

BANK INDONESIA

**REPORT FOR THE
FINANCIAL YEAR
1974/1975**

BANK INDONESIA

Head office :

JAKARTA

Representatives :

KUALA LUMPUR
LONDON
NEW YORK
SINGAPURA
TOKYO

Branch offices :

AMBON, AMPENAN,
BANDA ACEH, BANDUNG,
BANJARMASIN, BENGKULU,
CIREBON, DENPASAR, JAMBI, JAYA
PURA, JEMBER, KEDIRI, KENDARI, KUPANG,
MALANG, MEDAN, MENADO, PADANG, PALEMBANG,
PALU, PEKANBARU, PONTIANAK, SAMARINDA, SEMARANG,
SOLO, SURABAYA, TELUKBETUNG, UJUNG PANDANG, YOGYAKARTA.

Cash offices :

BALIKPAPAN
PURWOKERTO
TEGAL

Position as per end of March 1975.

NOTES, SYMBOLS AND SOURCE OF DATA

r	Rivised 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.

PREFACE

This report covers the fiscal year 1974/1975 (April 1, 1974 to March 31, 1975), the first year of REPELITA II. During this period, continuous efforts have been made both to pursue the goals of the Second Five Year Plan—including increased production and a more widespread distribution of the benefits of that increased production and of the employment opportunities it creates—and to establish a stable monetary environment to guarantee the successful implementation of these and later development efforts.

Toward the end of REPELITA I, the measures implemented to maintain the domestic monetary stability which had been achieved in the early years of the First Five Year Plan became less effective as a result of both domestic and international developments. In 1972/1973 there was a 21% rise in the index of prices of 62 goods and services in Jakarta used for measuring the inflation rate; a further increase of 47% was experienced in 1973/1974. Unless positive action was taken to halt this trend, these price increases could continue and even accelerate further and unfavourably influence the rate of development during REPELITA II.

Among the factors of overseas origin leading to these price increases were the international monetary crisis and the rise in the prices of imported goods resulting from the inflation in the industrialized countries. Factors of domestic origin included the monetary expansion which resulted from the rapid increase of domestic credit.

After studying these economic and monetary conditions carefully, the Government concluded that policy changes affecting Government finance, trade and monetary developments were necessary to restore financial stability. In this connection, a program of financial stabilization was begun on April 9, 1974. This program included the following monetary measures:

- Placing a ceiling on the increase in bank loans and on other assets which have a monetary influence similar to that of credit expansion;
- Selectively raising interest rates on loans, while leaving unchanged the rates on high-priority activities such as BIMAS credits, KIK (Small Investment Credits), and KMKP (Permanent Working Capital Credits).
- Increasing the minimum reserve requirements on rupiah time deposits and savings accounts and increasing the level of foreign exchange denominated reserves which foreign exchange banks are required to deposit with Bank Indonesia.
- Raising the interest rate on INPRES time deposits, as well as instituting 18-month deposits at 24 per cent and 24-month deposits at 30 per cent per annum.
- Prohibiting state banks from accepting funds of overseas origin as INPRES time deposits.

- Raising the TABANAS interest rate from 15 percent to 18 percent per annum on accounts up to Rp 200,000. - .
- Placing tighter controls on overseas funds that may be brought into the country for banking purposes or to finance state enterprises.
- Requiring the reporting of certain overseas borrowings by private enterprises and non-bank financial institutions and the depositing of 30 percent of the value of those borrowings in Bank Indonesia in interest-free accounts.

Steps taken in the fields of trade and Government finance as part of the April 9, 1974 stabilization program were:

- Lowering taxes and customs duties on certain goods.
- Continuing subsidies for vital commodities, such as rice and fertilizer.
- Establishing and increasing national stockpiles of vital commodities and improving their distribution.

The April 9 stabilization program began to show results during 1974/1975, as reflected in a lowering of the rate of inflation, a decrease in the growth of bank credit and money supply, and a sharp increase in INPRES time deposits. The faith of the society in the Government's monetary policy has been reflected in a decrease in speculation and an increase in deposits in savings accounts in banks.

During 1974/1975, the price index for 62 goods and services in Jakarta rose by 20 per cent. This increase, although relatively high, represents a significant improvement over the 47 per cent increase during the preceding year.

The increase in the quantity of money supply in circulation during 1974/1975 was 31 per cent compared with 48 per cent the previous year. The rate of increase of credits throughout the banking system, which had been 58 per cent in 1973/1974, decreased to 44 per cent in 1974/1975.

The basis of the Government's budgetary program continued to be a balanced budget. In view of the sharp rise in revenue in 1974/1975, the Government was able to increase its expenditures both for routine expenses and for development purposes—in absolute as well as in percentage terms—at a much faster rate than in any preceding year. In 1974/1975 domestic receipts totalled Rp 1,754 billion, an increase of 81 per cent. This resulted from an increase in receipts from corporate taxes on oil companies (182%), other corporate taxes (106%), and MPO (47%). The rise in the price of oil in the international market during 1974 to \$10.80 a barrel on January 1, \$11.70 a barrel on April 1, and finally to \$12.60 a barrel on July 1, was the principal factor in the rise of oil company corporate taxes. The increase in receipts from other corporate taxes resulted from the intensification and extensification of tax collections and an increase in the number of domestic and foreign investment companies which reached the end of their tax holidays.

Routine expenditures during 1974/ 1975 totalled Rp 1,016 billion, an increase of 43 per cent over the preceding year. This increase reflects the wage improvements given to the civil servants and to the armed forces to increase their standard of living and to induce greater efficiency.

Although routine expenditures showed a large increase, Government saving rose to Rp 738 billion, an increase of 190 per cent, allowing the Government to increase its expenditures for development in order to speed up the rate of economic growth. In 1974/ 1975, expenditures for development were increased 113 per cent to Rp 962 billion, of which 76 per cent came from government savings and 24 per cent from abroad in the form of program and project aid. In 1973/ 1974, only 56 percent of all development expenditures had been financed from government savings.

In view of the positive results of the April 1974 stabilization program, in December, 1974, the Government made several adjustments in these policies. These included the following:

- Lowering the interest rate on short-term credits, particularly for exports, domestic production, and domestic trade.
- Reducing the interest rate on 12-month, 18-month, and 24-month INPRES time deposits to 15%, 21 % and 24% per annum, respectively.
- Suspending the regulation requiring obligatory deposits on loans from abroad and changing the regulation on the ceil-

ing on overseas loans by non- bank financial institutions.

To encourage the activities of small-scale businessmen, improvements were made in 1974/1975 in the implementation of KIK and KMKP. For example, renewed emphasis was given to the primary division of function among the various state banks according to sectors they are meant to serve. In addition, a beginning was made in providing small credits, from Rp 10,000 to a maximum of Rp100,000,—for small-scale businesses, especially in the rural areas.

During the year 1974/1975, international economic developments were characterized by monetary instability and an increasing rate of inflation. The recession which resulted from the efforts of some industrialized nations to combat the rising inflationary trend and to solve the energy problem reduced the volume and prices of raw materials exported by developing countries such as Indonesia. This had an unfortunate effect on Indonesia's balance of payments, particularly in the second semester of 1974/1975. While the rise in the price of oil in the international market enabled Indonesia's balance of payments to show a surplus up to the second quarter of 1974/1975, the PERTAMINA problem, which induced a decrease in foreign exchange reserves to repay PERTAMINA's overseas debts, combined with the shortfall in non- oil exports to generate an overall deficit of \$ 9 million in Indonesia's balance of payments for 1974/ 1975 as a whole.

During the preceding three years, 1971/ 1972 through 1973/1974, Indonesia's bal-

ance of payments had shown surpluses of \$ 100 million, \$ 425 million, and \$ 360 million, respectively. In view of the steady increase in foreign exchange reserves over these years and the steady improvement in the balance of payments, beginning in 1974/1975 some international bodies providing assistance to Indonesia—including the International Development Association and the Asian Development Bank—did not in principle give soft loans and began insisting on harder terms such as apply to World Bank and Asian Development Bank Common Fund loans. In addition, improvements in foreign exchange reserves and in Indonesia's balance of payments enabled the Rupiah to be listed for the first time in July, 1974 in the International Monetary Fund's currency budget.

The policies of the Government, formulated to give impetus to the rate of economic development by fostering monetary stability, were successful in raising the rate of economic development to the desired level. Dur-

ing calendar 1974, the Gross Domestic Product, based on constant prices, rose by about 8 per cent. Rice production in 1974 totalled 15.45 million tons, an increase of 6 per cent over production the preceding year. This resulted from extension in the land under cultivation and from increases in the average yield per hectare. Sugar and coffee production also rose as a result of factors such as intensified cultivation and the use of improved varieties. Production of petroleum, fertilizer, cement, textiles, tin, copper and palm oil also showed significant improvement through 1974. The increase in fertilizer and cement production reflected the erection of new factories and the expansion of existing ones. Since there was a drop in demand for timber in the overseas markets, production fell during 1974.

Governor of Bank Indonesia

RACHMAT SALEH

I. MONEY SUPPLY

Monetary Policy in 1974/1975

The significant increase in the money supply in 1973/1974—particularly in the final quarter—was an important factor influencing the rather sharp rise in the cost of living during that period. In order to reduce the rate of inflation, the Government, together with the Central Bank, introduced on April 9, 1974 various stabilization measures in the monetary, fiscal, trade, and related sectors. In the monetary field, the most important measures included:

- Setting a ceiling on the increase in bank loans and other assets during 1974/1975, restricting their growth to 30 per cent of the position at the end of 1973/1974.
- Selectively increasing the interest rates on rupiah loans at state banks, leaving unchanged the rates on loans to high-priority undertakings like BIMAS credits, KIK (Small Investment Credits), KMKP (Permanent Working Capital Credits), and Class I and 11 investment credits.
- Increasing the minimum level of reserves required against rupiah time and savings deposits, at all classes of banks.
- Excluding inter-bank accounts from the definition of legal reserve assets.
- Raising the interest rate on 12-month INPRES time deposits from 15 per cent to 18 per cent per annum and allowing

the acceptance by state banks of 18 and 24-month time deposits at interest rates of 24 per cent and 30 per cent respectively. For time deposits less than 12-month no change was made in the interest rate.

- Prohibiting state banks from accepting funds of foreign origin as INPRES time deposits.
- Raising the interest on TABANAS savings deposits from 15 to 18 per cent on deposits up to Rp 200,000, - , amounts in excess of this receiving 9 per cent interest.
- Raising interest-free foreign exchange reserves; foreign banks must hold in the Central Bank from 10 per cent to 30 per cent of foreign exchange liabilities.
- Placing tighter controls on the observance of ceilings on the entry of foreign funds for banking purposes or for state enterprises.
- Requiring the reporting to the Central Bank of foreign loans to private enterprises and non-bank financial institutions—other than loans to finance imports, IGGI loans or loans of more than 15 years maturity—and the depositing in interest free accounts with the Central Bank of 30 per cent of the value of such loans.

In addition, the following policies were put into effect in the fiscal and trade fields:

- Lowering taxes and customs duties on certain commodities.
- Continuing the subsidies on certain vital commodities such as rice and fertilizer.
- Establishing and increasing national stockpiles of important commodities and overcoming obstacles to their distribution, especially for rice, fertilizer, sugar, cement, newsprint, concrete- reinforcing rods, and yarn.

These policy decisions have already begun to show the desired results. This is reflected in the rise in INPRES deposits, the decrease in credit expansion, the lowering of the rate of growth of money supply, and the reduction in the rate of inflation.

In view of these positive results and of the changed circumstances in the international economy, it was considered necessary to revise these measures to assure continued impetus to the development of the economy. On December 28, 1974, the following changes were made in the April 9 decisions:

- Lowering the interest rate on short-term credits for exports, production, and domestic trade.
- Reducing the interest rate on 12 month, 18- month, and 24 month INPRES time deposits to 15 per cent, 21 per cent, and 24 per cent, respectively.
- Suspending the regulation requiring obligatory deposits on loans from abroad

made by private enterprises and changing the regulation regarding the ceiling on loans from abroad by non-bank financial institutions.

Money Supply

As shown in Table 1, the money supply rose to Rp 1,025.8 billion at the end of March, 1975, an increase of Rp 241.5 billion (30.8%).

In comparison with the increase in the money supply in the preceding reporting year, which was Rp 254 billion (47.8%), the rise in 1974/1975 was smaller both in percentage and in absolute terms.

If this development is reviewed quarter by quarter, more than a third of this rise occurred in the fourth quarter, with its rise of Rp 883 billion, while in the first, second, and third quarters the increases were Rp 41.4 billion, Rp 47.8 billion, and Rp 64.0 billion, respectively.

Table 2 shows an index of money supply adjusted for changes in the price level. During the reporting year, 1974/ 1975, this measure of the "real" money supply rose 8.9 per cent. This development suggests that the increased money supply resulted not only from the public's increased demand for liquidity induced by higher prices, but also from the public's needs arising from real economic development.

Factors Affecting the Money Supply

The expansion of the money supply during 1974/1975 resulted from an increase in

net foreign assets of the banking system of Rp 2.7 billion, an increase in outstanding credit to state institutions and enterprises and to private corporation and individuals of Rp 545.8 billion and a change in the Government's net position with the banking system of Rp 49.3 billion.

Of total credit expansion, commercial banks accounted for Rp 411.2 billion and Central Bank credit accounted for an additional Rp 136.3 billion. The expansionary impact of these items was offset in part by a decrease of Rp 218.2 billion in net other items—reflecting mainly the rise in import deposits as well as capital accounts—and by an increase in the public's holdings of time and savings deposits of Rp 138.1 billion. On balance, then, the money supply increased by Rp 241.5 billion.

The increase in rupiah time and savings deposits of commercial banks represented a growth rate of 59.4 percent compared with an expansion of 60.2 per cent during the previous year. Foreign currency deposits declined by 17.5 per cent during the year after having increased by 122.7 per cent in 1973/1974.

The ceiling on net assets of bank (credits and other assets) imposed under the April 9, 1974 package, was successful in reducing the expansion of credit and other bank claims from 64.6 per cent during 1973/1974 to 45.6 per cent in 1974/1975. The effects of this policy were felt especially by banks other than Bank Indonesia, which reduced the growth of their assets from 63.9 per cent to 36.7 per cent.

The expansionary effect of the Government sector of Rp 49.3 billion resulted from the increase in Bank Indonesia net claims on the Government totalling Rp 68.1 billion, partially offset by the rise in Government deposits in deposit money banks of Rp 18.8 billion. The granting of credit for the payment of subsidies due from the Government, particularly for fertilizer imports, was the principal cause of credit expansion to the Government sector.

Changes in the foreign sector totalling Rp 2.7 billion were principally the result of the expansionary effect produced by the public banking sector to the extent of Rp 7.7 billion, on the one hand, and the contractionary effect caused by the decrease in the foreign exchange reserves of Bank Indonesia during the reporting year totalling Rp 4.5 billion. The slight decline in Bank Indonesia foreign exchange reserves over the fiscal year after the substantial increase in reserves in the first semester was the result of overseas payments to settle PERTAMINA debts and the withholding by PERTAMINA of oil corporation taxes in foreign currency during the last months of the reporting year.

If the PERTAMINA problem had not occurred, it can be estimated that Bank Indonesia's foreign exchange reserves would have shown a substantial increase in spite of the drop in exports due to the recession in the last months of 1974/1975.

The contractionary effect produced by other sectors resulted from increases in reserve funds, profit or loss accounts and bank capital accounts, and from the difference between inter-bank claims and liabilities.

TABLE 1 — MONEY SUPPLY ¹⁾
(millions of Rupiahs)

End of	Total	Change	Percentage Change	Currency	% of Total	Deposit money	% 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 : December	474,611	153,852	48	271,769	57	202,842	43
1973 : March	530,291	55,680	12	291,131	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	115,284	17	421,071	54	363,217	46
June	825,657	41,369	5	436,931	53	388,726	47
September	873,455	47,798	6	455,275	52	418,180	48
December	937,524	64,069	7	494,235	53	443,289	47
Total 1974		268,520	40				
1975 : March	1,025,797	88,273	9	538,495	52	487,302	48
Total 1974/1975		241,509	31				

1) In this report all figures have been made consistently according to the revised definitions of monetary system liabilities that only liabilities to resident accounted as component of money supply. The adjustment comprises the figures since 1968.

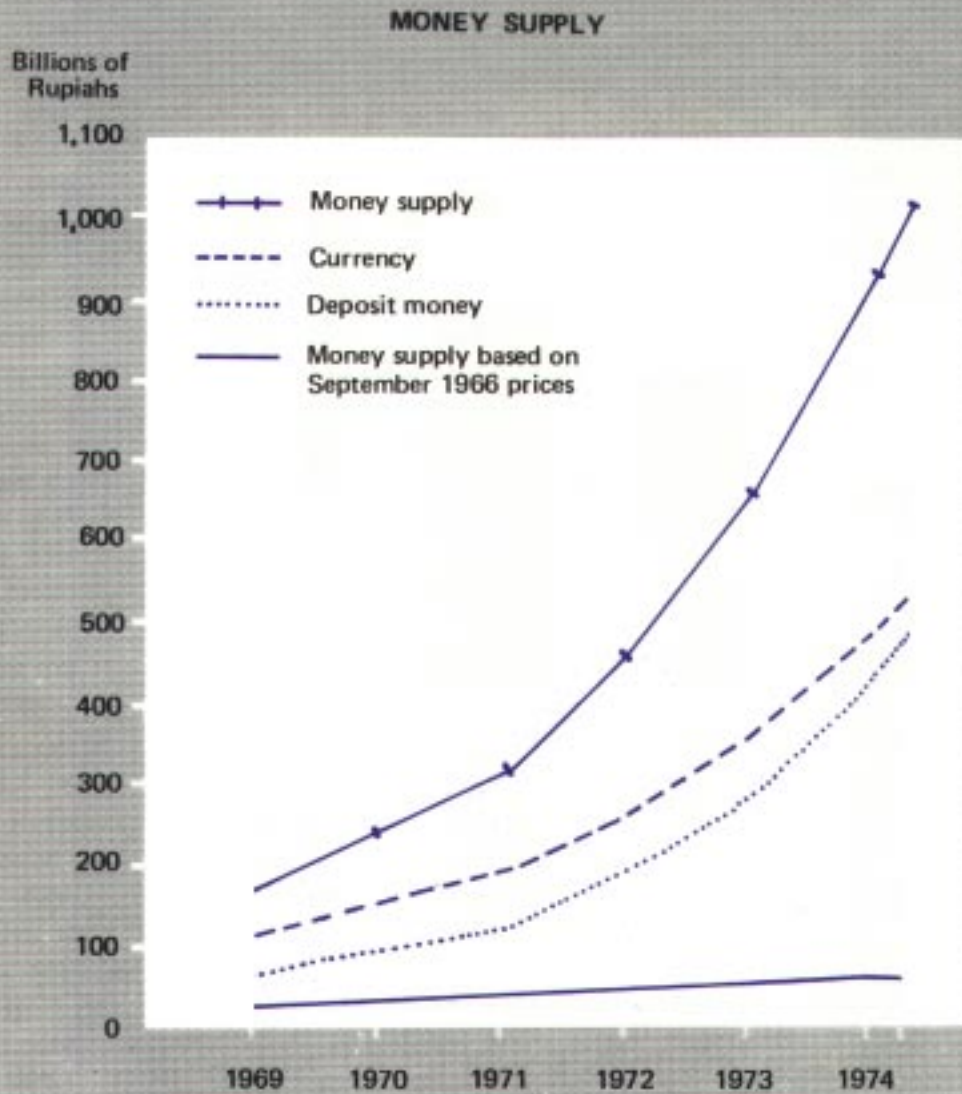
TABLE 2 – MONEY SUPPLY BASED ON SEPTEMBER 1966 PRICES ¹⁾
(millions of Rupiahs)

Year/Month	Money supply	Price Index	Money supply based on September 1966 prices	Index of money supply based on September 1966 prices ¹⁾
1968	113,894	523	21,777	145
1969	183,439	575	31,902	213
1970	250,284	626	39,981	266
1971	320,759	642	49,962	332
1972	474,611	807	58,812	391
1973 :				
March ^r	530,291	806	65,793	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
June	825,657	1,251	65,999	439
September	873,455	1,282	68,132	453
December	937,524	1,370	68,432	455
1975 :				
March	1,025,797	1,427	71,885	478

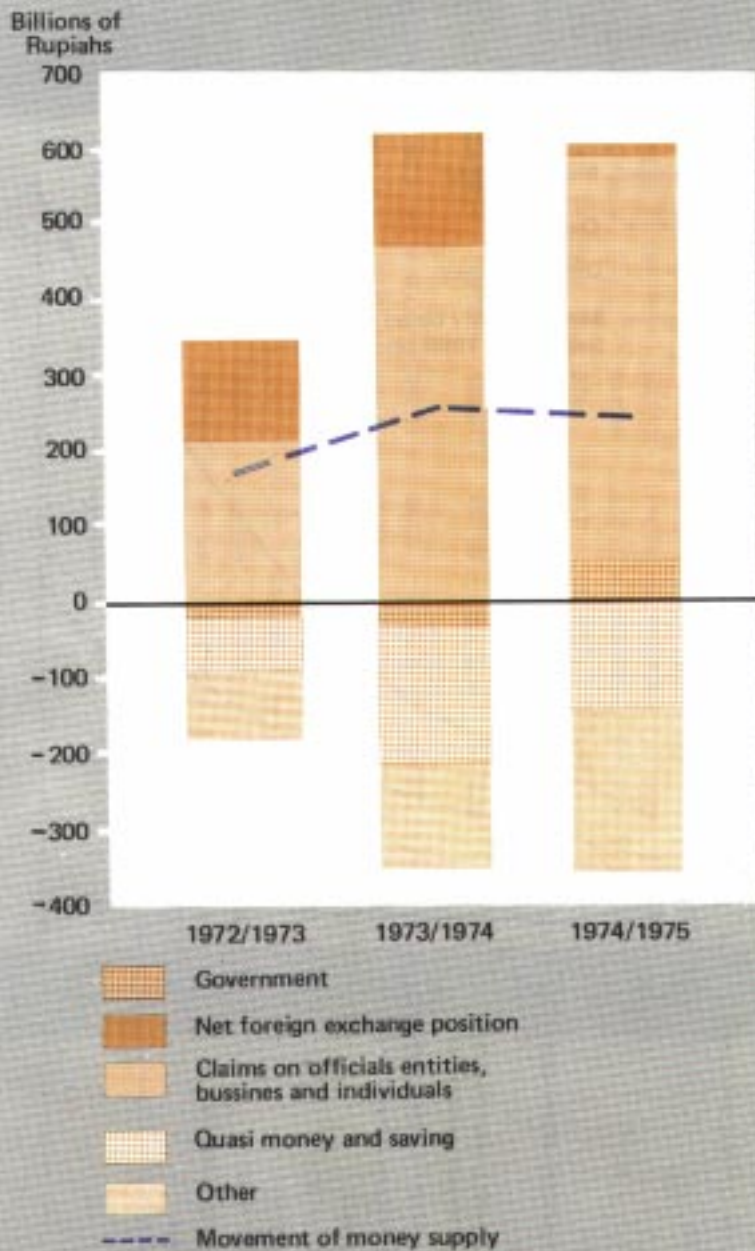
1) September 1966 = 100

TABLE 3 – FACTORS AFFECTING MONEY SUPPLY
(millions of Rupiahs)

	1973	1973/1974	1974	1974				1975		1974/1975
				I	II	III	IV			I
Net foreign assets										
a. Foreign exchange reserves	+ 75,282	+154,192	+363,993	+ 98,198	+193,561	+ 94,073	- 21,839	-263,051	+ 2,744	
b. Other foreign assets	+135,118	+145,675	+285,619	+ 60,154	+188,268	+ 84,506	- 47,299	-230,014	- 4,549	
- Bank Indonesia	- 59,836	+ 8,517	+ 78,374	+ 38,044	+ 5,303	+ 9,567	+ 25,460	- 33,037	+ 7,293	
- Other banks	(- 104)	(+ 222)	(- 52)	(+ 326)	(- 101)	(- -)	(- 277)	(- 9)	(- 387)	
Central Government	(- 59,732)	(+ 8,295)	(+ 78,426)	(+ 37,718)	(+ 5,404)	(+ 9,567)	(+ 25,737)	(- 33,028)	(+ 7,680)	
Bank Indonesia claim on Government	- 42,522	- 25,321	-116,624	+ 48,199	-216,185	+ 3,737	+ 47,625	+214,124	+ 49,301	
Government accounts on other banks	- 26,287	- 6,518	-109,943	+ 56,488	-227,853	+ 20,754	+ 40,668	+234,546	+ 68,115	
	- 16,235	- 18,803	- 6,681	- 8,289	+ 11,668	- 17,017	+ 6,957	- 20,422	- 18,814	
Claim on official entities, business and individual (Public and Private enterprises)	+474,548	+470,054	+426,369	+ 80,757	+119,663	+100,457	+125,492	+200,161	+545,773	
Bank Indonesia	+ 23,188	+ 21,803	+ 83,303	- 14,311	+ 38,175	+ 24,652	+ 34,787	+ 38,705	+136,319	
a. Credit (incl. BULOG import deposits)	(+ 21,314)	(+ 19,716)	(+ 82,120)	(- 14,630)	(+ 38,303)	(+ 24,226)	(+ 34,221)	(+ 38,239)	(+134,989)	
b. Other Claims	(+ 1,874)	(+ 2,087)	(+ 1,183)	(+ 319)	(- 128)	(+ 426)	(+ 566)	(+ 466)	(+ 1,330)	
Other Banks	+442,262	+436,848	+358,320	+ 95,265	+ 90,748	+ 77,249	+ 95,058	+148,180	+411,235	
a. Credit	(+341,842)	(+433,721)	(+436,744)	(+172,741)	(+105,056)	(+ 79,056)	(+ 79,891)	(+149,300)	(+413,303)	
b. Other Claims	(+100,420)	(+ 3,127)	(- 78,424)	(- 77,476)	(- 14,308)	(- 1,807)	(+ 15,167)	(- 1,120)	(- 2,068)	
Counterpart funds (BULOG and others)	+ 9,098	+ 11,403	- 15,254	- 197	- 9,260	- 1,444	- 4,353	+ 13,276	- 1,781	
Time and savings deposits	- 98,077	-180,416	-196,306	-100,625	- 10,788	- 70,591	- 14,302	- 42,418	-138,099	
Other items (net)	-214,839	-164,512	-208,911	- 11,244	- 44,882	- 79,878	- 72,907	- 20,543	-218,210	
Money supply	+194,392	+253,997	+268,521	+115,285	+ 41,369	+ 47,798	+ 64,069	+ 88,273	+241,509	
- Currency	+103,199	+129,940	+119,267	+ 46,103	+ 15,860	+ 18,344	+ 38,960	+ 44,260	+117,424	
- Deposit money	+ 91,193	+124,057	+149,254	+ 69,182	+ 25,509	+ 29,454	+ 25,109	+ 44,013	+124,085	



FACTORS AFFECTING MONEY SUPPLY



II. GOVERNMENT FINANCE

General

Fiscal year 1974/1975 was the first year of REPELITA II, The Second Five Year Development Plan which will continue until the end of the fiscal 1978/1979.

