



Report for the Financial Year
1983/1984

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Bank Indonesia

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TASIKMALAYA, TEGAL, TERNATE, UJUNG PANDANG, YOGYAKARTA.

Position as per end of March 1984.

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NOTES, SYMBOLS AND SOURCE OF DATA

r Revised figures

* Provisional figures

** Incomplete figures

(i.e. compiled from incomplete data)

. . . Data not yet available

- - Nil or less than the last digit

() Partial data

x Break in comparability before and after the symbol

\$ United States Dollar

Source of data : Bank Indonesia, unless mentioned otherwise.

INTRODUCTION

During 1983/84, the last year of the Third Five-Year Development Plan (Pelita III), the Indonesian economy faced difficult challenges particularly as a consequence of the world recession and unfavorable developments in the oil market. However, the economy performed satisfactorily as displayed by the higher growth rate and the significant improvement in the balance of payments. The balance of payments, which in the previous year showed the largest deficit ever experienced, in the reporting year reversed to a substantial surplus. Similarly, deficit in the current account was substantially reduced, while the surplus in the balance of trade recorded a considerable increase. In step with economic growth and improved balance of payments, development in domestic prices were kept at a manageable level.

The satisfactory economic performance in the reporting year was primarily due to a series of adjustment policies implemented by the Government as well as efforts to encourage domestic production. In addition, improvements in the world economy, particularly since the second semester of 1983, contributed towards positive development in the economy. Adjustment in the currency in the form of a devaluation of the rupiah implemented towards the beginning of the reporting year and various efforts to promote nonoil and non-gas exports (non-oil exports) succeeded in improving the competitiveness of the Indonesian economy and increasing rate of growth of non-oil exports. Moreover, the rephasing of various large government projects in May 1983 contributed to the efforts to save foreign exchange.

Along with the policies which directly contributed to improving the balance of payments, the June 1, 1983 Monetary Policy which constituted a deregulation in the banking sector contributed to initiating fundamental changes in the field of credit

and the mobilization of funds. Under this policy, bank credit essentially no longer depended on liquidity credit from Bank Indonesia which contained subsidies, but rather on the ability of banks to mobilize funds from the public. In addition, credit policy using a system of ceiling enacted since 1974 was discontinued. In line with this policy, since June 1, 1983 state banks were free to determine their own interest rates both for lendings (except for high priority credits) as well as for deposits mobilized from the public. The June 1, 1983 Monetary Policy succeeded in enhancing the capability of mobilizing funds and simultaneously contributed positively to monetary stability, which since June 1, 1983 had been carried out principally through the use of indirect monetary instruments, such as reserve requirements, open market operation through the issuance of the Bank Indonesia certificates (or Sertifikat Bank Indonesia -- SBI), discount facilities and moral suasion. The new tax reform and the reduction in subsidy as well as the more stringent routine government expenditures also contributed to monetary stability.

Gross Domestic Product (GDP) in real terms, used to measure the growth of the economy, experienced an increase of 4.2% in 1983 compared with only 2.2% in the previous year. This improvement was primarily due to a substantial growth in agriculture, particularly food crops and smallholder plantations. In addition, the better performance of the trade and industrial sectors also contributed to this higher growth rate.

Agriculture, which still occupied the top list in the contribution to the GDP, in 1983 showed an increase in value added of 4.8% compared with only 2.1% in the previous year. The manufacturing sector, recording only a slightly higher increase than the previous year, showed a decline in its

share in the composition in the GDP. Mining, which in the previous year recorded a negative growth of 12.1 %, in 1983 reversed to an increase of 1.8%. The reversed trend was due primarily to better output performance of oil, gas, coal and bauxite.

