 19.0% and 7.4% in the total import bill of Indonesia (Table 24).

### **Service and Grants**

The balance on service showed a deficit of \$ 1,282 million, which was tantamount to an increase of 54.3% as compared with the deficit for 1972/1973. The deficit was mainly due to higher profit remittances abroad and higher profit remittances aboard and payments on account of freight and insurance, which during the year under report increased respectively to the amounts of \$ 269 million and \$ 180 million. Other Transportation, travel aboard and net payments on account of the Government respectively increased only to the amount of \$ 15 million, 13 million and \$ 2 million. The volume of grants during the fiscal year under report (Table 25) suf-

fered a drop of \$ 13 million or to the extent of 20.6% as against the previous year. Its shortfall occurred mainly due to reduced grants from Japan which amounted to \$ 8 million in 1972/1973 as against to \$ 1 million during 1973/1974. Out of total grants those received from the Netherlands and Australia respectively amounted to \$ 24 million (48.0%) and \$ 15 million (30.0%).

### **Capital Transfers**

Capital transfers increased by 28.2% to reach \$ 1,048 million during the fiscal year 1973/1974. Of this amount, transfers of \$ 536 million were in the private sector and of \$ 512 million in the Government sector.

The inflow of private capital increased by 15.0% mainly on account of foreign capital investments. While that of capital in the context of other long term debt reached the amount of \$ 200 million in 1973/1974.

The utilization of long-term loans during the fiscal year under report reached the volume of \$ 506 million which meant an increase of the amount of \$ 88 million or of 21.1% over that of the previous year (Table 26).

Japan and the United States of America were the largest donor countries accounting respectively for \$ 144 million and \$ 132 million or of 20.5% and 26.1% of the aggregate utilizations of foreign aid, followed by IDA to the amount of \$ 83 million or to the extent of 16.4%.

## Foreign Trade and payments agreements

During the period under report, negotiations were conducted and agreements concluded on trade and payments with Malaysia, the Netherlands and Russia. The salient features of these agreements are summarized below

### *Malaysia*

On October 16, 1973, an agreement was signed with Malaysia on economic and technical cooperation in lieu of the agreement on economic and trade relations dated May 11, 1967. The agreement included clauses on cooperation in trade, forestry, shipping and technical and scientific fields. In terms thereof the two countries agreed to step up to the maximum extent possible their economic and technical cooperation bearing on legislation, regulations, policies and international agreements in various sectors. In addition, the two countries agreed to set up a Committee for Economic and Technical Cooperation between Indonesia and Malaysia.

In the trade sector, each country undertook to extend favourable treatment in all matters concerning duties, customs and other levies related to import, export and transfer payments.

Besides, an agreement was concluded on ways of traveling and staying in border areas for trading and undertaking purposes.

The border areas of Indonesia were identified as :

The subdistricts of Kubu, Bangko, Rupert, Dumai, Bukit Batu, Merbau, Bengkalis, Tebing Tinggi, Sungai Apit, Kuala Kampar, Karimun, Kundur, Marosulit, Batam, Bintan Utara, Bintan Timur, Bintan Selatan, Midai, Serasan, Bunguran Timur, Bunguran Barat, Siantan, Jemaja and Tambelan, and those of Malaysia as the areas of Johore Bharu, Batu Pahat, Kelang, Pulau Penang, Sematan, Kucing, Malacca.

### *The Netherlands*

In the month of March of 1974 a joint committee meeting between Indonesia and the Netherlands was convened in Jakarta to discuss mutually beneficial relationships in matters of trade, capital investment, transportation and communication and international economic cooperation.

The main conclusions of the said meeting were, inter alia, as below:

- For the promotion of exports from Indonesia to Europe of both traditional as well as non-traditional commodities, a better cooperation shall be worked out between the National Institution for the Promotion of Export at Jakarta and the Centre for the promotion of Import from Developing Countries (C.P.I.) at Rotterdam;
- excise on cigars in European Economic Community Countries (E.E.C) shall be made uniform.
- The Dutch was expected to help in expanding the market for the products of Asean countries in EEC;

- both parties were of the same opinion that close relation and consultation between the representative of Indonesia and the Netherlands in the forthcoming session of GATT and MTN would be very useful.

## *Russia*

On March 23, 1974, a trade agreement was signed in Jakarta between the Government of the Republic of Indonesia and the Government of the Union of Soviet Socialist Republic in lieu of the trade agreement between the two Governments signed on July 12, 1960.

A list of goods to be mutually exported/imported according to the prevailing provisions in the sector of export, import and foreign exchange in the respective countries was agreed upon, while payments in connection with the said trade will be made in “freely convertible currencies”. This provision shall not be applicable to:

- a) facilities which were granted or will be granted by one of the parties in the context of border trade relation;
- b) advantages originating from unity of customs which had been set up or will be set up by one of the parties;
- c) advantages and facilities which were granted or will be granted by the Government of Indonesia to developing countries in South-East Asia, members of regional economic unities, of which the Government of Indonesia has been or will be a member.

## **Deferment of Foreign Debts**

As a sequel to the efforts of the Government to settle the foreign debts of Indonesia in accordance with the principles of the Paris Agreement of April 23 and 24, 1970, an agreement on the deferment on repayment of debts has been signed on February 15, 1974, with the Federal Socialist State of Yugoslavia involving an amount of \$ 158.9 million.

The main points of said agreement were:

1. Terms and conditions of deferment:
  - a) Debts prior to June 30, 1966, both short as well as long-term in accordance with the terms and conditions stipulated in the original contract. Next to that debts arising out of the results of the agreement on deferment on deferment payment based on the terms and conditions of the Paris Agreement of the year of 1966 were also included.
  - b. Claims resulting from nationalization were not included in the scope of the agreement.
2. Debts subject to the terms and conditions of consolidation :
  - a) The entire principal debt together with interest debt added to the principal debt based on the contract of the year 1966 through 1969 and together with moratorium interest up to and including December 31, 1969, added thereto shall be included in a new debt.

- b) Interest based on the contract on debts which were not rescheduled yet (1970 and subsequent years) together with moratorium interest of 1970 through 1980 added thereto shall be included in a new interest.
3. The new principal debt shall be repaid installments with in period of 30 years commencing as of 1970, while the new interest shall be paid in installments within the period of 15 years commencing as of January 1, 1985.
  4. Said new principal debt and interest shall not bear interest any more, unless there was deferment of repayments of the principal installments as stipulated in point 5.
  5. Indonesia was provided with the opportunity to defer a part of the first eight principal installments, with the provision (Bisque Clause) :
    - a) amounts allowed to be deferred shall be a maximum of 50% of any installments.
    - b) the aggregate of the amounts to be deferred shall not exceed 3 times the annual installment.
  6. After the year 1980 the above mentioned terms and conditions may be reviewed in accordance with the economic condition of Indonesia at that time both on the initiative of Indonesia it self as well as on the initiative of one of the creditor countries (Revision Clause) in order to enable :
    - a) to accelerate the schedule of repayment of the principal debt as well as interests thereon or
    - b) to reduce the payment of the amount consolidated.

## II. The volume deferred

The volume deferred was :

Principal Debt	\$	139.6 million
Interest Debt	\$	19.3 million
<b>Total</b>	<b>\$</b>	<b>158.9 million</b>

So, old debts which thus far have not been settled were debts to India, Egypt, Pakistan (ex Protocol I) and Peoples Republic of China.

## International Monetary Developments and International Financial Institutions

### *International monetary developments*

As was stated in the previous annual report, the Committee of Twenty (C-XX) was set up in the month of June 1972 by the Board Governors of the I.M.F. charged with the task of studying and reporting all aspects related to efforts in introducing reform in the international monetary system.

The outcome of the work of the C-XX (Ministerial level and Deputy level), embodied in a document containing the "First Outline of Reform" was submitted to the Board of the Governors of I.M.F. at its annual meeting in the month of September 1973 in Nairobi. The outline set out the stage of discussions made thusfar and covered the main aspects of the reform in the international monetary system, namely among others the problem of payments, including ways and means by which a member countries can be urged to act that way, and settlement of the deficits/surpluses in balance of payments applicable to all countries.

In connection with adjustments of the balance of payments, the C-XX at the deputy level succeeded in reaching a consensus concerning two matters, namely on general directives relating to the process of adjustment in the new system, and the form and the significance of the process of international consultation in the context of the process of said adjustment. Next to that, in the discussions in the sector of settlement of the deficit/surplus of the balance of payments a basic agreement was reached namely that all countries defending the par values of their own currency shall use the main foreign exchange reserve to settle the balance on their balance of payments.

In such a case, it is clear, that the preparation for the reform of the monetary system was expected to gain progress and settlement, if the balance of payments of the United States of America indicated an improvement. For some months the balance of payments of the United States of America appeared to develop as expected, so that C-XX took it for granted to be able to finish its work in the month of July 1974. Although the said improvement continued, nevertheless in the meantime an oil crisis arose affecting the international monetary development related to the resolution of the oil exporting countries to increase the price of oil. This resolution entailed that industrial oil importing countries were all of a sudden confronted with a deficit in their balance of payments, so that a shift on a large scale took place in the monetary reserve from the oil importing countries. therefore, the meeting of the C-XX convened in Rome in the

month of January 1974 was very much concerned about oil crisis. The problems discussed there related to the valuation of SDRs and the organization of I.M.F. The discussions in the said meeting covered long term as well as short term measures; long term measures shall be put into effect after the realization of the reform of the international monetary system, while short term measures shall be directed to the period prior thereto.

With regard to the problem on the value of SDRs, the C-XX agreed that SDRs in the long run shall be depreciation-proof. This would mean, that in case of devaluation, its effect with regard to the value of SDR shall be counter balanced. In the short run SDRs shall be valued based on a basket of currencies.

With regard to the organization of IMF in the long run, the C—XX has agreed to set up a “Council of Governors” at Ministerial level, the composition of which shall be in line with that of an Executive Board. For the short run a committee of the Board of Governors shall be set up with the composition and authority as said Council. In the meantime it should be known that the Committee of the Board of Governors shall only be set up after the dissolution of the C-XX.

The C—XX resolved also that the new international monetary system shall be based on a fixed rate of exchange but adjustable, while floating was permitted in certain circumstances.

With regard to the idea of reviving the convertibility of United States dollar a problem had to be faced in regard to “Dollar overhang” namely dollars in possession of other countries in large amounts.

Meanwhile, the oil crisis entailing the shift of the monetary reserves from the industrial countries to the oil exporting countries adversely affected the preparation of the program for reform of the international monetary system.

The deficit in the balance of payments faced by the industrial countries also implied that they were not in the position for the time being to revert to the system of fixed rates of exchange. It was even anticipated that they would be forced to let their currencies float.

So, the oil crisis has changed the order of priorities in the context of efforts in creating an international monetary system.

The C-XX resolved to adhere strictly to the time limit of July 31, 1974, in the sense, that prior to this date a final outline on a new international monetary system should have been prepared, based on the outcome of the work of the C-XX at Deputy level and various working committees.

As this Final Outline was finished, the C-XX may be dissolved. According to the plan, the dissolution would be performed at the annual meeting of I.M.F. in the month of September/ October 1974.

## **International Financial Institutions**

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

With regard to financial relations between Indonesia and I M F during the period under report the following matters may be mentioned:

a) In the month of May 1973, the Board of Directors of IMF approved a stand-by arrangement for the fiscal year of 1973/1974 covering an amount of SDR 50 million.

As was the case with regard to stand-by arrangements for the fiscal years of 1971/1972 and 1972/1973, Indonesia did not utilize the said credit.

b) During the fiscal year of 1973/1974 Indonesia made payments to IMF totaling an aggregate amount of SDR 112.2 million, of which SDR 105.8 million in discharge of debts relating to stand-by arrangements for the fiscal years of 1968/1969, 1969/1970 and 1970/1971 and debts made to meet obligations to the International Tin Buffer-Stock; SDR 2.8 million being payment for the last three installments in the context of increase of share, while SDR 3.5 million being additional foreign exchange reserve of Indonesia to IMF.

So at the close of the fiscal year under report all the debts of Indonesia stood discharged, while the foreign exchange reserve which initially amounted SDR 12.2 million increased by the amount of

SDR 6.3 million to become SDR 18.5 million.

- c) During the fiscal year of 1973/1974, IMF did not allocate any SDR so that aggregate allocations to Indonesia remained at SDR 90.2 million. Out of this amount, SDR 59.7 million had been utilized until the close of the fiscal year under report. But due to the reconstitutions of SDR and making currency available in the context of designation plan respectively amounting SDR 4.5 million and SDR 10.5 million, the balance of SDR at the close of the period under report amounted to SDR 45.5 million.

#### *World Bank Group (IBRD)*

During the period under report, the International Development Association (IDA) approved some new loans to Indonesia amounting \$ 167.8 million for the following projects:

– PUSRI fertilizer plant (additional)	\$ 5.0 million
– Third Education	\$13.5 million
– Highway rehabilitation in North Sulawesi	\$14.0 million
– Muara Karang Thermal-Power Power (West Java)	\$46.0 million
– Smallholder and Private Estate Tea in West Java	\$ 7.8 million
– Sugar Industry Rehabilitation in Mid-Java and East Java Java	\$50.0 million
– Pulo Gadung Industrial Estate (Jakarta)	\$16.5 million
– PT Private Development Finance Company of Indonesia (PDFCI)	\$10.0 million
– Fourth Technical Assistance	\$ 5.0 million

The total amount of all loans approved by IDA up to the end of 1973/1974 reached the figure of \$ 509.3 million. As was the case with the loans granted earlier, the new loans were on very soft terms, namely with maturities of 50 years, including a grace period of 10 years, without interest but with administrative fees to the extent of 3/4% per annum of the loans disbursed.

In the meantime, the International Finance Corporation ( I F C ) also approved capital investment in the form of loans and participation in financing the following projects:

– PT Cement Cibinong (additional)	\$ 6.7 million
– PT Primatex (additional)	\$ 2.3 million
– PT Monsanto Pan Electric	\$ 0.9 million
– PT PDFCI	\$ 0.5 million
– PT Kamaltex	\$ 3.0 million

Up to the end of the period under report, capital investments of I F C in Indonesia totalled an amount of \$ 52.5 million.