It was realized from the beginning that PELITA I would leave a number of problems unresolved, including the development of mechanisms for improving the distribution of the benefits of development. In view of this, the Government has worked continuously to expand the development effort and to increase the development budget. In view of the impressive increases in budget revenues realized during the last years of PELITA I, this expanded development effort has seemed entirely within the realm of possibility. This has again been confirmed by the tremendous increase realized in the 1974/75 Budget of Revenue and Expenditures.

In accordance with the balanced budget policy, the 1974/1975 Draft Budget of Revenue and Expenditures was balanced at Rp 1,577.3 billion, 82.9 per cent higher than in the previous year. In this draft budget, domestic receipts were forecast to rise 103.2 per cent to Rp 1,363.4 billion, and routine expenditures to rise 85.5 per cent to Rp 961.6 billion. Development expenditures were expected to rise 78.9 per cent to Rp 615.7 billion and be paid for with Government savings totalling Rp 401.8 billion and development receipts in the form of program aid and project aid rising 11.8% to Rp 213.9 billion. In contrast to Draft Budgets of Revenue and Expenditures in preceding years, the pattern

of receipts in the 1974/75 draft budget showed an increase in the importance of project aid relative to program aid in accordance with the desire to intensify development. Moreover, Government savings for development purposes exceeded the total of foreign aid.

Final budget figures for 1974/1975 show receipts of Rp 1,985.7, an increase of 69.5 per cent over receipts in the preceding year, while expenditures rose 69.9 per cent to Rp 1,977.9 billion, resulting in a surplus of Rp 7.8 billion.

The rise in total receipts resulted from increased domestic receipts, which totalled Rp 1,753.7 billion, 81.2 per cent over the realization in 1973/1974. This improvement resulted primarily from the sharp rise in oil corporation tax receipts. With routine expenditures increasing by 42.5 percent to Rp 1,016.1 billion, government savings totalled Rp 737.6 billion, an increase of 189.9 per cent over the figure for 1973/1974. In view of the sharp rise in government savings and an increase in foreign aid receipts of 13.8 percent to Rp 232 billion, development expenditures were increased by 113.3 per cent over the figure for 1973/1974 to Rp 961.8 billion.

Government Receipts

Government receipts totalled Rp 1,985.7 billion comprised of domestic receipts totalling Rp 1,753.7 billion, or 88.3 per cent of total receipts—consisted of direct tax re-

ceipts totalling Rp 1,228.6 billion (70.1 per cent), indirect tax receipts totalling Rp 458.4 billion (26.1 per cent), and non-tax receipts totalling Rp 66.6 billion (3.8 per cent) — and development receipts of Rp 232.0 billion (11.7%).

The greatest part of the increase in domestic receipts resulted from an improvement in direct tax receipts, principally the result of increased taxes paid by oil companies, which rose to Rp 973.1 billion, an increase of 182.4 per cent. These receipts represented 55.5 per cent of all domestic receipts as compared with only 35.6 per cent in the previous reporting year. This rise in receipts from oil corporation taxes resulted primarily from the rise in the export price of oil and the rise in the Government's share. The price of exported Indonesian oil as of January 1, 1974 was \$10.80 a barrel rising to \$11.70 a barrel on April 1, 1974, and reaching \$12.60 a barrel on July 1, 1974.

Corporate tax receipts were the second component experiencing a large rise. They totalled Rp 91.2 billion, a rise of 106.1 per cent over realization in 1973/1974. This resulted from intensification and extensification of tax collections and the expiration of tax holidays for companies set up under the Foreign Investment Law and the Domestic Investment Law.

Although the tax burden was reduced by revisions in the income brackets subjected to income tax and in the tax-free income level at the beginning of 1975, income tax receipts rose to a total of Rp 43.3 billion, 25.8 per cent higher than in 1973/1974. The policy of

reducing these taxes was intended to help distribute income more evenly.

Receipts from MPO withholding income taxes reached Rp 83.3 billion, an increase of 46.7 per cent over 1973/1974. The use of foreign exchange banks, Government bodies, importers, and industrial organizations to collect these taxes was expected to increase receipts in this sector.

Efforts to intensify and extensify IPEDA land tax collections were carried out in the rural areas, in urban centers, in agricultural estate areas, in forest exploitation areas, and mining areas, and enabled receipts from IPEDA to reach Rp 28 billion, an increase of 43.5 per cent.

Other direct taxes, consisting of property taxes and taxes on interest, dividends, royalties, and the like, reached Rp 9.9 billion, 79.3 per cent over the 1973/1974 figure. Property taxes are a supplement to income taxes, and are intended to decrease the differences of income and property in society.

Indirect tax receipts in 1974/1975 were Rp 458.4 billion, an increase of 11 per cent over 1973/1974. This improvement was due primarily to increase in receipts from sales taxes, import sales taxes, and import duties and excises.

The increase in sales tax receipts in 1974/1975 to Rp 84.9 billion, a rise of 55.4 per cent, resulted from the large rise in the volume of domestic trade as well as the intensification and extensification of tax collections.

Revisions in the import sales tax regulations, which were adjusted to bring them into conformity with the BTN beginning in 1973, and the increase in the volume of imports increased sales tax revenue on imports in 1974/ 1975 to Rp 68.9 billion, a rise of 35.8 per cent. It should be noted that sales taxes on imports play an important role, because in addition to increasing Government receipts, they were able to afford protection for the development of domestic industry.

The increase of 20.6 per cent in excises resulted from the increase in the excise on tobacco, production increases, and increased domestic sales of cigarettes and other tobacco products.

Import duties increased 25.3 per cent to Rp 160.6 billion in 1974/1975. This relatively small rise resulted from changes in the composition of imports, with an increasing share being essential raw materials with relatively low import duties.

Export taxes, totalling Rp 70.3 billion in 1974/1975, rose only 2.5 per cent. This was the result of the abolition of export taxes on an increasing number of commodities and the relatively small rise in the volume of exports. A number of special policy decisions were put into effect during 1974/1975 to increase the volume of exports, including revisions of check prices, improvements in the trading system, and the prohibition of exports of low-quality commodities.

Other oil receipts, representing net profits from the domestic sale of oil fuels, which totalled Rp 37.6 billion in 1973/1974, in 1974/

1975 showed a deficit of Rp 15.9 billion. This was caused by the rise in cost of fuel production, which exceeded the total sales revenue.

Receipts from stamp duties, duties on auctions, and other levies during 1974/1975 reached Rp 15.2 billion, a rise of 32.1 per cent. A large part of this increase was due to receipts from stamp duties reflecting developments in the world of business and trade.

Non-tax receipts included all receipts which cannot be included under the heading of tax receipts and consisted of such administrative receipts as fines and profits from state enterprises and state banks. These receipts in 1974/1975 reached Rp 66.6 billion, an increase of 33.9 per cent over the realization in 1973/1974. This sum includes the surplus of Rp 7.4 billion from the 1973/ 1974 budget resulting from administrative improvements and financial controls, as well as improvements in the organization and efficiency of state enterprises and banks.

Development receipts comprise receipts of overseas origin and consist of program aid as well as project aid. In 1974/ 1975 these receipts showed a rise of 13.8 per cent, resulting from a 71.7 per cent rise in project aid and a 59.8 per cent drop in program aid compared with realization in 1973/1974.

Government Expenditures

Routine expenditures encompass all the activities needed to support the normal ad-

ministrative functioning of the government and to provide the government apparatus necessary to support the country's development effort. Of total routine expenditures of Rp 1,016.1 billion during fiscal 1974/1975, 41.3 per cent was used for wages for employee and pensions for retired personnel, while the balance was used for purchases of materials, subsidies to the autonomous regions, debt service, and other routine outlays.

Routine expenditures for wages for employees and pensions for retired personnel rose 56.3 per cent, reflecting the decision to raise civil service and military wages as of January 1, 1975. This increase brought payments up to 900 per cent of base wages for active personnel and 270 per cent for pensioners.

The increase in subsidies to local governments was caused not only by the increase in wages paid to employees of the autonomous regions, but also by the increase of the number of elementary school teachers and employees of local health clinics (Puskesmas), and by the rise in the rice allowance.

Expenditures for materials rose by 59.1 per cent as a result of the increased rate of development and improvements in Government administration requiring expenditures for maintenance, security, and improved project implementation.

Expenditures for debt service totalled Rp 73.7 billion, an increase of only 4.2 per cent, the smallest increase among all categories of routine Government expenditures.

Other routine expenditures resulted from the Government's continuing policy of supporting price stability for foodstuffs, particularly rice. Of total expenditures of Rp 145.2 billion in this category, Rp 141 billion represented Government outlays to subsidize imports of rice, wheat, and sugar.

Development expenditures in 1974/1975 reached Rp 961.8 billion, an increase of 113.3 per cent. This sum comprised rupiah development expenditures totalling Rp 765.9 billion and project aid totalling Rp 195.9 billion, increases of 127.4 per cent and 71.7 per cent, respectively.

The sharp rise in development expenditures was made possible by increase government savings, which rose by 189.9 percent over 1973/1974. These increased expenditures were devoted to improving production and widening the job market.

Development expenditures other than project aid were of three main types; expenditures for Government departments and institutions totalling Rp 221.6 billion; expenditures for development of provinces, including IPEDA; aid for building elementary schools; health services, including local health clinics (Puskesmas); and other expenditures, totalling Rp 386.0 billion.

Expenditures for aid to projects of Government departments and institutions rose by 32.5 percent.

Expenditures for financing regional development—intended to give impetus to re-

gional development, primarily by extending infrastructure facilities (like roads, bridges, and irrigation), improving health, education, and opportunities for work, and improving other development facilities—rose by 84.7 per cent. The increased level of financing for regional development resulted primarily from the 127.9 per cent increase in subsidies to provincial Governments, the 121.4 per cent rise in subsidies to regencies and municipal Governments, the 100 per cent rise in village subsidies, and the 43.6 per cent rise in IPEDA.

Subsidies to provinces rose to Rp 47.4 billion and were used principally to improve infrastructure.

Subsidies to regencies and municipalities rose to Rp 42.5 billion, reflecting the rise in the base payment from Rp 150 per person in 1973/1974 to Rp 300 in 1974/1975.

Aid to villages—provided to give impetus to the population's desire to help themselves by engaging in mutual self-help activities to develop their communities—rose to Rp 11.4 billion as a consequence of the rise in the base payment from Rp 1 00,000 per village in 1973/1974 to Rp 200,000 in 1974/1975.

1974/1975 was the first year in which subsidies were given for aid to health services and local clinics (Puskesmas). These payments totalled Rp 5.3 billion. These expenditures were intended to spread health care more widely, particularly to villagers and low-income city dwellers.

Other development expenditures reached Rp 386 billion and included outlays for fertilizer imports totalling Rp 227.2 billion, Government capital participation totalling Rp 91.1 billion, and other expenditures totalling Rp 67.7 billion. Budgeted expenditures for fertilizer imports increased 353.5 per cent. Actual expenditures, however, increase 588.5 per cent over 1973/1974, resulting from the rise in fertilizer prices in international markets and the large increase in the amount of fertilizer imported as a stockpile for coming seasons. The Government paid special attention to fertilizer subsidies because of the immense importance of this commodity in increasing food production.

Government capital participation reached Rp 91.1 billion, an increase of 123.3 per cent over 1973/1974. This rise resulted from Government efforts to speed up development by giving aid in the form of capital to certain high-priority projects in 1974/1975, such as the completion and expansion of the Pusri fertilizer works, BRI's credit program, the construction of 500 village units of BRI, and the creation of national stockpiles. Other development expenditures, which rose 577 per cent, were used to finance a number of projects in the areas of electric power, family planning, public housing, industrial estates, and the Cooperative Credit Insurance Institute.

Project aid reached Rp195.9 billion, an increase of 71.7 per cent. This included project aid arising from the Japanese loans to the oil sector totalling Rp 61 billion (\$147 million).

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

S e c t o r	1970/1971	1971/1972	1972/1973	1973/1974	1974/1975
Domestic Receipts	344,606	428,021	590,608	967,687	1,753,663
Routine Expenditure	288,177	349,095	438,100	713,302	1,016,112
Government Savings	56,429	78,926	152,508	254,385	737,551
Foreign Receipts	120,531	135,527	157,800	203,994	232,046
Development Receipts	176,960	214,453	310,308	458,379	969,597
Development Expenditure	169,752	195,900	298,224	450,956	961,817
Surplus (+) / Defisit (–)	+ 7,208	+18,553	+12,084	+ 7,423	+ 7,780

Source : Department of Finance

TABLE 5 — GOVERNMENT RECEIPTS
(millions of Rupiah)

	Expenditure	Expenditure	Expenditure	1973/1974		1974/1975	
				Original budget	Actual Expenditure	Original budget	Actual Expenditure
I. Domestic Receipts	344,606	428,021	590,608	671,000	967,887	1,363,400	1,753,663
A. Direct Taxes	121,617	180,989	302,229	372,500	504,974	867,400	1,228,621
— Income tax	13,375	17,394	23,722	26,700	34,393	49,300	43,257
— Corporation tax	20,091	25,405	30,598	39,500	44,223	60,200	91,163
— Oil company tax	68,818	112,497	198,885	252,400	344,612	653,700	973,100
— M P O	19,132	24,610	30,195	30,600	56,745	70,100	83,265
— I P E D A	---	---	15,200	18,500	19,501	24,200	27,977
— Other direct taxes	201	1,083	3,629	4,800	5,500	9,900	9,859
B. Indirect Taxes	209,876	219,538	253,770	285,100	412,949	466,400	458,397
— Sales tax	18,333	24,010	34,491	40,500	54,621	65,800	84,899
— Sales tax on imports	22,097	22,402	27,801	28,900	50,725	65,300	68,904
— Excises	38,881	40,391	47,279	51,100	61,674	67,800	74,402
— Import duties	70,696	69,417	73,223	76,400	128,172	167,300	160,635
— Export tax	25,023	28,101	32,739	29,400	68,623	65,200	70,300
— Net petroleum profit	30,427	28,213	31,563	51,300	37,634	19,300	-15,933
— Other indirect taxes	4,419	7,004	6,674	7,500	11,500	15,700	15,190
C. Non-tax receipts	13,113	27,494	34,609	13,400	49,764	29,600	66,645
II. Development receipts	120,531	135,527	157,800	191,400	203,994	213,900	232,046
1. Program aid	78,951	90,527	95,500	108,400	89,869	89,100	36,146
2. Project aid	41,580	45,000	62,300	83,000	114,125	124,800	195,900
T o t a l	465,137	563,548	748,408	862,400	1,171,681	1,577,300	1,985,709

Source : Department of Finance

TABLE 6 – GOVERNMENT EXPENDITURE
(millions of Rupiahs)

	1970/1971	1971/1972	1972/1973	1973/1974	1974/1975
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Original budget	Actual Expenditure
I. Routine Expenditure					
Personnel Expenditure	288,177	349,095	438,100	518,300	713,302
– Rice Allowance	131,437	163,340	200,379	246,100	268,862
– Salary & Pension	33,550	31,178	31,302	35,600	50,602
– Food Allowance	70,596	100,412	131,636	167,000	173,895
– Other domestic (personnel expenditure)	11,699	13,177	14,562	15,400	16,800
– External	10,809	14,058	17,245	20,900	20,200
– External	4,783	4,515	5,634	7,200	7,365
Material Expenditure	62,567	67,125	95,421	105,700	110,140
– Domestic	56,285	59,725	83,448	94,100	98,340
– External	6,282	7,400	11,973	11,600	11,800
Subsidies to local Government	56,166	66,800	83,900	101,200	108,600
– Irian Jaya	10,068	10,600	10,600	10,300	10,300
– Other local Government	46,098	56,200	73,300	90,900	98,300
Interest & Installments on debts	25,600	46,600	53,400	56,500	70,700
– Domestic	2,000	5,600	7,400	8,700	8,200
– Foreign	23,600	41,000	46,000	47,800	62,500
Other Routine Expenditure	12,407	5,230	5,000	8,800	155,000
II. Development Expenditure					
Departments/Institutions	169,752	195,900	298,224	344,100	450,956
Department of Defence	78,469	97,560	144,043	156,275	160,069
Regional Development	4,500	5,000	6,000	7,225	7,225
– Subsidies to villages	32,681	37,247	57,800	67,700	85,687
– Subsidies to „Kabupatens“	5,590	5,250	5,700	5,700	5,700
– Irian Jaya	5,645	8,823	12,800	19,200	19,200
– Subsidies to Provinces	782	2,374	3,300	3,500	3,300
– I P E D A	20,664	20,800	20,800	20,800	20,800
– Primary school	---	---	15,200	18,500	19,501
– Public health centre	---	---	---	---	17,186
Other development Expenditure	12,522	11,093	28,081	29,900	83,850
– Subsidies on commercial import of fertilizer	---	---	---	1,250	33,000
– Governments capital share	1,000	7,046	22,543	23,000	40,800
– BIMAS project	9,576	1,000	---	---	---
– Others	1,946	3,047	5,538	5,650	10,050
Project Aid	41,580	45,000	62,300	83,000	114,125
T o t a l	457,929	544,995	736,324	862,400	1,164,258
				1,577,300	1,977,929

Source : Department of Finance

**TABLE 7 — DEVELOPMENT EXPENDITURE EXCLUDING PROGRAM AID
1972/1973 — 1974/1975**
(billions of Rupiahs)

Type of expenditure / items	1972/1973	1973/1974	1974/1975
1. Departments / Institutions	150.0	167.3	221.6
2. Regional Development	57.8	85.7	158.3
— Subsidies to villages	(5.7)	(5.7)	(11.4)
— Subsidies to "Kabupatens"	(12.8)	(19.2)	(42.5)
— Subsidies to Provinces	(20.8)	(20.8)	(47.4)
— Irian Jaya	(3.3)	(3.3)	(4.0)
— Primary School	—	(17.2)	(19.7)
— Public health centre	—	(—)	(5.3)
— I P E D A	(15.2)	(19.5)	(28.0)
3. Other development expenditure	28.1	83.8	386.0
— Subsidies on commercial import of fertilizer	(—)	(33.0)	(227.2)
— Governments capital share	(22.5)	(40.8)	(91.1)
— Others	(5.6)	(10.0)	(67.7)
T o t a l	235.9	336.8	765.9

Source : Department of Finance

TABLE 8 — DEVELOPMENT EXPENDITURE 1974/1975
(billions of Rupiahs)

S e c t o r	Rupiah's Expenditure	Project Aid	Total
— Agriculture and irrigation	275.5	26.3	301.8
— Industry and mining	6.6	64.1	70.7
— Electric power	40.5	38.5	79.0
— Communication and Tourism	81.3	42.2	123.5
— Trade and Cooperatives	3.6	0.6	4.2
— Man power and Transmigration	4.3	0.2	4.5
— Regional development	135.5	0.4	135.9
— Religion	3.0	—	3.0
— Education, national culture and development of young generation	39.4	7.8	47.2
— Health, Family planning and welfare	17.9	7.4	25.3
— Housing and water supply	5.4	1.1	6.5
— Law and order and Law enforcement	1.9	—	1.9
— Defence and national security	22.7	—	22.7
— Information and Communication	2.3	0.4	2.7
— Science and Technology, Research and statistics	11.0	0.2	11.2
— Government apparatus	23.9	—	23.9
— Government's capital share	91.1	6.7	97.8
T o t a l	765.9	195.9	961.8

Source : Department of Finance

TABLE 9 — DEVELOPMENT EXPENDITURE 1972/1973 — 1974/1975
(billions of Rupiahs)

S e c t o r	1972/1973	1973/1974	1974/1975
— Agriculture and Irrigation	52.7	98.1	301.8
— Industry and mining	20.7	33.3	70.7
— Electric power	23.7	45.1	79.0
— Communication and Tourism	69.9	79.4	123.5
— Trade and Cooperatives	—	—	4.2
— Manpower and Transmigration	0.3	0.3	4.5
— Regional development	59.1	69.8	135.9
— Religion	0.7	0.6	3.0
— Education, National culture and development of young generation	18.0	36.9	47.2
— Health, Family planning and welfare	7.8	8.5	25.3
— Housing and water supply	5.7	8.5	6.5
— Law and Order and Law Enforcement	—	5.8	1.9
— Defence and National security	6.0	7.2	22.7
— Information and communication	11.1	16.6	2.7
— Science and technology, Research and statistic	—	—	11.2
— Government apparatus	—	—	23.9
— Government's capital share	22.5	40.8	97.8
T o t a l	298.2	450.9	961.8

Source : Department of Finance

**TABLE 10 — DEVELOPMENT EXPENDITURE BY SECTOR
EXCLUDING PROJECT AID**
(billions of Rupiahs)

S e c t o r ¹⁾	1972/1973	1973/1974	1974/1975
— Agriculture and Irrigation	40.9	79.5	275.5
— Industry and Mining	4.6	4.6	6.6
— Electric power	14.8	17.6	40.5
— Communication and Tourism	48.4	51.1	81.3
— Manpower and transmigration ²⁾	0.3	0.3	4.3
— Regional development	59.1	69.8	135.5
— Religion	0.7	0.6	3.0
— Education, National culture and development of young generation ³⁾	15.8	35.4	39.4
— Health, Family planning and welfare	7.4 ⁴⁾	7.5 ⁴⁾	17.9
— Housing and water supply	4.3 ⁵⁾	5.8 ⁵⁾	5.4
— Defence and National security	6.0	7.2	22.7
— Trade and Cooperatives	—	—	3.6
— Law and Order and Law Enforcement	—	—	1.9
— Information and Communication	11.1	16.6	2.3
— Science and Technology, Research and Statistic	—	—	11.0
— Government apparatus	—	—	23.9
— Government's capital share	22.5	40.8	91.1
T o t a l	235.9	336.8	765.9

1) Classification by sectors based on REPELITA II

2) In REPELITA I, this sector was called manpower and resident (citizen)

3) In REPELITA I, this sector was called education and national culture

4) Excluding social welfare

5) Including social welfare

TABLE 11 — ACTUAL PROJECT AID
(billions of Rupiahs)

S e c t o r	1972/1973	1973/1974	1974/1975
— Agriculture and Irrigation	11.8	18.6	26.3
— Industry and Mining	16.1	28.7	64.1
— Electric power	8.9	27.5	38.5
— Communication and Tourism	21.5	28.3	42.2
— Education, National culture and development of young Generation	2.2	1.5	7.8
— Health, Family planning and Welfare	0.4 ²⁾	1.0 ²⁾	7.4
— Housing and water supply	1.4 ³⁾	2.7 ³⁾	1.1
— Trade and cooperatives	---	---	0.6
— Manpower and Transmigration	---	---	0.2
— Regional development	---	---	0.4
— Religion	---	---	---
— Law and order and Law enforcement	---	5.8	---
— Defence and National security	---	---	---
— Information and communication	---	---	0.4
— Science and Technology, Research and Statistics	---	---	0.2
— Government apparatus	---	---	---
— Government's capital share	---	---	6.7
T o t a l	62.3	114.1	195.9

1) Classification by sector based on REPELITA II

2) Excluding social welfare

3) Including social welfare

III. BANK CREDIT DEVELOPMENTS

Credit Policy

Credit policy for REPELITA II continued to emphasize increasing loan availability without jeopardizing monetary stability. In order to achieve this, both quantitative and qualitative measures were introduced.

Quantitative measures taken during the reporting year consisted of the imposition of a ceiling on net domestic assets of banks and increased enforcement of provisions for the maintenance of minimum bank liquidity. The qualitative measures included extended provisions for the classification of loans by priority.

The following policies were instituted as part of the initial April 9 stabilization program or the subsequent implementation of that program:

1. New interest rate classifications were instituted for short-term state-bank loans given after April 9, 1974 (shown in Table 12). ¹⁾
2. A ceiling was imposed on increases in net domestic assets for each bank. This included a ceiling on loans and on other assets having a monetary impact similar to that of credit extension. For 1974/1975 this ceiling was set at 20 per cent, then later adjusted to 30 per cent for all banks.

1) Decision of the Board of the Directors of Bank Indonesia No. 7/7/Kep/Dir/UPK dated 9 April 1974.

Taking this last percentage figure as a guide, the following ceilings on increases in bank loans were established for each class of bank:

- State banks Rp 324.7 billion (33%)
- National private banks Rp 40.0 billion (34%)
- Foreign banks Rp 21.4 billion (15%)

In setting the ceiling on increases in net domestic assets for Government Banks, a distinction was made between program loans and loans of other types. Program loans are defined as loans extended to finance high-priority Government activities.

3. The following division of responsibility was established among the banks in order to speed up implementation of Small Investment Credits (KIK) and Permanent Working Capital Credits (KMKP).