In the reporting year the growth of domestic production was also accompanied by the improvement in trade and favorable developments in balance of payments. Overall balance of payments experienced a surplus of \$ 2,070 million compared with a deficit of \$ 3,280 million in the preceding year. Accordingly, the amount of the official foreign exchange reserves in the Central Bank rose from \$ 3,074 million at the end of March 1983 to \$ 5,144 million at the end of the reporting year. Similarly, deficit in the current account which in the previous year amounted to \$ 7,039 million, declined significantly to \$ 4,151 million, whereas the surplus in the balance of trade improved remarkably, from \$ 176 million to \$ 3,512 million.

Total exports reached \$ 19,816 million, or an increase of 6.1 % from the previous year. This performance was due to the rapid growth of nonoil exports, by 36.6%, while oil and LNG exports continued to experience declines, by 1.9% and 2.5%, respectively.

The considerable improvement of non-oil exports was due both to the stronger world demand following the economic recovery in the industrialized countries as well as the result of policies and efforts to encourage those exports. In the reporting year the export value of almost all important commodities were up, except for palm oil, tin and copper. Large increases were recorded in the exports of processed wood, rubber, coffee, tea, nickel, aluminium, textiles, electrical appliances, handicrafts, urea fertilizer as well as cement. Observing the various export commodities, it should be noted that manufactured products, specifically textiles, handicrafts and electrical appliances continued to show significant increases. In the report-

ing year the combined export value of those three commodities went up by 68.8% compared with 33.5% in the previous year. Accordingly, their share in the total value of non-oil exports rose from 7.5% to 9.2%. It may be added that the decline in the value of palm oil exports was directly connected with the policy of the Government to ensure adequate domestic supply while declines in the exports of tin and copper were due to prevailing sluggish world demand.

The decrease in the value of oil exports was attributable to the decline in prices, by 15.6% to \$ 29.15 per barrel, although the volume was up by 16.4% over the previous year. Similarly, the volume of LNG exports in the reporting year rose by 15.0%, however the value was down due to a 15.1% price decline.

For the first time in fifteen years, in the reporting year the value of total imports (f.o.b.) declined by 11.9% to \$ 16,304 million. This reversed trend occurred both in the imports of oil and LNG companies as well as non-oil imports, respectively down by 20.1 % and 9.3%.

The decline in imports of oil companies was due to the smaller import bills of fuel oils and crude oil (ALC), by 29.2% and 21.5%, respectively. The decline in non-oil imports occurred in imports financed by general foreign exchange, foreign assistance as well as foreign investment. It may be added that the decline in value of imports in the reporting year was closely associated with the rupiah- devaluation towards the beginning of the reporting year, the rephasing of large government projects as well as the June 1, 1983 Monetary Policy which indirectly dampened the propensity to import.

The surplus in the balance of payments experienced in the reporting year had an expansionary effect on the money supply which in the previous year was contractionary. Another rather substantial expansionary effect was connected with loans

to companies and individuals, though at a lower level than that of the previous year. These expansionary effects were in part offset by a contraction in the government sector, which in the previous year was expansionary, as well as the rapid rise in quasi money, bringing forth an increase of only 9.2% in money supply compared with 8.9% in the preceding year. The rapid rise in quasi money namely 58.2% compared with 25.8% in the preceding year, resulted in a rather high increase in the domestic liquidity in the reporting year. Domestic liquidity, consisting of currency in circulation and quasi money (principally time deposits and savings), in the reporting year rose by 28.7% compared with only 14.5% in the preceding year. It may be added that the rapid increase in quasi money in the reporting year was primarily due to the upward trend of the rupiah time deposits as a consequence of the June 1, 1983 Monetary Policy.

Although towards the beginning of the reporting year the Government devalued the rupiah by 27.6% and in January 1984 raised the selling price of fuel oils by an average of 36.9%, the inflation rate rose only to 12.6% from 8.4% in the previous year. This achievement was due to the low increase in the money supply, as a consequence of the monetary and fiscal policies pursued during the reporting year. In addition, adequate supply of food and clothing at relatively low prices also contributed to domestic price stability.