#### *Asian Development Bank (ADB)*

During the period under report ADB approved new loans to Indonesia to the amount of \$ 35.9 million for the financing of four projects. The loan for one among the projects, viz Electric Power Project in Irian Jaya to the amount of \$ 2.6 million, originating from special funds under the terms of maturities of 25 years including a grace period of 7 years, bearing an interest of

2 1/2% per annum. The loans for the other three projects were a mixture between special funds and ordinary funds with specifications as follows:

	Source of the fund	
	Special Fund	Ordinary Fund
- East Java Sugar Project	\$11.3 million	\$6.2 million
- Irian Jaya Fisheries Development Project	\$5.2 million	\$2.8 million
- Minahasa Power Project	\$5.1 million	\$2.8 million

It may be mentioned, that loans from ordinary funds were relatively of less soft terms viz maturity of 25 years (except for the Fisheries Development Project Irian Jaya with a maturity of 21 years) including a grace period of 5 years bearing and interest of 7 1/2% per annum. On the contrary, loans from special funds were of softer terms as compared to prior loans namely with maturity of 40 years, bearing an interest of 1% per annum.

With these approvals, the total loans of ADB to up to the close of the period under report have reached the amount of \$ 110.9 million

Beside these loans, Indonesia also obtained technical assistance for the preparation of Irian Jaya Water Supply Project, Port Study in Indonesia, Surabaya-Malang Road, and for Java Sugar Project which in total amounted to \$ 1 million. The volume of tech-

nical assistance received by Indonesia from ADB as from the year of 1969 amounted to \$ 3.3 million.

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

As was stated before, the request for aid submitted by Indonesia for the fiscal year of 1973/1974 to the amount of \$ 760 million was approved by the creditor member countries in the 13th IGGI meeting in the month of December 1972. It consisted of food aid to the amount of \$ 160 million and non food aid to the amount of \$ 600 million, among others \$ 390 million being project aid.

However in the 14th IGGI meeting May 1973, the creditor member countries committed to provide aid to the amount of \$ 876.6 million during the fiscal year of 1973/1974. Said amount consisted of food aid estimated at \$ 160 million and non-food aid at \$ 716.7 million.

In the 15th IGGI meeting held in December 1973, the request for aid submitted by Indonesia for amount of \$ 850 million for the fiscal year of 1974/1975 was also approved by creditor member countries. The aid, which as usual was on soft terms, consisted of the amount of \$ 550 million as project aid and of \$ 300 million as program aid (including food aid of the amount of \$ 100 million).

**TABLE 18 – BALANCE OF PAYMENTS OF INDONESIA**<sup>1)</sup>  
(millions of \$)

	1971/1972	1972/1973	1973/1974
<b>A. Goods and services</b>	– 435	– 543	– 743
1. Merchandise goods : export f.o.b.	+ 1,374	+ 1,939	+ 3,613
import f.o.b.	– 1,248	– 1,651	– 3,074
2. Non-monetary gold	–	–	–
3. Freight and insurance related to import	– 146	– 186	– 366
4. Other transportation	– 10	– 20	– 35
5. Travel	– 26	– 22	– 35
6. Investment capital	– 228	– 443	– 712
6.1. Direct investment	(– 187)	(– 318)	(– 542)
6.2. Other	(– 41)	(– 125)	(– 170)
7. Government, not included elsewhere	– 20	– 14	– 16
8. Other services	– 131	– 146	– 118
Balance of goods and services (1 through 8)	– 435	– 543	– 743
Balance of goods (1 through 2)	+ 126	+ 288	+ 539
Balance of services (3 through 8)	– 561	– 831	– 1,282
<b>B. Grants</b>	+ 51	+ 63	+ 50
9. Private	–	–	–
10. Government	+ 51	+ 63	+ 50
<b>C. 11. Special Drawing Right (SDR)</b>	+ 30	–	–
Total (1 through 11)	– 354	– 480	– 693
<b>D. Capital and Monetary Gold</b>	+ 348	+ 393	+ 688
<i>Non-monetary sector</i>	+ 448	+ 818	+ 1,048
12. Private sector	+ 177	+ 466	+ 536
12.1 Long term liabilities	+ 173	+ 455	+ 518
a. Direct investment	(+ 173)	(+ 240)	(+ 318)
b. Other	( – )	(+ 215)	(+ 200)
12.2 Long term assets	–	–	–
a. Direct investment	( – )	( – )	( – )
b. Other	( – )	( – )	( – )
12.3 Short term liabilities	+ 4	+ 11	+ 18
12.4 Short term assets	–	–	–
13. Government sector	+ 271	+ 352	+ 512
13.1 Long term liabilities (net)	+ 271	+ 352	+ 512
13.2 Long term assets	–	–	–
13.3 Short term liabilities (net)	–	–	–
13.4 Short term assets	–	–	–
<i>Monetary sector</i>	– 100	– 425	– 360
14. Central Bank	–	–	–
14.1. IMF position (net)	– 17	– 8	– 136
14.2. Short term liabilities (net)	– 25	–	–
14.3 Movement in foreign exchange holdings (– = increase)	– 58	– 417	– 224
14.4. Movement in monetary gold holdings (– = increase)	–	–	–
15. Foreign exchange banks	–	–	–
15.1. Short term liabilities (net)	–	–	–
15.2. Movement in foreign exchange holdings (– = increase)	–	–	–
<b>Net errors and omissions</b>	+ 6	+ 87	+ 5

1) Includes oil companies

**TABLE 19 – EXPORTS (F.O.B.)**  
(millions of \$)

	1971/1972	1972/1973	1973/1974	Percentage Change (%)	
				1972/1973– 1973/1974	
<b>A. Export excl. oil and oil product</b>	<b>784</b>	<b>974</b>	<b>1,905</b>	<b>95.6</b>	
Rubber	215	211	483	128.9	
Coffee	54	83	79	-4.8	
Tin	64	70	98	40.0	
Wood	170	275	720	161.8	
Palm oil products	50	46	95	106.5	
– Palm oil	( 45)	( 42)	( 89)	(111.9)	
– Palm kernels	( 5)	( 4)	( 6)	( 50.0)	
Copra products	20	20	22	10.0	
– Copra	( 8)	( 6)	( 3)	(-50.0)	
– Copra cakes	( 12)	( 14)	( 19)	( 35.7)	
Tobacco	20	32	46	43.8	
Pepper	21	21	31	47.6	
T e a	31	31	31	—	
Hides	6	11	13	18.2	
Foodstuffs	42	38	56	47.4	
– Tapioca	( 14)	( 12)	( 7)	(-41.7)	
– Other foodstuffs	( 28)	( 26)	( 49)	( 88.5)	
Nutmeg and mace	2	2	2	—	
Animals and livestock products	23	42	90	114.2	
Other Spices	4	4	7	75.0	
Mining products	18	29	77	165.5	
– Copper	( —)	( 10)	( 56)	(460.0)	
– Other mining products	( 18)	( 19)	( 21)	( 10.5)	
Other	44	59	55	-6.8	
<b>B. Export of oil and oil products</b>	<b>590</b>	<b>965</b>	<b>1,708</b>	<b>77.0</b>	
<b>Total Export (A + B)</b>	<b>1,374</b>	<b>1,939</b>	<b>3,613</b>	<b>86.3</b>	

**TABLE 20 – BALANCE OF TRADE**  
(millions of \$)

	Import (f.o.b.)			Export (f.o.b.)			Balance of trade			Percentage change (%) 1972/1973– 1973/1974	
	1971/ 1972	1972/ 1973	1973/ 1974	1971/ 1972	1972/ 1973	1973/ 1974	1971/ 1972	1972/ 1973	1973/ 1974	Import	Export
	1st Qtr.	269	360	614	314	425	663	+ 45	+ 65	+ 49	70.6
2nd Qtr.	314	338	712	340	458	834	+ 26	+120	+122	110.7	82.1
3rd Qtr.	333	415	800	343	497	901	+ 10	+ 82	+101	92.8	81.4
4th Qtr.	332	538	948	377	559	1,215	+ 45	+ 21	+267	76.2	117.4
<b>T o t a l</b>	<b>1,248</b>	<b>1,651</b>	<b>3,074</b>	<b>1,374</b>	<b>1,939</b>	<b>3,613</b>	<b>+126</b>	<b>+288</b>	<b>+539</b>	<b>86.2</b>	<b>86.3</b>

**TABLE 21 – EXPORTS BY COUNTRY OF DESTINATION**  
(millions of \$)

	1971/1972	1972/1973	1973/1974
<b>E u r o p e</b>			
United Kingdom and Republic of Ireland	10	25	35
Germany	63	84	126
France	8	11	23
Belgium and Luxemburg	16	33	15
Netherlands	72	69	110
Italy	10	26	42
Denmark	5	5	9
Norway	1	1	4
Sweden	1	1	2
Other	13	22	34
Total exports to Europe	<u>119</u>	<u>277</u>	<u>400</u>
Per cent of total export value	16.0%	14.4%	9.0%
<b>A m e r i c a</b>			
Canada	3	1	2
United States of America	217	274	746
Other	3	54	141
Total exports to America	<u>223</u>	<u>329</u>	<u>889</u>
Per cent of total export value	17.9%	17.2%	20.0%
<b>A f r i c a</b>			
United Arab Republic	---	1	---
Portugese East Africa	---	---	---
Union of South Africa	---	---	---
Other	1	4	11
Total exports to Africa	<u>1</u>	<u>5</u>	<u>11</u>
Per cent of total export value	0.1%	0.3%	0.2%
<b>A s i a</b>			
Iraq	---	5	---
India	---	---	3
Pakistan	---	---	2
Burma	1	---	---
Thailand	---	---	2
Malaysia	27	36	35
Singapore	131	156	450
Vietnam	---	---	---
Hongkong	11	14	16
China	---	---	---
Japan	602	1,007	2,324
Philippines	25	7	1
Other	1	38	253
Total exports to Asia	<u>798</u>	<u>1,263</u>	<u>3,086</u>
Per cent of total export value	64.0%	65.8%	69.3%
<b>A u s t r a l a s i a</b>			
Australia	14	13	15
New Zealand	1	1	1
Oceania – Hawaii	11	31	53
Total exports to Australasia	<u>26</u>	<u>45</u>	<u>69</u>
Per cent of total export value	2.0%	2.3%	1.5%
Via free ports :			
Sabang, Tanjung Uban, and port not specifically mentioned	---	---	---
Per cent of total export value	---	---	---
Grand total	<u>1,247</u>	<u>1,919</u>	<u>4,455</u>

Source : Central Bureau of Statistics

**TABLE 22 – IMPORTS (C.I.F.) BY COMMODITY GROUPS**  
(millions of \$)

Group	1971/1972	1972/1973	1973/1974	Percentage change (%) 1972/1973–1973/1974
Raw Materials	444	659	884	34.1
Capital Goods	501	786	1,428	81.7
Consumer Goods	187	310	519	67.4
<b>T o t a l</b>	<b>1,132</b>	<b>1,755</b>	<b>2,831</b>	<b>61.3</b>

Sources : Central Bureau of Statistics

**TABLE 23 – IMPORTS (F.O.B.)**  
(millions of \$)

	1971/1972	1972/1973	1973/1974	Percentage Change (%) 1972/1973–1973/1974
General foreign exchange imports	372	685	1,524	122.5
Aid foreign exchange imports	375	454	564	24.2
– Program aid	(125)	(149)	( 175)	17.4
– Food aid	( 45)	( 67)	( 50)	25.4
– PL 480 (rice, wheat, cotton and yarn)	(102)	(107)	( 34)	–68.2
– Project Aid	(103)	(131)	( 305)	132.8
Imports under direct investment	121	131	201	53.4
Imports under merchant's L/C	248	159	324	45.9
<b>T o t a l</b>	<b>1,116</b>	<b>1,492</b>	<b>2,613</b>	<b>75.1</b>
Imports of oil companies	132	159	461	189.9
<b>T o t a l</b>	<b>1,248</b>	<b>1,651</b>	<b>3,074</b>	<b>86.2</b>

**TABLE 24 – IMPORTS BY COUNTRY OF ORIGIN**  
(millions of \$)

	1971/1972	1972/1973	1973/1974
<b>E u r o p e</b>			
United Kingdom and Republic of Ireland	51	69	112
Federal Republic of Germany	78	126	211
German Democratic Republic	31	---	2
France	17	23	50
Belgium and Luxemburg	7	9	19
Netherlands	49	70	97
Italy	12	17	28
Czechoslovakia	1	1	1
Switzerland	9	12	21
Sweden	4	5	9
Spain	---	---	1
Other	21	27	32
Total imports from Europe	<u>280</u>	<u>359</u>	<u>583</u>
Per cent of total import value	24.7%	20.5%	20.6%
<b>A m e r i c a</b>			
Canada	1	9	21
United States of America	162	291	538
Other	3	6	6
Total imports from America	<u>166</u>	<u>306</u>	<u>565</u>
Per cent of total import value	14.7%	17.4%	20.0%
<b>A f r i k a</b>			
United Arab Republic	---	---	---
British East Africa	31	45	33
Union of South Africa	---	---	---
Other	5	18	5
Total imports from Africa	<u>36</u>	<u>63</u>	<u>38</u>
Per cent of total import value	3.2%	3.6%	1.3%
<b>A s i a</b>			
India	5	7	13
Pakistan	13	26	78
Burma	1	---	4
Thailand	7	43	71
Malaysia	6	8	15
Singapore	71	109	147
Cambodia	---	---	---
Hongkong	19	27	169
China	29	43	56
Japan	396	587	819
Philippines	4	7	14
Other	66	104	161
Total imports from Asia	<u>617</u>	<u>961</u>	<u>1,549</u>
Per cent of total import value	54.5%	54.7%	54.7%
<b>A u s t r a l a s i a</b>			
Australia	31	52	90
New Zealand and Oceania	2	14	6
Total imports from Australasia	<u>33</u>	<u>66</u>	<u>96</u>
Per cent of total import value	2.9%	3.8%	3.4%
Via free port :			
Sabang, Tanjung Uban and ports not specifically mentioned	---	---	---
Per cent of total import value	---	---	---
Total imports of Indonesia	<u>1,132</u>	<u>1,755</u>	<u>2,831</u>