- Bank Rakyat Indonesia :
Agriculture, livestock, fisheries, and forestry
- Bank Ekspor Impor Indonesia :
Production and services involving exports, trade (outside the markets) and warehousing
 - Bank Negara Indonesia 1946:
Industry and services connected with manufacturing, building and construction
- Bank Bumi Daya :
Agricultural estates, transportation (including the shipping and hotel industries)

- Bank Dagang Negara:
Trade (in markets) and mining
 - Bank Pembangunan Indonesia:
All sectors mentioned above
4. The interest rate on Class III and IV investment loans was raised from 12 per cent to 15 per cent per annum, while the rate on Class I and II loans was maintained at 12 per cent. The rates on KIK and KMKP credits were still set at 12 per cent and 15 per cent per annum, respectively (See Table 12).
 5. As reported in Chapter I in connection with developments in the monetary sector, certain revisions were made on December 28, 1974 affecting the policies established on April 9, 1974. The changes in interest rates that were part of these revisions can be seen in Table 12. ²⁾
 6. In connection with difficulties experienced by exporters of timber, certain concessions were made in refinancing for this sector ³⁾
 7. In order to improve procedures for applying for KIK and KMKP—both of which involve small amounts—beginning January, 1975, such applications could be accepted on a mass or group basis within one area of enterprise, with the understanding that no group of applications exceed Rp 5 million in total. ⁴⁾
 8. In order to determine whether a company belonged in the category of small business, a requirement for obtaining KIK and KMKP credits, the following criteria were established: maximum net worth, maximum net current assets, and maximum expenses for production. In addition to this, other qualifications for businessmen were established. ⁵⁾
 9. To help small businessmen, particularly in the rural areas, in 1974/1975 small credits (Mini Credit) began to be awarded, both for investment purposes and for working capital. Totals loaned were from Rp10,000 to a maximum of Rp 100,000 to one borrower at an interest rate of 12 per cent per annum for investment and 15 per cent per annum for working capital. The maximum periods established for such loans were 3 years for investment and 1 year for working capital for enterprises in the trade or industrial fields, and 1 season for agricultural purposes.

Funds for these loans originate from the State budget and totalled Rp 5.2 billion in 1974/1975.

Volume and Allocation of Credit

At the end of 1974/1975, the value of rupiah and foreign exchange loans granted by the banking sector was Rp 1,755.6 billion, an increase of Rp 540.2 billion (44,4%) over the level outstanding at the end of 1973/1974 (Table 13).

2) Decision of the Directors of Bank Indonesia No. 7/136/Kep/Dir/UPK, dated 27 December, 1974.

3) Bank Indonesia Circular No. SE/6/42/UPK, dated 11 December, 1974

4) Bank Indonesia Circular No. SE/7146/UPK, dated 16 January, 1975.

5) Bank Indonesia Circular No SE 7/51 /UPK dated 31 March 1975.

Rupiah loans totalling Rp 1,450.8 billion represented 82.6 per cent of all bank loans at the end of March, 1975; the balance of Rp 304.8 billion or 17.4 per cent, represented loans in foreign currency. Over ninety per cent of all rupiah loans (Rp1,308.1 billion) were short-term, used principally in the trading sector (Rp 591.6 billion), the industrial sector (Rp 329.4 billion) and the agricultural sector (Rp 107.8 billion) representing 45.2%, 25.2% and 8.2% respectively. This expansion of rupiah credit represented an increase of Rp 362.6 billion (33%) over the volume outstanding at the end of 1973/1974. The increases in short-term loan volume by sector were as follows: agriculture, Rp 17 billion (18.7%); mining, Rp 7.4 billion (121.3%); industry, Rp 43.5 billion (15.2%); trade, including the hotel industry, Rp 190.3 billion (47.4%); service, Rp 36.2 billion (72.0%) and miscellaneous, Rp 44.6 billion (33.1%).

The volume of investment credit also showed an increase. At the end of March, 1975, investment credits approved by Government banks totalled Rp 198.3 billion (including rupiah finance for project aid), an increase of Rp 23 billion (13.1%) over the total at the end of March, 1974. The debit balance for these loans totalled Rp 142.7 billion at the close of the reporting period, an increase of Rp 23.4 billion (19.6%). These loans were used principally for financing in the industry sector (Rp 72.4 billion or 50.7%), the services sector (Rp 46.7 billion or 32.7%), and the agricultural sector (Rp 13.4 billion or

9.4%). The largest source of funds for these loans was the refinancing facility provided by Bank Indonesia. These liquidity credits totalled Rp 75.7 billion (53.1%). The remaining funds were made available by the state commercial banks from their own sources (Rp 63 billion or 44.2%) or come from the State budget (Rp 3.9 billion, or 2.7%).

Investment credits for local (rupiah) cost of project aid totalled Rp 16.6 billion during 1974/1975. The largest part of these credits was used to finance industry (Rp 11 billion, or 66.3%). The principal source of finance for this purpose was Bank Indonesia, with loans of Rp 14.3 billion, or 86.1 per cent of the total.

The use of banks own funds in bank loan activity has increased substantially. This can be seen in Bank Indonesia's liquidity credits to banks, which were 50.3 per cent of all bank loan activity at the end of 1969/1970 (not including direct loans by Bank Indonesia) but fell gradually to 25.1 per cent at the end of 1974/1975.

Loans in foreign currency also increased during the year, rising to Rp 304.8 billion. If loans to PERTAMINA for the repayments of its overseas debts are not included, the rise in foreign currency loans totalled Rp 91.5 billion (71.8%).

As explained above, in order to help small entrepreneurs, KIK and KMKP have been made available on easier terms than usual loans. At the end of March, 1975,

11,324 KIK applications totalling Rp18.8 billion were approved, as were 15,769 KMKP applications totalling Rp 17.9 billion. By end of 1974/1975 credits outstanding under KIK totalled Rp 15.5 billion and under KMKP Rp 13.6 billion. This shows the rapid increase in the granting of KIK and KMKP, considering that at the end of 1973/ 1974, 4,611 KIK applications for R p 4.0 billion and 3,303 KMKP applications for Rp 2.9 billion had been approved.

At the same time, small loans (Mini Credit) made to small-scale enterprises, particularly in the rural areas, reached Rp 2.3 billion. These loans were granted to 61,824 borrowers and were used principally for working capital.

KIK, KMKP and small loan developments over 1974/1975 are shown in Table 16.

Ceiling on Expansion of Net Domestic Assets of Banks

Net domestic assets of the banking system as a whole rose during 1974/1975 by 26.3 per cent, whereas the ceiling established was 30 per cent. However, net domestic assets other than those of Bank Indonesia totalled Rp1,565.5 billion at the end of 1974/1975, a rise of Rp 322 billion (25.9%), whereas the ceiling was Rp 386.2 billion (30.6%). Thus, this rise was 16.6 per cent below the ceiling. These increases in net assets consisted of Rp 302.6 billion in loans and R p 19.5 billion in other assets.

The ability of banks to restrain credit expansion to within the established ceiling was due principally to their caution in extending loans.

Developments in net domestic assets of banks can be seen in Table 17.

TABLE 12 - STATE BANK LENDING INTEREST RATES
(per cent per annum)

	April 12, 1973			April 9, 1974			December 28, 1974			
	Categ-ory	Interest Rates	BI refinancing Share (%)	Interest Rates	Categ-ory	BI refinancing Share (%)	Interest Rates	Categ-ory	BI refinancing Share (%)	Interest Rates
Investment Credits										
Up to Rp 25 million	I	12	80	4	I	80	4	I	80	4
Over Rp 25 million up to Rp 100 million	II	12	75	4	II	75	4	II	75	4
Over Rp 100 million up to Rp 300 million	III	12	70	4	III	70	4 ¹⁾	III	70	6
Over Rp 300 million	IV	12	65	4	IV	65	4 ¹⁾	IV	65	6
Small-scale investment credits										
Over Rp 300 million		12	80	4		80	4		80	4
Permanent Working Capital Credits										
Over Rp 300 million		15	70	8		70	8		70	8
Short-Term Credits										
Imports under PL-480 :										
— food	IA	6	100	6	IA	100	6	IA	100	6
— non-food	IA	12	100	6	IA	100	6	IA	100	6
BIMAS program for rice and catch crops	IA	12	100	3	IA	100	3	IA	100	3
Imports/distribution of fertilizer and insecticides	IA	12	86.7/85.7	6	IA	86.7/85.7	6	IA	85/80	6
Operation of wheat flour mills	IB	15	50	10	IB	50	10	IB	70	10
BIMAS program for chicken	II	18	25	10	IIA	25	10	IB	70	10
Operation of rice mills/hullers	IB	15	50	10	IIA	50	10	IB	70	10
Operation of public transportation	II	18	25	10	IIA	25	10	IB	70	10
Operation of sugar mills	II	18	25	10	IIA	25	10	IB	70	10
Animal husbandry	II	18	25	10	IIA	25	10	IB	70	10
Exports and production of export goods :										
— promoted	IB	15	50	10	IIA	50	10	IB	70	10
— other	IB	15	50	10	IB	50	10	IB	70	10
Operation of textile industry	II	18	25	10	IIA	25	10	IB	70	10
Operation of production of cotton, sugar cane and tobacco										
Imports/distribution of supervised goods	IB	15	75	10	IIA	75	10	IB	70	10
Sugar supply	II	18	75	10	IIA	75	10	IIA	50	10
Operation of other products	II	18	25	10	IIA	25	10	IIA	50	10
Domestic trade	II	18	25	10	IIA	25	10	IIA	50	10
Operation of contractors	III	18	25	10	III	25	10	IIA	20	10
Other	III	18 s/d ²⁴	—	—	III	—	—	IIA	24	—

Since October 1, 1974 the rate is 6%

TABLE 13 – TOTAL BANK CREDITS ¹⁾
(millions of Rupiahs)

	1973	1 9 7 4				1975
	IV	I	II	III	IV	I
Credits in Rupiah	<u>969,148</u>	<u>1,088,166</u>	<u>1,220,568</u>	<u>1,287,322</u>	<u>1,385,688</u>	<u>1,450,809</u>
– Short term credits ²⁾	858,065	968,894	1,095,042	1,155,997	1,248,691	1,308,130
– Agriculture	78,937	90,751	77,107	80,104	103,757	107,849
– Mining	7,949	6,135	733	594	10,598	13,525
– Manufacturing industry	218,006	285,880	319,952	334,982	289,543	329,449
– Trade	390,994	401,262	512,562	550,367	604,448	591,647
– Service rendering industry	39,202	50,295	46,950	62,851	73,851	86,450
– Others	122,977	134,571	137,738	127,099	166,494	179,210
Investment credits	101,746	107,952	112,303	117,139	121,450	126,098
Credits for Rupiah (local) cost of Project Aid	9,337	11,320	13,223	14,186	15,547	16,581
Credits in Foreign Exchange	<u>89,223</u>	<u>127,415</u>	<u>151,001</u>	<u>173,992</u>	<u>187,026</u>	<u>304,784</u>
– Exports	6,594	6,543	4,877	5,316	5,011	4,316
– Imports	30,635	17,926	19,694	21,258	17,337	18,359
– Others	51,994	102,946	126,430	147,418	164,678	282,110 ³⁾
T o t a l	1,058,371	1,215,581	1,371,569	1,461,314	1,572,714	1,755,593

1) Includes Bank Indonesia direct credits.

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

2) Includes small-scale investment credits and permanent working capital credits.

3) Includes Bank Indonesia credits to PERTAMINA for repayment of its foreign debts.

TABLE 14 – INVESTMENT CREDITS ¹⁾
(millions of Rupiahs)

	1973	1 9 7 4				1975
	IV	I	II	III	IV	I
Approved by banks	<u>144,491</u>	<u>157,478</u>	<u>162,323</u>	<u>166,991</u>	<u>174,938</u>	<u>177,071</u>
1. By economic sectors						
– Agriculture	9,000	10,956	10,296	11,203	11,677	12,139
– Manufacturing	71,996	75,187	78,868	79,624	84,611	86,837
– Mining	495	513	508	281	221	221
– Communication & Tourism	56,812	62,321	63,164	66,397	67,312	65,916
– Others	6,188	8,501	9,487	9,486	11,117	11,958
2. By source of funds						
– Central Bank	102,105	110,351	111,820	113,547	114,187	111,827
– State banks	33,702	39,900	43,488	46,828	54,646	59,485
– Budget	8,684	7,227	7,015	6,616	6,105	5,759
Credits outstanding	<u>101,746</u>	<u>107,952</u>	<u>112,303</u>	<u>117,139</u>	<u>121,450</u>	<u>126,098</u>
1. By economic sectors						
– Agriculture	6,764	8,305	6,951	8,146	9,223	9,545
– Manufacturing industry	53,035	52,764	54,925	56,774	59,026	61,404
– Mining	161	168	153	152	147	147
– Communication & Tourism	38,501	41,178	44,364	45,537	45,758	46,672
– Others	3,285	5,537	5,910	6,530	7,296	8,330
2. By source of funds						
– Central Bank	61,469	64,096	65,361	66,428	64,829	61,454
– State banks	35,347	39,011	42,041	46,320	52,538	60,696
– Budget	4,930	4,845	4,901	4,391	4,083	3,948

1) Excludes Rupiah (local) cost of Project Aid

**TABLE 15 – INVESTMENT CREDITS FOR RUPIAH (LOCAL) COST
OF PROJECT AID**
(millions of Rupiah)

	1973	1 9 7 4				1975
	IV	I	II	III	IV	I
Approved by banks	<u>17,838</u>	<u>17,838</u>	<u>21,679</u>	<u>21,679</u>	<u>21,679</u>	<u>21,232</u>
1. By economic sectors						
– Agriculture	7,291	7,291	8,062	8,062	8,062	6,873
– Manufacturing industry	8,956	8,956	12,026	12,026	12,026	12,768
– Mining	---	---	---	---	---	---
– Communication & Tourism	---	---	---	---	---	---
– Others	1,591	1,591	1,591	1,591	1,591	1,591
2. By sources of funds						
– Central Bank	16,054	16,054	16,817	16,817	16,817	18,481
– State banks	1,784	1,784	4,862	4,862	4,862	2,751
– Budget	---	---	---	---	---	---
Credits outstanding	<u>9,337</u>	<u>11,320</u>	<u>13,223</u>	<u>14,186</u>	<u>15,547</u>	<u>16,581</u>
1. By economic sector						
– Agriculture	1,280	1,399	2,601	2,966	3,421	3,890
– Manufacturing industry	6,605	8,238	8,934	9,506	10,305	10,977
– Mining	---	---	---	---	---	---
– Communication & Tourism	---	---	---	---	---	---
– Others	1,452	1,683	1,688	1,714	1,821	1,714
2. By sources of funds						
– Central bank	6,477	8,939	10,604	11,381	12,514	14,284
– State bank	2,860	2,381	2,619	2,805	3,033	2,297
– Budget	---	---	---	---	---	---

TABLE 16 — SMALL INVESTMENT CREDITS, PERMANENT WORKING CAPITAL CREDITS AND MINI CREDITS
(millions of Rupiahs)

	1 9 7 4				1975
	I	II	III	IV	I
I. Small Investment Credits					
— Number of applications approved	4,611	7,759	8,750	9,554	11,324
— Value of applications approved	5,667	11,573	13,368	15,253	18,768
— Credit outstanding	3,966	9,756	11,421	13,039	15,533
II. Permanent Working Capital Credits (KMKP)					
— Number of applications approved	3,303	8,811	10,550	14,524	15,769
— Value of applications approved	4,488	11,069	13,072	15,502	17,914
— Credit outstanding	2,913	9,021	11,006	12,513	13,578
Total KIK + KMKP					
— Number of applications approved	7,914	16,570	19,300	24,078	27,093
— Value of applications approved	10,155	22,642	26,440	30,755	36,682
— Credit outstanding	6,879	18,777	22,427	25,552	29,111
III. Mini Credits (outstanding)	—	430	1,172	1,598	2,289

TABLE 17 – NET DOMESTIC ASSETS OF BANKS
(millions of Rupiahs)

	1 9 7 4				1975	Change in 1974/1975		Ceiling for 1974/1975	
	(1)	II	III	IV		Rupiah	%	Rupiah	%
State banks	<u>984,180</u>	<u>1,096,293</u>	<u>1,120,318</u>	<u>1,206,770</u>	<u>1,275,417</u>	<u>291,237</u>	<u>(29.6)</u>	<u>324,720</u>	<u>(33.0)</u>
– Credits	807,160	918,931	955,853	1,028,109	1,141,475	274,315		314,650	
– Other assets	117,020	176,562	164,465	178,661	133,942	16,922		10,070	
National private banks	<u>117,238</u>	<u>119,971</u>	<u>120,092</u>	<u>122,851</u>	<u>135,362</u>	<u>18,124</u>	<u>(15.5)</u>	<u>40,000</u>	<u>(34.1)</u>
– Credits	74,609	74,538	80,188	89,165	99,236	24,627		40,000	
– Other assets	42,629	45,433	39,904	33,686	36,126	–6,503		—	
Foreign banks	<u>142,043</u>	<u>146,324</u>	<u>144,503</u>	<u>143,822</u>	<u>154,713</u>	<u>12,670</u>	<u>(8.9)</u>	<u>21,437</u>	<u>(15.1)</u>
– Credits	124,436	136,368	122,193	117,111	128,048	3,612		20,860	
– Other assets	17,607	9,956	22,310	26,711	26,665	9,058		577	
T o t a l	<u>1,243,461</u>	<u>1,362,588</u>	<u>1,384,913</u>	<u>1,473,443</u>	<u>1,565,492</u>	<u>322,031</u>	<u>(25.9)</u>	<u>386,157</u>	<u>(31.1)</u>
– Credits	1,006,205	1,130,637	1,158,234	1,234,385	1,368,759	302,554		375,510	
– Other assets	177,256	231,951	226,679	239,058	196,733	19,477		10,647	

1) Base figures for 1974/1975

IV. MOBILIZATION OF FUNDS

During 1974/1975, as part of the Government's stabilization program, important changes were made in the interest rates on time deposits and TABANAS.

Time Deposits

On April 9, 1974, the Government created new time deposits, 18 and 24 months in maturity, and set the interest rates on all available maturities as follows:

30% a year on 24-month deposits;
24% a year on 18-month deposits;
18% a year on 12-month deposits;
12% a year on 6-month deposits;
9% a year on 3-month deposits;
6% a year on deposits of less than three months¹⁾

Against the interest paid by state new 18 and 24 month deposits, the Government decided to amounting to 8 per cent and 15 per cent, respectively. At the same time, the Government prohibited banks from accepting as INPRES time deposits funds of overseas origin. These funds qualify for a maximum interest rate of only 6 per cent per annum.

In view of monetary improvements after the implementation of the April 9 measures, interest rates were changed on December 28, 1974 to the following:

24% a year on 24-month deposits;
21 % a year on 18-month deposits;
15% a year on 12-month deposits;
12% a year on 6-month deposits;
9% a year on 3-month deposits; 6% a year on deposits of less than 3 months²⁾

In line with these changes the subsidies on interest payments on 18 and 24-month time deposits were reduced to 6 per cent and 9 per cent per annum, respectively.

During 1974/1975, time deposits rose by Rp 124.6 billion (86.6%) to Rp 268.5 billion. In spite of the lowering of the interest rates on December 28, 1974, time deposits continued to increase throughout the remainder of the year. As in previous years, deposits of the longest maturity represented the majority of total time deposits (Rp 210.6 billion or 78.4 per cent of all time deposits).

Certificates of Deposits

Certificates of deposit during 1974/ 1975 rose by Rp 22.8 billion (40.3%) to Rp 79.5 billion. (Table 19).

Certificates of deposit currently in circulation are issued in denominations of Rp 50,000; maturity varies between 1 week and 12 months.

1) Bank Indonesia decision No.7/8/Kep/Dir/UPUM/74, dated 9 April, 1974.

2) Bank Indonesia decision No 7/8/Kep/Dir/UPUM/74, dated December 27, 1974.

TABANAS and TASKA

In line with the Government's policy of mobilizing domestic savings from the largest possible cross section of the population, the National Savings Drive succeeded in steadily raising TABANAS and TASKA deposits.

Coincident with the increases in the interest rates on time deposits, the TABANAS rate was raised to 18 per cent per annum on the first Rp 200,000 of deposits and 9 per cent on the balance in excess of that amount. As shown in Table 20, the TABANAS position at the end of March, 1975, was Rp 54.2 billion, with 3.7 million depositors; the TASKA position was Rp 84 million, with 8.7 thousand depositors. Compared with the position at the end of March, 1974, there was an increase of 47.5 per cent (Rp 17.4 billion) in TABANAS and 8.2 per cent (Rp 6.4 million) in TASKA.

To intensify the Student and Scout Savings Drive, cooperation was instituted among Bank Indonesia, the Department of Education and Culture, and Scout Headquarters by forming a Coordinating Council to Develop the National Savings Drive at the national, regional, and provincial levels. On March 31, 1975, the position of Student Savings was Rp174 million, with 451,000 depositors.

Savings for the Haji Pilgrimage to Mecca

For the 1974/1975 pilgrimage season the cost of going on pilgrimage (ONH) was set at Rp 556,000 per person for oceangoing pilgrims, and Rp 560,000 for the airborne.

The total ONH deposited by the end of March, 1975, was Rp 38.2 billion by 66,836

- a. 3% 1950 RI loan
- b. 3.5% 1959 loans against blocked account
- c. 6% 1959 R I lottery bonds

prospective pilgrims, as compared with Rp 17.1 billion by 39,098 pilgrims at the end of March, 1974.

Money and Capital Market

As part of its efforts to develop the Money and Capital Market as a means of facilitating public investment in business, the Government undertook to regulate offerings, brokerage, and the securities traffic by entrusting further activity in these fields to Bank Indonesia³⁾. Bank Indonesia agreed to cooperate with the Department of Finance concerning stamp tax revenue problems connected with money and capital market activity⁴⁾.

Compared with the turnover of securities in the previous year, 1974/1975 recorded a 69 per cent decrease to Rp 2.7 million. In addition, the value at which Government obligations were traded declined, this can be seen below:

1973/1 974		1974/1975	
High	Low	High	Low
(Percent of Face Value at which obligations traded)			
97.25%	80%	94%	73%
91%	68%	66%	52%
98%	93%	94%	65%

3) Minister of Finance Decisions No. Kep. 640/MK/IV/5/1974, and Kep. 641/MK/IV/5/1974 dated May 6, 1974.

4) Minister of Finance decisions, No. Kep. 236/MK/11/3/1975. Kep. 237/MK/11/3/1975, Kep.239/MK/11/3/1975, and Kep 240/MK/11/3/1975, dated March 4, 1975.

The balance of Government loans in the form of bonds still outstanding at the end of the reporting period is as follows:

- a. 3% 1950 RI loan, nominal value Rp 91,584,940;
- b. 3.5% 1959 loans against blocked account, nominal value Rp 23,519,250;
- c. 6% 1959 RI lottery bonds, nominal value Rp 31,916,500.

In addition there are still loans which have not yet been converted into bonds and could therefore not be offered to the public. These include the 3.5 per cent debt acknowledgment loan carried in the 1959 Consolidated Debt ledger, the 6 per cent 1964 RI Development loan, and the 15 per cent 1964 RI Confrontation Loan. These totalled Rp 238,460,435.61 nominal value.

Settlement of Indonesia-Netherlands Securities Problems

Settlement of Indonesia-Netherlands securities problems clearly involve domes-

tic securities laws. In connection with this matter, the Government issued its findings on the following matters:

- the legal basis on which the settlement of these securities should be carried out;
- the repayment of Provincial/Municipal bonds issued before World War II and owned by Indonesian nationals and foreign nationals other than Dutch;
- Securities held in securities banks in Indonesia whose owners or custodians are unknown or can no longer be located ⁵⁾.

Inter-bank Call Money Market

In its effort to develop the money market, since April, 1974, Bank Indonesia has supervised activities in the inter-bank call money market. This market consists of members of the Jakarta Clearing Institute. Developments in the inter-bank call money market are shown in Table 21.

5) Presidential decision No. 53, 1974.

TABLE 18 — TIME DEPOSITS ¹⁾
(millions of Rupiahs)

	24 months	18 months	12 months	6 months	3 months	Less than 3 months	Total
1974 :							
March	---	---	129,722	9,331	3,621	1,229	143,903
June	87,224	1,713	69,493	10,087	4,087	1,187	173,791
September	138,004	5,343	50,199	8,430	2,553	1,531	206,060
December	179,934	8,090	37,226	8,298	3,708	1,385	238,641
1975 :							
March	210,602	10,177	29,637	10,243	5,062	2,828	268,549

1) According to Presidential Decree No. 28/1968

TABLE 19 — CERTIFICATES OF DEPOSITS ¹⁾
(millions of Rupiahs)

	State Banks	Foreign Banks	Total
1974 :			
March	48,608	8,145	56,753
June	68,575	8,909	77,484
September	67,849	9,665	77,514
December	64,732	8,221	72,953
1975 :			
March	70,056	9,475	79,531

1) Outstanding i.e, the balance of CD issued over those repaid

TABLE 20 – TABANAS AND TASKA
(total outstanding in millions of Rupiahs)

		TABANAS		TASKA		Total	
		Number of accounts	Out- Standing	Number of accounts	Out- Standing	Number of accounts	Out- Standing
1974 :							
	March	3,019,497	36,777	11,135	78	3,030,632	36,855
	June	3,187,563	37,038	9,827	83	3,197,390	37,121
	September	3,359,453	40,024	9,055	92	3,368,508	40,116
	December	3,450,148	43,984	8,755	74	3,458,903	44,058
1975 :							
	March	3,649,896	54,205	8,658	84	3,658,554	54,289

TABLE 21 – INTER BANK CALL MONEY MARKET
(millions of Rupiahs)

		Interest Rates	Total Transactions
1974 :			
	April – June	8½% – 12¾%	100,235
	July – September	10 % – 14 %	103,425
	October – December	10 % – 19½%	136,475
1975 :			
	January – March	6 % – 28.8 %	131,780

V. BANKS AND OTHER FINANCIAL INSTITUTIONS

Banking Policy

During the course of 1974/1975, Bank Indonesia felt it necessary to establish new and more appropriate regulations supportive of the development of banking in general and of the transition of national private banks into foreign exchange banks in particular.¹⁾

Foreign exchange banks regulation

The regulations governing the appointment of foreign exchange banks are as follows:

1. Appointment as a foreign exchange bank is conducted in two stages: first, an agreement is reached in principle to make the necessary preparations for functioning as a foreign exchange bank; and second, a bank is appointed as a foreign exchange bank.
2. To reach an agreement in principle, it must first be determined whether there is actually a need for further foreign exchange banks in the locality concerned. Further, the bank involved must be an enterprise owned by the indigenous sector, must have been in operation for at least 5 years, and must have taken part successfully in a merger. In addition, the

bank concerned must have been consistently successful in its operations for the preceeding 3 to 5 years and shown a reasonable turnover, with a healthy liquidity level and solvency, and consistent profitability. Further, the bank should not have operated in defiance of sound banking principles and should have followed existing banking regulations consistently.