Consistent with the principle of dynamic and balanced budget, the Government in the reporting year pursued a relatively tight budget policy. On the expenditure side, the Government followed a policy of austerity, rephasing large government projects and reducing subsidies. On the receipt side, the Government continued the efforts to increase domestic revenues from the non-oil sector through tax reform. In the reporting year the receipts and expenditures of the government amounted to Rp 18.3 trillion, or up by 27.6%, largely

due to the rupiah devaluation on March 30, 1983.

The quite rapid escalation in government revenues in the reporting year was primarily due to higher proceeds from corporate tax on oil, income tax, sales tax, import levy, tariffs and export taxes. Corporate tax on oil, which constituted one of the largest sources of domestic revenues (66.0%), showed an increase of Rp 1,350 billion (16.5%) compared with a decline of Rp 458 billion (5.3%) in the preceding year. Similarly, tariffs and export taxes which in 1982/83 respectively showed declines of 2.6% and 36.4%, in the reporting year rose by 6.7% and 26.8%, whereas income tax, sales tax, and import levy rose by 38.1%, 20.5% and 10.8%, respectively. It should be added that to meet the ever increasing financial requirements for development programs, the Government continued to utilize foreign assistance, which in the reporting year amounted to Rp 3,882 billion.

While maintaining efforts to sustain development austerity was imposed on the routine budget by reducing various subsidies and rephasing important government development projects. The efforts to economize on routine expenditures was reflected in the material expenditures, rising only by 1.5% compared with 12.5% in the previous year. On development expenditures, austerity was shown in the lowering of subsidies on fertilizer by 22.9% and expenditures of government departments and agencies by 1.3%.

Development expenditures, which in the previous year only experienced an increase of 6.0%, in the reporting year rose substantially, by 34.5% reaching Rp 9,899 billion. This high increase was attributable to the substantially higher expenditures on education and culture, mining and energy as well as transportation and tourism.

As mentioned, since the June 1, 1983 Monetary Policy, the granting of bank credits was henceforth based on the ability of the banking system to mobilize funds from the public and bank

credits were classified into high priority and non-priority credits. Liquidity credits or refinancing facilities were made available only to high priority sectors, of which the terms and conditions were fixed by Bank Indonesia. For non-priority credits, handling banks were free to determine their terms and conditions. It may be added that in the case where banks faced temporary shortage of funds, Bank Indonesia as lender of last resort would provide discount facilities.

At the end of the reporting year, bank credits amounted to Rp 16,135 billion or an increase of 17.7%, the lowest increase in the past four years. This small increase was due to the sluggish economic condition as well as prudent attitude of banks in their credit activities. The largest portion of bank credits went to manufacturing (35.4%), followed by the trade (32.8%) sector.

It should be noted that Government's efforts to assist the economically weak group continued to receive special attention. Accordingly, credits to the economically weak group, such as small investment credit (KIK), permanent working capital credit (KMKP), Mini credit, Midi credit, various Bimas credits and credit for house ownership (KPR) continued to expand.

In order to increase the share of domestic funds as a source to finance development goals, efforts to mobilize funds from the public through financial institutions and the capital market continued to be encouraged. In the reporting year these efforts were implemented, among others, by granting state banks the freedom to fix interest rates of time deposits, fixing more attractive interest rate for Tabanas, and tax exemption for bank deposits and savings accounts. In addition, in the field of capital market, improvement had been made in connection with security trading and the granting of tax exemptions for the purchase of bonds.

In the reporting year, especially since the June 1, 1983 Monetary Policy, mobilization of funds

from the public through the banking system showed a rapid growth. The amount of funds mobilized by banks consisting of current account deposits (giro), time deposits and savings accounts, in the reporting year rose by 30.9% reaching Rp 13,337 billion. The most impressive growth was experienced in time deposits, which rose by 69.9% reaching Rp 6,349 billion. This increase occurred primarily in the rupiah time deposits, up by 104.0%, whereas time deposits denominated in foreign currencies rose only by 8.0%. On the other hand, current account and savings account deposits only registered an increase of 7.4% and 18.4%, thus at the end of March 1984 they reached respectively Rp 6,350' billion and Rp 638 billion. With the above developments, the share of time deposits in total funds of banks rose from 36.7% at the end of March 1983 to 47.6%, while those of current account deposits as well as savings declined from 58.0% to 47.6% and from 5.3% to 4.8%, respectively.