Source : Central Bureau of Statistics

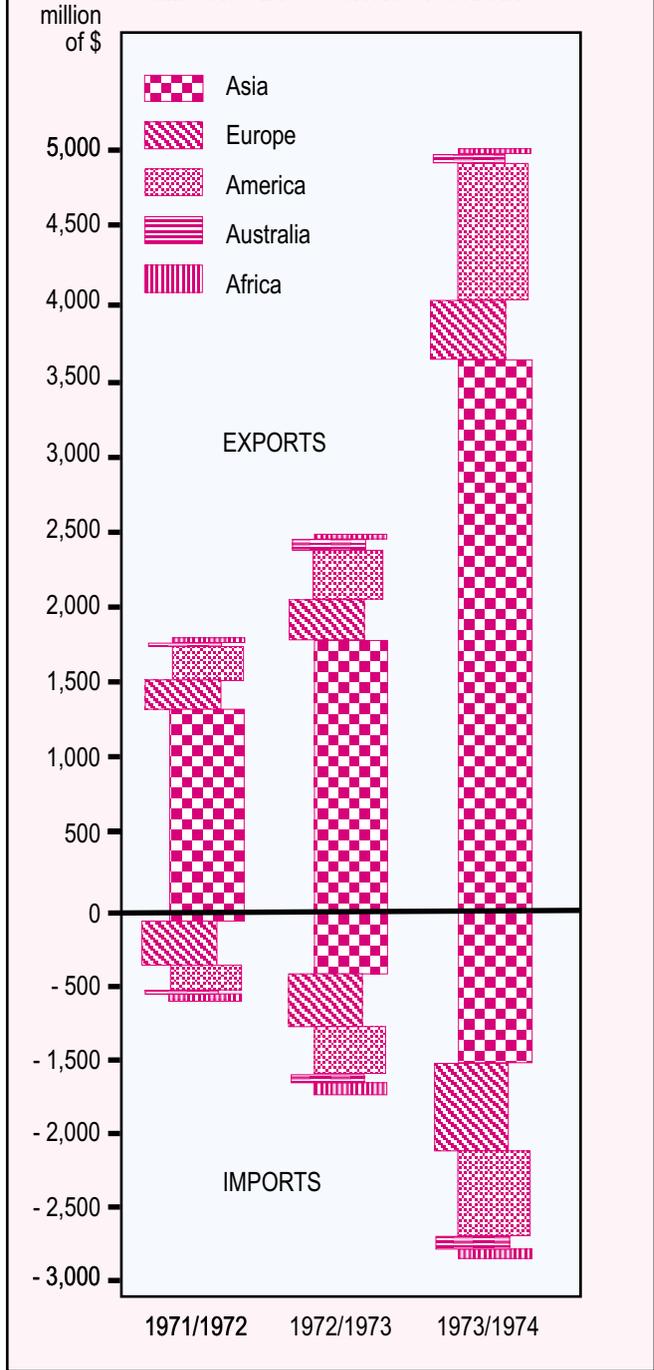
**TABLE 25 – GRANTS RECEIVED**  
(millions of \$)

	1971/1972	1972/1973	1973/1974
Australia	12	17	15
U.S.A.	---	---	---
Netherlands	22	27	24
Japan	9	8	1
Belgium	1	---	1
Federal Republic of Germany	1	3	3
United Kingdom	2	---	---
Italy	1	1	---
Canada	2	6	5
France	1	1	1
<b>T o t a l</b>	<b>51</b>	<b>63</b>	<b>50</b>

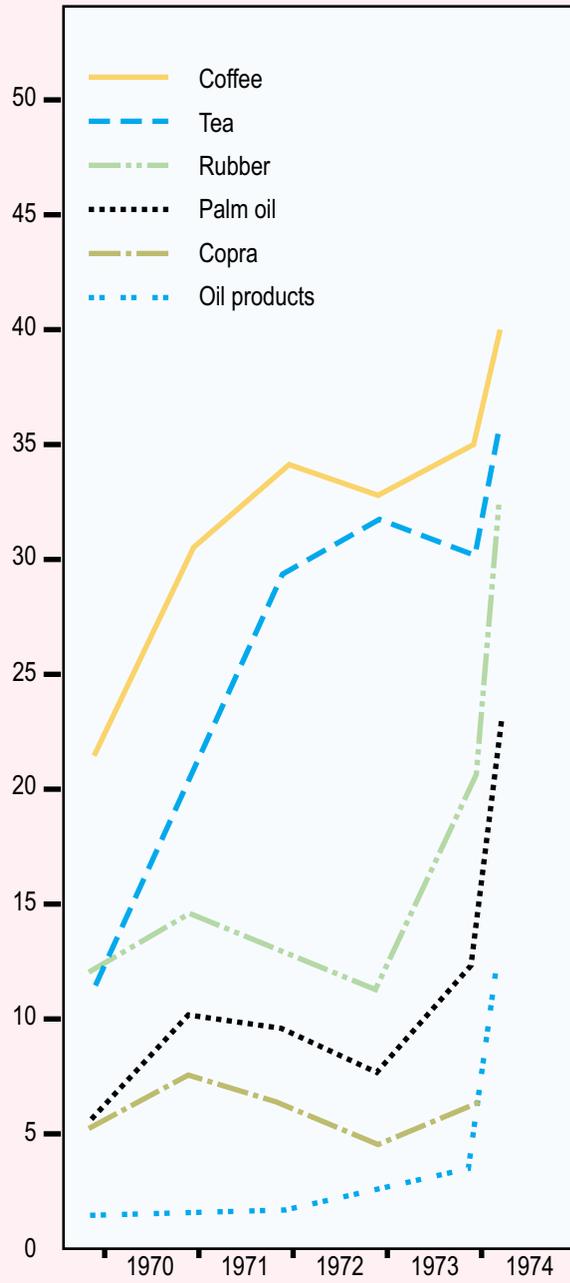
**TABLE 26 – LONG TERM FOREIGN LOANS**  
(millions of \$)

	1971/1972	1972/1973	1973/1974
U.S.A.	145	150	132
Japan	106	108	144
Netherlands	7	19	27
Belgium	1	5	6
Federal Republic of Germany	42	25	25
France	4	15	39
Italy	1	1	---
United Kingdom	8	26	20
German Democratic Republic	---	---	---
Yugoslavia	---	---	---
Denmark	---	---	---
Canada	1	7	12
New Zealand	1	1	1
I.D.A.	33	56	83
A.D.B.	---	5	17
<b>T o t a l</b>	<b>349</b>	<b>418</b>	<b>506</b>

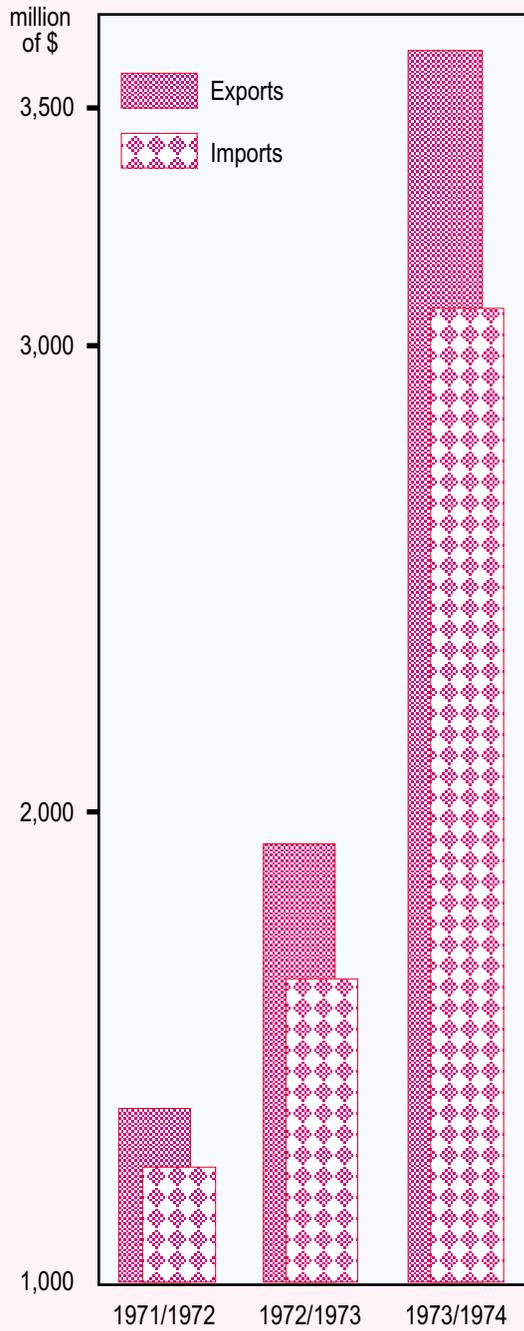
**EXPORTS BY COUNTRY OF DESTINATION  
AND  
IMPORTS BY COUNTRY OF ORIGIN**



**PRICES OF EXPORT COMMODITIES**  
(\$ per 45.36 kg \*)



# FOREIGN TRADE



## VII. PRODUCTION, INFRASTRUCTURE AND PRICE DEVELOPMENTS

### The production and the position of foodstuffs

As compared with the calendar year 1972, the production of foodstuffs during 1973 in general registered an increase.

The production of rice increased to the extent of 10.6% to reach 14.6 million tons. The increase during the First Five Year Development Plan (PELITA I) was on the average 4.6% per annum, thereby being higher as compared with the rate of population growth estimated at 2.4% per annum.

The increase in the production of rice (paddy) was due to the expansion in harvested acreage of sawah-paddy, viz from 6.6 million ha (1972) to 7.1 million ha (1973) and the increase in yield from 32.1 kw/ha to 33.4 kw/ha.

Especially with regard to the production of rice, it should be mentioned that the figures presented in this report differ from those given in the previous report, due to computational improvements in the estimation of production. Till now, the figures on production of paddy were compiled by two agencies, namely the Central Bureau of Statistics for the island of Java and the Department of Agriculture for other regions. The Central Bureau of Statistics used 69% as conversion factor from harvested dried paddy into dried milled paddy, while the

Department of Agriculture worked it out at 77%. On the basis of research conducted, it appeared that the conversion-factor from harvested dried paddy into dried milled paddy comes to about 77%, both for the island of Java and for other regions while the conversion factor from dried milled paddy into rice was 52%. The consequent adjustment has, as such, resulted in differences in the figures of the production of rice used in earlier years and new ones shown now.

The figures, sourced from Department of Agriculture, on the production of rice during the First Five Year Development Plan (PELITA I) were as follows :

<b>Year</b>	<b>Old figures (in thousand tons)</b>	<b>Revised figures (in thousand tons)</b>
<b>1969</b>	<b>10,642</b>	<b>12,249</b>
<b>1970</b>	<b>12,169</b>	<b>13,140</b>
<b>1971</b>	<b>12,711</b>	<b>13,724</b>
<b>1972</b>	<b>12,337</b>	<b>13,183</b>
<b>1973</b>	<b>13,440</b>	<b>14,607</b>

Source: Central Bureau of Statistics

As compared with the previous year, the production of maize during 1973 increased to the extent of 63.7% to reach 3.690 thousand tons. The increase was primarily due to the expansion in cultivated area from 2.2 million ha (1972) to 3.4 million ha (1973).

The production of cassava during 1973 increased to the extent Of 7.7% to become 11,185 thousand tons, although the acreage decreased slightly from 1,468 thousand ha (1972) to 1,429 thousand ha (1973) The production of sweet potatoes also increased by 5.5% to 2,387 thousand tons for which the cultivated areas during 1972 and 1973

were respectively 338 thousand ha and 379 thousand ha ( $\pm 12.1\%$ ). The production of peanuts in 1973 rose by 2.8% to 290 thousand tons and of soya-beans to the extent of 4.4% to reach 541 thousand tons.

### **Government measures for foodstuff production**

Like preceding years, Governmental efforts in 1973 were directed at increasing the production of paddy, by way of intensification through BIMAS (Mass Counseling) and INMAS (Mass Intensification) schemes because such measures speeded up the process for achieving targets. Nevertheless, extensification efforts were also made.

As against the previous year, the harvested acreage during 1973 increased through extensification schemes to the extent of 21.9% so that it became 3.9 million ha consisting of 1.8 million ha through BIMAS and 2.1 million ha through INMAS schemes. Harvested acreage of paddy through BIMAS/INMAS schemes during the fiscal year of 1972/1973 was 3.2 million ha.

Intensification schemes succeeded in increasing the yield of paddy from 43.5 kw/ha during 1972 to 45.6 kw/ha during 1973.

With the expansion in the acreage of BIMAS and INMAS schemes, Bank Rakyat Indonesia has also increased the number of village units in order to be able to provide extensive services to farmers involved in BIMAS programs. By the end of 1973 BRI had established 2,069 village units besides

233 mobile units in areas where the opening-up of village units was not practicable while the number of booths for the distribution of production inputs were increased, in consonance with the number of BRI village units.

For supporting intensification schemes, some programs relating to irrigation were also launched which were as follows:

- 1) Program of irrigation rehabilitation  
This program covered repairs and improvements in irrigation network, which during the First Five-Year Development Plan (PELITA I) until the close of 1973 has covered an acreage of 705 thousand ha as against the target of 830 thousand ha.
- 2) Program of irrigation extensification  
The acreage which has been covered in this programs was 161 thousand ha as compared to the target of 430 thousand ha.
- 3) Program for improving and safeguarding rivers  
This program aims at safeguarding food-production areas from the danger erosion because of floods. The results till the close of the year 1973 covered an area of 267 thousand ha.
- 4) Irrigation construction program  
The program included projects of a long term nature as flood-ebb ricefields scheme aiming at utilizing swamp areas in the scheme of increasing food-stuffs production. By the end of 1973/1974 an area of 27 thousand ha will be cultivated. With a view to encourage

farmers to make more concerted efforts at increasing the production of paddy and concurrently increasing their incomes, the Government increased the minimum price of dried paddy off village godown from Rp 17.50/kg to Rp 21.20/kg from May 28, 1973.