3. The second stage, appointment as a foreign exchange bank, is reached only after certain reassessment, made at the time of the agreement in principle have been complied with, and after appropriate administrative preparations have been completed in order to handle the foreign exchange activities. In addition, plans must have been made for relationships with correspondents abroad and for making initial deposits in foreign exchange in accounts with these correspondent banks.

Reserve requirement

To help the Government combat the increasing rate of inflation, Bank Indonesia established new requirements for minimum bank reserve levels in Rupiah and in foreign exchange ²⁾, These requirements became effective on 15 April 1974.

1) Decision of the Board of Directors of Bank Indonesia No. 7/24/Kep/Dir/UPPB, dated 29 April 1974. and Bank Indonesia circular letter No.SE 7/2 UPPB, dated 29 April 1974.

2) Decisions of the Board of Directors of Bank Indonesia No. 7/65/Kep/Dir/UPPB and No. 7/66/ Kep/Dir/UPPB, both dated 26 August 1974, and Bank Indonesia circular letters No.SE 7/27 UPPB and SE 7/28 UPPB, both dated 28 August 1974.

The minimum reserve requirement, defined as the ratio of legal reserve assets in a given currency to current liabilities in that currency, was set at 30 percent for both rupiah and foreign exchange accounts.

In calculating rupiah reserve requirements, banks could no longer include inter-bank deposits in legal reserve assets. On the other hand, call money deposits were to be included in current liabilities and the effective reserve requirement ratio on time and savings deposits (the reserve requirement ratio on current liabilities times the proportion of time and savings deposits included in current liabilities) was increased. In addition penalties for failure to comply with stipulations for keeping minimum liquidity levels and for keeping up clearing account deposits with Bank Indonesia, as required by previous regulations, the new regulations called for banks failing to report on time to pay a fixed penalty and for banks failing to maintain the required minimum reserve balance to pay an interest penalty of 3 per cent/month on the shortfall of the actual reserve balance below the minimum required level. An additional 2 per cent is charged on shortfalls hidden by false reports.

Under the new reserve requirement regulations, current foreign exchange liabilities were defined to include foreign exchange obligations to residents, rupiah and foreign exchange obligations to nonresidents, import quarantees based on Banker's L/C's both in foreign exchange and in rupiah, and foreign exchange deposits to back up Merchants' L/C's.

The foreign exchange reserve requirement ratios, originally set at 10 per cent on all current liabilities, were raised to 30 per cent under the new regulations. Of this amount, 30 per cent of total current liabilities to non-residents (both foreign exchange and rupiah) and 10 per cent of the obligations in foreign exchange to residents must be held in the form of deposits at Bank Indonesia. In the new regulations concerning minimum liquidity requirements in foreign exchange the fiat check component was eliminated.

In order to encourage banks to comply with minimum liquidity requirements, both in Rupiah and in foreign currency, Bank Indonesia decided to grant interest on both clearing accounts in Rupiah and on excess deposits of banks in foreign currency in accounts held with Bank Indonesia, according to the following formula: ³⁾

1. Beginning July, 1974, Bank Indonesia would pay interest on both Rupiah clearing accounts and on bank deposits in foreign exchange for all amounts in excess of the obligatory deposits held for these purposes, provided that the bank, during the month involved, complied with regulations on the minimum liquidity position. Interest is to be paid on the minimum daily balance of excess reserves held over the course of the month but only up to an amount equal to 100 per

3) Decisions of the Board of Directors of Bank Indonesia No 7/81/Kep/Dir/UPPB. dated March 26, 1975 and No 8/7/Kep/Dir/UPPB. dated April 10, 1975, and Bank Indonesia circular letters No SE 7/58 UPPB, dated March 26, 1975, and No SE 8/1/UPPB dated April 12, 1975.

cent of the lowest daily required reserve balance.

2. Initially the interest rate on excess Rupiah clearing accounts and deposits in foreign exchange was set at 10 per cent per annum calculated monthly and paid once a year.

Merger of banks

In view of the continuing need to offer incentives to banks to organize into larger and more viable units through the merger process, the Minister of Finance extended the period of tax relief granted to institutions reorganizing in this manner.⁴⁾ The revised deadline to qualify for this tax relief, originally 31 December 1974, was extended to 31 December 1975.

From the date of the Government's recommendation to merge until March, 1975, a total of 46 banks had merged to form 18 larger units. During the reporting period, 1974/1975, 17 banks merged to form 8 institutions.

As is already known, in conformity with existing regulations, foreign banks are not permitted to operate outside Jakarta. However, in the context of giving an opportunity to both private national banks and foreign banks to increase their involvement in the economic development of the provinces, Bank Indonesia established regulations

governing cooperation between foreign banks and other banks in providing services outside Jakarta, including joint financing of loans, provision of import and export activities, and the issuance of bank guarantees ⁵⁾.

In connection with these regulations, Bank Indonesia established penalties for violations of its provisions in the form of 2 per cent monthly interest on violations in the credit sector and 1 percent in the import-export sector and in the granting of bank guarantees ⁶⁾. The severity of these sanctions depends on the number of violations recorded for the bank concerned.

In the context of banking developments, particularly the improvement of national private banks and provincial development banks, by the end of March, 1975, Bank Indonesia had approved a total of Rp 8,896 million in liquidity loans to these banks. Of this amount Rp 7,356 million was actually borrowed. Of these liquidity loans, a total of Rp 5,680 million were made to 49 banks for refinancing, with a debit balance of Rp 4,591 million to 37 banks, while Rp 3,061 million in emergency liquidity loans were made to 9 banks, with a use of Rp 2,634 million, while liquidity clearing loans totalling Rp 155 million were made to 9 banks, with a use of Rp 131 million by 5 banks.

To help borrowers repay their loans, Bank Indonesia determined that village

4) Minister of Finance Decision No Kep.1666/MK/ 11/ 12/1974 dated December 3, 1974.

5) Decision of the Board of Directors of Bank Indonesia and Bank Indonesia circular letter No 6/77/Kep/ Dir/Biro/74 and No SE 6/50 UPPB, dated respectively 13 February 1974 and 20 February 1974.
6) Decision of the Board of Directors of Bank Indonesia No SE 7/13 UPPB, dated 21 June 1974.

banks, market banks, and other banks of the same type were not allowed to require payment of installments within less than 1 week nor permit more than 1 month, while, if borrowers for business purposes wished to repay installments on a daily basis, these banks were authorized to accept them ⁷⁾

Banking Developments

At the end of March, 1975, the number of banks had been reduced to 113, while the number of offices had risen to 894 compared with 123 banks with 888 offices at the end of March, 1974. This decrease in the number of commercial banks was due to the mergers of a number of private banks, as well as to the cancellations of the licenses of several to operate.

The total number of development banks in operation at the end of March, 1975, was still 28, but the number of offices had increased to 123 because of permission given to Bank Pembangunan Daerah to open 7 new branch offices.

Compared with the number at the end of March, 1974, the number of savings banks had decreased to 7 as a result of the withdrawal of permission for three private savings banks to operate.

The number of secondary banks increased from 5,827 at the end of March, 1974, to 5,899 at the end of March, 1975,

not as the result of the opening of new banks, but of the licensing of 82 which had not been officially licensed previously by the Minister of Finance. At the same time, 10 lost their licenses. Details on the activity in bank and branch establishment may be seen in Table 22.

Table 23 also highlights developments in banking in Indonesia. The combined balance sheet totals, mobilized funds, and loans granted by all deposit money banks at the end of 1974/1975 were Rp 2,516.7 billion, Rp 1,381.4 billion, and Rp 1,492.2, respectively.

This shows an increase in total assets of Rp 794.6 billion (46.1 percent) over the previous year, while mobilized funds and loans granted rose Rp 379.5 billion (37.9 percent) and Rp 412.3 billion (38.2 percent), respectively.

The Government banks continued to play the decisive role, both as seen from the balance-sheet total (82.7 per cent) and mobilized funds (76.6 percent), as well as from the volume of loans granted (84.8 per cent). The role of private national banks can be seen from the fact that their total assets were 7.4 per cent of total banking system assets, their mobilized funds 9.5 percent of total funds mobilized in the banking system and their loans accounted for 6.6 percent of all bank loans outstanding. Foreign banks accounted for 9.9 per cent of total bank assets, 13.9 percent of total mobilized funds, and 8.6 percent of total loans granted.

All banks held an overall liquidity position over mandatory requirements during the re-

7) Decision of the Board of Directors of Bank Indonesia No SE 7/41 UPPB, dated 11 December 1974.

porting period, and the position rose from 33.1 per cent in 1973/ 1974 to 36.3 per cent. Similarly the minimum mandatory balance of transfer accounts with Bank Indonesia rose overall 18.5 per cent higher than the required level.

Non-Bank Financial institutions

As is already known, one of the functions of non- bank financial institutions is to assist in the development of the money and capital market. To safeguard the public interest, Bank Indonesia has determined that offerings of shares to the public must be made through non-bank financial institutions ⁸⁾

During 1974/1975, the Government granted permanent operating licenses to 2 financial institutions other than banks:

- PT Multinational Finance Corporation (PT Multicor) and
- PT Indonesia Financing and Investment Company (PT IFI).

In addition, permission was given for Arbuthnot Lathan & Co., Ltd. of London to open a representative office in Indonesia.

This brought the total number of financial institutions other than banks to twelve, divided into the following two categories:

- I. Development Finance Corporations
 1. PT Indonesian Development Finance

8) Decision of the Board of Directors of Bank Indonesia No 7/164/Kep/Dir/UPUM, dated 17 February 1975.

- Company (PT I DFC)
2. PT Private Development Finance Company of Indonesia (PT PDFCI).

I I. Investment Finance Corporations

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)
9. PT Multinational Finance Corporation (PT MULTICOR)
10. PT Indonesia Financing and Investment Company (PT IFI)

In addition to these, the representative offices of financial institutions other than banks at the end of the reporting year included:

1. Commonwealth Development Corporation (CDC), London
2. Private Investment Company for Asia (PICA), Tokyo
3. Arbuthnot Lathan & Co. Ltd. London.

TABLE 22 — NUMBER OF BANKS AND THEIR OFFICES IN INDONESIA ¹⁾

	March 1974	1974/1975		March 1975
	Number of banks/offices	Established	Licence revoked	Number of banks/offices
Commercial Banks				
State Banks				
— Number of banks	5	---	---	5
— Number of offices	604	10	---	614
National private banks				
— Number of banks	107	1	11	97
— Number of offices	264	13	18	259
Branches of foreign Banks				
— Number of banks	11	---	---	11
— Number of offices	20	1	---	21
Development Banks				
BAPINDO				
— Number of banks	1	---	---	1
— Number of offices	11	---	---	11
Local Development Banks				
— Number of banks	26	---	---	26
— Number of offices	105	7	---	112
Private Development Banks				
— Number of banks	1	---	---	1
— Number of offices	1	---	---	1
Savings Banks				
State Saving Banks				
— Number of banks	1	---	---	1
— Number of offices	7	---	---	7
Private Saving Banks				
— Number of banks	10	---	3	7
— Number of offices	10	---	3	7
Secondary Banks				
Village banks	3,505	56	5	3,556
Paddy banks	2,212	---	1	2,211
Retailers banks	110	26	4	132
Total number of offices	6,849	113	31	6,931

1) Excludes representative offices

TABLE 23 — COMBINED BALANCE SHEET OF DEPOSIT MONEY BANKS
March 1974 — March 1975
(millions of Rupiahs)

	March 1974				March 1975					
	State Banks	National Private banks		Foreign banks/ joint venture	Total	State Banks	National Private banks		Foreign banks/ joint venture	Total
Assets :										
Cash in hand	28,829	6,970	1,402		37,201	48,457	14,727		3,016	66,200
Bank Indonesia	139,072	18,971	23,818		181,861	422,216	33,224		47,009	502,449
Securities	3,103	116	1		3,220	763	692		502	1,957
Domestic drafts	4,350	1,495	5,327		11,172	8,389	1,864		6,131	16,384
Loans outstanding	815,432	71,739	64,229		951,400	1,111,529	98,134		63,356	1,273,019
Foreign exchange assets :										
— Loans	68,014	184	60,255		128,453	153,425	1,109		64,692	219,226
— Other	169,765	3,994	60,442		234,201	241,857	4,144		45,078	291,079
Participation	1,130	462	—		1,592	2,065	1,250		—	3,315
Premises and inventory	19,565	6,661	2,950		29,176	23,212	9,723		5,140	38,075
Other assets	103,028	34,349	6,422		143,799	69,434	22,136		13,380	104,950
Total assets	1,352,288	144,941	224,846		1,722,075	2,081,347	187,003		248,304	2,516,654
Liabilities :										
Paid-up capital	1,097	13,006	4,503		18,606	1,097	21,057		9,575	31,729
Reserves/profit & loss account	68,319	5,919	6,456		80,694	98,265	10,494		9,393	118,152
Debt outstanding	1,588	917	—		2,505	3,716	437		—	4,153
Balance on current account	277,596	67,536	35,729		380,861	384,747	86,031		54,523	525,301
Time/savings deposits	242,971	22,044	34,224		299,239	380,926	35,475		44,818	461,219
Drafts payable	5,366	1,514	880		7,760	6,702	1,469		276	8,447
Guarantee deposits	13,281	1,746	2,604		17,631	17,726	3,019		2,088	22,833
Foreign exchange liabilities :										
— Demand deposits	60,906	1,354	55,411		117,671	31,761	988		66,466	99,215
— Time/savings deposits	116,557	1,909	43,106		161,572	211,660	1,433		23,070	236,163
— Debts	12,341	1,421	1,083		14,845	21,244	1,678		1,123	24,045
— Other	135,222	11,452	36,294		182,968	296,886	8,125		30,760	335,771
Bank Indonesia	246,202	5,053	224		251,479	463,612	5,12		172	468,796
Other liabilities	170,842	11,070	4,332		186,244	163,005	11,785		6,040	180,830
Total liabilities	1,352,288	144,941	224,846		1,722,075	2,081,347	187,003		248,304	2,516,654

TABLE 24 – MONTHLY AVERAGE OF LIQUIDITY POSITION OF BANKS
(millions of Rupiahs)

	1973/1974			1974/1975				
	State Banks 1)	National Private Banks 2)	Foreign Banks	Total	State Banks 1)	National Private Banks 2)	Foreign Banks	Total
Liquid assets	104,437	23,129	14,973	142,538	188,408	37,376	25,375	251,159
Current liabilities	337,749	53,457	39,475	430,681	536,163	84,595	71,777	692,534
Percentage of liquidity	30.9	43.3	37.9	33.1	35.1	44.2	35.4	36.3
30% of current liabilities	101,325	16,037	11,843	129,204	160,849	25,379	21,533	207,760
Excess liquid assets	3,112	7,092	3,130	13,335	27,559	11,997	3,842	43,399
Required reserves with Bank Indonesia	33,775	5,346	3,948	43,068	53,616	8,459	7,178	69,253
Total reserves with Bank Indonesia	67,188	11,681	7,989	86,858	150,316	25,525	21,318	197,159
1) Includes BAPINDO								
2) Includes Bank Pembangunan Daerah								

VI. INTERNATIONAL RELATIONS

As indicated in REPELITA II, the principal long range objective of current development policies is the creation of a strong foundation for continued growth and development supported by the economy's own resources. Foreign economic policy, particularly in regard to the balance of payments, is aimed at supporting this development process so as to insure the achievement of the targets of economic rate of growth, increased employment opportunities and a more equitable distribution of income.

One of the primary goals of foreign trade policy has been to increase foreign exchange reserves by increasing exports and regulating the growth of imports.

Recurrent international monetary crises and the high rates of inflation in the industrial nations in recent years has forced the Governments of those countries to implement deflationary policies to control the inflation rate. In 1974, these steps, resulted in a fall in production activity and reduced imports by the industrialized nations. However, although production declined, the rate of inflation continued to be extremely high. This unfortunate coincidence of events seriously affected the balance of payments of all developing countries, including Indonesia. To overcome this problem, a number of policy decisions in the export, import, services, and capital flow sectors were implemented in 1974/1975.

Exports

Considering their overwhelming importance as a source of foreign exchange, the

Government is constantly trying to improve exports, both in volume and in value terms. Actions taken in this sector during this fiscal year were aimed at reducing the dependency of Indonesian exports on a few major commodities and at increasing the number of countries that import from Indonesia. A number of steps were taken to achieve this, including participation in trade fairs abroad and the holding of a number of export seminars.

In addition, a number of decisions were put into effect to give special impetus to the export sector, while at the same time protecting the national interest by forbidding the export of certain essential commodities.

The specific measures put into effect include the following :

1. Certain manufactured goods were defined to be included in the category of finished goods, lowering the export tax on them from 10 per cent to 0 per cent. These included fruits, metal products, and wood processed to a certain level.
2. The number of export-import ports was increased to include Tanjung Santan, Pomalaa, Manokwari, and Sinaboi.
3. It was determined that a special license from the Department of Trade would be required for export of any raw materials still subsidized by the Government. These include :

—Cotton, newsprint, and medical items in the context of BIMAS or INMAS.

—Wheat, bulgur, and maize obtained from Food aid.

4. Along with holders of Exporter Recognition Numbers, companies established under the Foreign and Domestic Capital Investment Laws were given the right to export their production¹⁾.
5. Cess payments on palm kernels for export were raised from Rp 5.— a kilogram to Rp 11.— and on quinine for export from Rp 40.— per kilogram to Rp 200.— effective October 1, 1974.
6. The export of waste paper in any form from Java and Madura was prohibited. As of June 24, 1974, parties were given a maximum of 3 months to complete transactions on contracts already entered into abroad, and on outstanding L/C's.

Imports

A number of import regulations were put into effect during 1974/1975 with several objectives in mind. On the one hand, it was considered desirable to help domestic industry by increasing the variety of capital goods and raw materials imports and, on the other hand, to prevent adverse effects on domestic industry by prohibiting the import of goods which can be produced locally. In addition, regulations were issued to speed up the flow of goods through the ports.

1) Directorate General of Trade Decision No 0340/DJP/KrP/11/74, dated 22 November 1974.

Among the import regulations promulgated were:

1. A reduction in the rate of compensation for the use of foreign exchange credit from West Germany to import goods from the Third World (untied aid) from Rp 40 per U.S. dollar to the equivalent of Rp 30 per U.S. dollar. At the same time, the rate prevailed on imports of German-made goods remained unchanged at Rp 40 per U.S. dollar. The rate of compensation for using foreign exchange credit from Japan, both for imports from Japan and from Third World countries, remained Rp 20 per U.S. dollar or its equivalent.
2. In the framework of protecting domestic industry, the Government forbade the import of textiles using the Merchant's Letter of Credit (M L/C) and required the use of the Bank Letter of Credit (L/C)²⁾
In addition, in financing textile imports, foreign exchange banks were permitted to open L/C's only if a guarantee of 100 per cent of the value of the L/C was deposited with the banks. The banks themselves were not permitted to extend credit for this purpose³⁾. For importing other goods, it was sufficient for the importer to deposit a guarantee of only 40 percent. Furthermore, no foreign exchange credit could be used to finance textile imports.
3. The Government appointed PT Kerta Niaga to arrange for the importation of

2) Minister of Trade Decision No 406/KP/XI/74, dated 11 November 1974.

3) Decision of the Board of Directors of Bank Indonesia No 7/107/Kep/Dir/ULN, dated 11 November 1974

cotton yarn and of other required inputs for the domestic textile industry, ⁴⁾

4. In the framework of regulating imports by Foreign and Domestic Capital Investment Companies, it was determined that such enterprises, using Limited Importer Recognition Numbers, could import for their own use ⁵⁾ only raw materials, production tools and machinery, and spare parts.

Service and Capital Movements

There were no policy changes in the services sector during 1974/1975. However, as explained in connection with Monetary policy (Chapter I), private enterprises and non-bank financial institutions which received foreign exchange loans abroad were required to deposit in an interest free U.S. dollar account with Bank Indonesia 30 per cent of the value of the loan received. This regulation was revoked in December, 1974.

Indonesia's Balance of Payments

Indonesia's balance of payments was affected by the recurrent international monetary crises, by the persistent inflation in world markets, and by the recession in the industrial nations.

In 1974/1975 Indonesia's balance of payments showed a deficit of \$ 9 million a

deterioration compared with the preceding year, which showed a \$360 million surplus.

In the first and second quarters of 1974/1975, there were surpluses in the balance of payments of \$454 million and \$ 202 million, respectively. In the following two quarters the deficits were \$ 113 million and \$ 552 million. To a large extent, these deficits resulted from the use of foreign exchange in connection with the PERTAMINA problem. It should be noted that, had it not been for the PERTAMINA problem which led to a drop in foreign exchange receipts and an increase in the use of foreign exchange to pay the debts of this company, Indonesia's balance of payments for the reporting year would have shown a substantial surplus.

The balance of trade during the reporting year showed a surplus of \$ 2,089 million which was substantially higher compared with a surplus of \$ 539 million in the preceding year. This increase was effected by an increase in exports totalling \$ 3,573 million while imports rose only \$ 2,023 million.

The balance of services showed a higher deficit with the result that current account (balance of goods and services) in 1974/1975 suffers a deficit of \$ 123 million.

In comparison with the preceding year the balance of goods and services indicates an improvement, from the deficit of \$ 743 million in 1973/1974 to \$ 123 million in 1974/1975.

In 1974/1975 total grants increased to \$ 62 million compared with \$ 50 million received in 1973/1974.

4) Minister of Trade Decision No 407/KP/XI/74 dated November 11, 1974.

5) Directorate General of Trade Decision No 0331/DJP/Kep/10/74, dated 24 October 1974.

Nonmonetary capital movements in 1974/1975 totalled \$ 363 million, a drop of \$ 685 million from the 1973/ 1974 total. This fall resulted primarily from the failure of PERTAMINA to surrender oil corporation taxes in foreign exchange and from the payment of PERTAMINA's short-term debts in foreign currency from Bank Indonesia's reserves.

After taking into account the net errors and omissions totalling \$ 311 million, Indonesia's balance of payments for 1974/1975 showed an overall deficit of \$ 9 million.

Balance of Trade

The instability of prices in world markets is reflected in Indonesia's foreign trade, both in the export and import accounts.

Exports

As shown in Table 26, the value of exports other than oil in 1974/1975 totalled \$ 2,033 million, a rise of only 6.7 percent over 1973/1974. This low growth rate was the result of, among other factors, declined prices for some principal exports including wood, rubber and tobacco. At the same time, however, the export value of other commodities including palm oil, tin, tea and mining products continued to increase. During 1974/ 1975 palm oil products rose in value by 102.1 per cent to \$ 192 million. This resulted primarily from the rise in prices in the early months of the year. Similarly, tin showed a rise of 69.4 per cent to \$ 166 million. The

export value of copper also rose increasing from \$ 56 million in 1973/1974 to \$ 107 million in 1974/1975, caused primarily by a rise in production. Tapioca showed the highest percentage increase of all exports, going up by 400 percent from \$ 6 million to \$ 30 million. Among the commodities with declining export values, rubber dropped by \$ 60 million (12.4 percent) to \$ 425 million, principally due to a fall in prices. Similarly wood dropped 14.6 percent to \$ 615 million. Other goods which showed a drop in export value included tobacco, hides, pepper, and other spices.

As in preceding years, exports of crude oil continued to rise in 1974/1975 increasing by 201.7 per cent, from \$ 1,708 million to \$ 5,153 million.

This resulted primarily from the price increases of late 1973 and the further increases from \$ 10.80 per barrel to \$ 11.70 per barrel in April, 1974 and then to \$ 12.60 per barrel in July, 1974. After figuring outlays for imports and services in the oil sector, the net income from the oil sector in 1974/ 1975 totalled \$ 2,638 million, a rise of 311.5 per cent over the previous year.

Table 27 shows how the export value rose during the first and second quarters and fell during the last two quarters. Nevertheless, each quarter in 1974/1975 shows a rise in value over the corresponding quarter in the preceding year.

The pattern of exports by country of destination may be seen in Table 28. In 1974/ 1975 exports to Asian countries continued

to play the leading role, with a total of 65.3 per cent of all exports, followed by America and Europe, with 27.3 per cent and 6.4 per cent shares, respectively. Among individual countries, Japan still holds first place, importing \$ 3,940 of Indonesian exports, 52.8 per cent the entire export value, while the United States in the same year imported 20.7 per cent, a total of \$ 1,546.

Imports

During 1974/1975 imports reached \$ 5,097 million, a rise of 65.8 per cent over 1973/1974. This increase reflects, among other factors, the rise in prices of goods imported from abroad and the rising rate of development at home. In connection with this rising rate of development, aggregation by commodity group showed a 50.9 percent increase in raw materials imports, a 26.7 per cent increase in capital goods imports, and 22.4 percent increase in consumer goods imports. Raw materials imports continued to hold first place, while imports of consumer goods, previously in second place (34.0 per cent) were pushed into third place by capital goods imports (26.4 per cent).

Imports paid for with general foreign exchange during 1974/1975 rose by \$ 957 million (62.8 per cent) to \$ 2,481 million (Table 30), while imports paid for with foreign aid amounted to \$ 566 million in 1974/1975, only \$ 2 million more than in the previous year. The composition of foreign aid shows program aid falling during 1974/ 1975 by \$ 89 million (34.4 percent), while project aid rose by \$ 91 million (29.8 per cent).

Imports under direct investment and imports under merchant's L/C's rose 42.3 per cent and 50.9 percent, respectively, over the previous year. Oil company imports in 1974/ 1975 rose by \$ 814 million, 176.6 percent over the value of 1973/1974 imports.

The pattern of imports by country of origin in 1974/1975 shows no significant change over the pattern evident the year before (Table 31). Japan continued to be the largest supplier to Indonesia, accounting for 29.9 per cent of total imports, followed by the United States, West Germany, and Singapore, accounting for 14.4 percent, 8.1 per cent, and 6.5 per cent, respectively.