Mobilization of public funds through short-term securities, which was introduced since 1971, in the reporting year showed a rapid improvement. The outstanding amount of certificates of deposits, which previously rose by 38.0%, in the reporting year experienced an increase of almost three fold reaching Rp 376 billion. Favorable developments were also shown in the mobilizations of funds through the issuance of securities by non-bank financial institutions, which in the reporting year reached Rp 610 billion or an increase of 16.9%. The capital market also performed well as reflected in the increase of the number of companies issuing their shares and bonds as well as in the increase of funds mobilized. In the reporting year the number of companies which had issued shares and bonds in the capital market increased by 9 companies to 26 companies, and the amount of funds mobilized increased to Rp 286 billion at the end of March 1984 or almost doubling the amount in the previous year.

To enhance the role and efficiency of financial

institutions as a vital instrument to support development, in the reporting year activities of banks and other financial institutions continued to be promoted. In the banking sector, efforts were primarily concentrated on developing national private banks and increasing the role of local development banks. In order to ensure a more balanced growth among national private banks, the requirements for opening branch and sub-branch offices were modified. To increase the role of local development banks, the policy on supervision and guidance continued to be implemented, especially in the form of providing technical assistance and training in the fields of organization, management, personnel, credits, funds mobilization, research and planning, and accounting as well as reporting and supervising systems. Similarly, efforts to improve state banks, people's credit banks, cooperative banks, non-bank financial institutions and insurance were continued and enhanced.

As a result of the supervision policy, the activities of banks, non-bank financial institutions and insurance companies showed encouraging growth. Assets, funds mobilized and credits extended by deposit money banks in the reporting year showed increases respectively by 19.1 %, 31.1 % and 22.7%. In terms of assets and funds mobilized, the share of each group of banks did not change significantly, while on the credit side, national private banks and foreign banks indicated increases. Activities of non-bank financial institutions also performed quite well. At the end of the reporting year, assets, placement and mobilization of funds, respectively rose by 21.0%, 32.1 %

and 21.1 %. In the field of insurance, encouraging developments were reflected in the higher funds mobilized and invested, which in 1982 rose by 23.4% and 41.0%, respectively.

From the above it can be summarized that with the timely implementation of a series of appropriate adjustment policies, the Indonesian economy was able to overcome the adverse effects of the world recession and even achieve a higher growth rate than the average prevailing in the developing as well as developed countries. However, because recovery in the world economy was still characterized by uncertainties, including development in the demand for and the price of oil in the international market, the Indonesian economy in the years to come would continue to face many serious challenges. However with the implementation of various policies, such as, the efforts to mobilize more funds from the public, the creation of a more favorable atmosphere to boost economic activities, steps to increase non-oil exports supplemented by measures to save foreign exchange and maintenance of monetary stability, the development of the Indonesian economy in the years to come would be expected to show significant improvements.

The Governor of Bank Indonesia

Dr. Arifin Mohamad Siregar

I. MONETARY DEVELOPMENT AND POLICY

A. Monetary Policy

The Indonesian economic situation in 1983/84 was better than the previous year as reflected in the higher growth rate and the improvement in the balance of payments while inflation was well under control. These improvements were closely related to the rupiah devaluation towards the beginning of the reporting year and the various adjustment measures taken by the Government in the fiscal and monetary fields as well as the beginning of economic recovery of some major industrial countries.