In addition to the schemes introduced to increase agricultural production especially of foodstuffs through intensification, a Presidential Instruction was issued, stating, inter alia, the following matters as part of the objective and purpose of the establishment of village units :

- a) to secure the execution of the program on increasing agricultural production, especially foodstuffs, effectively and efficiently;
- b) to convince farmers/producers in particular, and the village community in general, that their responsibility was not limited to participation in increasing production only but also to effectively reap and enjoy the benefits thereof so that their standard of living and well being is improved.

In order to be able to perform its functions a village unit shall have the following pre-requisites :

- 1) Agricultural field counselling officer charged with the task of providing adequate advice.
- 2) BRI Village Unit responsible for handling credits.
- 3) Village Unit booths/shops charged with the task of looking after the distribution

of agricultural production input and equipments.

- 4) Village Unit Undertaking Body (Badan Usaha Unit Desa) Village Unit Cooperative (Koperasi Unit Desa) having as its aim to execute the function of processing and marketing agricultural produce.

In the meantime, bearing in mind that second crops (palawija) may be used as foodstuffs in substitution of rice, some schemes were introduced by the Government, which among others included the introducing of BIMAS second crop programs.

During the crop-season of the year 1972/1973 and that of 1973 the pilot project BIMAS second crop was introduced (maize, peanuts and soya- beans) on plots of land covering an area of 10.5 thousand ha, scattered in 9 provinces of Indonesia. In the crop-season of the year 1973/1974 the target of acreage has been increased to 132.7 thousand ha, distributed in 12 provinces. Till the close of the fiscal year 1973/1974 its execution reached an area of 96,4 thousand ha.

## Rice

The production of rice during the First Five-Year Development Plan (PELITA I) continued to increase year by year, except during 1972, due to a prolonged drought season in the II<sup>nd</sup> semester thereof. As stated before, the production of rice during 1973 increased to the extent of 10.6% as compared with the previous year. Although the average production has in-

creased to the extent of 4.6% per annum during the First Five-Year Development Plan period (PELITA I), the aggregate output could not meet the needs of the country so that imports were necessary to meet the deficit.

With regard to world production of rice, it should be noted that after having declined during 1972, the output increased again in 1973 by 10% to reach 321.1 million tons <sup>1)</sup>, inter alia due to the expansion of the acreage of crops (from 130 million ha to 135.8 million ha) and favourable climate. The said increase was almost entirely by attributable to Asian countries including among others, People's Republic of China, Indonesia, Muangthai and the Philippines.

Although the production of rice increased, its price in the world markets also swiftly increased. For example, the price of white rice (with 15% inner bran layer) in Bangkok at the end of January 1973 was quoted as \$ 179.2/metric ton which increased to \$ 538.0 in January 1974, and by the end of March 1974 reached \$ 603.0. This increase in price, among others, was due to an increase in demand, both from importing countries as well as from producing countries themselves, mainly to replenish depleted stocks consequent upon by the rice crisis during the fiscal year 1972/1973.

In the meantime the price of rice within

Indonesia, which in the previous years was relatively stable, registered an alarming increase in the month of June and July 1973 in some big towns, although a bumper crop was in full view at about the same time. As an example, the price of middle quality rice during the month of May 1973 in Jakarta was Rp 65.— per kg which in the subsequent month jumped to Rp 120.— per kg. In Palembang, the prices during these months were respectively Rp 65. - /kg and Rp 130. - /kg, and in Pontianak Rp 57.50/kg and Rp 200. - /kg.

The increase was due to restriction imposed by the Regional Governments on the movements of rice/paddy out of their respective regions with the aim of attaining targets for procurement set out for them. In order to release pressure on prices the Central Government had therefore taken some measures, besides lifting the restriction of movement of rice/paddy between provinces of an island. But, for interinsular transportation, the prohibition continued for the purpose of distribution in proportions to the needs of the provinces through Indonesia. In the meantime, the procurement of rice in the regions was continued. Because of these steps, mentioned above, the price of rice in the subsequent months declined again as may be observed from Table 27.

With the object of increasing the production of rice in the Second Five Year Development Plan (REPELITA II) opportunities will be provided, in addition to stepping-up intensification programs, to establish rice estates. This scheme will be

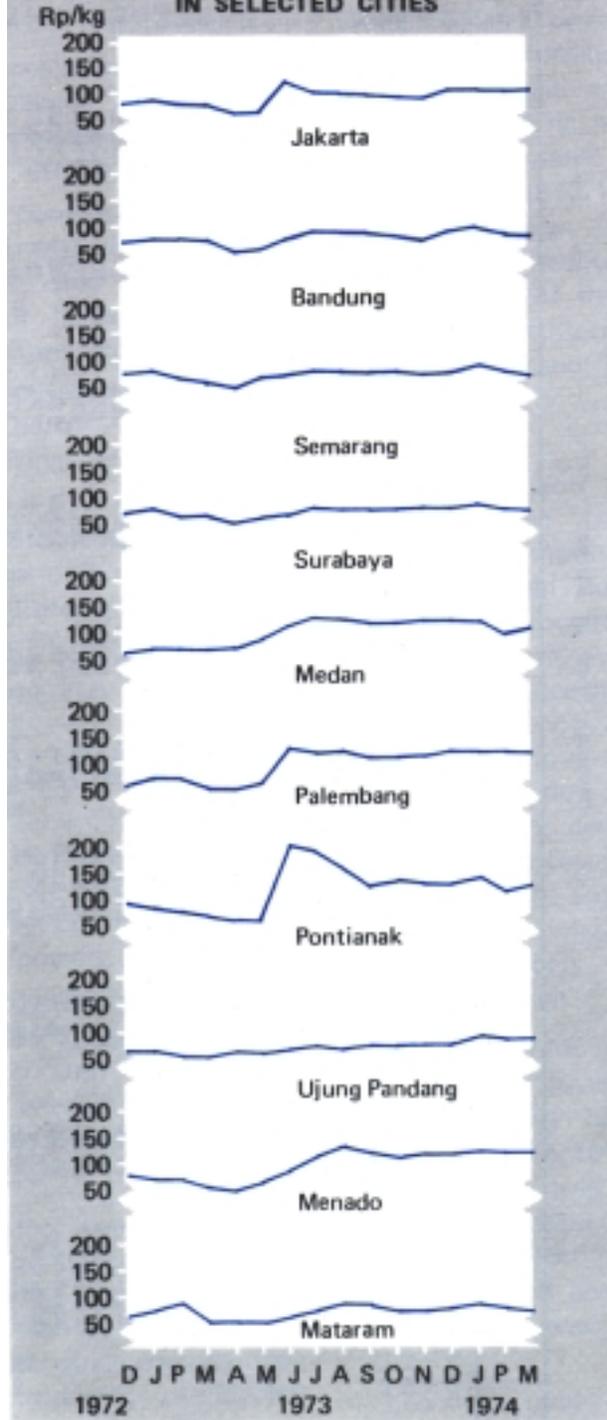
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1 ) FAO Monthly Bulletin of Agriculture and Statistics. February 1974.

**TABLE 27 — PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES**  
Average Price in Rp/kg

	Jakarta	Bandung	Semarang	Surabaya	Medan	Palembang	Pontianak	Ujung Pandang	Manado	Mataram
1969	49.67	50.67	55.--	44.50	41.30	38.83	48.--	40.30	43.50	45.--
1970	46.40	47.--	47.50	41.--	50.--	45.--	50.--	43.--	51.50	35.--
1971	45.30	43.--	45.--	44.50	45.40	35.--	48.25	40.--	51.50	40.--
1972	48.49	49.--	46.25	48.--	45.40	45.--	48.50	42.--	51.50	42.50
	47.50	44.--	44.66	43.--	40.25	43.--	48.25	40.--	48.50	46.--
	44.05	36.--	40.--	38.--	45.--	45.--	48.17	36.--	47.--	39.35
	55.--	51.--	53.33	52.50	51.--	62.50	51.50	58.--	55.--	49.--
	78.10	74.--	81.67	73.85	63.--	57.50	90.--	60.--	80.--	60.--
1973	84.35	78.--	88.75	80.--	65.--	78.--	80.--	60.--	70.--	77.50
	80.--	77.50	70.83	67.50	68.--	77.--	77.50	55.--	70.--	85.--
	78.10	74.--	68.33	54.87	67.--	52.50	65.--	52.50	57.50	57.50
	62.50	53.--	54.17	50.15	67.50	52.50	57.50	60.--	52.50	52.50
	65.--	55.--	71.67	59.50	82.50	65.--	57.50	60.--	65.--	50.--
	120.--	71.25	73.83	64.60	102.50	130.--	200.--	65.--	84.50	60.--
	100.--	83.--	81.67	81.25	125.--	120.--	190.--	70.--	112.50	72.50
	97.50	87.--	81.25	77.50	120.--	120.--	155.--	65.--	132.50	82.50
	95.--	85.--	80.75	72.50	110.--	110.--	120.--	70.--	120.--	81.50
	93.75	81.--	80.03	76.25	110.--	110.--	130.--	70.--	110.--	71.--
	91.25	76.--	80.83	75.--	115.--	117.50	125.--	70.--	119.50	71.--
	100.--	90.50	80.83	75.--	115.--	120.--	125.--	75.--	118.50	75.--
1974	112.50	92.--	90.--	83.75	115.--	120.--	135.--	90.--	120.--	80.--
	106.75	87.50	82.58	77.50	95.--	120.--	110.--	85.--	120.--	77.50
	106.25	81.25	78.75	70.--	105.--	118.--	120.--	85.--	120.--	70.--

**PRICES OF MEDIUM QUALITY RICE  
IN SELECTED CITIES**



open for private capital investment, both of domestic as well as foreign origin.

## Forestry

During the First Five-Year Development Plan (PELITA I) the production of timber exhibited expansion at a very swift pace, as may be observed from the following figures sourced from the Department of Agriculture:

Year	Production (in thousand m3)
1969	8,107
1970	12,424
1971	13,738
1972	17,717
1973	25,800

The upward spurt in production was mainly due to the policy pursued by the Government, according to which ample opportunities were provided in the forestry sector for capital investment, both domestic as well as foreign.

Up to the end of the fiscal year 1973/1974, 180 units of enterprises were granted concession for Forest Exploitation (SKHPH) covering an area of 17.3 million ha with a scheduled capital investment of the amounts of Rp 520 million and \$ 749.6 million. In the meantime, enterprises which have only re-

cently obtained Investment Licenses numbered 88 units covering an area of 7.2 million ha with scheduled capital investments of the amount of \$ 194.6 million, while enterprises which have only recently obtained Forestry Approval numbered 36 units of enterprises covering an area of 3.0 million ha with a planned capital investment of \$ 82.4 million.

Together with the ever increasing production of timber, its export also continued to increase, both in volume as well as in value. During 1973, the export of timber reached the volume of 15,176 thousand tons, an increase to the tune of 34.7% as against the figure of the previous year at 11,264 thousand tons. The value of export during 1973 increased by 153.1% to become \$ 583.9 million.

The countries of destination for the export of timber during the said fiscal year continued to remain the same as those in previous years which mainly were Japan, South Korea, Taiwan and Singapore.

## Other forest products

The export of other forest products during 1973 provided the following picture :

	Volume of export (in thousand tons)		Value of export (in thousand \$)	
	1972	1973	1972	1973
Dammar	7.3	9.2	653	1,073
Tengkawang shorea nuts <sup>1)</sup>	0.9	16.7	120	3,121
Copal	2.4	9.2	147	150
Rattan	45.3	44.4	1,352	1,800

Source : — Central Bureau of Statistics  
— Bank Indonesia

In addition to efforts directed at increasing the production of timber and other forest products during the First Five Year Development Plan (PELITA I) period reforestation and greening were also carried out for the purpose of maintaining the durability and function of the existing forest. These activities were not only performed by the Government, but also by the timber enterprises which had obtained the Concession for the Forest Exploitation.

The result of reforestation and greening by the Government was as follows :

Year	Reforestation (in thousand ha)	Greening (in thousand ha)
1969	18.9	140.6
1970	26.6	98.7
1971	18.1	102.3
1972	20.1	107.9
1973 <sup>1)</sup>	19.1	104.5

1) Estimated figure

2) Only by the Government

Source : Annual Report Sub Production Council,  
Publication Number 18.

## Livestock

The development of the production of livestock produce such as meat, egg and milk continued to increase during the First Five Year Development Plan (PELITA I) period as is evident from the following statement :

	1969	1970	1971	1972	1973
Meat (in thousand tons)	309	314	332	366	403
Egg (in million eggs)	1,300	1,319	1,503	1,655	1,906
Milk (in million litres)	29	29	36	38	39

Source : Department of Agriculture

With production on the increase, the per capita/per annum consumption also indicated some increase by the close of the First Five Year Development Plan (PELITA 1) period viz 2.5 kg meat, 16 eggs and 1.7 liters of milk. In contrast thereof, it should be known that the minimum consumption need per capita/per annum was 8.1 kg meat, 44 eggs and 2.2 liters of milk. <sup>2)</sup> There fore, in the Second Five Year Development Plan (REPELITA II), efforts should be continued to increase livestock produce, in order to meet the said shortage and also for export purposes.

The number of cattle, especially large livestock animals, (cows, buffaloes and horses) in general did not indicate any significant change during the First Five Year Development Plan (PELITA I) period. On the contrary, the number of small livestock, (especially poultry, chicken and ducks) has increase rapidly, as may be observed from the following figures:

2) Seminar on Nutrition organized by LIPI in the year 1968.

### Livestock population (in thousand of head)

	Large livestock			Small livestock		
	Cow	Buffalo	Horse	Goat/sheep	Pig	Chicken/Duck
1969	6,499	2,976	642	10,542	2,727	69,745
1970	6,189	2,976	692	9,698	3,163	70,808
1971	6,311	2,976	665	10,089	3,352	86,056
1972	6,354	2,022	693	10,185	3,350	95,031
1973 <sup>1)</sup>	6,760	2,870	689	10,675	3,218	113,579

Source : Department of Agriculture

The increase in the number of chicken and ducks till now was due among other factors to:

- a very rapid growth of undertakings for raising chickens, mainly in the vicinities of big towns;
- intensified efforts in eradicating NCD diseases (tetelo) with regard to chickens raised by rural communities.