Services and Grants

The deficit in the balance of services in 1974/1975 increased by \$ 390 million (72.5 per cent) over the previous year. This resulted mainly from increases in the transfers of profits totalling \$ 544 million, and increases in the freight tariffs and insurance on imports totalling \$ 296 million, and in foreign travel, totalling \$ 23 million.

Most of the increased transfers of profits involved the oil sector.

In 1974/1975 the total grants received increased by \$ 12 million, or 24.0 per cent. Australia, the Netherlands, other MEE nations, and Japan contributed 25.8 per cent, 25.8 per cent, 35.5 per cent and 12.9 per cent, respectively, to total grants received.

Capital Movements

Capital movements decreased from \$ 1,048 million in 1973/1974 to \$ 363 million in 1974/1975 principally because of a drop in private capital account of \$ 682 million.

This decrease was due primarily to PERTAMINA's failure to turn over part of the foreign oil companies' tax contributions to the Government (using it instead to fulfil its overseas obligations) and to Bank Indonesia's repayment of \$ 207 million of PERTAMINA's overseas debts out of its own exchange reserves.

The utilization of long-term borrowing in the Government sector in 1974/1975 was only \$ 5 million more than during the preceding year (Table 33). Japan was the biggest creditor nation, loaning \$ 276 million, or 46.2 percent of the total, followed by the United States (\$ 96 million), IDA (\$ 81 million), and France (\$ 38 million).

Foreign Trade and Payment Agreements

During 1974/1975, agreements on foreign trade and payments were reached with the Philippines, Singapore, the Netherlands, and East European nations.

The following are the principal points agreed upon with each country

Philippines

On August 8, 1974, in Jakarta the two nations signed a trade agreement and a border trade agreement.

1. In the trade agreement, the two nations agreed to increase trade between them, with all trade to be financed in convertible currencies agreed upon by both parties. In addition, the Central Banks of Indonesia and the Philippines will cooperate in seeking payment methods that will lead to an increase in trade between the two countries.
2. In the border trade agreement, the following were among the points agreed on:
 - a. The border trade areas of Indonesia include the Nanusa, Kawio and Bukide Islands, while those of the Philippines include the Balut Islands.
 - b. The value of goods carried by one person on one trip may not exceed 1,000 pesos or Rp 62,250 (\$ 150), while the value of goods carried by kumpit/perahu (small boat) may not exceed 10,000 pesos or Rp 622,500 (\$ 1,500) per small vessel.
 - c. The exchange rate between the Peso and the Rupiah will be fixed by the competent authorities in the two countries on the basis of the U.S. Dollar rate of exchange for the two currencies.
 - d. All proceeds from sales must be used to purchase local goods other than forbidden or limited goods.
 - e. In the areas mentioned above, if banks are established, then trade must be conducted in accordance with regula-

tions in effect in both countries, and payment made in convertible currencies accepted by both countries.

Singapore

On August 24, 1974, a basic agreement was signed on economic and technical cooperation between the Government of Indonesia and the Government of Singapore.

In this agreement, both nations agreed to increase economic and technical cooperation as much as possible in the following fields, among others:

- trade;
- investment;
- transportation and communication;
- tourism;
- training and technical cooperation.

Implementation of this agreement is to be arranged specifically in supplementary agreements.

Netherlands

From the 17th through the 24th of March, 1975, a session of the Indonesia Netherlands Joint Commission was held to discuss trade relations, investment, transportation, and international economic cooperation. The conclusions reached by the session included, among others, the following:

- there should be an increase in trade between the two countries;
- efforts to increase cooperation in private sectors should be encouraged;

- there should be closer cooperation in the exchange of information on trade regulations, statistical data, and the like;
- there should be more cooperation between the Institute for National Export Development and the Central Bureau for Import Promotion from Developing Countries to increase Indonesia's European exports, both of traditional and non-traditional goods.

East European Countries

The Indonesian Government signed trade agreements with Poland, Hungary, the Democratic Republic of Germany, Rumania, and Czechoslovakia on July 5, 1974, December 16, 1974, December 20, 1974, March 8, 1975, and March 11, 1975, respectively. These agreements represented renewals of existing agreement signed in 1965 or earlier and containing alterations in accordance with changes in conditions. Basically these agreements are similar to those Indonesia has with other countries, and include such stipulations as the following:

- Payments for trade should be in convertible currencies.
- Trade should not be restricted to a list of goods which may be imported or exported, and if there is such a list of goods, it is not binding.
- Each agreement is to remain in force for one year and will automatically be renewed for the following year unless there is a request in writing to cancel it from one of the parties.

Foreign Loans

In the framework of the Government's policy dealing with the inflationary effects of investment from abroad, in April, 1974 certain steps were taken to regulate and limit foreign loans. The measures taken included the following:

- a. limits were placed on foreign borrowings by foreign exchange banks and by non-bank financial institutions,⁶⁾
- b. requiring the interest free deposit in U.S. Dollars in Bank Indonesia of:
 - i. 30 per cent of obligations which must be paid in foreign exchange by foreign exchange banks and/or in Rupiah to non-residents as well as to residents, if the funds are of overseas origin.⁷⁾
 - ii. 30 per cent of cash loans to non-bank financial institutions not used for imports and services.
 - iii. 30 per cent to any private enterprise with the exception of overseas loans:
 - used for import overseas services;
 - received in the framework of IGGI ;
 - with a maturity of longer than 15 years.

As of December, 1974, the stipulation that non- bank financial institutions and private enterprises had to deposit 30 per cent of the value of foreign borrowings in interest

free deposits with Bank Indonesia was suspended.

Rescheduling of Debts

As a sequel to the Government's efforts to settle Indonesia's overseas debts in conformity to the principles of the Paris Agreement dated 23 and 24 April 1970, on December 30, 1974, an agreement was signed with Egypt containing the following stipulations:

- a. The debt totalling \$5.7 million will be repaid in equal installments over 30 years, with repayment of the principal to begin as of 1970 and payment of the interest to begin in 1975.
- b. Indonesia was given the opportunity to postpone repayment of part of the principal for the first 8 years, this amount to be repaid during the last 8 years at the same installment rate and a 4 per cent per annum rate of interest.

International Monetary Developments and International Financial Institutions

International Monetary Developments

The Committee of Twenty on Reform of the International Monetary System and Related Issues held its last meeting in Washington, D.C., in June, 1974.

After approximately one year of work, the Committee of Twenty, founded in July, 1972, had reached an agreement in prin-

6) Decisions of the Board of Directors of BankIndonesia No 7/10/Kep/Dir/ULN and 7/11/Kep/Dir/ULN, both dated April 9, 1974.

7) Decision of the Board of Directors of Bank Indonesia No 7/5/Kep/Dir/UPPB. dated April 9, 1974.

ciple on the direction of and guidelines for a new and better monetary system. The results of these discussions, representing a framework for a new international monetary system, were submitted in the form of an interim report to the Board of Governors of the IMF at its annual meeting in Nairobi in September, 1973.

Since the Nairobi meeting, a number of important developments have arisen which have significantly influenced the world's economic development. These include inflation, recession, and the energy crisis. As a result, there have been fears that a new and more satisfactory monetary system could not effectively be put into operation. These factors persuaded the Committee of Twenty to change its approach, giving priority to immediate steps of pressing importance and postponing action of longer term aspects such as the design of a new monetary system.

In line with this new approach, the Committee of Twenty finally succeeded in setting up a two-part outline for a new international monetary system. The first part is concerned with the problem of renewing the monetary system and creating the system desired for the future. This shows the direction in which the new system will go and offers possibilities concerning the forms of the new system that can be taken. As a result, the first part represents a frame work which still needs to be filled in with operational provisions that has already been under discussion but not yet fully agreed upon. In the second section of the outline are found the steps which can be taken in the immediate future. These steps represent actions which should be

taken to improve the present monetary system and at the same time represent first stage developments leading in the direction of overall international monetary reform. As a result, it was necessary to keep these steps in conformity with the direction and the basic concepts of the new international monetary system outlined in the first part of the Committee's report.

At the 1974 annual session of the IMF/IBRD, the Committee of Twenty was dissolved and an Interim Committee and a Development Committee were formed. These two new committees are each made up of 20 members, each member being provided with 7 associate members.

The two committees are intended to continue the pioneer work of the Committee of Twenty.

In detail, the Interim Committee's duties are to

- supervise development of the international monetary system;
- study proposals for changes in the Articles of Agreement of the IMF put forward by the executive directors; and
- deal with unexpected problems that might arise and pose a threat to the international monetary system.

In addition to this, the Interim Committee may study other problems as may be determined by the Board of Governors of the IMF. The IMF Interim Committee functions purely as an advisory body and has no decision making powers.

The principle duty of the Development Committee of the IMF/IBRD is to supervise and follow the implementation of transfers of real resources from the developed countries to the developing countries. This committee has also been given the task of making special studies of problems faced by the developing countries as a result of balance of payments difficulties.

In October, 1974 the two committees held their first meetings in Washington, D.C. coincident with the IMF/IBRD's Annual Meeting. Their second session was also held in Washington, in January, 1975.

At its second session the Interim Committee discussed the following four problems:

- (1) an oil facility for 1975 to help the member countries experiencing balance - of - payment problems as a result of the rise in the price of oil;
- (2) adjustments in balance-of-payments in the framework of world economic development;
- (3) Re-examination of the IMF's quotas; and
- (4) Amendments of the IMF's Articles of Agreement.

At its second session the Development Committee dealt chiefly with two issues:

- (1) steps to overcome the problems of countries most seriously affected by the world economic situation (MSA countries);
- (2) the Development Committee's working program.

At the meantime the world economy was experiencing simultaneous recession and inflation. This development resulted in, among other things, a drop in the demand for raw materials from developing countries, so that in general both the volume and the prices of export commodities from the developing countries fell.

International Monetary Institutions

International Monetary Fund (IMF)

The following developments can be reported with regard to Indonesia's relations with the IMF during the reporting year:

- (a) In connection with the improvement in Indonesia's foreign exchange reserve position, in July 1974, for the first time, the Rupiah was included into the IMF's currency budget. This meant that the Rupiah could be used-up to a certain total by the IMF in providing currencies to other countries making purchases.
- (b) Indonesia's reserve position in the Fund (RPF), originally SDR 18.5 million, grew to SDR 69.9 million by the end of 1974/1975.

This occurred as a result of:

- Indonesia's repurchase for the amount of SDR 36.4 million to the IMF in convertible currency as part of the subscription that must be paid in gold or in convertible currency.
- Purchase of SDR 15 million in Rupiah from the IMF by other countries in relation with its currency budget.

(c) Since the IMF ceased making SDR allocations as from 1973, Indonesia's cumulative allocation at the end of 1974/1975 remained SDR 90.2 million. By the end of the reporting year, SDR 76.3 million had been used. Reconstitution and the provision of foreign exchange in the context of the "designation plan" over this period totalled SDR 18.4 million and SDR 21.5 million, respectively, while interest totalled SDR 1.3 million. As a result of these transactions, the SDR balance of the end of 1974/1975 was SDR 55.1 million.

World Bank Group

Up to the beginning of the reporting year, Indonesia received project aid from the World Bank Group only through the International Development Association (IDA). The loans involved were granted on very soft terms, including maturities of 50 years with grace periods of 10 years, and an annual service charge of 0.75% of the disbursed portion of the loans.

Reflecting improvements in its foreign exchange reserves and balance of payments, beginning with 1974, in principle, Indonesia was no longer to receive loans from the IDA, but only from the International Bank for Reconstruction and Development (IBRD) on less soft terms.

Nevertheless, in the context of transition from the one status to the other, in 1974/1975, the IDA continued to give loans totalling \$52.5 million for such projects as:

— Bali Tourism	\$16.0 million
— Maluku Fisheries	\$ 6.5 million

— Jatiluhur irrigation extension project	\$30.0 million
--	----------------

Including these loans, the total volume of approved loans, from the IDA through the end of the reporting period was \$561.8 million.

During the reporting period, the IBRD for the first time approved \$252.5 million in loans for such projects as :

— Railways project	\$ 48.0 million
— Jakarta Urban Development Project	\$ 25.0 million
— Five cities water supply projects in Malang, Purwokerto, Banyuwangi, Jambi and Samarinda	\$ 14.5 million
— BAPPINDO II (Development Finance Corporation project)	\$ 50.0 million
— PUSRI fertilizer plant	\$115.0 million

The loans for the above projects had maturities of from 15 1/2 to 30 years with 31/2 to 6 year grace periods; and were made at interest rates between 7 1/2% and 8 1/2% per annum.

In addition to this, the International Finance Corporation (IFC) agreed to increase its loans and equity in the PT Semen Cibinong cement project by \$6.5 million. This brought the IFC's investment in Indonesia to \$59.0 million at the end of 1974/1975.

Asian Development Bank

Project loans received by Indonesia from the ADB up to the beginning of 1974/1975 have been on very soft terms.

During 1974/1975 the ADB approved \$91.3 million in new loans to Indonesia for six projects. Two of these were the Bandung Water Supply Project and the East Java Agriculture Credit, which received \$11.5 million and \$2.7 million, respectively, from the Asian Development Fund (formerly Special Funds). Their maturities were 40 years with a 10 year grace period, and carried an interest rate of 1% per annum.

As in the case of the IBRD, however, in principle Indonesia may now receive loans only from the bank's ordinary resources and on less soft terms. In this context, in 1974/1975 Indonesia received loans for four projects totalling \$77.1 million. These included:

- Fibre production and processing project
\$13.2 million
- Baturaja cement factory (Sumatra)
\$37.0 million
- Cipadung spinning mill (West Java)
\$13.7 million
- Java Fisheries development project
(Pekalongan) \$13.2 million

Loans from ordinary resources for these four projects had maturities of from 18 to 25 years with grace periods of 4 to 5 years, at interest rates from 7 1/2% to 8 1/4% per annum. With approval of these loans, the total

of loans made to Indonesia by the ADB through the end of 1974/1975 grew to \$202.2 million.

In addition to these loans, Indonesia also received technical assistance worth \$690 thousand for preparations for the second stage of the palm oil project called Sawit Sebarang, Surabaya Institute of Technology, Teluk Lada Irrigation Project and Java Improvement Study

This brought the total of technical assistance received by Indonesia from the ADB since 1969 to \$4 million.

[Inter-Governmental Group on Indonesia \(IGGI\)](#)

At its 16th Session, held in May, 1974, the members of the IGGI expressed their willingness to provide aid on the basis of the agreement reached at their December, 1973 meeting. This totalled \$850 million, \$550 million for project aid and \$300 million for program aid.

It should be noted that in practice the total aid contributed by the individual members may differ from the amounts agreed upon earlier

TABLE 25 — BALANCE OF PAYMENTS OF INDONESIA ¹⁾
(millions of \$)

	1972/1973	1973/1974	1974/1975
A. Goods and services	— 543	— 743	— 123
1. Merchandise goods = Export f.o.b.	+ 1,939	+ 3,613	+ 7,186
Import f.o.b.	— 1,651	— 3,074	— 5,097
2. Non-monetary gold	—	—	—
3. Freight and insurance related to import	— 186	— 366	— 662
4. Other transportation	— 20	— 35	— 55
5. Travel	— 22	— 35	— 58
6. Investment income	— 443	— 712	— 1,256
6.1. Direct investment	(— 318)	(— 542)	(— 1,051)
6.2. Other	(— 125)	(— 170)	(— 205)
7. Government, not included elsewhere	— 14	— 16	— 16
8. Other services	— 146	— 118	— 165
Balance of goods and services (1 through 8)	— 543	— 743	— 123
Balance of goods (1 through 2)	+ 288	+ 539	+ 2,089
Balance of services (3 through 8)	— 831	— 1,282	— 2,212
B. Grants	+ 63	+ 50	+ 62
9. Private	—	—	—
10. Government	+ 63	+ 50	+ 62
C.11. Special Drawing Rights (SDR)	—	—	—
Total (1 through 11)	— 480	— 693	— 61
D. Capital and Monetary Gold	+ 393	+ 688	+ 372
<i>Non-monetary sector</i>	+ 818	+ 1,048	+ 363
12. Private sector	+ 466	+ 536	— 146
12.1 Long term liabilities	+ 455	+ 518	— 159
a. Direct investment	(+ 240)	(+ 318)	(+ 523)
b. Other	(+ 215)	(+ 200)	(— 682)
12.2 Long term assets	—	—	—
a. Direct investment	(—)	(—)	(—)
b. Other	(—)	(—)	(—)
12.3. Short term liabilities	+ 11	+ 18	+ 13
12.4. Short term assets	—	—	—
13. Government sector	+ 352	+ 512	+ 509
13.1 Long term liabilities (net)	+ 352	+ 512	+ 509
13.2 Long term assets	—	—	—
13.3 Short term liabilities (net)	—	—	—
13.4 Short term assets	—	—	—
<i>Monetary Sector</i>	— 425	— 360	+ 9
14. Central Bank	—	—	—
14.1. IMF position (net)	— 8	— 136	— 65
14.2. Short term liabilities (net)	—	—	—
14.3. Movement in foreign exchange holdings (— = increase)	— 417	224	+ 74
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)	—	—	—
Net errors and omissions	+ 87	+ 5	— 311

1) Includes oil companies

TABLE 26 — EXPORTS (F.O.B.)
(millions of \$)

	1971/1972	1972/1973	1973/1974	1974/1975	Percentage Change (%) 1973/1974— 1974/1975
A. Export excl. oil and oil product	<u>784</u>	<u>974</u>	<u>1,905</u>	<u>2,033</u>	<u>6.7</u>
Rubber	215	211	485	425	— 12.4
Coffee	54	83	79	92	16.5
Tin	64	70	98	166	69.4
Wood	170	275	720	615	— 14.6
Palm oil products	50	46	95	192	102.1
— Palm oil	(45)	(42)	(89)	(184)	(106.7)
— Palm kernels	(5)	(4)	(6)	(8)	(33.3)
Copra products	20	20	22	23	4.5
— Copra	(8)	(6)	(3)	(—)	(—)
— Copra Cakes	(12)	(14)	(19)	(23)	(21.1)
Tobacco	20	32	46	36	— 21.7
Pepper	21	21	31	22	— 29.0
Tea	31	31	31	50	61.3
Hides	6	11	13	10	— 23.1
Foodstuffs	42	38	56	77	37.5
— Tapioca	(14)	(12)	(6)	(30)	(400.0)
— Other foodstuffs	(28)	(26)	(50)	(47)	(— 6.0)
Nutmeg and mace	2	2	2	2	—
Animal and livestock products	23	42	90	92	2.2
Other Spices	4	4	7	5	— 28.6
Mining product	18	28	78	135	73.1
— Copper	(—)	(10)	(56)	(107)	(91.1)
— Other mining	(18)	(18)	(22)	(28)	(27.3)
Other	44	60	52	91	75.0
B. Export of oil and oil products	<u>590</u>	<u>965</u>	<u>1,708</u>	<u>5,153</u>	<u>201.7</u>
Total exports (A + B)	1,374	1,939	3,613	7,186	98.7

TABLE 27 – BALANCE OF TRADE
(millions of \$)

	Import (f.o.b.)			Export (f.o.b.)			Balance of Trade			Percentage change (%) 1974/1975 — 1973/1974	
	1972/ 1973	1973/ 1974	1974/ 1975	1972/ 1973	1973/ 1974	1974/ 1975	1972/ 1973	1973/ 1974	1974/ 1975	Import	Export
1 st Qtr.	360	614	1,181	425	663	1,842	+ 65	+ 49	+ 661	92.3	177.8
2 nd Qtr.	338	712	1,334	458	834	1,904	+120	+122	+ 570	87.4	128.3
3 th Qtr.	415	800	1,169	497	901	1,794	+ 82	+101	+ 625	46.1	99.1
4 th Qtr.	538	948	1,413	559	1,215	1,646	+ 21	+267	+ 233	49.1	35.5
T o t a l	1,651	3,074	5,097	1,939	3,613	7,186	+288	+539	2,089	65.8	98.9

TABLE 28 — EXPORTS BY COUNTRY OF DESTINATION
(millions of \$)

	1971/1972	1972/1973	1973/1974	1974/1975
Europe				
United Kingdom and Republic of Ireland	10	25	35	23
Germany	63	84	126	171
France	8	11	23	18
Belgium and Luxemburg	16	33	15	11
Netherlands	72	69	110	166
Italy	10	26	42	16
Denmark	5	5	9	8
Norway	1	1	4	2
Sweden	1	1	2	4
Other	13	22	34	58
Total exports to Europe	199	277	400	477
Percent of total export value	16.0%	14.4%	9.0%	6.4%
America				
Canada	3	1	2	33
United States of America	217	274	746	1,546
Other	3	54	141	461
Total exports to America	223	329	889	2,040
Percent of total export value	17.9%	17.2%	20.0%	27.3%
Africa				
United Arab Republic	---	1	---	---
Portugese East Africa	---	---	---	3
Union of South Africa	---	---	---	---
Other	1	4	11	17
Total exports to Africa	1	5	11	20
Percent of total export value	0.1%	0.3%	0.2%	0.3%
Asia				
Iraq	---	5	---	---
India	---	---	3	5
Pakistan	---	---	2	44
Burma	1	---	---	15
Thailand	---	---	2	7
Malaysia	27	36	35	82
Singapore	131	156	450	555
Vietnam	---	---	---	---
Hongkong	11	14	16	25
China	---	---	---	---
Japan	602	1,007	2,324	3,940
Philippines	25	7	1	4
Other	1	38	253	189
Total exports to Asia	798	1,263	3,086	4,866
Percent of total export value	64.0%	65.8%	69.3%	65.3%
Australasia				
Australia	14	13	15	24
New-Zealand	1	1	1	1
Oceania-Hawaii	11	31	53	30
Total exports of Australasia	26	45	69	55
Percent of total export value	2.0%	2.3%	1.5%	0.7%
Via free ports : Sabang, Tanjung Uban, and ports not specifically mentioned	---	---	---	---
Percent of total export value	---	---	---	---
Grand total	1,247	1,919	4,455	7,458

Sources : Central Bureau of Statistics.

TABLE 29 — IMPORT BY COMMODITY GROUPS ¹⁾
(millions of \$)

	1972/1973	%	1973/1974	%	1974/1975	%	Percentage Change (%) 1973/1974— 1974/1975
Consumer goods	528,8	30.9	1,003	34.0	921	22.4	— 8.2
Raw materials	656,1	38.4	1,167	39.6	2,097	50.9	79.7
Capital goods	525,9	30.7	776	26.4	1,095	26.7	41.1
Total	1,710.8	100.0	2,946	100.0	4,113	100.0	39.6

1) Based on L/C Application

TABLE 30 — IMPORT (F.O.B.)
(millions of \$)

	1972/1973	1973/1974	1974/1975	Percentage Change (%) 1974/1975—1973/1974
General foreign exchange imports	685	1,524	2,481	62.8
Aid foreign exchange imports	454	564	566	0.4
— Program Aid	(149)	(175)	(77)	—56.0
— Food Aid	(67)	(50)	(84)	68.0
— P.L. 480 (rice, wheat, cotton and yarn)	(107)	(34)	(9)	—73.5
— Project Aid	(131)	(305)	(396)	29.8
Imports under direct investment	131	201	286	42.3
Imports under merchant's L/C	222	324	489	50.9
Total	1,492	2,613	3,822	46.3
Imports of oil Companies	159	461	1,275	176.6
Total	1,651	3,074	5,097	65.8

TABLE 31 — IMPORTS BY COUNTRY OF ORIGIN
(millions of \$)

	1972/1973	1973/1974	1974/1975
Europe			
United Kingdom and Republic of Ireland	69	112	167
Federal Republic of Germany	126	211	359
German Democratic Republic	---	2	1
France	23	50	86
Belgium and Luxemburg	9	19	44
Netherlands	70	97	105
Italy	17	28	55
Czechoslovakia	1	1	2
Switzerland	12	21	33
Sweden	5	9	16
Spain	---	1	2
Other	27	32	153
Total imports from Europe	359	583	1,023
Percent of total import value	20.5%	20.6%	23.1%
America			
Canada	9	21	45
United States of America	291	538	637
Other	6	6	19
Total imports from America	306	565	701
Per cent of total import value	17.4%	20.0%	15.8%
Africa			
United Arab Republic	---	---	---
British East Africa	45	33	20
Union of South Africa	---	---	---
Other	18	5	14
Total imports from Africa	63	38	34
Per cent of total import value	3.6%	1.3%	0.7%
Asia			
India	7	15	25
Pakistan	26	78	54
Burma	---	4	21
Thailand	43	71	86
Malaysia	8	15	16
Singapore	109	147	288
Cambodia	---	---	---
Hongkong	27	169	122
China	43	56	186
Japan	587	819	1,325
Philippines	7	14	12
Other	104	161	380
Total imports from Asia	961	1,549	2,515
Per cent of total import value	54.7%	54.7%	56.7%
Australasia			
Australia	52	90	149
New Zealand and Oceania	14	6	15
Total imports from Australasia	66	96	164
Per cent of total import value	3.8%	3.4%	3.7%
Via free port :			
Sabang, Tanjung Uban and ports not specifically mentioned	---	---	---
Per cent of total import value	---	---	---
Total imports of Indonesia	1,755	2,831	4,437