The fiscal measures taken during the reporting year consisted primarily of reduction in subsidies and more stringent other routine expenditures, rephasing of large government projects as well as the introduction of tax reform. The new tax policy was intended, among others, to reduce the dependence on the oil and gas sector as a source for financing development, as well as to support the growth of domestic industries, especially the economically weak groups and labor intensive projects. The May 1983 policy, intended to reduce foreign exchange spending by rephasing various large government projects, also succeeded in saving development expenditures.

In the monetary field, on June 1, 1983 the Government introduced a series of basic policies, known as the June 1, 1983 Monetary Policy. This policy was essentially intended to establish a stronger foundation towards a healthier development of the banking sector in the years to come. The major feature of this policy was deregulation in the banking sector involving both credit activities and mobilization of funds. In the field of credit, the policy stressed on reduced dependence of state banks on Bank Indonesia's refinancing facility (liquidity credit), freed the state banks to establish their own credit policies and removed

credit ceilings. Prior to June 1, 1983, bank credits were regulated by numerous requirements, such as, the share of financing from the implementing banks and of self-financing from the borrowers, interest rates, feasibility studies and the appropriate financial reports. Since June 1, 1983, most of the regulations above were removed and henceforth banks were free to determine their own policies. In the mobilization of funds, state banks were free to set their own interest rates on time deposits, which in the past were regulated by Bank Indonesia.

The objectives of the June 1, 1983 Monetary Policy was to encourage banks to maximize their mobilization of funds from the public and thereby reducing their dependence on the central bank for low cost funds in their lending activities. The liquidity credit provided since the past 15 years, on the one hand had succeeded in boosting development efforts. On the other, it had some unfavorable effects on prices, balance of payments and foreign exchange reserves, and it did not encourage banks to actively mobilize funds from the public

In the past, pressures against the balance of payments were compensated by the availability of large foreign exchange reserves primarily due to the substantial increase in production and prices of oil as well as favorable non-oil exports. However, with the deterioration of the balance of payments beginning in 1981 as a consequence of the world recession accompanied by downward adjustments of the oil prices in March 1983, it was considered necessary to reduce liquidity credit. Efforts to alleviate the effects of liquidity credits on the development of prices in the past was carried out by imposing a ceiling on bank credits. By making available liquidity credits on the one hand and fixing a credit ceilings on the other, it was

possible to support economic growth while at the same time controlling inflation. However, this policy also produced adverse side effects, such as, excessive liquidities in banks and the lack of initiative on the part of the banks to mobilize funds from the public.

To increase mobilization of funds, state banks were freed to fix their own interest rates on time deposits. In addition, taxes on interest, dividends and royalties (PBDR) earned from foreign exchange time deposits were removed. This measure was designed to make banks more active in mobilizing funds from the public so as to enable the financing of economic development through noninflationary sources. The success of this policy was reflected in the significant increase of time deposits, particularly deposits in rupiah.

Prior to June 1, 1983, to control the monetary situation the Government utilized credit ceilings as a direct instrument besides other instruments, such as, reserve requirements. After June 1, 1983, the Government stressed the use of indirect instruments, such as, reserve requirements, open market operations, discount facilities and moral suasion. In this connection, since February 1, 1984 Bank Indonesia introduced the Bank Indonesia Certificate or Sertifikat Bank Indonesia (SBI) and created discount facilities. It should be noted that this new SBI differed from those issued in 1970-1972, the latter being introduced only as an instrument to encourage mobilization of funds. The present SBI could be utilized by banks as a temporary outlet of their excess fund before being extended as loans to their customers. When secondary market for SBI was developed, the SBI could be utilized more effectively to influence monetary developments according to the economic policies of the Government. It may be added that the financial assistance provided by Bank Indonesia through these discount windows differed from those thus far extended under liquidity credits. These discount windows¹⁾ were financial assis-

tance from Bank Indonesia, being lender of last resort, rendered as last recourse to banks encountering temporary shortage of liquidity. The amount that banks might borrow was linked to the size of funds mobilized from the public.