In efforts directed at developing poultry, a distinction should be made between livestock for urban areas and that for rural areas. For urban areas the development of private undertakings of middle level for chicken breeds should be emphasized by carrying out an overall fostering. For the purpose of supporting these undertakings aids for chicken breeding and for the supply of medicines should be increased. For rural areas priority should be given to counseling for improving the quality of chicken, mainly by supplying cocks of final stock originating from the livestock of the stock of chicken breed in the vicinities of towns.

The export of buffaloes declined during the year 1973, both in volume as well as in value, while in contrast the export of cows rose, as may be observed from the following figures:

#### Cattle Export

	Volume (tons)		
	1972	1973	%
Buffalo	11,205	4,572	-59.2
Cow	19,789	19,925	+ 0.7

	Value (thousand \$)		
	1972	1973	%
Buffalo	1,227	814	-33.7
Cow	2,315	3,636	+57.1

#### Fisheries

The production of fish totaled 1,300 thousand tons, consisting of 860 thousand tons sea-fish and 440 thousand tons inland fish during 1973. As against the previous year's production totaling 1,269 thousand tons (sea-fish 836 thousand tons and inland fish 433 thousand tons) the production as a whole increased during the year under report by 2.4% while compared to the year 1969, the first year of the Five Year Development Plan (PELITA I), the rise was to the extent of 7.1%.

#### Production of fish (in thousand tons)

	Inland-fish	Sea-fish	Total
1969	429	785	1,214
1970	421	808	1,229
1971	424	820	1,244
1972	433	836	1,269
1973	440	860	1,300

Source : Department of Agriculture

The increase in production thus far was mainly due to the increase in use of motorized proas and more modern equipment for catching fish so that fishing belts became more extensive. In addition thereto, the area of fish culture in ponds increased rapidly, mainly amongst parts of South Sulawesi.

It may be observed from the above figures that the program in the production of inland-fish was not so swift in pace as compared with that of sea-fish. This happened, among others, due to a shift in work preferences on a part of fishermen in territorial waters in the Kalimantan area from fishing to wood cutting undertakings. In addition thereto, the area of rice field-fish culture in Java has decreased due to the ever increasing use of pesticides and the prevalence of fish diseases.

In the Second Five Year Development Plan (REPELITA II), the program aiming at increasing fish production mainly places emphasis on small scale fishery, which at this time yields at about 98% of the total production of fish of Indonesia.

Production increase has been carried out, both by off-shore catching scheme, as well as by culture scheme in fresh water. For this purpose, development activities and rehabilitation of production infrastructure and marketing will be stepped up.

With fish production on the increase, its volume of export also continued to expand. During 1973, the total export volume of fishery produce totaled 52.1 thousand tons as

against the figure of the previous year totaling 41.2 thousand tons, an increase to the extent of 26.5%.<sup>3)</sup> Out of this volume of export for 1973, 55% of it was attributable to the export of shrimps.

During the First Five Year Development Plan (PELITA I) period fishery produce consisting of canned fish, fish oil and agar-agar has, however, continued to be imported. It was expected that with domestic fishing processing industries developing, the import of fishery produce would be reduced.

## Rubber

The production of rubber increased to the extent of 5.2% during the year 1973 to reach 845 thousand tons consisting of estate grown rubber totaling 247 thousand tons and smallholders rubber totaling 598 thousand tons. The development in the production of rubber during the last five years may be obtained in the following table:

**Production of rubber**  
(thousand tons)

	<b>Estate</b>	<b>Smallholder</b>	<b>Total</b>
<b>1969</b>	223	554	777
<b>1970</b>	238	571	809
<b>1971</b>	239	547	786
<b>1972</b>	236	567	803
<b>1973</b>	247	598	845

Source : — Central Bureau of Statistics  
— Directorate General of Estates

3) Annual Report of the Sub Production Council of the year 1973/1974, publication number 18.

In the context of improving the quality of export rubber, the production of crumb-rubber continued to increase during 1973 by 18.9% to attain the level at 345. The specifications as to its quality were as follows :

	1972		1973	
	(thousand tons)	%	(thousand tons)	%
SIR/5/5L	10	3.3	12	3.5
SIR 10	—	—	4	1.0
SIR 20	176	60.7	187	54.3
SIR 35	1	0.2	—	—
SIR 50	104	35.8	142	41.2
<b>T o t a l</b>	<b>291</b>	<b>100</b>	<b>345</b>	<b>100</b>

Source : Department of Trade

The production of crumb-rubber during the fiscal year 1973/1974 came to 40% of the aggregate production of rubber.

The increase in the production of rubber, especially smallholders rubber, was mainly due to an increase in price in domestic as well as world markets, while the increase of the production of estate rubber was mainly due to good care of plants.

During the year under report, rubber prices registered rapid increases in the world market (New York). The price of rubber of the species RSS I, which at the close of 1972 was quoted at \$ cent 20.25/lb increased to \$ cent 49.50/lb at the close of 1973. This was due to an increase in demand of natural rubber mainly from European countries and the United States of America. In addition, due to a crisis in world fuel, the costs of manufacturing synthetic rubber had went up In line with the increase of rubber prices in the world market, the value of export of

rubber by Indonesia during the fiscal year of 1973 increased rapidly to the extent of 101% over 1972 to reach \$ 395.0 million, while its volume also showed an increase by 11% to 893 thousand tons. The main countries of destination for the export of rubber were as follows :

	(In thousand tons)	
	1972	1973
Singapore	406	467
United States of America	188	214
West Germany	68	64
Italy	22	16
Japan	22	28
United Kingdom of Britain	21	25

The development in the world production as well as consumption of both natural rubber as well as synthetics during the last 3 years has enjoyed increases as follows :

	Production (thousand tons)	Consumption (thousand tons)
<b>Natural rubber</b>		
1971	3,085	3,095
1972	3,125	3,235
1973	3,513	3,410
<b>Synthetic rubber</b>		
1971	6,147	6,130
1972	6,630	6,605
1973	7,505	7,318

Source : Rubber Statistical Bulletin

From the figures above it was apparent that in contrast to the previous year, the world production of rubber, both natural as well as synthetics, exceeded its consumption during 1973. In the meantime, the proportion between the production of natural rubber and synthetic rubber was more or less the same during 1972 and 1973 namely 32% to 68%.

## Copra

Almost 99% of the production of copra has been produced by smallholders and the remaining 1% by estates. During the First Five Year Development Plan (PELITA I) period no significant increase in production has taken place, mainly due to the fact that the number of old coconut plants far exceeded the number of young ones. It should be added that the additional production attributable to replanting carried out during the First Five Years Development Plan period was of no significance yet.

The program in the production of copra (equivalent) was as follows :<sup>4)</sup>

Year	Production (thousand tons)
1969	1,163
1970	1,199
1971	1,274
1972	1,249
1973	1,198

Due to an increase in production and income, the need for coconut and coconut produce increased also. Therefore replanting schemes will be continued in the Second Five Year Development Plan period in addition to stepping up of measures for the eradication of plant and other diseases and for maintenance of plants.

With regard to copra sales, it may be pointed out that during 1973 copra prices have increased rapidly in the international markets. At the close of 1972, the price of copra in Manila was recorded at \$ 140.—

per long ton, in March 1973 it increased to \$ 220.— and went up further to \$ 600.—at the close of 1973 while by the end of March 1974 it jumped to \$ 760. - / long ton. The increase in copra prices in the world markets was mainly due to the decline in production in the main producing countries (the Philippines, Ceylon and Indonesia) in addition to a world crisis in fuel reducing the transportation of copra from the Philippines to the consuming countries.

In consonance with price increases, the value of the copra exports from Indonesia increased during 1973 by 20.5% to \$ 5.3 million, while its volume increased only by 23.3% to 53 thousand tons. The volume of export of copra cakes during the same period dropped by 12.3% to 257 thousand tons, but its value increased by 32.3% to reach \$ 17.2 million.

The main countries of destination of the export of copra and copra cakes were as follows:

	1972 (thousand tons)		1973 (thousand tons)	
	Copra	Copra cakes	Copra	Copra cakes
The Netherlands	11.3	59.9	24.1	51.9
Japan	6.7	0.2	6.2	1.5
Singapore	5.5	0.5	6.8	7.2
West-Germany	2.0	54.5	4.3	54.5

Although copra prices were very favourable during 1973 as the domestic production did not indicate any increase, while consumption steadily went up, the Govern-

4) Annual report of the Sub Production Council 1973/1974, Publication Number 18.

ment did not issue from the month of August 1973, any export license for copra and coconut oil with the purpose of preserving the continuation of domestic procurement at a suitable price level.

## Palm Oil

The entire production of palm oil and palm kernels was attributable to the big estates, both state and private owned. During the First Five Years Development Plan period (PELITA I) the volume of production indicated a steady increase as follows:

	<b>Palm oil</b> (thousand tons)	<b>Palm kernels</b> (thousand tons)
1969	189	41
1970	217	48
1971	249	57
1972	270	59
1973	289	64

Source : Central Bureau of Statistics

The above statement showed that as against the figure of the previous year, the production of palm oil and palm kernels increased during 1973 respectively to the extent of 7.0% and 8.5%. The increase was mainly due to good cultivation of plants in addition to the success of replanting during earlier years.

With regard prices, it may be stated that in London palm oil price was quoted at \$ 213. - /long ton at the close of the year 1972. The price increased steadily to reach \$ 575 at the close of 1973 and went up further to \$ 620. - / long ton in the month of March 1974. The price of palm kernels exhibited the following progression :

£ 50.50 /long ton at the close of the year 1972, £ 195. - /long ton at the end of the year 1973 and £ 275. - /long ton in the month of March 1974.

With the price of palm oil and palm kernels on the increase in the world markets, the value of export also increased in 1973 by 70.0% and 30.2% respectively to reach \$ 70.2 million and \$ 49 million.

The volume of export of palm oil increased to the extent of 11.6% to 269 thousand tons, while the volume of palm kernels decreased by 17.0% to 44 thousand tons. The main countries of destination of palm oil export during 1973 were as follows :

	<b>1972</b> (thousand tons)	<b>1973</b> (thousand tons)
United State of America	69	82
The Netherlands	52	54
Japan	39	63
Iraq	30	—
West Germany	25	15
Italy	5	4

In order to step up its production in the future, expansion of acreage and rejuvenation will be continued during the Second Plan period (REPELITA II). It is expected that the expansion of the area should be at about 47 thousand ha.

In addition, the planting of smallholders palm oil will be developed, so that by the close of the Second Five Year Development Plan (REPELITA II) period an area of 30 thousand ha will be reached. In order to accommodate the ever increasing production three new palm oil plants will be constructed.

## Cinchona

The production of cinchona barks dropped by 15.4% over 1973 so as to reach 1.1 thousand tons during the year 1973. Out of this volume, almost 85% was attributable to the estates in West-Java, while the remaining was accounted by East Java and West Sumatra.

The volume of export of cinchona salt dropped by 45.8% to 149 tons during the year 1973. However, its value increased by 54.1% to reach \$ 5.7 million. The volume of the export of cinchona barks at 229 tons did not change during 1973 though its value increased to the extent of 12.7% to reach \$ 62 thousand. The increase in the value of the export on cinchona salt was, inter alia, due to an increase in price, as the offer in the world market was slightly below the level of needs estimated to be 400 tons per annum.

## Sugar

As against the figure of the previous year, the production of cane sugar (white sugar) declined to the extent of 7.8% to 820 thousand tons during 1973, while that of smallholders sugar (red sugar) decreased to the extent of 20.0% to 199 thousand tons.

The drop of production was, inter alia, due to climactical conditions, namely incessant rainfall thereby reducing sugar content in cane.

It turned out that the volume of production of sugar as mentioned above was not sufficient to meet domestic needs so as to necessitate imports.

During the Second Five Year Development Plan (REPELITA II) period, the production of cane sugar will be continuously expanded by increasing yields of canes per ha, enlarging of cultivated acre, both by sugar factories as well as ordinary on people, expanding cane acreage outside Java, undertaking intensification schemes and utilization of keprasan system and improving the efficiency and increasing the number of sugar factories.

With regard to the export of sugar drops, it may be stated that during the year under report the same has decreased in volume to the extent of 17.2% thus recording to the level of 212 thousand tons, but its value increased to the extent of 73.9% to reach \$ 8.0 million.

## Tea

The production of estate grown tea (black tea) increased to the extent of 20.5% to record the level of 53 thousand tons during 1973, while the production of smallholders' tea (green tea) totaled at about 14 thousand tons.

The increase in production, inter alia, was due to the favourable climate together with improvement in the maintenance of plantation.

The production of tea is expected to increase by about 2% per annum in the Second Five Year Development Plan (REPELITA II). The target will be reached by increasing the average yield per ha. In addition, the planted acreage will be expanded which is estimated to reach at about 8 thousand ha.

The export of tea both in volume as well as in value, during 1973 diminished compared to 1972 by 3.0% to 44.6 thousand tons and by 14.9% to \$ 26.1 million respectively.

The main countries of destination of export of tea were as follows :

	<b>1972</b> (thousand tons)	<b>1973</b> (thousand tons)
<b>Australia</b>	<b>10.0</b>	<b>9.4</b>
<b>United States of America</b>	<b>4.8</b>	<b>6.3</b>
<b>The Netherlands</b>	<b>6.4</b>	<b>4.0</b>
<b>United Kingdom of Great-Britain</b>	<b>1.6</b>	<b>1.9</b>
<b>Singapore</b>	<b>0.7</b>	<b>1.8</b>

The situation in regard to the price of tea in the world markets during the last few years did not undergo any material change, and remained at a low level, because the rate of increase of production was higher as compared to the rate of increase of consumption. The price of tea of the species "plain tea" in the London market at the close of the year 1971 was quoted as £ 0.39/kg which dropped to £ 0.29 by the end of 1972, but increased again to £ 0.38 in the month of March 1973 and reached at £ 0.39/kg at the close of 1973. In order to overcome price immobility, a meeting has been held among the tea producing/exporting countries with the aim of regulating export quota in 1970, in the "Inter Governmental Group on Tea", under the auspices of FAO.