Source : Central Bureau of Statistics

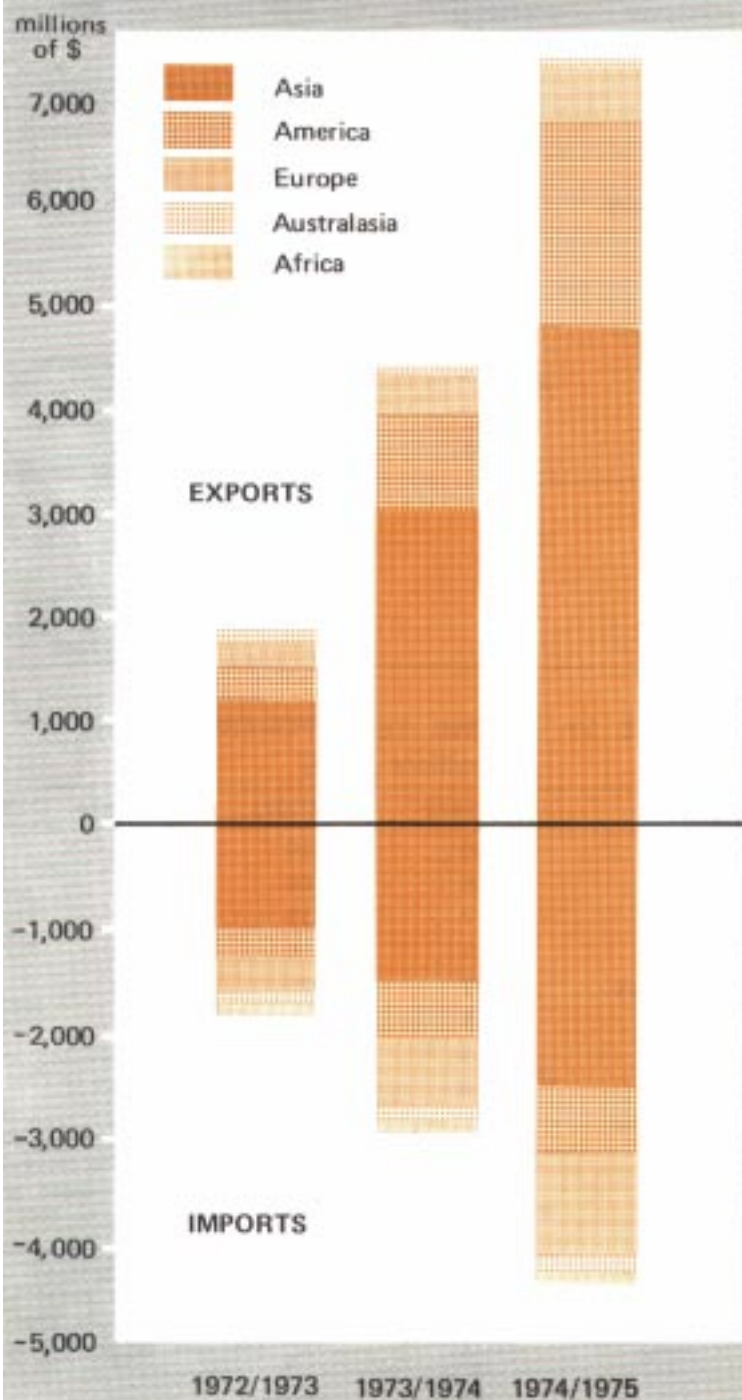
TABLE 32 — GRANTS RECEIVED
(millions of \$)

	1971/1972	1972/1973	1973/1974	1974/1975
Australia	12	17	15	16
U.S.A.	---	---	---	---
Netherlands	22	27	24	16
Japan	9	8	1	8
Belgium	1	---	1	3
Federal Republic of Germany	1	3	3	4
United Kingdom	2	---	---	1
Italy	1	1	---	---
Canada	2	6	5	---
Denmark	---	---	---	---
France	1	1	1	4
E.E.C.	---	---	---	10
T o t a l	51	63	50	62

TABLE 33 — LONG TERM FOREIGN LOANS
(millions of \$)

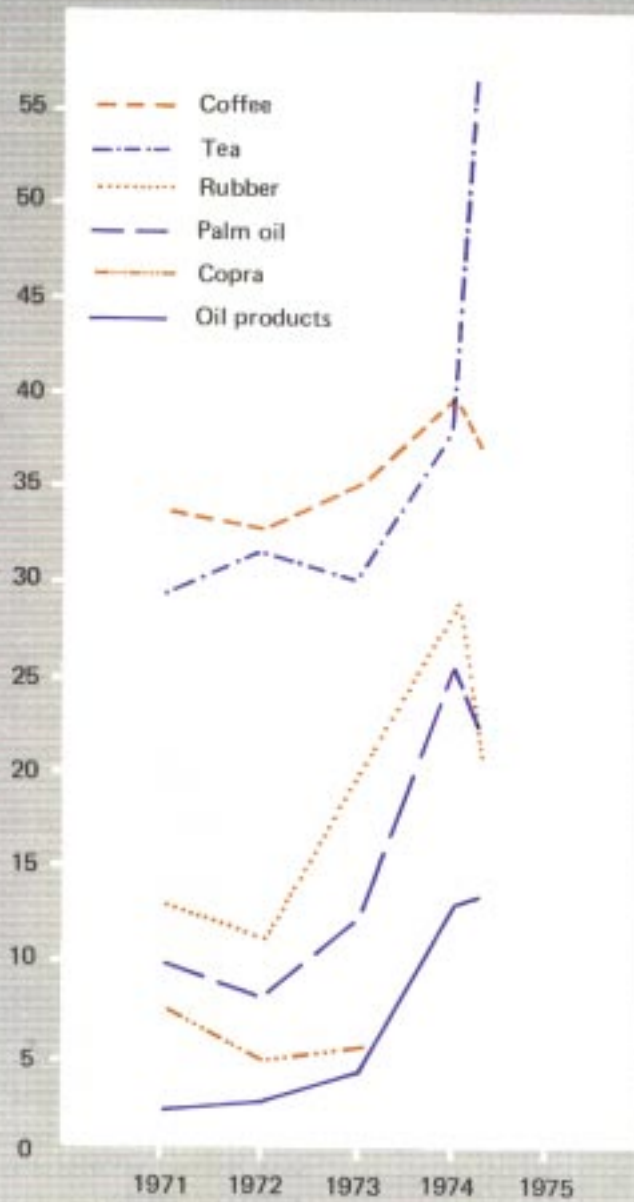
	1971/1972	1972/1973	1973/1974	1974/1975
U.S.A.	145	150	132	96
Japan	106	108	231	276
Netherlands	7	19	27	19
Belgium	1	5	6	1
Federal Republic of Germany	42	25	25	16
France	4	15	39	38
Italy	1	1	---	---
United Kingdom	8	26	20	9
German Democratic Republic	---	---	---	---
Yugoslavia	---	---	---	---
Denmark	---	---	---	3
Canada	1	7	12	33
New-Zealand	1	1	1	---
Switzerland	---	---	---	---
I.D.A.	3	56	83	81
A.D.B.	---	5	17	26
Iran	---	---	---	---
T o t a l	349	418	593	598

EXPORTS BY COUNTRY OF DESTINATION AND IMPORTS BY COUNTRY OF ORIGIN



PRICES OF EXPORT COMMODITIES

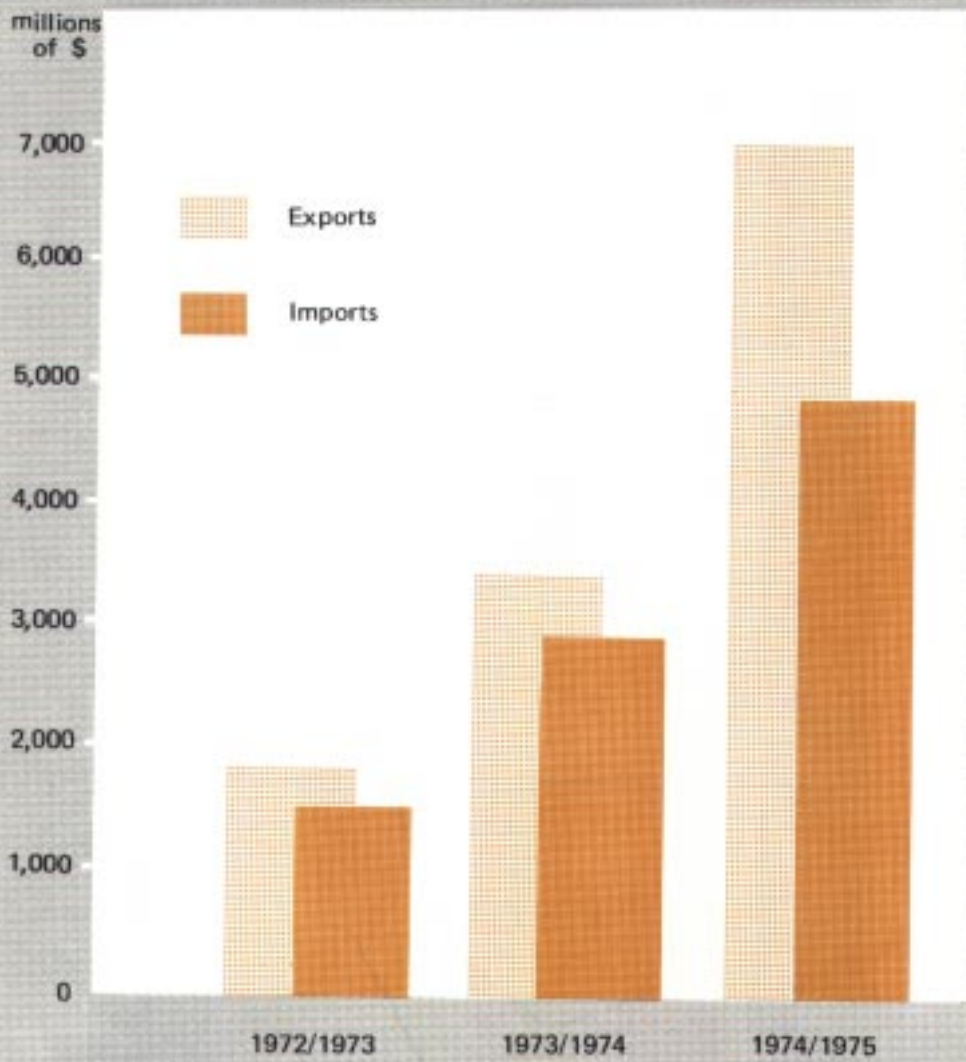
(\$ per 45.36 kg) *



*) Oil products in \$ per Barrel

Source : Central Bureau of Statistics

FOREIGN TRADE



VII. PRODUCTION, INFRASTRUCTURE, AND PRICE LEVELS

Gross Domestic Product

Based on data which are still incomplete, the Gross Domestic Product at constant 1973 prices increased an average at annual rise of 9% from 1971 through 1974 (Table 34). In 1974 the Gross Domestic Product, at current market prices, totalled Rp 9,836 billion. In constant 1973 prices, GDP totalled Rp 7,259 billion, an increase of approximately 7.5% over 1973.

From the point of view of the contributions of the various sectors to Gross Domestic Product (at constant prices), the contribution of the Agricultural, Forestry, and Fishery sector in 1974 was 38.9% (23.3% arising from foodstuffs production), while the wholesale and Retail trade contributed 16.9%, Mining and Quarrying 11.8%, Manufacturing 10.4%, and the remaining sectors 22.0%. Although in 1971 the contribution of the Agricultural sector was 43.6%, so that a drop can be seen in this sector's contribution to the Gross Domestic Product, the Agricultural sector continued to play the main role. Over the same period, the contribution of the Manufacturing sector rose from 8.8% to 10.4%, reflecting the growing importance of this sector in the Indonesian economy. This is a result of the Government's policy of stimulating industrial activity by, among other measures, providing incentives to investors by issuing the Foreign and Domestic Investment Laws. The other sector showing increased importance is Mining, which rose from 9.8% in 1971 to 11.8% in 1974.

The Gross Domestic Product may be viewed not only from the standpoint of the contributions of the various sectors, but also from the standpoint of the expenditures on it

(Table 35). In 1974 the largest expenditure was for Household Consumption, a total of Rp 5,310 billion, or 73.2% of the total followed by Gross Domestic Capital Formation, totaling 19.8%.

National Income at constant 1973 prices rose from Rp 4,884 billion in 1971 to Rp 6,066 billion in 1974, an average increase of 8% per annum. In 1971 and 1974, National Income, at current market prices, was Rp 3,138 billion and Rp 8,243 billion respectively.

The population was 118.8 million in mid 1971 and 127.6 million in mid 1974, so that per capita income at current market prices rose from Rp 264 thousand (+ \$ 70) to Rp 64.6 thousand (+ \$ 156), an average increase of 80% per year.

Investment

Government policy regarding investment in 1974/1975 was a continuation and an intensification of Government policy over the preceding years. Law No. 1, 1967, on Foreign Capital Investment and Law No. 6, 1968, on Domestic Capital Investment, were intended to encourage Foreign Capital Investment and Domestic Capital Investment by giving such facilities as :

- tax holidays or tax relief
- exemption from customs duties on the import of goods, or relief from the same
- exemption from stamp duties and clearance for capital.

Efforts were continued to meet the goals of REPELITA II by:

- a). increasing public participation in business
- b). spreading activity to the provinces
- c). using existing potentials
- d). increasing work opportunities.

In line with these objectives a negative list was compiled as well as a scale of priorities for capital investment comprising four categories. The first category included priority projects, for which excellent investment facilities were given. The second category included lower Priority Projects but Projects which still received certain facilities. The third category included projects which can still be permitted, but which receive no facilities. The fourth category included those fields which are now closed to capital investment.

In order to increase the participation of domestic entrepreneurs in the economy, in September, 1974, the Government issued guidelines under which Indonesian citizens would eventually become majority owners of foreign enterprises in Indonesia. Participation in the management of these enterprises was also expected to increase by degrees until it become majority participation.

Developments in Foreign Capital Investment

With the award of the facilities and incentives mentioned above and the constant improvement of the economy, foreign investment has continued to increase. From January, 1967 through December 1974, approved investment (excluding mining and banking sectors) totalled \$ 4,682.9 million in 779 projects. In 1974 alone, investment of \$ 1,497.8 million, \$ 842.4 million more than the previous year, were approved.

In 1974, investment in industrial projects rose by 138.4 per cent over the previous year and represented 75.1 per cent of 1974's total investment. In line with

the increasing number of approved projects as well as the intended capital, the number of realized foreign investment increased from year to year.

Realized investments between January 1967 and December 1974, totalled \$ 1,738.1 million. Investment in 1974 alone were \$ 633.9 million, an increase of 61 per cent over 1973. Most of this was investment in the industrial sector. The reason for the large difference between approvals and realized investment is due primarily to the long preparations for implementing a project.

If the total capital investment approved is broken down by investors countries of origin, it can be seen that 30 per cent is from Japan, 11.9 per cent from the United States, 9.7 per cent from Hongkong, 6.2 per cent from the Philippines, 3.6 per cent from West Germany, 3.5 per cent from the Netherlands, 2.5% from Singapore, 2.3% from South Korea, and 27.1% from other countries.

Developments in Domestic Capital Investment

The award of facilities and the other incentives also proved attractive and effective for domestic capital investors. From November, 1968, through December, 1974, the number of projects approved totalled 2,075, with an intended investment of Rp 1,466.3 billion. Of this total, 60.9% represented investment in the industrial sector. In 1974 the total intended investment approved was Rp 230.3 billion, compared with Rp 569.4 billion in 1973, a drop of Rp 339.1 billion. This drop was principally due to developments in the industrial, forestry, hotel and tourism sectors.

TABLE 34 – GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(millions of Rupiahs)

Industrial Origin	1971	1972	1973	1974
I. At current market prices				
– Agriculture, forestry, fishery	1,646	1,837	2,710	3,509
– Mining and Quarrying	294	491	831	1,420
– Industries	307	448	650	890
– Electricity, gas and water supply	18	20	30	52
– Construction	128	174	262	406
– Wholesale and Retail trade	592	769	1,118	1,775
– Transportation and Communications	162	182	257	442
– Banking and other financial Institutions	45	53	83	113
– Ownership of dwelling	85	103	143	194
– Public administration and defence	214	290	405	655
– Services	181	197	264	380
	3,672	4,564	6,753	9,836
II. At constant 1973 market prices				
– Agriculture, forestry, fishery	2,441	2,479	2,710	2,822
– Mining and quarrying	551	674	831	859
– Industries	490	564	650	755
– Electricity, gas and water supply	25	26	30	37
– Construction	171	222	262	320
– Wholesale and retail trade	924	1,028	1,118	1,225
– Transportation and Communications	210	229	257	288
– Banking and other financial Institutions	64	75	83	88
– Ownership of dwelling	93	121	143	175
– Public administration and defence	381	393	405	419
– Services	250	256	264	271
Gross Domestic Product :	5,600	6,067	6,753	7,259

Sources : Central Bureau of Statistic

TABLE 35 — EXPENDITURE ON GROSS DOMESTIC PRODUCT
(millions of Rupiahs)

Type of Expenditure	1971	1972	1973	1974
I. At current market prices				
— Private Consumption Expenditure	2,833	3,402	4,971	6,081
— General Government Consumption Expenditure	341	414	716	1,147
— Gross Domestic Capital Formation	580	857	1,208	1,797
— Export of goods and non factor services	529	754	1,354	3,105
— Less : Import of goods and non factor services	611	863	1,316	2,294
— Gross Domestic Product	3,672	4,564	6,753	9,836
— Net factor income from abroad	— 67	— 159	— 254	— 507
— Gross National Product	3,605	4,405	6,508	9,329
— Less : Net indirect taxes	229	236	328	447
— Less : Depreciation	238	297	439	639
— National Income	3,138	3,872	5,741	8,243
II. At constant 1973 market prices				
— Private Consumption Expenditure	4,038	4,313	4,791	5,310
— General Government Consumption Expenditure	534	524	716	775
— Gross Domestic Capital Formation	867	1,032	1,208	1,440
— Export of goods and non factor services	891	1,123	1,354	1,403
— Less : Import of goods and non factor services	730	925	1,316	1,669
— Gross Domestic Product	5,600	6,067	6,753	7,259
— Net factor income from abroad	— 80	— 171	— 245	— 369
— Gross National Product	5,520	5,896	6,508	6,890
— Less : Net indirect taxes	272	294	328	352
— Less : Depreciation	364	394	439	472
— National Income	4,884	5,208	5,741	6,066

Sources : Central Bureau of Statistics

TABLE 36 — DOMESTIC INVESTMENT PROJECTS BY FIELD OF ACTIVITY 1968 — 1974
(billions of Rupiahs)

Field of Activity	Nov.1968—1971		1972		1973		1974		Total	
	Number of Projects	Investment Plan	Number of Projects	Investment Plan	Number of Projects	Investment Plan	Number of Projects	Investment Plan	Number of Projects	Investment Plan
Agriculture, fishery and livestock	118	34.9	39	29.4	48	32.1	9	8.6	214	105.0
Forestry	82	59.5	31	25.9	63	62.7	39	32.1	215	180.2
Mining	4	18.6	1	0.3	1	0.3	3	2.4	9	21.6
Industries	525	190.0	322	192.0	391	340.5	192	170.4	1,430	892.9
Transportation	52	29.2	7	28.7	21	27.8	7	12.0	87	97.7
Tourism/Hotels	55	31.9	16	17.2	22	33.9	8	3.7	101	86.7
Housing/office	2	2.5	4	3.5	3	71.1	1	1.1	10	78.2
Other	7	2.4	1	0.6	1	1.0	—	—	9	4.0
T o t a l	845	369.0	421	297.6	550	569.4	259	230.3	2,075	1,466.3

TABLE 37 – FOREIGN INVESTMENT PROJECTS APPROVED BY FIELD OF ACTIVITY
(millions of \$)

Field of activity	1967—1969				1970	1971	1972	1973	1974	Investment Plan	1967—1974 Project
Agriculture		21.9	53.3	4.0	3.7	19.7	2.6	105.2	58		
Forestry		351.8	40.1	17.6	51.0	45.2	30.9	536.6	85		
Fishery		13.4	7.8	3.5	2.7	4.1	19.3	50.8	16		
Mining		623.7	75.0	80.0	175.0	—	69.0	1,022.7	17		
Manufacturing Industry		<u>161.3</u>	<u>143.0</u>	<u>249.1</u>	<u>215.5</u>	<u>471.7</u>	<u>1,124.6</u>	<u>2,365.2</u>	<u>455</u>		
— Food		31.7	15.4	19.9	24.1	24.9	33.9	149.9	58		
— Textile		35.9	24.6	126.3	120.3	243.6	398.7	949.4	75		
— Wood		—	0.5	1.2	0.3	6.4	10.1	18.5	12		
— Paper		3.0	2.1	3.3	4.9	2.5	1.0	16.8	13		
— Chemical		42.4	33.1	27.0	22.4	73.6	232.2	430.7	122		
— Metal		3.4	5.3	12.0	11.7	31.4	246.0	309.8	29		
— Others		44.9	62.0	59.4	31.8	89.3	202.7	490.1	146		
Construction		4.7	9.4	6.0	14.5	14.6	26.8	76.0	56		
Hotels and Trade		10.8	3.6	51.8	33.5	28.4	80.9	209.0	19		
Transportation and Communication		10.6	0.5	4.2	3.0	15.2	3.0	36.5	19		
Services and other		38.3	12.2	9.9	23.3	56.5	140.7	280.9	54		
T o t a l		1,236.5	344.9	426.1	522.2	655.4	1,497.8	4,682.9	779		

TABLE 38 -- REALIZATION OF FOREIGN INVESTMENT PROJECT BY FIELD OF ACTIVITY
(millions of \$)

Field of Activity	1967-1969					1967-1969	
	1970	1971	1972	1973	1974	Investment Value	Project
Agriculture	9.3	2.1	3.4	7.9	4.5	29.0	58
Forestry	15.0	32.8	31.2	40.9	50.3	203.2	85
Fishery	3.1	8.4	3.4	6.5	21.9	48.0	16
Mining	11.7	61.0	50.7	6.6	44.3	216.4	17
Manufacturing Industry	<u>34.6</u>	<u>103.7</u>	<u>171.1</u>	<u>306.7</u>	<u>368.5</u>	<u>1,033.0</u>	<u>455</u>
-- Food	9.1	16.4	15.9	34.8	21.7	111.7	58
-- Textile	2.6	44.3	77.9	149.5	157.7	443.3	75
-- Wood	---	3.1	0.3	0.3	1.8	5.5	12
-- Paper	0.3	0.3	6.5	5.1	1.5	13.9	13
-- Chemical	8.0	17.9	21.2	37.1	50.8	146.3	122
-- Metal	1.0	2.5	4.9	11.0	17.7	37.8	29
-- Others	13.6	19.2	44.5	68.9	117.3	274.5	146
Construction	1.3	0.4	2.1	1.5	16.6	22.1	56
Hotels and Trade	1.3	6.7	4.5	17.9	19.6	54.0	19
Transportation and Communication	4.3	0.9	0.9	0.9	1.1	9.7	19
Services and other	2.4	2.3	3.6	4.9	107.1	122.7	54
T o t a l	83.0	218.3	270.9	393.8	633.9	1,738.1	779

**TABLE 39 — FOREIGN INVESTMENT PROJECT BY COUNTRY
1967 — 1974**

Country	Total Project	Investment Value	
		millions in US\$	Percentage of total
Japan	177	1,405.5	30.0
United States of America	94	556.7	11.9
Hongkong	107	452.7	9.7
Philippines	16	290.8	6.2
West Germany	23	167.4	3.6
Netherlands	42	162.4	3.5
Australia	39	147.7	3.2
Singapore	40	118.8	2.5
South Korea	18	107.4	2.3
Other	223	1,273.6	27.1
T o t a l	779	4,682.9	100.0

Production of foodstuffs

Production of all essential foodstuffs except maize increased during 1974. Rice production rose by 845 thousand tons (5.8%) to 15,452 thousand tons. The extraordinary rise in 1973's rice production (1,424 thousand tons, or 10.8%) was explainable by 1972's very low production as a result of low rainfall.

The reasons for 1974's increase in rice production were the extensification of the harvest and the intensification of the yield per hectare, from 33.4 quintals per hectare to 34.8. The increase in ricegrowing area was due to opening new ricelands, while the intensified yield was due to the BIMAS and INMAS programs, which were also pursued more vigorously.

Maize production in 1974 fell by 12.2% to 3,240 thousand tons. This resulted from a

reduction in the area harvested, which was 22.9% less than in the previous year, resulting from the use of the land for other crops, mainly rice. Yields rose during this period, from 10.8 to 12.2 quintals per hectare.

Production of cassava and sweet potatoes in 1974 rose 23.2% and 22.2%, respectively, as the result of improved yields, which grew to 91.0 and 87.6 quintals per hectare respectively.

Production of peanuts and soya beans in 1974 increased 8.6% and 1.7%, respectively, to 315 thousand tons and 550 thousand tons. The increased yield for peanuts was due to increased production per hectare, while the increased harvest for soya beans was due to extensification of the areas harvested. The production, area harvested, and average yield of principal foodstuffs is as follows :

	Production (thousands of tons)			Area harvested (thousands of hectares)			Average Yield (quintals/hectare)		
	1972	1973	1974*	1972	1973	1974*	1972	1973	1974*
Rice	13,183	14,607	15,452	7,892	8,403	8,537	32.1	33.4	34.8
Maize	2,254	3,690	3,240	2,160	3,433	2,648	10.4	10.7	12.2
Cassava	10,385	11,185	13,775	1,468	1,429	1,513	70.7	78.3	91.0
Sweet Potatoes	2,066	2,387	2,916	338	379	333	61.1	63.0	88.0
Peanuts	282	290	315	354	416	409	7.9	6.9	7.7
Soya beans	518	541	550	697	743	753	7.4	7.3	7.3

Source : Central Bureau of Statistics

The rise in production during 1974 (except for maize) was mainly due to the Palawija (Second Crop) BIMAS and INMAS instituted in the planting season of 1973/1974. This program was carried out in a way

similar to that used for rice intensification. With the rise in the price of fertilizer, the BIMAS kredit packet for the 1974/1975 planting season rose from Rp 19,715 to Rp 25,415 per hectare.

Government measures to increase production of foodstuffs.

Increasing BIMAS and INMAS-guided paddy cultivation was the principal Government contribution to expansion of production of foodstuffs. In 1974 the BIMAS and INMAS areas were expanded 4.5% to 4,075 thousand hectares. The average yield per hectare under intensification rose from 45.6 quintals per hectare in 1973 to 47.3 quintals per hectare in 1974. The Government also added to the number of BRI village units and Village Unit Enterprise and Village Unit Cooperatives (BUUD/KUD). This increased the services offered to the farmers cooperating in BIMAS, since the effectiveness of the distribution of production means as well as the distribution and repayments of credits is facilitated by these units. In 1974 there were 2,600 BRI village units, 25.7% more than the 2,069 in the preceding year. The formation of BUUD/KUD units by the Directorate General of Cooperatives increased by 26.7%, bringing the total to 2,990.