B. Money Supply and Factors Affecting Its Change

Domestic liquidity (M2) at the end of 1983/84 reached Rp 15,759 billion or an increase of 28.7% compared with 14.5% in the previous year (Table 1.1). This rather substantial expansion was due to the significant increase in quasi money, by Rp 2,836 billion (58.3%). Taking account of price increases, domestic liquidity in real terms in 1983/84 rose by 13.6% compared with only 5.4% in the preceding year.

Narrow money (M1), consisting of currency and demand deposits, in 1983/84 reached Rp 8,055 billion or an increase of 9.2% compared with 8.9% in the previous year (Table 1.2). The growth rates of money supply in the past two years were the lowest during the period of Pelita I to III, which was closely connected with the prevailing level of economic growth rate. The program of austerity in government spendings was also the reason for the limited growth rate of money supply during the past two years. In real terms, the increase in M1 declined by 3.7% in the reporting year compared with an increase of 0.3% in the preceding year (Table 1.3), reflecting a higher growth rate in prices than that of money supply during the 1983/84 period.

Currency in circulation reached Rp 3,554 billion, or up by 18.4%, which was similar to that in the previous year. Demand deposit in the reporting year reached Rp 4,501 billion or an increase of 2.8% compared with 3.4% in the preceding year, therefore its share in M1 declined from 59% to

1) Further explanation for discount facilities can be found in chapter I I.

56%. This decline, besides being the result of the shift of preference from demand deposits to time deposits, was also due to substantial withdrawals of funds by state enterprises for the payments of taxes and repayments of debts to Bank Indonesia.

In the reporting year the foreign sector had an expansionary effect of Rp 2,800 billion on the money supply compared with a contractionary impact of Rp 1,801 billion²⁾ in the previous year (Table 1.4). This was a reflection of the significant improvement in the balance of payments in the reporting year.

The government sector, which in 1982/83 had an expansionary impact of Rp 789 billion³⁾, in the reporting year was contractionary at Rp 1,834 billion. The size of this contraction was due to more moderate increase expenditures, executed by the government in the form of reduction in subsidies on fuel oils and fertilizers, the elimination of food subsidies, and the rephasing of various large government projects. In addition, the exchange rate adjustment as well as more intensive tax collection succeeded in increasing government revenues.

Claims on official entities and public enterprises, private enterprises and individuals in the reporting year had an expansionary effect of Rp 2,633 billion (18.9%) compared with Rp 2,741 billion⁴⁾ (25.1%) in the previous year. This reduction in the increase of net claims on these entities was largely due to the prudent attitude of the banks in extending credits as well as the general sluggishness of the economy.

Quasi money, which had a contractionary ef-

fect on money supply, in the reporting year showed an increase of Rp 2,836 billion (58.2%) compared with Rp 871 billion⁵⁾ (25.8%) in the previous year. This rapid growth was primarily due to the increase in rupiah time deposits as a consequence of the June 1, 1983 Monetary Policy.

Other factors, primarily consisting of capital account, reserves and profits, as well as import deposits, in the reporting year had a contractionary impact of Rp 87 billion compared with Rp 254 billion⁶⁾ in the previous year.

C. Monetary Prospect for 1984/85

The measures pursued by the industrial countries towards maintaining and enhancing economic recovery would be expected to improve world trade and international liquidity. The above measures, accompanied by domestic adjustments, would cause the foreign sector in 1984/85 to continue to have an expansionary effect on the money supply. On the government side, with the introduction of a fiscal reform on taxes, this sector is expected to have a contractionary impact as was the case in 1983/84.

It is expected that in 1984/85 the banks would be adapted to the June 1, 1983 policy. This prospect, coupled with anticipated better economic growth, would lead to higher expansion of credits although the rate of increase in mobilization of funds might be lower than that of the reporting year.

Based on these assumptions, the rate of increase in money supply during 1984/85 is expected to be slightly higher than that in 1983/84.