For the fiscal year 1973/1974 and 1974/1975, the export quota of world tea has been set respectively at 657 thousand tons and 681 thousand tons.

## Coffee

The production of coffee during the year 1973 totaled 150 thousand tons consisting of 140 thousand tons of smallholders coffee and 10 thousand tons of estate grown coffee. As against the production during the previous year totaling 214 thousand tons (consisting of 196 thousand tons of smallholders coffee and 18 thousand tons of estate grown coffee), both components suffered decreases during 1973, viz. to the extent of 28.5% and 45.5% respectively.

The decrease in production was inter alia due to unfavorable climate, besides measures of substitution of coffee plants with other kind of plants.

During the First Five Year Development Plan (PELITA I) despite measures, viz. better maintenance of plants, taken to increase production by way of increasing the average yield per ha, the aggregate output declined because there was no expansion in planted acreage, rather even formerly coffee planted land covering an area of 3.3 thousand ha substituted by clove trees in the context of diversification schemes.

During 1973, the volume of export of coffee enjoyed an increase by 4.3% to become 99.7 thousand tons and its value increased to the extent of 0.6% to reach \$ 77.6 million. The increase in export was, inter alia,

due to an increase in coffee prices in the world market and the absence of a quota system for export by the International Coffee Organization as in previous years. The main countries of destination of export of coffee from Indonesia were as follows :

With regard to price development in the world market it may be mentioned that at the beginning of 1973 the coffee price of the

	1972 (thousand tons)	1973 (thousand tons)
United States of America	44	44
The Netherlands	13	14
Italy	4	—
France	4	5
Japan	3	3

species Brazilia Santos Number 4 was quoted in the New York market at \$ cent 57.5/lb which increased to \$ cent 67.1/lb in the month of June 1973 and further to \$ cent 71.0/lb by the end of 1973. The increase in price was mainly due to the decline in world coffee production, vis. from 4,570 thousand tons during the fiscal year 1972 to 4,132 <sup>5)</sup> thousand tons in 1973 coupled with bad weather and infection epidemics and plant diseases in the coffee producing countries in Latin America and Africa.

## Tobacco

If on the one hand there was prolonged draught in 1972 than on the other hand rains were heavy and frequent during 1973. Consequently tobacco plants of the species Besuki N.O. Vorstenlanden and Banyumas N.O. deteriorated in quality and in addition there was reduction in the production. The output of Sumatra tobacco (Deli) decreased

to the extent of 27% to 24 thousand bales, mainly due to the shrinkage in cultivated acreage and unfavorable weather. This was also the case with Java-tobacco (Vorstenlanden), whose production has declined to the extent of 11% to 23.6 thousand bales.

In the month of February 1973, the Government regulated the export of tobacco leaves used for cigars of species Deli, Vorstenlanden and Besuki N.O. of the harvest of 1972 and subsequent years.<sup>6)</sup> Tobacco leaves of species, both PNP—owned as well private—owned, exported to West-Europe was required to be sent to the marketing centre at Bremen and received by DITH, PERRIN, and subsequently may be sold in three ways (auction, private or by retail). In addition it may be exported directly to countries outside West Europe, i.e. to the United States of America, North Africa, Spain, Canary Island and Japan in order to find new markets. The tobacco exported to West Europe was required to be sent through normal commercial channels or on consignment, while export to other countries was to be executed through normal procedures of trade. The check price was to be determined case by case and there was not to be special check price any more. The export of about 40 thousand bales of Vorstenlanden and Besuki N.O. tobacco, which as a result of prolonged drought in 1972 was of sub-standard quality, continued

5) Monthly Bulletin of Agricultural Economics and Statistics, FAO Vol 23, March 1974.

6) Decree of the Minister of Trade No. 29/KP/II/73 dated February 10, 1973.

to be directed to Bremen, but its sale was handled in a special way. With regard to other species of tobacco leave, not covered by the said regulation, the export was handled in accordance with regulations issued in the month of August 1967.

Although steps were taken as stated above, the tobacco leaves auction did not attract a high price. Moreover, a bumper crop of an entirely different qualities caused the prior to stay.

During 1973 the volume of tobacco exports expanded by 22.2%, to the level of 345 thousand bales and its value increased to the extent of 28.2% to reach \$ 48.1 million. Meanwhile, according to the report of the Tobacco Institution, the volume and value of the sale through Bremen suffered declines during the year 1973 as compared to the figures of the previous year by 32.7% and 34.3% respectively as in apparent from the following :

	Volume (thousand bales)		Value (million D.M.)	
	1972	1973	1972	1973
<b>a. Auction</b>				
Sumatra Tobacco	22.7	28.4	61.0	54.7
Java Tobacco	111.9	88.1	68.0	40.9
<b>T o t a l</b>	<b>134.6</b>	<b>116.5</b>	<b>129.0</b>	<b>95.6</b>
<b>b. Not through auction/ by private contracts</b>				
	40.1	1.1	17.2	0.4
<b>T o t a l</b>	<b>174.7</b>	<b>117.6</b>	<b>146.2</b>	<b>96.0</b>

## Spices

During the year 1973, the production of pepper dropped by about 6% to 29 thousand tons (provisional figure). In order to increase production in the Second Five Year Development Plan (REPELITA II) period, priority shall be given to marketing efficiency besides activities aimed at eradicating diseases, plant yields and rehabilitation schemes. As a result of these measures, it is expected that the average yield per ha would increase from 550 kg during the year 1974 to 750 kg in 1978.

As against the figure of the previous years, the value of exports increased by 34.7% to reach \$ 28.9 million during 1973, while its volume remained more or less the same viz. about 24.7 thousand tons.

The production of nutmeg at 10.4 thousand tons during 1973 was more or less the same as that of the previous year. In coming years, the production is expected to increase by about 4% per annum because of intensification measures taken at existing estates.

The export of nutmeg and mace dropped in the year 1973, both in volume as well as in value by 23% and 19% respectively so as to reach 5.7 thousand tons by volume and \$ 1.7 million by value.

Contrary to pepper and nutmeg, the production of cassia vera expanded to the extent of 22% so that its volume become 7.3 thousand tons during 1973. The increase in production was brought about in response to increase in prices in the world market and the increasing demand. The value of its export during 1973 as compared to the previous year, increased to the extent of 108% to reach \$ 4.1 million, while its volume increased to the extent of 31 % to become 4.6 thousand tons.

The production of cloves at 22.3 thousand tons in 1973 increased to the extent of 70.2% over 1972. Although the production continued to increase rapidly, the output nevertheless remained still short of domestic requirement mainly because of the expanding needs of cigarettes manufacturing industries for their special brands which use cloves.

In coming years, the production of cloves is expected to expand to schemes aiming at expanding the planted acreage and the utilization of seed of final stock (Zanzibar), in addition to efforts directed in increasing the average yield per ha. In the Second Five Year Development Plan (REPELITA II) period, it was expected that the cultivated area of cloves might expand from 113 thousand ha during the year 1974 to 130 thousand ha in 1978, while its average yield would go up from 1,800 kg to 2,750 kg per ha.

## **Mining**

During the fiscal year 1973/1974, the

output of the mining sector, mainly important minerals, such as crude oil, tin and nickel ore enjoyed an increase over last year. On the contrary the production of some other minerals, to with bauxite ore and coal remained stationary because of certain difficulties encountered.

The production of crude oil at 508.4 million barrels in 1973/1974 increased to the extent of 23% over 1972/1973. The crude oil was produced by PERTAMINA in cooperations with companies operating under production sharing contracts totaling 128.2 million barrels, by LEMIGAS totaling 0.4 million barrels, while Caltex, Stanvac and Calasiatic and Topco working in the context of contract-work produced respectively 357.5 million barrels, 20.9 million barrels and 1.4 million barrels. The increase in production was among others due to the fact that some contractors has already started to produce, in addition to the increase of the production on the existing oil-wells.

The volume of export of crude oil and the products of oil refineries also increased from 344.7 million barrels valued at \$ 965.1 million during the fiscal year 1972/1973 to 424.5 million barrels with a value of \$ 1,708.4 million during the fiscal year 1973/1974 partly because of higher oil prices on the world market. The major part of the crude oil of Indonesia was exported to Japan and the United States of America.

The production of tin at 22.6 thousand tons in the fiscal year 1973/1974 increased to the extent of 5% over 1972/1973, due

among others to the fact that the tin mine in Bangkinang started to produce and due to the rehabilitation of dredgers and modernization of tools. Meanwhile with UNDP and Dutch aid off-shore exploitation also made a start. The volume of export also enjoyed an increase from 20.7 thousand tons with a value of \$ 73.4 million during 1972/1973 to 21.3 thousand tons with a value of \$ 104.3 million during 1973/1974.

The production of nickel ore at 989.9 thousand tons during 1973/1974 increased to the extent of 2% over 1972/1973. The increase was caused, among other factors, by an increase in demand from Japan for it.

The export of nickel ore during the fiscal year under report reached the volume of 834.7 thousand tons with a value of \$ 11.4 million as against the volume of 737.5 thousand tons with a value of \$ 10.2 million during the previous fiscal year.

Foreign capital investment in the nickel ore mining sector by PT INCO in the Soroako area (Sulawesi) showed progress and was expected to start production in 1976. In addition thereto efforts made by PT Pacific Nickel to proceed with its undertaking to construct a nickel ore refinery plant in P. Gag (Irian Jaya) continued and was scheduled to start exporting in 1978.

### **Other minerals**

The production of bauxite ore at 1,205 thousand tons in 1973/1974 suffered a slight decrease compared with that of the preced-

ing year at 1,240 thousand tons. Among others due to a decrease in the production of bauxite are qualified for export so that the volume as well as value of its export suffered also a decrease.

During the fiscal year of 1972/1973 the export of bauxite as totalled 1,255 thousand tons with a value of \$ 6.6 million, while during the fiscal year under report, it totalled 1,197 thousand tons with a value of \$ 6.0 million.

As compared with the figure of the preceding fiscal year the production of coal at 145.9 thousand tons in 1973/ 1974 declined to the extent of 18%. But owing to energy crisis and increase in the price of crude oil, the prospect for being coal will be bright. As such the Government made funds available for improvements and for procurements of new mining tools and transportation equipment. In addition, efforts were being to explore other areas rich in coal deposits, so that its production could be increased in stages. For this program, a budget of the amount of Rp 655 million was sanctioned.

The production of gold at 345.2 kg in 1973/1974 enjoyed an increase to the extent of 4% over the fiscal year 1972/1973 while that of silver at 8.9 tons showed a decrease of 3%.

The production of iron sand at 322 thousand tons in 1973/1974 increased to the extent of 35% compared with the previous year. Its export during the fiscal year 1973/ 1974 was higher than the previous year, viz

from 276 thousand tons with a value of \$ 1,149 thousand to 284 thousand tons with a value of \$ 1,283 thousand.

During the fiscal year under report, the production of copper in Irian Jaya reached a volume of 146.6 thousand tons. In order to overcome technical difficulties still being faced and in order to increase the capacity of mining, capital investment was still required. The volume of capital investment until the fiscal year 1974 will reached to the level of \$ 140 million.

With regard to granite, it may be mentioned that its production totaled 405.1 thousand tons during the fiscal year 1973/1974, which was entirely exported yielding \$ 2.6 million.

## Industry

During the fiscal year 1973/1974, the industrial sector progressed quite satisfactorily exhibiting increases in the production of various enterprises within the circle of the Directorate General of Chemical, Light, Textile and Basic Industries. This was mainly due to the fact that the Government made larger funds available for financing of various undertakings, both for construction of new factories as well as expansion of existing enterprises.

In the Development Budget of 1973/1974, the funds allocated to the industrial and mining sector amounted to Rp 4.7 billion. Out of this aggregate, an amount of Rp

2.0 billion was allocated to the sub-sector industry only and in addition thereto funds to the tune of Rp 1.1 billion were made available for industrial development. The finance for the industrial and mining sector derived from project aid amounted to Rp 23.4 billion during the fiscal year under report of which the sub-sector industry got Rp 17.4 billion. Furthermore, financing through investment loans for industries increased from the amount of Rp 57.6 billion at the close of the year 1972/1973 to the amount of Rp 61.0 billion at the end of 1973/1974, with specification as follows :

The progress of capital investment up to

(In millions of Rupiahs)

Food industry	12,151
Cement industry	13,021
Paper and paper products industry	544
Printing	1,813
Chemical industry	6,058
Pharmaceutical industry	688
Rubber products industry	10,811
Construction and construction materials industry	4,458
Miscellaneous industry	11,458
Total	61,002

and including the month of March 1974 exhibited that the number of approved domestic capital investment applications came to 2,047 projects with a schedule of investment of the amount to Rp 1,340.7 billion. Of these 1,515 projects with schedule of investment to the amount of Rp 821.6 billion were in the industrial sub-sector with the following broad classification :

	<b>Number of Projects</b>	<b>Schedule of capital investment (billions of Rupiahs)</b>
Textile Industry	352	329.0
Chemical Industry	312	124.8
Electric Equipment Industry	59	20.0
Miscellaneous Industries	792	347.8
<b>T o t a l</b>	<b>1515</b>	<b>821.6</b>

Source : Capital Investment Coordination Board

The number of approved foreign capital investments until the end of March 1974 was recorded at 715 projects with a schedule of capital investment to the amount of \$ 3,624.2 million which covered 420 industrial projects with a schedule of investment to the amount of \$ 1,657.5 million with specification as follows :

	<b>Number of projects</b>	<b>Schedule of Capital Investment (millions of \$)</b>
Food industry	55	130.7
Textile and Hide Industry	68	701.3
Wood and wood-produce industry	11	10.5
Paper industry	13	16.2
Chemical and rubber industry	114	218.8
Mineral industry non-metal	24	209.2
Basic Metal Industry	24	193.3
Metal ware industry	99	169.0
Other industries	12	8.5
<b>T o t a l</b>	<b>420</b>	<b>1,657.5</b>

With regard to activities in the chemical industrial sector, it may be mentioned that the production of fertilizer urea at 118.7 thousand tons in 1973/1974 suffered a slight decrease over the last year. On the contrary, fertilizer ZA increased to the extent of 147% to 122.7 thousand tons. The PT PUSRI in

Palembang was being expanded in order that the capacity of its production may be increased from 100 thousand tons to 480 thousand tons per annum. The expansion was expected to be achieved in the year 1974.