In addition to increasing the irrigational infrastructure and the number of BRI village units and BUUD/KUD, there were also measures to improve the processing of paddy into rice. The number of mills and their productive capacity were increased respectively by 20.8% and 10.7% to 28,952 mills and 13.5 million tons in 1974.

Intensification was supported by the following measures

a). Guidance and information

This was very important for making the farmers more progressive. Successful result depend heavily on the number of

agricultural extension units in the field and the special agricultural agents assigned to the intensification areas and the village units.

b). Farming development

Farming development was increased by surveying and recording land holdings, recording production costs and yields, and providing market information. These two efforts were undertaken to guide and develop the farmers so that they can use more productive production techniques.

In addition to this, as always at the start of the planting season, the Government announced the floor prices for paddy purchasing. Beginning February 1, 1974, the price of dried paddy from village godowns (padi kering lumbung desa) was raised from Rp 30 per kilogram to Rp 42. This was intended as an incentive to the producing farmers.

Rice

In agricultural development, increasing rice production is always given top priority. As a result of this policy, the production of rice in 1974 rose by 5.8% over the preceding year. Production figures for the PELITA I years and the initial year of REPELITA II are as follows (in thousand of tons):

Production :

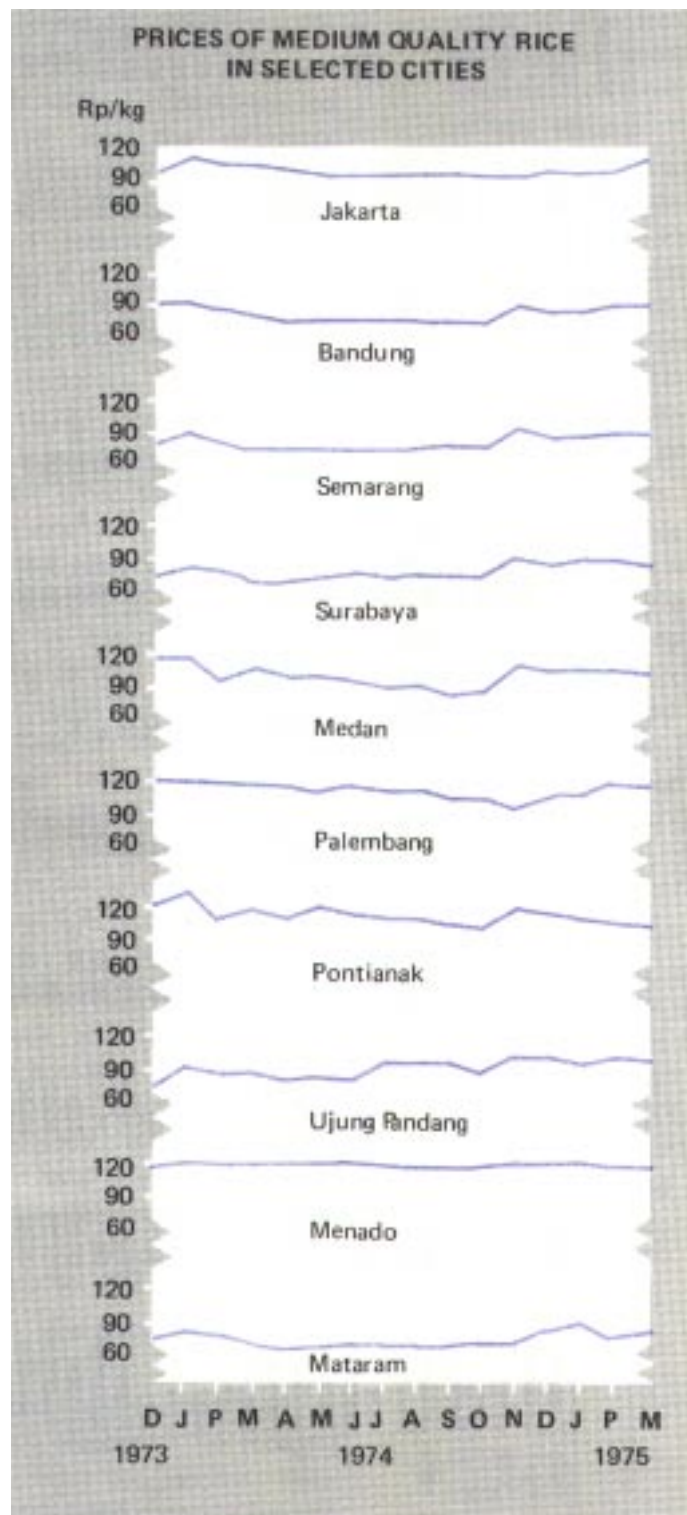
1969	12,049
1970	13,140
1971	13,724
1972	13,183
1973	14,607
1974	15,452

Source : Central Bureau of Statistics

TABLE 40 – PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES
(Average price in Rp/kg)

	Jakarta	Bandung	Semarang	Surabaya	Medan	Palembang	Pontianak	Ujung Pandang	Manado	Mataram
1970 December	46.40	47.-	47.50	41.-	50.-	45.-	50.-	43.-	43.-	35.-
1971 December	45.30	43.-	45.-	44.50	45.50	35.-	48.25	40.-	51.50	40.-
1972 January	48.49	49.-	46.25	48.-	45.-	45.-	48.50	42.-	51.50	42.50
June	44.05	36.-	40.-	38.-	45.-	45.-	48.17	36.-	47.-	39.35
December	78.10	74.-	81.67	73.85	57.-	57.50	90.-	60.-	80.-	60.-
1973 January	84.35	78.-	88.75	80.-	65.-	78.-	80.-	60.-	70.-	77.50
March	78.10	74.-	68.33	54.87	67.-	52.50	65.-	52.50	57.50	57.50
June	120.-	71.25	73.83	64.60	102.50	130.-	200.-	65.-	84.50	60.-
September	95.-	85.-	80.75	72.50	110.-	110.-	120.-	70.-	120.-	81.50
December	100.-	90.50	80.83	75.-	115.-	120.-	125.-	75.-	118.50	75.-
1974 January	112.50	92.-	90.-	83.75	115.-	120.-	135.-	90.-	120.-	80.-
February	106.75	87.50	82.58	77.50	95.-	120.-	110.-	85.-	120.-	77.50
March	106.75	81.25	78.75	70.-	105.-	118.-	120.-	85.-	120.-	70.-
April	96.35	80.-	75.-	68.75	100.-	115.-	110.-	75.-	120.-	67.-
May	93.75	78.-	75.-	72.50	100.-	110.-	122.50	75.-	120.-	67.50
June	93.75	75.-	75.-	75.-	96.-	117.50	115.-	75.-	120.-	68.-
July	93.75	75.-	76.25	73.75	90.-	112.19	110.-	95.-	118.-	67.50
August	93.75	76.25	75.-	74.-	90.-	112.-	110.-	92.50	116.-	67.50
September	95.-	75.-	78.33	73.50	81.-	106.25	105.-	92.50	116.-	67.50
October	91.25	75.-	77.75	74.50	85.-	105.-	102.50	85.-	115.-	70.-
November	103.75	90.62	95.-	91.50	119.-	96.14	120.-	100.-	120.-	70.-
December	106.25	87.50	88.33	88.-	110.-	106.75	115.-	97.50	120.-	80.-
1975 January	106.25	88.-	88.33	90.-	110.-	107.50	112.50	95.-	120.-	80.50
February	110.-	92.50	90.33	90.50	105.-	117.50	110.-	97.50	118.-	77.50
March	111.25	92.50	90.-	86.-	102.50	116.58	105.-	97.50	116.50	80.-

Source : Body for Logistic Affairs.



Over PELITA I, rice production increased from 12.0 million tons in 1969 to 14.6 million tons in 1973, an average increase of 4.2% per annum. While production did decline in 1972, the increase during the PELITA I years was greater than that of population, calculated at 2.4% per year.

World rice production during 1974 fell 0.8% to 321.7 million tons due to bad weather in several primary producing countries and major floods in several Southeast Asian countries. Production fell in Pakistan, India, Bangladesh, Cambodia, Thailand, and Brazil, among others. The countries increasing production were the United States, China, Vietnam, the Philippines, Malaysia, and Indonesia.

The price in Bangkok of white rice 15 per cent broken was £ 234 per long ton at January 1, 1974, £ 535 in June, £ 385 in December, and £ 372 in March, 1975. The main causes of these fluctuations in world market rice prices were increased export taxes and the imposition of export ceilings by several exporting nations, as well as the unstable state of the world economy in general.

During 1974, domestic prices were relatively stable. To prevent any sudden fluctuations in the domestic prices of rice the Government continued to maintain large stockpiles. In the case of price increases over established ceilings, the Government sold its stocks in the domestic market until prices came down again.

Forestry

During PELITA I, wood production showed a rapid increase, as shown in the figures below :

Year	Production (thousand of cubic meters)
1970	12,424
1971	13,738
1972	17,717
1973 *	25,800
1974 *	23,280

Source : Department of Agriculture.

During 1974 timber production fell 9.8 per cent to 23,280 m³. Among other causes was the Minister of Agriculture's decision requiring holders of concessions with production targets of less than 100,000 m³ to reduce their production by 10 per cent, while those with higher targets were to reduce production by 15 per cent.¹⁾ This decision was intended to prevent the build up of excessive inventories resulting from the recession in the industrial countries.

In 1974 the volume of timber exported was 14,098 thousand tons, a 7.1 per cent drop from the previous year's total of 15,176 thousand tons. In spite of this drop in volume, the value of exports rose 24.3 per cent to \$ 725.7 million. The destination of timber exported followed the same pattern as in the previous years, the majority going to Japan, South Korea, Taiwan, Singapore, and Italy.

At the end of 1974/1975 there were 242 enterprises holding forest exploitation rights (SKHPH) covering a total area of 24.4 million hectares and involving a planned investment of Rp 520 million and \$ 910 million. In 1974/1975, 68 more companies received

1) Minister of Agriculture decision No. 501/Kpts/U/8/1974, dated August 24, 1974.

permission to invest in this field and to work an area of 5.6 million hectares with a planned investment of \$ 163 million. Thirty-one companies received forestry agreements covering a total area of 2.3 million hectares and representing planned investment of \$ 78.3 million.

Other forest products

Exports of other forest products in 1974 were as follows:

	Volume (thousands of tons)		Value (millions of \$)	
	1973	1974	1973	1974
Rattan	44.4	52.7	1.8	3.5
Shorea nuts	16.7	3.5	3.1	0.4
Dammar	9.3	7.3	1.1	0.8
Copal	2.4	2.1	0.2	0.2

As part of the efforts to raise the production and export of wood and other forest products, reforestation was carried out over 45.6 thousand hectares and forestation over 149 8 thousand hectares. This work was carried out not only by the Government, but also by enterprises holding forest exploitation rights. This program has had the results:

Year	Reforestation (thousands of hectares)			Greening (thousands of hectares)
	Government	Private	Total	
1970/1971	26.6	8.7	35.3	98.7
1971/1972	18.0	10.1	28.1	102.3
1972/1973	29.2	6.5	35.7	107.9
1973/1974	32.4	21.0	53.4	104.5
1974/1975	35.3	10.3	45.6	149.8

Source : Department of Agriculture

Livestock

Production of meat, eggs, and milk rose steadily between 1972 and 1974 as seen in the following figures (in thousands of tons):

	1972	1973	1974 *
Meat	366	379	394
Eggs	78	81	101
Milk	38	35	57

Source : Department of Agriculture

In 1974, per capita consumption of meat was estimated at 3.1 kilograms; of eggs, 0.5 kilograms; and of milk, 2.0 liters. With the minimal need per capita of 8.1 kg of meat, 2.2 kg of eggs, and 22 liters of milk 2), consumption of these commodities by the Indonesian people reached 38%, 23%, and 91% respectively of the suggested nutritional norms.

The number of large livestock (cattle, water buffaloes, and horses) and some types of small livestock (goats and sheep) dropped the number of other small livestock (swine) and poultry (chickens and ducks), however, rose sharply, as shown in the figures below:

Year	Livestock Population (thousands of head)		
	Large livestock		
	Cattle	Water Buffaloes	Horses
1970	6,189	2,976	692
1971	6,311	2,976	665
1972	6,354	2,822	693
1973	6,715	2,489	645
1974 *	6,466	2,415	600

	Small livestock		
	Goats/ Sheep	Swine	Chickens/ Ducks
1970	9,698	3,163	70,808
1971	10,089	3,352	86,056
1972	10,185	3,350	95,031
1973	10,340	2,768	95,504
1974	9,920	2,906	106,720

Source : Department of Agriculture

The increase in the chicken and duck population over this period is due, among other factors, to the rapid increase in pure-bred poultry farming, particularly in the large cities and the stepped-up effort to combat NCD (tetelo) among chickens raised in rural districts.

The effort to step up livestock production included intensified dissemination of information, prevention and elimination of disease, provision and distribution of

breeding stock and semen, selection and castration, and increased production and distribution of improved feeds and veterinary drugs, as well as improved processing and marketing facilities for livestock and their-by products.

The export value of water buffaloes and cattle rose sharply in 1974 despite the decrease in the total number of animals exported. This reflected a very large increase in the price :

Cattle Exports						
	Volume (tons)			Value (thousands of \$)		
	1973	1974	%	1973	1974	%
Cattle	4,572	5,167	+13.0	814	2,014	+147.4
Water buffaloes	19,925	17,410	-12.6	3,636	8,054	+121.5

Source : Central Bureau of Statistics.

Fishery

In 1974, fish production totalled 1,342 thousand tons, 893 thousand tons of ocean fish and 449 thousands tons of fresh-water fish. This was a 3.2 per cent rise over the previous year's production of 1,300 thousand rons.

	Fish Production (thousands of tons)		
	Inland fishery	Sea fishery	Total
1970	421	808	1,229
1971	424	820	1,244
1972	433	836	1,269
1973	440	860	1,300
1974	449	893	1,342

Source : Department of Agriculture

The rise in inland fishery production was due to the increased volume of fish raising, while that of sea fishery production is due to the increased use of modern

fishing equipment. REPELITA II calls for continuing development of small scale fishery enterprises. In this context extension work was done through the use of KIK and KMKP facilities. Information was given concerning the use of ships of less than 5 tons, the construction of fish ponds, and the raising of shrimp.

Exports of fish products also rose. In 1974, the export of fish, shrimp, jellyfish and the like totalled 55.5 thousand tons, compared with 52.2 tons the preceding year, a rise of 6.3 per cent. Of 1974's total exports, 60 per cent represented shrimp. Exports of frogs' legs fell 59 per cent, reflecting inadequate methode of catching, processing, and packing which render a high percentage of frogs'legs unacceptable to importers.

Although the fishery sector has been developing quite satisfactorily, fishery products

like canned fish, preserved fish, fish oils, and agar-agar are still being imported. It is hoped that the development of fresh fish marketing and domestic fish canneries will enable these imports to be reduced.

Rubber

Rubber production in 1974 was 839 thousand tons, 249 thousand tons from rubber estates and 590 thousand tons from small-holders. There was no significant difference from the previous year's production. The figures below show production over the last five years:

	Rubber production (thousands of tons)		
	Estate Rubber	Small holder rubber	Total
1970	238	571	809
1971	239	547	786
1972	236	567	803
1973	247	598	845
1974	249	590	839

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

As part of the effort to improve the quality of export rubber, crumb rubber production in 1974 was increased 6% to 368 thousand tons, accounting for 44% of all rubber production.

Production details are as follows:

	Crumb Rubber Production			
	1973		1974	
	(thousands of tons)	%	(thousands of tons)	%
SIR 5/5L	12	3.5	11	3.0
SIR 10	4	1.0	5	1.5
SIR 20	187	54.3	213	57.8
SIR 50	142	41.2	139	37.7
	345	100.0	368	100.0

As is well known, the recession in the industrial countries in 1974 led to a fall in the price of many commodities, including rubber. The New York price of RSS I fell from \$ 0.495 / lb at the end of 1973 to \$ 0.3075/ lb at the end of 1974. Despite this, while the volume of rubber exported in 1974 dropped 10% to 840.4 thousand tons, its export value rose 22.5% to \$ 479.2 million. This was caused by the high prices in the early months of 1974 and the increased volume of high quality rubber exported. Exports of Indonesian rubber were principally to the following countries: (in thousands of tons)

	1973	1974
Singapore	467	433
United States	214	215
West Germany	64	57
Soviet Union	—	35
Japan	28	23
England	25	14

World production and consumption of rubber for the past three years were as follows:

Natural Rubber	Production (thousands of tons)	Consumption (thousands of tons)
1972	3,125	3,235
1973	3,513	3,410
1974	3,435	3,505

Synthetic Rubber

1972	6,630	6,605
1973	7,505	7,318
1974	7,390	7,233

Source : Rubber Statistical Bulletin

It can be seen that there were no major changes world consumption of natural or synthetic rubber

Copra

During PELITA I intensive efforts were made to renew coconut plantations and to overcome the sexava pest. The replanting process was to be stepped up even further in REPELITA II by including projects for smallholder coconut in the monocultural areas. As a result of these efforts, copra production rose 6% in 1974 to 1,357 thousand tons

Copra production since 1971 is as follows :

Production (thousands of tons)

1971	1,277
1972	1,254
1973	1,280
1974	1,357

Source : Department of Agriculture

During 1974 the price of copra fell substantially in the world market. At the end of 1973 the Manila copra price was \$ 600/long ton, rising to \$ 760 in March, 1974, falling sharply to \$ 380 at the end of 1974 and still further to \$ 250 at the end of March, 1975. This reflected the lack of demand caused in part by the increased availability of vegetable oils in the world market.

Beginning in August, 1973, the Government prohibited the export of copra and coconut oil to safeguard domestic supplies and prices. This policy was adopted in response to the fall in domestic copra production resulting from the long dry seasons in the preceding two years

The volume of exports of copra cakes rose 12.1% to 226 thousand tons in 1974, while the export value rose 30.3% from \$

17.8 million to \$ 23.2 million. The countries of destination for copra and copra cakes were as follows (in thousands of tons)

	1973		1974	
	Copra	Copra cakes	Copra	Copra cakes
Netherlands	21.7	66.1	—	36.4
West Germany	9.7	118.1	—	179.2
Japan	6.0	1.8	—	0.8
Singapore	6.2	7.6	—	16.7
Denmark	1.0	—	—	—
Belgium and Luxembourg	—	40.2	—	16.7

Source : Central Bureau of Statistics

Palm oil

As a result of the replanting and extensification of Government Estates Enterprise and large private estate and the use of high-yielding seeds in the preceding years, as well as good estate management, the production of palm oil and palm kernels in 1974 rose 21.0% and 15.6% respectively to 351 thousand tons and 74 thousand tons. Production in recent years was as follows:

	Palm oil (thousands of tons)	Palm kernels (thousands of tons)
1970	217	48
1971	248	56
1972	270	59
1973	290	64
1974	351	74

Source : Central Bureau of Statistics

The volume of exports of palm oil in 1974 rose 9.3% to 294.2 thousand tons, while the export value rose 129.0% to \$ 166.0 million. The volume of palm kernel exports fell 43.3% to 25.0 thousand tons, partly because a proportion of palm kernels had begun to be proc-

essed domestically into palm kernels oil. Nonetheless, value of exports rose 75.0% to \$ 8.4 million.

The average price of palm oil in the world market (London) at the end of 1973 was \$ 575/long ton, rising to \$ 680 at the end of 1974 and falling to \$ 510 in March, 1975.

The price of palm kernels at the end of 1973 was £ 195/long ton, rising to its maximum of £ 275 in the middle of 1974, and dropping to £ 175 at the end of 1974.

The principal destinations for palm oil exports in 1974 were the Netherlands (60 thousand tons), followed by the United States (55 thousand tons), Pakistan (46 thousand tons), Japan (41 thousand tons), and West Germany (37 thousand tons).

To increase future production, research will be conducted over REPELITA II into the possibility of opening new lands for palm oil, such as Riau, South Sumatera, Lampung, Kalimantan, Sulawesi and Irian Jaya, as well as developing small holder palm oil activities.

Cinchona

The production of cinchona bark in 1974 rose 27.2% to 1.4 thousand tons. Some 61% of this total was produced by estates in West Java, while the balance was produced in East Java and West Sumatera. The volume of exports of cinchona salt and cinchona bark in 1974 fell 70% to 121 tons, although the export value rose 74% to \$ 10.8 million as a result of price rises due to inadequate production in other countries.

Sugar

As in the preceding years, extensification of caneplanting land, intensification of culti-

vation, use of high yielding varieties, and improvement of the means of production continued. This resulted in the rise of sugar production by 27% to 1,028 thousand tons in 1974. In addition, smallholder sugar (brown sugar) production rose 25% to 254 thousand tons.

Although sugar production rose, domestic sugar needs could still not be met, and imports were necessary. Sugar production will continue to be increased in the future by increasing the number of sugar factories and improving cane cultivation methods.

The volume of molasses exported in the reporting year dropped 8.0% to 195 thousand tons in 1974, but the export value rose by 37.5% to \$ 11 million.

Tea

Production of estate tea grown (black tea) fell from 53 thousand tons in 1973 to 52 tons in 1974. Green tea production (smallholder tea) remained 14 thousand tons. The fall in estate grown tea production resulted from among other factors, the decrease in the area planted as well as the advanced age of most of the plants. In the estates. An estate rehabilitation effort, particularly in West Java, is underway to increase production.

Both the volume and the value of exports grew significantly over 1973 by 13.2% and 44.4%, respectively, to 50.5 thousand tons and \$ 43.6 million. This was due in part to the increased world demand for Indonesian tea.

The countries of destination were as follows:

	1973	1974
	(thousands of tons)	(thousands of tons)
Australia	9.4	11.7
United States	6.3	9.5
Netherlands	4.0	4.4
England	1.9	3.6
West Germany	1.6	2.1
Singapore	1.8	1.2

Source : Central Bureau of Statistics

The London price of plain tea at the end of 1973 was £ 0.39/kg, rising at the beginning of 1974 to £ 0.50 and rising still further at the end of 1974 to £ 0.59. Among factors responsible for this price increase is the slow rate of increase of world tea production resulting from poor weather in several of the producing nations, like Kenya, other African countries, and North India. World tea production in 1974 rose only 0.6% to 1,579 thousand tons.

Coffee

Smallholders produced 80% (144 thousand tons) of total coffee production of 163 thousand tons during 1974. Compared with production the year before, which totalled 150 thousand tons (140 thousand tons of smallholder coffee and 10 thousand tons estate coffee), in 1974 smallholder coffee and estate coffee production showed increases of 4 thousand tons (3%) and 9 thousand tons (90%) respectively. This production rise resulted principally from the smallholder sector's efforts to cultivate better, to manage the soil more efficiently, and to fertilize more intensively, as well as from replanting with high-yielding seed.

1974's coffee exports rose 14.4% to 114 thousand tons, while the export value rose

30.9% to \$ 101.3 million. This rise reflects the rise in the price of coffee in the world market as well as the lifting of quotas in 1972/1973 by the International Coffee Organization. This gave Indonesia a good opportunity to export coffee in the large quantities made possible by its production potential.

The countries of destination were :

World production of coffee in 1974 rose

	1973	1974
	(in thousands of tons)	(in thousands of tons)
United States	44	56
Netherlands	14	15
France	5	3
Japan	3	5

21.7% to 4,893 thousand tons over the preceding year's 4,020 tons. The price of Robusta in the world market in December, 1973 was noted at Sin.\$ 90/ pikul, rising at the end of 1974 to Sin.\$ 134, then falling in March, 1975 to Sin.\$ 113.

Tobacco

Favorable weather conditions in 1974 for the growing of tobacco led to production of better- quality leaf than in the previous year.

The production of Sumatera tobacco (Deli) in 1974 rose 8.3% to 26 thousand bales due to the increased area planted and the good weather. Java tobacco (Vorstenlanden) production in 1974 rose 7.2% to 25.3 thousand bales, but Besuki NO tobacco production dropped 6% to 108.0 thousand bales.

According to data from the Tobacco Institute, exports of all types of tobacco (NO tobacco, Virginia, and Asepan) in 1974 to-

talled 285.8 thousand bales compared with 345.0 thousand bales in 1973 (a 20.7% drop), while the export value dropped 16.096. This drop was principally due to the reduction in exports of Besuki NO tobacco, which totalled only 147.2 thousand bales compared to the previous year's 206.0 thousand bales.

The volume and value of Indonesian tobacco sales through the Bremen exchange totalled 165.0 thousand bales worth DM 114.3 million, broken down as follows:

	Volume (thousands of bales)		Value (millions of DM)	
	1973	1974	1973	1974
A. Through auctions				
– Sumatera tobacco	28.4	22.6	54.7	48.5
– Java tobacco	88.1	74.8	40.9	44.6
	116.5	97.4	95.6	93.1
B. Not through auctions/by private contracts	1.1	67.5	0.4	21.8
Total A + B	117.6	164.9	96.0	114.9

These figures show rises in volume and value in 1974 totalling 40.2% and 19.7% respectively over the preceding year.

Spices

In 1974 pepper production rose 3.4 per cent to 30 thousand tons. A pepper intensification project covering 13 thousand hectares will be undertaken in Lampung as part of REPELITA II.

The export value in 1974 fell 12.1 per cent from that of the preceding year to \$ 24.6 million because of the 35.5 per cent fall in volume to 16 tons.

In 1974 clove production dropped 36.4 per cent to 14 thousand tons. This reduction

was consistent with the fluctuating pattern of production over the years. In REPELITA II Clove Intensification Projects in West Sumatera, Lampung, Central Java, North Sulawesi, and the Moluccas will be conducted using Zanzibar high-yielding seeds.

In 1974 mace and nutmeg production were virtually the same as in the preceeding year, 11 thousand tons. Exports of mace and nutmeg in 1974 rose by 22.8 per cent to 7 thousand tons and 7.1 per cent to \$ 2.5 million, respectively.

Cassia vera production in 1974 fell by 41 per cent to 7 thousand tons. The export volume fell by 31.8 per cent to 3 thousand tons, but the value rose by 33.3 per cent to \$ 5.2 million.

Mining

The output of important minerals such as crude oil, nickel, gold, and silver fell during 1974/1975. However, the output of tin and other minerals exceeded that of the preceding year.