2) Excluding exchange rate adjustment of March 30, 1983 to the amount of Rp 1,856 billion.

3) Excluding exchange rate adjustment of March 30, 1983 to the amount of Rp 131 billion.

4) Excluding exchange rate adjustment of March 30, 1983 to the amount of Rp 249 billion.

5) Excluding exchange rate adjustment of March 30, 1983 to the amount of Rp 620 billion.

6) Excluding exchange rate adjustment of March 30, 1983 to the amount of Rp 1,399 billion.

TABLE 1.1
DOMESTIC LIQUIDITY
(billions of rupiah)

End of period ¹⁾	Domestic liquidity ²⁾			Money supply ³⁾		Quasi money ⁴⁾	
	Total	Changes (%)		Out-standing	% of total	Out-standing	% of total
		Annual	Quarterly				
1974	1,452	47.1		937	64.5	515	35.5
1974/75	1,584	31.7		1,027	64.8	557	35.2
1975	1,978	36.2		1,250	63.2	728	36.8
1975/76	2,262	42.8		1,428	63.1	834	36.9
1976	2,631	33.0		1,603	60.9	1,028	39.1
1976/77	2,844	25.7		1,815	63.8	1,829	36.2
1977	3,131	19.0		2,006	64.1	1,123	35.9
1977/78	3,275	15.2		2,111	64.5	1,164	35.5
1978	3,809 ⁵⁾	21.7		2,488	65.3	1,321 ⁵⁾	34.7
1978/79	4,155 ⁶⁾	26.9		2,800	67.4	1,355 ⁶⁾	32.6
1979	5,222	37.1		3,385	64.8	1,837	35.2
1979/80	5,803	39.6		3,797	65.4	2,006	34.6
1980/81							
June	6,488		11.8	4,179	64.4	2,309	35.6
September	7,293		12.4	4,682	64.2	2,611	35.8
December	7,691	47.3	5.5	4,995	64.9	2,696	35.1
March	7,906	36.2	3.8	5,214	65.9	2,692	34.1
1981/82							
June	8,381		5.8	5,618	67.0	2,763	33.0
September	9,116		6.9	5,997	65.8	3,119	34.2
December	9,716	26.3	6.5	6,486	66.8	3,230	33.2
March	10,151	28.4	4.5	6,775	66.7	3,376	33.3
1982/83							
June	10,712		5.5	7,176	70.0	3,536	30.0
September	11,260		5.1	7,593	67.4	3,667	32.6
December	11,075	14.0	- 1.6	7,121	64.3	3,954	35.7
March	11,627	14.5	5.0	7,379	63.5	4,248	36.5
March ⁷⁾	12,247 ⁷⁾	20.6	10.6	7,379	60.3	4,868 ⁷⁾	39.7
1983/84							
June	12,970		5.9	7,505	57.9	5,465	42.1
September	13,836		6.7	7,716	55.8	6,120	44.2
December	14,663	32.4	6.0	7,569	51.6	7,094	48.4
March	15,759	28.7	7.5	8,055	51.1	7,704	48.9

1) Fiscal year ends March 31.

2) Consists of narrow money and quasi money (M_2).

3) Consists of currency and demand deposits (M_1).

4) Consists of time and savings deposits as well as foreign currency deposits held by the domestic private sector.

5) Includes valuation adjustments of foreign currency deposits amounting to Rp 83 billion.

6) Includes valuation adjustments of foreign currency deposits amounting to Rp 99 billion.

7) Includes valuation adjustments of foreign currency deposits amounting to Rp 620 billion.