The production of cement at 818.0 thousand tons during the fiscal year under report increased to the extent of 13.3% compared to the preceding year, as the capacity of the cement factory in Gresik increased from 375 thousand tons to 500 thousand tons per annum. In addition, the cement factory in Padang was also being expanded in order to increase its capacity from 120 thousand tons to 220 thousand tons per annum. The cement factory in Cibinong (West Java) with a capacity of 500 thousand tons per annum, has started its construction and was expected to reach its completion in the fiscal year 1973/1974.

Activities in the textile industrial sector showed quite satisfactory progress in the form of an expansion of the mill and an increase in its capacity and the establishment of a new spinning mill. The production of spinning yarn increased to the extent of 20.6% to reach 316.2 thousand bales conversion 20/S. The production of textile indicated also an increase to the extent of 8.0% to reach 920 million metres. The following provided a picture on the progress of the production of certain types of goods.

Type of industry	Unit	Production		Change
		1972/1973	1973/1974	%
<b>Textile Industry</b>				
Textile	(millions metres)	852.0	920.0	+ 8.0
Spinning yarn	(thousand bales)	262.1	316.2	+ 20.6
<b>Chemical industry</b>				
Fertilizer urea	(thousand tons)	120.1	118.7	- 1.1
Fertilizer Z.A.	(thousand tons)	49.6	122.7	+146.1
Cement	(thousand tons)	722.3	818.0	+ 13.3
Paper	(thousand tons)	39.5	47.1	+ 20.0
S a l t	(thousand tons)	180.0	86.0	- 52.2
Automobile tyres 1)	(thousand pcs)	857.5	1,351.5	+ 57.6
Automobile tubes	(thousand pcs)	361.3	581.3	+ 60.9
<b>Miscellaneous Industries &amp; Handicraft</b>				
Cycle tyres	(thousand pcs)	2,631.5	2,200.3	- 16.4
Cycle tubes 1)	(thousand pcs)	575.5	637.2	+ 10.7
Coconut oil	(thousand tons)	264.5	264.5	---
Cooking oil	(thousand tons)	28.7	28.7	---
S o a p	(thousand tons)	132.0	131.3	- 0.5
Detergent	(thousand tons)	5.2	6.6	+ 26.9
White cigarettes	(million pcs)	16,785.0	20,376.0	+ 21.4
Clove cigarettes	(million pcs)	23,680.0	30,221.0	+ 27.6
Safety Match	(million boxes)	475.3	556.0	+ 17.0
Dental cream	(million tubes)	29.6	31.8	+ 7.4
<b>Metal &amp; Machine Industry</b>				
Mobile assembling	(thousand pcs)	23.0	35.8	+ 55.7
Motor assembling	(thousand pcs)	100.0	149.7	+ 49.7
Battery	(thousand pcs)	130.0	140.0	+ 7.7
T.V.	(thousand pcs)	60.0	70.0	+ 16.7
Radio	(thousand pcs)	700.0	900.0	+ 28.6
Dry battery	(thousand pcs)	72,000.0	132,000.0	+ 83.3
Electric bulb/TI	(thousand pcs)	12,300.0	16,000.0	+ 30.0

1) Directorate General of Chemicals

Source : Department of Industry

## Electric power and gas

The implementation of the program of increasing electric power during the fiscal year 1973/1974 had progressed quite satisfactorily. In the month of April 1973 the Hydro Electric Power Generating Station (PLTA) Riam Kanan in South Kalimantan with a capacity of 20 thousand kilowatt started to be used. The Riam Kanan basin which was earlier completed in the fiscal year 1972/1973, was utilized for fishery and agricultural development. In the month of September 1973, 2 units PLTA of Karangates in East Java have also been completed with a capacity of 50 thousand kilowatts which could meet the needs for

electric power of various industrial undertakings in the Surabaya area and its surroundings. In addition, the construction as well as rehabilitation of Diesel Power Electric Generating Stations (PLTD) was completed in several areas.

The volume of electric generation at 776 megawatts indicated an increase to the extent of 17% with specification as follows : (in megawatt).

Electric Generating Station	1972	1973
Diesel Power (PLTD)	213	230
Steam Power (PLTU)	225	225
Hydro Power (PLTA)	184	279
Gas Power (PLTG)	42	42
T o t a l	664	776

Source : State Electricity Company

In the month of July 1973, an agreement was signed for assistance from World Bank for the construction of PLTU in Muara Karang (Jakarta) with a capacity of 200 megawatt (MW) which was expected to reach its completion in 1977. With regard to the Asahan project, which was explored for so long, a basic agreement was reached between the Government of Indonesia and Japanese entrepreneurs in the month of December 1973. Attempts on aiming at discussing the said problem in detail shall be further continued. The Asahan project consisted of the construction of PLTA Siguragura, in the first instance with a capacity of 280 MW and later to be increased to 5 units with a capacity of 1,200 MW, and aluminium melting project requiring a lot of electric power.

With regard to the sale of electric power to consumers, it may be stated that during 1973, there was an increase to the extent of 15% to reach 2,174.7 million kilowatt-hour.

By a decree of the Minister of PUTL dated June 12, 1973, a Regulation was issued on Basic Tariff of Electricity in lieu of the old tariff of 1968. This tariff covered various consumptions such as tariff for house-hold consumption, tariff for small consumers social bodies, big consumers and so on.

The output of gas produced at 38.7 million cubic metres in 1973 by the State-owned Gas Company increased to the extent of 1.8% consisting of kitchen gas from coal processing and oil gas from fuel oil process-

ing with specification as follows :

	1972	1973	Change
<b>Production of gas</b> (million m3)	38.0	38.7	+ 1.8%
– kitchen gas	7.5	4.7	–37.3%
– oil gas	30.5	34.0	+11.5%
<b>Raw materials used</b>			
– coal (tons)	11.9	2.6	–78.2%
– fuel oil (thousand litres)	24.6	26.7	+ 8.5%

The volume of production during 1973 by State-owned Gas Companies units were as follows :

Unit	Production of gas (million m3)	
	1972	1973
Medan	3.2	3.9
Jakarta	12.1	12.3
Bogor	1.6	1.6
Bandung	8.0	7.8
Cirebon	0.8	0.8
Semarang	2.5	2.8
Surabaya	9.1	8.7
Ujung Pandang	0.7	0.8
<b>T o t a l</b>	<b>38.0</b>	<b>38.7</b>

## Communication

Government efforts in the communication sector were concentrated in improving, rehabilitation and increasing the capacity of the communication infrastructure in order to facilitate the flow of goods and movement of passengers required for stepping up economic activities and improving the standard of living of populace.

### Land communication

The development in the railway communication sector provided the following picture:

Year	Passengers (million passengers-km)	Freight (million tons-km)
1971	3,623	949
1972	3,352	1,038
1973	2,727	1,089

Source : State Railway Enterprise

The number of railway passengers using railways exhibited a decline by 18.7% to come down to become 2,727 million passengers-km during 1973. This was due to a steady improvement of the communication infrastructure and facilities so that persons using other means of transportation grew in number.

Meanwhile the volume of freight at 1,069 million tons-km indicated an increase to the extent of 3.0% because for long distance transportation and for big volume freight the use of railway was more profitable than other means of transportation.

It may be stated in connection with the highway transportation sector that with a steady improvement of the infrastructure and the creation of a climate for better and effective cooperation, highway transportation was running more smooth and orderly; especially with regard to PN DAMRI the picture of its development was as follows :

Number of buses	1971	1972	1973
Wholly owned	322	175	186
in operation	148	100	107
output of bus transportation (thousand km)	9,899	6,731	7,305
passengers-km (thousand)	227,700	158,898	204,527

Source : PN DAMRI

The increase in output of bus transportation and the number of passengers km among others was due to the operation of new buses to the number of about 30 buses.

## Sea communication

The Inter-island shipping fleet declined in number during the year 1973 from 389 vessels with a capacity of 453.0 thousand DWT to 312 vessels with a capacity of 356.2 thousand DWT, mainly due to a decline in the operation of wholly owned and chartered vessels: The specification thereof was as follows :

	1972		1973	
	Number of vessels	Capacity (thousand DWT)	Number of vessels	Capacity (thousand DWT)
Wholly owned vessels	266	270.0	225	235.6
Vessels in hire-purchase	49	97.3	48	62.0
Chartered vessels	74	85.7	39	58.6
<b>T o t a l</b>	<b>389</b>	<b>453.0</b>	<b>312</b>	<b>356.2</b>

Source : Directorate General of Sea-Communication

Of the 312 vessels during 1973 as specified above 63 vessels (with a total capacity of 102.9 thousand DWT) were owned by PN PELNI, while the remainder was owned by private shipping companies.

In the sector of ocean-going shipping, the vessels suffered also a decline in number, viz from 53 vessels with a capacity of 472.3 thousand DWT during 1972 to 46 vessels with a capacity of 439.5 thousand DWT, with specification as follows :

	1972		1973	
	Number of vessels	Capacity (thousand DWT)	Number of vessels	Capacity (thousand DWT)
Wholly owned vessels	18	165.7	31	290.4
Vessels in hire-purchase	19	162.8	10	96.4
Chartered vessels	16	143.7	7	52.7
<b>T o t a l</b>	<b>53</b>	<b>472.3</b>	<b>48</b>	<b>439.5</b>

Source : Directorate General of Sea Communication

The number of 48 vessels as specified above included 17 vessels owned by state-owned PN Jakarta Lloyd with a capacity of 177.8 thousand DWT. Although the ocean-going shipping fleet declines in number nevertheless the volume of freight carried by national vessels enjoyed an increase during 1973 as may be observed from the following figures :

Destination	Volume of freight (thousand tons)	
	1972	1973*
Singapore	501.0	811.7
Japan	441.4	634.7
Europe	448.9	599.1
Hongkong	36.1	226.3
United States of America	108.0	83.3
Australia	60.5	49.2
<b>T o t a l</b>	<b>1,595.9</b>	<b>2,404.3</b>

Source : Directorate General of Sea Communication

From the figures above it was apparent that the volume of import and export goods carried by national vessels at 2,404 thousand tons increased to the extent of 50.6%. The operating of national vessels to the continents of America and Australia indicated a decline, but to other destination mainly to Hongkong and Singapore it enjoyed a promising expansion. The volume of transportation as a whole at 9.916 thousand tons increased to the extent of 61.3%.

## Air communication

The development in the domestic air transportation sector by national airline companies indicated a quite satisfactory progress in pace as may be observed from the following figures :

	1971	1972	1973
Output (million tons-km)	102.5	125.5	213.9
Sales (million tons-km)	68.5	82.2	115.0
Passengers flown (thousand persons)	992.8	1,235.1	1,649.2
Distance covered (million-km)	20.5	26.9	33.2
Flight hours (thousand hours)	60.7	74.0	85.3

Source : Directorate General of Air-communication

The result achieved, as described above, was due to the efforts made in expanding the volume and quality of service of air transportation by developing its fleet. In addition, there was also an increase in frequency and expansion of aviation net-works.

It may be mentioned that specially with regard to PN GARUDA that the number of flight-hours during 1973 increased to 44.4 thousand hours (+ 31.8%) and of passengers flown increased to 1,143.4 thousand persons (+ 52.2%).

This increase has been achieved mainly by operating a few new aircrafts, namely Fokker 28 as a substitute for Fokker 27.

The development of other airline companies during 1973 provided the following picture :

	<b>Flight hours (in thousand hours)</b>	<b>Number of passengers (in thousand persons)</b>
PN Merpati Nusantara Airlines	26.8	327.9
PT Mandala Airlines	4.1	48.6
PT Seulawah Air Service	1.1	14.3
PT Bouraq	8.3	109.1
PT AOA Zamrud	0.7	5.8

## Telecommunication

International telephonic communication at 1,919 thousand minutes during 1973 increased to the extent of 40.6%. Likewise international telex communication at 1,403 thousand minutes increased to the tune of 52.5%, while domestic telex communication increased by 26.0% to reach 9,925 thousand pulses.

The Java-Bali microwave project started to be used as of the month of March 1973. Said project constituted a part of the Nusantara microwave networks under construction and covered Java-Bali, Sumatra, West and East Nusa Tenggara, Sulawesi, Kalimantan, Maluku and Irian Jaya. The Trans Sumatra microwave project was scheduled for completion in the month of August 1974 for communications between Jakarta-Palembang, afterwards in the month of December 1974 followed by communication between Palembang-Padang and in the month of April 1975 for communication between Padang-Medan. The network from Nusa Tenggara regions with Ujung Pandang was expected to be completed during the year 1976, which would be also connected with the Java-Bali network.

## Tourism

The number of foreign tourist who visited Indonesia increased to the extent of 23.6% to reach 273.3 thousand persons during the year 1973. Tourist areas which attracted most of the visitors were Jakarta and Bali. In addition, North Sumatra, West Sumatra, Central Java (especially Yogyakarta) West Java and East Java also attracted many tourists.

Pending the PATA conference in Jakarta, a conference hall has been constructed, namely the Senayan Convention Hall. Accommodation and transportation were also made ready for visitors and participants of the conference, both in Jakarta as well as in the regions. Meanwhile in order to make it more attractive for tourists, some tourist objects in various regions have been renovated and restored.

## Prices and Wages/Salaries

### Prices

The cost of living index in Jakarta covering 62 kinds of goods and services, registered the highest increase in the fiscal year 1973/1974 in comparison to other, comprising the First Five Year Development Plan (PELITA I) period. The rise to 1,188 points till the end of March 1974 of the index figure was higher by 47.4%, as compared with an increase to the extent of 20.7% in the preceding fiscal year.