The production of crude oil in 1974/1975 dropped 4.5 per cent to 485.5 million barrels. Production by PERTAMINA and in the Context of Production Sharing totalled 151.0 million barrels, Lemigas 0.4 million barrels. Contract of Work Companies produced 334.1 million barrels, consist of 316.4 million barrels by Caltex, 15.8 million barrels by Stanvac and 1.9 million barrels by Calasiatic & Topco.

While the volume of crude oil exports in 1974/1975 fell slightly, the Calasiatic & Topco value rose as a result of the large price increase. Most of crude oil exports went to Japan and the United States. In 1974 the domestic consumption of fuel and lubricating

oil rose from 60.9 million barrels to 68.0 million barrels.

Tin production by PN Timah in 1974/1975 rose by 9.7% to 24.8 thousand tons. This rise was caused by improvements and modernization of the means of production under PELITA 1, including dredging vessels and electric power units, and by the opening of new exploitation areas. KOBATIN's production in 1974/1975 rose by 340.3% to 686.5 tons. Along with the increased production, exports rose from 1973/ 1974's level of 21.3 thousand tons with a value of \$ 104.3 million to 23.6 thousand tons with a value of \$ 178.9 million.

Other minerals

Bauxite ore production in 1974/1975 rose by 3.5% to 1,284.2 thousand tons as a result of increasing use of mining equipment. In line with this increase, exports increased from 1973/1974's 1,197 thousand tons to 1,314 thousand tons. However, nickel production in 1974/1975 dropped by 208.8 thousand tons to 781.1 thousand tons. This drop was principally due to adjustments to the overseas market. Nickel exports in 1974/1975 totalled 809.2 thousand tons, compared with the previous year's 834.7 thousand tons.

Construction of the International Nickel Company's (INCO) nickel processing plant in South Sulawesi was proceeding rapidly and it was expected hoped to be able to begin producing early in 1976. In addition, PT Pacific Nickel's mining activities and construction of its nickel refining plant in P. Gag (Irian Jaya) are underway, with the hope that exports can begin in 1980.

Coal production in 1974/1975 rose by 17.6% to 171.6 thousand tons. It is believed that domestic demand will continue to rise in view of the expansion of the Indarung cement factory and the growing demand for electric power in West Sumatera. The energy crisis and the rise in the price of oil are also expected to lead to a rising demand for coal overseas. In view of this, it was considered necessary to explore and mine in West Sumatera and South Sumatera. For this purpose PN Batubara entered into a contract with NV Shell Mijnbouw to form PT Sumbara Shell, domiciled in Sumatera. In December, 1974, PT Sumbara Shell began its exploration in the Meraksa, Muncakabau, and Kepayang mountain areas.

Gold and silver production fell by 20.6% and 28.2% respectively to 260.0 kilograms and 6.1 tons. In order to find new reserves, drilling has been conducted in Cirotan (South Banten) since 1973, but no positive indications have resulted as yet.

The production of iron sand in 1974/1975 rose by 7.9% to 349.2 thousand tons, caused in part by the use of magnetic separators and portable sieves, which produce higher concentration of iron in the sand concentrate. Exports in 1974/1975 rose to 348.0 thousand tons, compared with 1973/ 1974's 283.6 thousand tons, all of which was exported to Japan.

Production of copper in 1974/1975 rose by 27.8% to 208.1 thousand tons as a result of completion of construction and rehabilitation of the installation in 1974. Meanwhile copper exports rose by 77.2% to 222.4 thousand tons.

Manufacturing

During 1974/1975 the industrial climate improved steadily, and both capacity and production rose, in part as the result of Government aid and guidance given to industrial enterprises, both Government and privately owned enterprises. This help and guidance took the form of on-the job training, management training, provision of adequate funds, and other assistance.

In the 1974/1975 development budget, Rp 9.7 billion was made available for the industrial and mining sectors, a rise of 118% over the previous year's Rp 4.7 billion. For the industrial subsector alone Rp 7.4 billion was made available. In addition, project aid funds for industry and mining totalled Rp 3.1 billion, Rp 2.1 billion of this destined for the industry subsector. Financing in the form of investment loans to industry totalled Rp 61.0 billion in 1973/1974, rising to Rp 72.4 billion in 1974/1975, broken down as follows:

	(millions of Rupiah)
– Foods	12,011.2
– Textiles	13,878.1
– Paper and paper products	1,092.8
– Printing	1,736.6
– Chemicals	6,855.0
– Pharmaceuticals	514.4
– Rubber products	12,171.4
– Construction and construction materials	6,632.9
– Other industries	17,488.4
T o t a l	72,380.8

At the end of 1974/1975, of The Total Number of Domestic Investment Law projects approved, 1,668 (73%) were manufacturing projects with a total planned investment of Rp 966.4 billion (62%), divided as follows:

	Number of projects	Planned Investment (billions of Rupiah)
Textiles	376	373.7
Chemicals	344	138.3
Electrical equipment	61	22.0
Other industries	887	432.4
T o t a l	1,668	966.4

Out of all Foreign Investment Law projects approved, 460 (58%) were in the industrial sector, with a planned investment of \$ 2,409.7 million (51%), broken down as follows:

	Number of projects	Planned Investment (millions of \$)
Foods	58	159.1
Textiles and leather	75	952.4
Wood and wood products	12	19.2
Paper	13	17.0
Chemicals and rubber	126	458.2
Non-metallic minerals	27	263.2
Basic metals	28	309.8
Metal products	109	221.0
Other industries	12	9.8
T o t a l	460	2,409.7

Production on an industry basis generally increased during 1974/1975, as seen in the figures below:

Type of Industry	Unit	Production	
		1973/1974	1974/1975
Textiles			
Textiles	million meters	926.7	974.0
Yarn	Thousand bales	316.2	366.8
Chemicals			
Fertilizer (Urea)	Thousand tons	115.7	209.1
Fertilizer (Z.A.)	"	122.8	129.1
Cement	"	819.0	828.9
Paper	"	47.2	48.4
Salt	"	86.0	70.0
Vehicle tires	Thousand Units	1,351.5	1,704.0
Innertubes	"	581.3	993.9
Miscellaneous industries and handicrafts :			
Bicycle tires	Thousand units	2,307.1	2,528.5
Bicycle innertubes ¹⁾	"	637.2	250.0
Coconut oil	Thousand tons	264.5	265.0
Frying oil	"	28.7	29.4
Soap	"	131.3	131.0
Detergent	"	6.6	7.0
Cigarettes	Million units	20,376.0	21,865.0
Clove cigarettes	"	30,221.0	30,600.0
Matches	Million boxes	556.0	707.0
Toothpaste	Million tubes	32.0	46.0
Metals and Machinery :			
Automobile assembling	Thousand units	36.7	65.0
Motorcycle assembling	"	150.0	251.0
Wet cell batteries	"	140.0	180.0
T.V.	"	70.0	135.0
Radio	"	900.0	1,000.0
Drycell batteries	"	132,000.0	144,000.0
Light bulbs	"	18,000.0	18,900.0

Source : Department of Industry

1) Directorat General of Chemistry

Textile production rose to 974 million meters, an increase of 5.1% over the previous year, while yarn production rose 16% to 366.8 thousand bales. This increase resulted partly from the cotton subsidy given to do-

mestic spinning mills and the increased duties on imports of finished textiles.

In the chemical industry, urea fertilizer production rose by 80.7% as the result of completion of the PUSRI II project in

Palembang and the improved production process at the Gresik petrochemical plant. Cement production rose by 1.2% to 828.9 thousand tons. In future years a much larger increase is expected after construction of the 2 new cement factories in Cibinong is completed.

In the field of miscellaneous industries and handicrafts no striking production increases were recorded except for matches and toothpaste.

Electric power and gas

Over 1974 considerable progress was made in electric installation construction and rehabilitation in line with REPELITA II is plans for increasing capacity and widening the transmission network.

In 1974 the capacity installed was 919 thousand kilowatts, an increase of 18.4%, compared to the previous year's 16.9% increase. Growth in capacity in recent years may be seen in the figures below (in thousand of kilowatts):

Power Plants	1972	1973	1974
Diesel-powered (PLTD)	213	230	264
Steam-powered (PLTU)	225	225	250
Water-powered (PLTA)	185	279	279
Gas-powered (PLTG)	42	42	126
T o t a l	664	776	919

In Jakarta, one gas-powered plant with a 60,000 kilowatt capacity was completed in Pulogadung primarily for industry in that area. In Semarang a PLTG unit with a 20,000 kilowatt capacity and 2 PLTU units were completed with a total capacity of 100,000 kilowatts.

To assist the growth of tourism, in Bali 4 PLTD units were completed with a total capacity of 20,000 kilowatts. In Palembang 2

PLTU units with a 25,000 kilowatt capacity were constructed, and the distribution network throughout the rural areas was improved. Work continued on 2 PLTA units in Batang Agam, West Sumatera, which will have a capacity of 66,000 kilowatts. In addition, 2 PLTD units with a 5 MW capacity in Padang, and 2 units with a 2.4 MW capacity in Bukit Tinggi were upgraded. In North Sumatera 7 PLTD units were constructed, with a combined capacity of 28 thousand kilowatts, and the distribution network in Medan and its environs was extended and rehabilitated, while electricity facilities were constructed and rehabilitated in Kalimantan. At the same time the effort to extend electricity to the rural areas was continued, and it was hoped that implementation could begin in the middle of 1975.

Sales of electricity to the consumer increased 9.2% in 1974, reaching 2,376.0 million KWH.

The National Gas Enterprise in 1974 completed its project for piping natural gas from Bongas, near Cirebon, in 1974. This raised gas production for the city of Cirebon from 0.8 million m³ to 18.6 million m³. Total gas production on the part of the National Gas Enterprise totalled 56.9 million m³, a rise of 47% over the previous year's 38.7 million m³, as may be seen in the table below (in millions of m³).

Unit	1972	1973	1974
Medan	3.2	3.9	3.6
Jakarta	12.1	12.4	13.0
Bogor	1.6	1.6	1.5
Bandung	8.0	7.8	7.9
Cirebon	0.8	0.8	18.6
Semarang	2.5	2.8	2.9
Surabaya	9.1	8.7	8.5
Ujung Pandang	0.7	0.8	0.9
	38.0	38.7	56.9

Source : National Gas Enterprise

Types of gas produced and raw materials used are summarized below:

Types of gas produced (millions of m³)	1972	1973	1974
Coal gas	7.5	4.7	3.3
Gas from oil processing	30.5	34.0	35.5
Natural gas	—	—	18.1
	38.0	38.7	56.9
Raw materials used			
Coal (thousands of tons)	11.9	2.6	1.0
Fuel oil (thousands of litres)	24.6	26.7	25.7

Transportation

In PELITA I the development program for transportation emphasized rehabilitation and repair of existing systems and equipment in general. In addition, since the availability of funds and equipments were increasing, efforts were also made to modernize equipment and to build new infrastructure.

Transportation development under REPELITA II is to continue rehabilitation efforts in highway, rail, and sea transportation, as well as repair and modernization of equipment used in telecommunications, air transportation, and the postal and giro service.

Land transportation

The Government's policy is to rehabilitate and add to the network of roads and bridges, especially outside Java. As a part of this ongoing effort, in 1974/ 1975 roads totalling 1,837 km and bridges of a total length of 3,658 m were improved, while maintenance was continued on roads totalling + 30 thousand km. In addition, road upgrading of 607 km, upgrading of 2,017 m in

bridges, building of new roads totalling 230 km, and building of new bridges totalling 1,305 m were carried out.

The number of highway vehicles increased steadily, as the following figures show (in thousands of units):

	Buses	Trucks	Passenger cars	Motor-cycles
1972	26	131	277	615
1973	30	141	308	720
1974	31	166	338	945

Source :Department of communication

To meet the need for transportation in isolated rural areas, 115 buses were operated by PN DAMRI during the reported period.

Rehabilitation and improvement of new railroad were continued to improve the flow of service. The frequency and routing of trains were also adjusted to the public's needs.

The growth of passenger and freight transportation was as follows:

	Passengers (millions of passenger-km)	Freight (millions of ton-km)
1972	3,352	1,038
1973	2,727	1,069
1974	3,466	1,116

Source : Department of Communication

Although the number of passengers and the amount of freight carried in 1974 were less than in the preceding year, total passenger-km and ton-km of freight rose. This indicates that the railway transportation were used more for longer distance journeys, while passengers tended to use highway transportation for shorter distances, since the

highways are constantly improving and more vehicles are available.

Sea transportation

In addition to adding to the fleet, efforts were also made to improve shipping lines, freight handlers, and harbors. As a result of the retirement of outdated ships and the purchase of new vessels, the total number of ships and the capacity of the interisland merchant fleet of Indonesia was as follows:

Total capacity of Inter Island Shipping Fleet in Indonesia

	Vessels	Capacity (thousands of DWT)
1972	282	321.7
1973	267	284.9
1974	259	308.2

Source : Directorate General of Sea Transportation

Although in 1974 the number of vessels in service was lower than in the preceding year, the total DWT rose as the result of the purchase of vessels of greater capacity.

In the field of international shipping, the effort to build up Indonesia's fleet continued. In addition to adding vessels, efforts were made to obtain more freight for Indonesian vessels. Development of the international shipping fleet as well as the volume of freight carried are shown below:

Total Capacity of Indonesia's International Shipping Fleet

	Vessels in operation (Number of vessels) (Thousands of DWT)		Freight (thousands of tons)
1972	53	467.0	6,923.0
1973	41	386.7	9,916.8
1974	45	425.5	10,892.5

Source : Directorate General of Sea Transportation

Beginning in 1974 the Government began to improve communications with isolated and economically weak areas. In 1974/1975 15 pioneer ships served 20 routes joining 84 small ports scattered throughout West Sumatera, Riau, the East and West Lesser Sundas, Molucca, North Sulawesi, Central Sulawesi, South Sulawesi, Southeast Sulawesi, and Irian Jaya.

Air transportation

During 1974 efforts continued to increase the number of aircraft, extend the routes, increase the number of flights, improve airports, and generally strengthen the airlines. Several aircraft were added, bringing the total in use by the airline to the following:

Types of aircraft	1972	1973	1974
Piston engine	15	14	14
Turboprop	35	25	30
Turbojet	9	16	20
T o t a l	59	55	64

Source : Directorate General of Air Transportation

The growth in passenger and freight services was as follows:

	1972	1973	1974
Production (millions of ton-km)	125.5	213.9	264.5
Sales (million of ton-km)	82.2	115.1	144.4
Passengers carried (thousands)	1,233.1	1,649.2	2,126.1
Distances travelled (millions of km)	26.9	33.2	42.4
Flying hours (thousands)	74.0	85.3	106.3
Freight carried (thousands of tons)	11.0	13.8	19.3

Source : Directorate General of Air Transportation

To support the regional development and to serve isolated areas, an pioneer service was begun in 1965 to Irian Jaya, and this was added to in the 1974. In 1974 7 aircraft were in use in this service, all Twin Otters, serving Irian Jaya, Moluccas, Sulawesi, and the East and West Lesser Sundas.

Postal and Giro Service

With the addition of supplementary post offices on the subdistrict level, as well as the addition of new postal vehicles, postal and giro services increased sharply in 1974. The flow of ordinary mail and special delivery mail rose 6.1%, money orders 38.7%, and the circulation of giro and postal cheques 59%, while savings in the Bank Tabungan Negara rose 64.2%. Developments were as follows:

	1972	1973	1974
Regular and special delivery mail (in millions of units)	196.3	176.5	187.2
Postal money orders (billions of Rupiahs)	32.5	45.6	63.3
Circulation of giro and postal cheques (billions of Rupiahs)	157.3	204.2	325.6
Savings in the Bank Tabungan Negara (billions of Rupiahs)	0.5	1.4	2.3

Source : Directorate General of Post and Telecommunication

Telecommunication

As the continuation of the automation program of the telephone network, 3 automatic telephone exchanges with 10,000 line units and 3 manual central battery exchanges with 2,172 line units had been built in 1974.

The total exchange number of the telephone network in 1974 increased by 5.6%, which can be seen from the following figures:

Year	Automatic		Manual	
	Telephone exchange	Line units	Telephone exchange	Line units
1972	33	110,860	506 ^r	101,782 ^r
1973	34	115,500 ^r	504	101,920
1974	37	125,500	507	104,092

Source : The Directorate General of Post and Telecommunication

The automation effort was also continued to support the development in long distance communication via the domestic satellite which will be operated beginning 1976. In this connection, at the beginning of 1975 a contract was signed to increase the automatic telephone facilities in Jakarta by 158,500 lines, to build and launch the domestic satellite, and to increase the transmission network. This system will be applicable not only to telecommunications, but it will also provide channels for radio and television broadcasting.

In order to serve mounting public needs, in addition to adding to the number of telegraph offices, in 1974, 590 additional telex lines were installed. In the same year the number of domestic telegrams increased 9.2% to 3,776 thousand, while overseas cables rose by 1.2% to 494 thousand. Domestic telex increased by 27.4% to 12,645 thousand pulses, while overseas telex increased 99.9% to 2,804 thousand minutes.

In 1974 the final phases of the Trans Sumatera microwave project were implemented. This project is expected to be completed in mid-1975. The Java-Bali microwave project was completed in 1973, so that during 1974 direct telephone call was possible among such cities as Jakarta, Bandung, Cirebon, Semarang, Yogyakarta, and

Denpasar, as well as direct communication between Surabaya and Denpasar and Surabaya and Jakarta. It was hoped that the microwave project for the eastern part of Indonesia would be completed in 1977.

Tourism

As the result of continuous efforts to establish favorable conditions for the development of tourism such as the improvement in accommodation and transportation as well as the development of tourism objects, the number of foreign tourists visiting Indonesia rose by 12.5% to 307 thousand in 1974. This increase resulted in direct income from sales of goods and services, and also stimulated other activities among the public and increased job opportunities.

Prices

The cost of living index for Jakarta in 1974/1975 rose by 20.1% to 1,427 in March, 1975 (Table 41). This represented a drop in the rate of inflation from 47.4% in 1973/1974, which was principally due to the success of the Government's economic stabilisation program of April, 1974.

In the first half of 1974/1975 the cost of living index rose by 7.9% compared with a rise of 17.2% during the same period in the preceding year. The increase resulted from increases in the index of clothing and miscellaneous sectors.

In the second half of 1974/1975 the cost of living index went up by 11.3% as compared with the rise of 25.7% during the same period in the preceding year. This rise was due principally to increases in the index of the food sector (including rice, chillies, salted fish and salt).

The price index of 9 essential commodities in Jakarta developed as follows (4 October 1966 = 100) :

1973 :	March	861
	June	899
	September	1,004
	December	1,050
1974 :	March	1,130
	April	1,128
	May	1,074
	June	1,053
	July	1,048
	August	1,047
	September	1,050
	October	1,043
	November	1,092
	December	1,184
1975 :	January	1,207
	February	1,225
	March	1,257

Source : Central Bureau of Statistics

Compared with the increase in the cost of living index, the increase in the price index of 9 essential commodities in 1974/1975 was much smaller i.e., only 11.2%. In the preceding year, the increase was 31.2%. The Government's economic stabilisation program in 1974 was thus particularly successful in holding down price increases of essential commodities.

The world recession affected the prices of several export commodities in Jakarta. The figures below indicate a downward trend in the prices of these commodities, except for tea (in Rp/kg):

	1 9 7 4				1975
	March	June	September	December	March
Rubber RSS I	305.56	231.77	179.19	187.38	178.35
Robusta Coffee	360.45	282.63	270.96	315.06	245.82
White pepper	752.19	632.02	545.17	582.70	526.25
Black pepper	398.45	412.46	392.58	446.75	362.30
Copra	192.43	217.92	187.89	126.88	94.51
Tea (BOP)	228.52	246.80	255.93	274.21	310.78

Source : Central Bureau of Statistics

Wages/Salaries

As is well known, as yet there are no consistent regulations on wages in various sectors and areas. For this reason, although wages rose in 1974, the rate of increase varied from company to company. The increase in the minimum wage in each sector of the economy can be seen below:

Sector	Minimum Wage (%) ¹⁾	Maximum Wage (%) ¹⁾
Estates	15.7	18.3
Mining	19.5	22.9
Manufacturing	45.6	64.6
Construction	5.5	19.4
Electricity	57.0	78.0
Trade	18.0	38.4
Transportation	34.7	46.9
Services	0.8	57.9

1) January, 1975 compared with January, 1975

Source : Department of Labor, Transmigration, and Cooperatives

Both the minimum and the maximum wage rates for civil servants employees (except for those in the Department of Finance) rose by 74.8% and 89.0% respectively.

In line with the Government's policy of improving civil servant welfare, on April 1, 1974, an additional raise was given totalling 200% of the basic salary rate, so that wages and emoluments rose 400% over PELITA I. On January 1, 1975, a further increase was made, bringing salaries and emoluments to 900% of the basic rate. In addition, teach-

ers, paramedical workers, inspectors, judges, and clerks of the courts were given a special allowance of 200% of their basic salaries. In order to make allowances uniform and to lessen the administrative burden, increased allowances and special allowances were integrated in 1975 and treated as one.

Labour/Manpower

The Government's policy in the labour sector, in addition to the creation of as many job opportunities as possible, includes increasing productivity and income, and improving the use of manpower. In REPELITA II, increasing job opportunities is a principal target. For this purpose direct and indirect programs are to be put into effect to achieve this goal in the shortest possible time.

The programs carried out in 1974/ 1975 represented principally a continuation of on going programs such as new-style labour intensive projects, reforestation and conservation, aid programs for agencies and municipalities, labour education and training, and Indonesianisation (including limiting the employment of foreign manpower in foreign investment project), the rural volunteer program (BUTSI), and the provision of labour market information and labour transportation projects.

TABLE 41 — INDEX OF COST OF LIVING IN JAKARTA
(September 1966 = 100)

	Food- stuffs	Housing	Cloth- ing	Other	General index	Change Annual/ Quarterly	Monthly
1972						<u>+ 25.7</u>	
December	905	892	435	805	807		
1973						<u>+ 27.4</u>	
March	890	903	407	813	806	— 0.1	
June	969	962	482	883	871	+ 8.1	
September	1,048	1,080	542	938	945	+ 8.5	
December	1,162	1,025	574	1,021	1,028	+ 8.8	
1974						<u>+ 33.3</u>	
March	1,356	1,194	632	1,166	1,188	+ 15.6	
April	1,423	1,144	646	1,227	1,237		+ 4.1
May	1,390	1,143	661	1,314	1,237		—
June	1,380	1,225	678	1,370	1,251	+ 5.3	+ 1.1
July	1,377	1,230	698	1,388	1,256		+ 0.4
August	1,371	1,235	709	1,397	1,256		—
September	1,407	1,236	730	1,406	1,282	+ 2.5	+ 2.1
October	1,448	1,248	750	1,435	1,316		+ 2.7
November	1,485	1,255	758	1,440	1,340		+ 1.8
December	1,536	1,258	765	1,442	1,370	+ 6.9	+ 2.2
1975							
January	1,562	1,270	766	1,443	1,386		+ 1.2
February	1,572	1,306	768	1,450	1,397		+ 0.8
March	1,615	1,323	772	1,472	1,427	+ 4.2	+ 2.2

Sources : Central Bureau of Statistics.

APPENDICES

APPENDIX A

BANK INDONESIA CONDENSED BALANCE SHEET

as per March 31, 1975

(millions of Rupiahs)

ASSETS		LIABILITIES	
GOLD COIN AND BULLION	1,007	BANK NOTES/COINS ISSUED	620,700
FOREIGN EXCHANGE ASSETS	416,052	FOREIGN EXCHANGE LIABILITIES	157,548
CLAIM ON GOVERNMENT :		BALANCE OF CURRENT ACCOUNT :	
a. Advances	63,507	a. Government	109,055
b. Transactions/Payments on account of membership in international financial institutions		b. Government, foreign aid and counterpart	60,042
— in gold	7,011	c. International financial institution	11,077
— in Rupiahs	<u>18,637</u>	d. Third parties	
	25,648	— Banks	294,552
c. Promissory notes	<u>27,486</u>	— Other	<u>14,967</u>
	116,641		<u>309,519</u>
LOANS :			489,693
a. Banks	482,583	CAPITAL AND RESERVE	32,253
b. Other	<u>175,604</u>	MISCELLANEOUS LIABILITIES	58,820
	658,187		
PREMISES, FURNITURE AND FIXTURES	11,327		
MISCELLANEOUS ASSETS	<u>155,800</u>		
	<u>1,359,014</u>		<u>1,359,014</u>

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
as per March 31, 1975
(millions of Rupiahs)

EXPENDITURE		REVENUE	
Expenses			
— Personnel/Material/Operational	14,729	— Interest	84,749
— Bank notes	6,121	— Commission	115
— Miscellaneous	6,092	— Miscellaneous	13,145
— Dotation to Pension Fund	200		
— Depreciation	4,479		
	<u>31,621</u>		
Profit			
— Profit before tax	66,388		
	<u>98,009</u>		<u>98,009</u>

APPENDIX B

MANAGEMENT OF BANK INDONESIA

AS PER MARCH 31, 1975

Government Commissioner : Soegiono

BOARD OF MANAGING DIRECTORS

Governor	:	Rachmat Saleh
Managing Director	:	Marathon Wirija M ihardja
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

Office of the Board	:	A.U. Laoh
International Department	:	T.M. Zahirsyah
Foreign Exchange Department	:	Achmad Effendie
Loan Department	:	Kamardy Arief
Credit Planning and Credit Supervision Department	:	R.P. Soema Di Pradja
Bank Supervision Department	:	Abdullah Ali
Money and Capital Market Department	:	Sutadi
Issue Department	:	R. Soejetno Soemardjo
Economics and Statistics Department	:	Samali T. Budimulia
Legal Department	:	Ismail Djamil
Administration and Organization Department	:	H. P. Toar
Budget Department	:	M.S. Mansoer
Internal Control Department	:	R. Dhoemadi Singowigoeno
Personnel Department	:	R. Rachmad
General Services Department	:	Eddy Suwardi

REPRESENTATIVES

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

BRANCH MANAGERS

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

CASH OFFICE MANAGERS

Balikpapan	:	Achmad Sanusi Hardjarana
Purwokerto	:	R. Imung Sacadipura
Tegal	:	R. Soeroto Dono