**The price index of 9 essential commodities  
(October 4, 1966 = 100)**

1971 :	December	535
1972 :	March	582
	June	541
	September	584
	December	948
1973 :	March	861
	April	841
	May	775
	June	899
	July	955
	August	946
	September	1,004
	October	1,005
	November	1,001
	December	1,050
1974 :	January	1,134
	February	1,133
	March	1,130

Source : Central Bureau of Statistics

During the first semester of the fiscal year 1973/1974, the cost of living index in Jakarta went up by 17.2% to reach 945 in the month of September 1973. The sub-index of food prices increased to the extent of 17.8% which was mainly due among others to an increase in the price of rice and cooking oil, curing the Idul Fitri Holidays (Lebaran)

During the second semester of the fiscal year 1973/1974, the cost of living index

in Jakarta increased to the extent of 25.7% to reach 1,188 in the month of March 1974, due inter alia to an increase in food price index to the extent of 29.4%. The main reason for the increase in the index of food prices because of higher prices of onions, chilies and pulses in expectation of shortages occurring in the approaching rainy season.

The development in the price index of 9 essential commodities in Jakarta provided the following picture :

During the fiscal year under report an increase to the extent of 31.2% took place so that it reached the level of 1,130 in the month of March 1974.

The increase during the first semester to the extent of 16.6% to push the index up to 1,004, was mainly due to an increase in the price of rice, textiles and cooking oil. During the second semester it went up by 12.5% to become 1,130 due to increases in the price of rice, salted fish and cooking oil.

With prices on the increase in the international markets, the prices of certain export goods in Jakarta indicated also an upward trend as follows ( in Rp/kg):

	1973		September	1973	1974
	March	June		December	March
Rubber RSS I	199.77	236.85	253.99	343.72	305.56
Coffee Robusta	293.09	274.93	326.79	332.99	360.45
White Pepper	431.40	492.69	627.20	665.66	752.19
Black Papper	320.72	265.03	260.29	289.69	398.45
Copra	79.70	122.57	142.15	218.36	192.43
Tea (BOP)	219.42	228.57	235.43	210.26	228.52

Source : Central Bureau of Statistics

## Wages/Salaries

In line with the movements in the cost of living which showed an upward trend, wages and salaries during 1973 generally increased although by varying degrees among different sectors of the economy and between enterprises. Enterprises capable of providing higher raises in wages and salaries were mostly the big companies. In this connection it may be mentioned that up till now there was no uniform regulation on wages and salaries for private enterprises in the various sectors and regions. Wages and salaries in those enterprises were usually based on agreements between employers on the one hand and employees on the other and increases therein were affected in sympathy with increases in the salaries of Civil Servants and/or due to increases in the cost of living index and capabilities of the respective companies. For employees of state-owned enterprises, wages and salaries were based on Basic Provisions of Government Regulation Number 23 of the year 1967 dated December 30, 1967. Adjustments in pay scales by them are required to be based on the capability of the respective enterprise, with the provision, that it had met its obligations to the State, such as payment of tax, etc.

Based on the data received by the Department of Manpower, Transmigration and Cooperatives, the minimum and maximum wages in certain enterprises in various sectors of the economy enjoyed an average increase as follows:

**Average increase of the minimum and maximum wage  
January 1974 as against January 1973**

<b>Economic sector</b>	<b>Minimum wage %</b>	<b>Maximum wage %</b>
Estates	74.7	65.6
Mining	49.2	46.4
Industry	25.0	67.4
Construction	2.9	14.4
Electricity	9.5	22.4
Trade	26.6	28.6
Communication	15.5	14.7
Services	4.0	52.5
Miscellaneous	23.1	25.2

Source : Department of Manpower, Transmigration and Cooperatives

As may be observed from the table above, the estate sector showed a very conspicuous upward adjustment, viz to the extent of 74.7% for minimum wage and of 65.6% for maximum wage.

During 1972, these increases were respectively to the extent of 2.7% and 9.2% only. It may be mentioned that the estate sector as reported above consisted of a number of state-owned rubber and tea estates in Sumatra and Java. The pronounced wage/salary increases by these enterprises were made possible because of improvements in their financial positions, in response to increases in the prices of export goods especially rubber. In the following years, the trend of events was more pronounced with the results that upward adjustments were more conspicuous than in 1972. The smallest increase in wages was found in the construction sector in which the minimum went up by 2.9% and the maximum by 14.4%. This was due, among others, to the fact that some construction enterprises met with difficulties caused by increases in the prices of construction materials. Moreover, perceptibly

**TABLE 28 – INDEX OF COST OF LIVING IN JAKARTA**  
(September 1966 = 100)

	Food-stuffs	Housing	Clothing	Other	General Index	Change	
						Annual/Quarterly	Monthly
<b>1971</b>						+ 2.6	
December	626	879	437	777	642		
<b>1972</b>						+25.7	
March	669	875	436	788	668	+ 4.1	
June	640	860	436	788	650	- 2.7	
September	656	883	413	792	658	+ 1.2	
December	905	892	435	805	807	+22.6	
<b>1973</b>						+27.4	
March	890	903	467	813	806	- 0.1	
April	905	1,007	477	841	829		+ 2.9
May	894	971	477	881	828		- 0.1
June	969	962	482	883	871	+ 8.1	+ 5.2
July	1,028	1,016	506	905	917		+ 5.3
August	1,022	1,025	507	911	916		- 0.1
September	1,048	1,080	542	935	945	+ 8.5	+ 3.2
October	1,087	1,056	565	941	971		+ 2.8
November	1,123	1,025	565	961	993		+ 2.3
December	1,162	1,025	574	1,021	1,028	+ 8.8	+ 3.5
<b>1974</b>							
January	1,287	1,090	615	1,126	1,131		+10.0
February	1,339	1,111	628	1,168	1,172		+ 3.6
March	1,356	1,194	632	1,166	1,188	+15.6	+ 1.4

Source : Central Bureau of Statistics

high increase in wage/salary was made in the previous year, viz respectively to the extent of 18.2% for minimum wage and to the extent of 44.9% for maximum wage.

In the services sector, an increase in the scale of wage took place respectively to the extent of 4.0% for minimum wage and to the extent of 52.5% for maximum wage during 1973. Though it did not made any adjustments in 1972. Other economic sectors exhibited increases in the scales varying between 9.5% and 49.2% for minimum wages and between 14.7% and 67.4% for maximum wages.

With regard to the salaries of the Civil Servants, it may be stated that the Government pursued a policy of improving in stages in accordance with constraints imposed by the State Finance. Commencing as of April 1973 Civil Servants were granted again an increase in salaries in the form of additional work allowance to the extent of 100% of the basic salary.<sup>7)</sup> This allowance was introduced as of the fiscal year 1970 with the object of improving the welfare and performance of the Civil Servants.

### **Labour/Manpower**

The main problem faced in labor/manpower sector was the existing unbalance between the size of labor force and the available work opportunities and the fact that the existing labor force has not been utilized to the full.

This was mainly due to a relatively high growth rate of population and manpower and proportionately lower capability to create additional job opportunities. Meanwhile, the uneven regional distribution of population and manpower has caused in one region (Java-Madura) a surplus of manpower while other regions suffered from shortages. A large part of the manpower lived in rural areas or were employed in the agricultural sector, and in general their education/skill was low, so that it was not easy for them to move to new fields of work or to be immediately employed in case of new work opportunities outside the agricultural sector were available.

From the result of the 1971 population census, it was apparent was known that out of 119.2 million people in Indonesia, 76.0 million or 63.8% resided in the island of Java and Madura, which is only 6.6% of the total area and the remaining 43.2 million resided in other regions. Of the total population, 80.5 million persons had entered the work age (over 10 years). According to the projection for 1973, the population was estimated to increase to 126.1 million people with 80.1 million people or to the extent of 63.5% residing in the island of Java and Madura. Of those about 42.4 million was classified as labor force.

With the steady increase in population ( $\pm 2.4\%$  per annum), the number of people to be provided with job was estimated to reach over 1 million persons per annum.

During 1973, the number of job seekers who registered themselves with the Regional/Resort offices of the Department of Manpower, Transmigration and Cooperatives, (including work-seekers who had not yet been employed at the end of the preceding year) was recorded at 164 thousand persons, while registered vacancies were available for only 38 thousand persons. Of the said number, vacancies filled or in other words job-seekers who got employed were only 33 thousand. Vacancies that remained unfilled were due to the fact that qualification of available persons did not confirm to job requirements.

Although work opportunities increased in number every year namely due to the implementation of the Five Year Development Plan (REPELITA) and the construction of various new projects in the context of Foreign Capital Investment (PMA) and Domestic Capital Investment (PMDN), nevertheless in view of the high rates of increase in population and labor force, the increase in work opportunities was still insufficient. The Government policy during the First Five Year Development

Plan (PELITA I) period laid particular stress on efforts in expanding work opportunities and concurrently in increasing utilization of manpower. The program executed and efforts made during the fiscal year under report was basically to continue and to increase the efforts having been made during the previous fiscal year, namely among others:

- aid programmed to villages
- development aid to regencies and municipalities (Inpres project)
- labor-intensive programmers
- mobilization of volunteer workers to rural areas (BUTSI)
- inter-labor activities by Regional/Resort offices of the Department of Manpower, Transmigration and Cooperatives
- educational and training programmers for equipping manpower with specified skills by making use of "mobile training unit", and job training centres.

7) Government Regulation Number 12,1973, dated March 28, 1973.

## **APPENDICES**

APPENDIX A

BANK INDONESIA  
 CONDENSED BALANCE SHEET  
 as per March 31, 1974  
 (millions of Rupiahs)

ASSETS		LIABILITIES	
GOLD COIN AND BULLION	1,007	BANK NOTES/COINS ISSUED	464,594
FOREIGN EXCHANGE ASSETS	380,766	FOREIGN EXCHANGE LIABILITIES	115,968
CLAIM ON GOVERNMENT :		BALANCE ON CURRENT ACCOUNT :	
a. Advances	79,598	a. Government	62,795
b. Transactions/Payments on Account of membership in International financial Institutions :		b. Government, foreign aid and Counterpart	49,365
-- in Gold	7,011	c. International financial Institutions	7,958
-- in Rupiahs	8,255	d. Third parties	
c. Promissory notes	15,266	-- Banks	156,915
	<u>26,671</u>	-- Other	<u>9,489</u>
LOANS :	121,535	CAPITAL AND RESERVE	28,167
a. Banks	236,718	MISCELLANEOUS LIABILITIES	58,302
b. Other	<u>132,730</u>		
PREMISES, FURNITURE, AND FIXTURES	9,029		
MISCELLANEOUS ASSETS	71,768		
	<u>953,553</u>		<u>953,553</u>

**BANK INDONESIA**  
**PROFIT AND LOSS ACCOUNT**  
as per March 31, 1974  
(millions of Rupiahs)

EXPENDITURE	REVENUE
Expenses	
— Personnel/Material/Operational	42,572
— Bank notes	134
— Miscellaneous	19,237
— Dotation to Pension Fund	
— Depreciation	
<b>PROFIT</b>	
— Profit before tax	<b>61,943</b>
	<b>61,943</b>

## **MANAGEMENT OF BANK INDONESIA**

**AS PER MARCH 31, 1974**

Government Commissioner : Soegiono

### **BOARD OF MANAGING DIRECTORS**

Governor : Rachmat Saleh  
Managing Director : Marathon Wirija Mihardja  
Managing Director : Soeksmono Besar Martokoesoemo  
Managing Director : J.A. Sereh  
Managing Director : Arifin Mohamad Siregar  
Managing Director : J.E. Ismael  
Managing Director : Durmawel Ahmad  
Managing Director : M. Djoko Soedomo

## **GENERAL MANAGERS**

Administration and Organization	
Department and Office of the Board	: A.U. Laoh
International Department	: Marjanto Danoesapetro
Foreign Exchange Department	: W. Kidarsa
Loan Department	: Kamardy Arief
Credit Planning and Credit	
Supervision Department	: Abdullah Ali
Bank Supervision Department	: Soetomo
Money and Capital Market	
Department	: H.P. Toar
Issue Department	: R. Soejatno Soemardjo
Economics and Statistics	
Department	: Samali T. Budimulia
Legal Department	: R. Markoem Djojhadisoeparto
Budget Department	: M.S. Mansoer
Internal Control Department	: R. Dhoemadi Singowigoeno
Personnel Department	: Bambang Susilo
General Services Department	: Eddy Suwardi

## **REPRESENTATIVES**

Kuala Lumpur and Singapore	: Lulu Prawira Subrata
London	: T.M. Zahirsjah
New York	: R. Paryono
Tokyo	: E.J. Hartoko

## **BRANCH MANAGERS**

Ambon	: Husnie Azhurie
Ampenan	: Ekotjipto
Banda Aceh	: Suparman Widjaja
Bandung	: Oesman Ibrahim
Banjarmasin	: Sumantri Hadisuryatno
Cirebon	: Tom Hartono
Denpasar	: R. Kardana Hardjakusumah
Jambi	: Soetrisno
Jayapura	: Dewa Made Gunawan
Jember	: Dulkalip
Yogyakarta	: Suparto Wignyasubrata
Kediri	: Wahyu Handojo
Kendari	: Ph.K. Intama
Kupang	: Usman Sugiarto
Malang	: Sanjoto Abdulradjak
Medan	: Mahfud Jakile
Menado	: Sudarsono
Padang	: Sjarief Iksanoeddien
Pekanbaru	: Akhmad Martinus
Palembang	: R. Koesmadi Sastrodipoero
P a l u	: R.N.G. Natakoesoemah
Pontianak	: Muljana Wiraatmadja
Samarinda	: Soepardi
Semarang	: Achmad Effendie
S o l o	: R.M. Soedianto Mangkoesoebroto
Surabaya	: R. Sujanto
Telukbetung	: Nuradi Kusumodirjo
Ujung Pandang	: Wiardi

## **CASH OFFICE MANAGERS**

Balikpapan	: Achmad Sanusi Hardjarana
Purwokerto	: R. Imung Sacadipura