TABLE 1.2
MONEY SUPPLY
(billions of rupiah)

End of period ¹⁾	Money supply						
	Total	Changes (%)		Currency		Demand deposits	
		Annual	Quarterly	Out-standing	% of total	Out-standing	% of total
1974	937	40.2		494	52.7	443	47.3
1974/75	1,027	31.0		538	52.4	489	47.6
1975	1,250	33.3		625	50.0	625	50.0
1975/76	1,428	39.0		659	46.2	769	53.8
1976	1,603	28.2		781	48.7	822	51.3
1976/77	1,815	27.1		853	47.0	962	53.0
1977	2,006	25.1		979	48.8	1,027	51.2
1977/78	2,111	16.3		1,036	49.1	1,075	50.9
1978	2,488	24.0	4.9	1,240	49.8	1,248	50.2
1978/79	2,800	32.6	12.5	1,369	48.9	1,431	51.1
1979	3,385	36.1	7.1	1,552	45.9	1,833	54.1
1979/80	3,797	35.6	12.2	1,774	46.7	2,023	53.3
1980/81							
June	4,179		10.1	1,955	46.8	2,224	53.2
September	4,682		12.0	2,130	45.5	2,552	54.5
December	4,995	48.0	6.7	2,153	43.1	2,842	56.9
March	5,214	37.3	4.4	2,229	42.8	2,985	57.2
1981/82							
June	5,618		7.4	2,365	42.2	3,253	57.8
September	5,997		7.0	2,444	40.8	3,553	59.2
December	6,486	29.8	8.1	2,557	39.4	3,929	60.6
March	6,775	30.0	4.7	2,542	37.5	4,233	62.5
1982/83							
June	7,176		5.9	2,648	36.9	4,528	63.1
September	7,593		5.8	2,826	37.2	4,767	62.8
December	7,121	9.8	— 6.2	2,934	41.2	4,187	58.8
March	7,379	8.9	3.6	3,001	40.7	4,378	59.3
1983/84							
June	7,505		1.7	3,284	43.8	4,221	56.2
September	7,716		2.8	3,307	42.9	4,409	57.1
December	7,569	6.3	— 1.9	3,333	44.0	4,236	56.0
March	8,055	9.2	6.4	3,554	44.1	4,501	55.9

1) Fiscal year ends March 31.

TABLE 1.3
MONEY SUPPLY AND INDEX OF REAL MONEY

End of period ¹⁾	Money supply (billions of Rp)	Price index (April 1977 — March 1978 = 100)	Money supply in real terms (billions of Rp)	Index of real money (March 1979 = 100)
1974	938	70.74	1,326	57.68
1974/75	1,027	73.69	1,394	60.64
1975	1,250	84.68	1,476	64.20
1975/76	1,428	88.26	1,618	70.38
1976	1,603	96.70	1,658	72.12
1976/77	1,815	98.95	1,834	79.77
1977	2,006	108.13	1,855	80.69
1977/78	2,111	108.93	1,938	84.30
1978	2,488	115.36	2,157	93.82
1978/79	2,800	121.77 ²⁾	2,299 ²⁾	100.00 ²⁾
1979	3,385	143.07	2,366	102.91
1979/80	3,797	147.14	2,581	112.27
1980/81				
June	4,179	156.61	2,668	116.05
September	4,682	160.78	2,912	126.67
December	4,995	167.55	2,981	121.67
March	5,214	172.14	3,029	131.76
1981/82				
June	5,618	174.73	3,216	139.89
September	5,997	177.40	3,381	147.07
December	6,486	179.82	3,607	156.90
March	6,775	189.63	3,573	155.42
1982/83				
June	7,176	190.49	3,767	163.86
September	7,593	193.41	3,926	170.77
December	7,121	197.85	3,599	156.55
March	7,379	205.99	3,582	155.82
1983/84				
June	7,505	216.19	3,471	150.98
September	7,716	219.61	3,513	152.81
December	7,569	221.53	3,417	148.63
March	8,055	233.42	3,451	150.11

1) Fiscal year ends March 31.

2) Based on the Consumer Price Index; prior to March 1979 the index was based on the Cost of Living Index for Jakarta.

TABLE 1.4
FACTORS AFFECTING MONEY SUPPLY
(billions of rupiah)

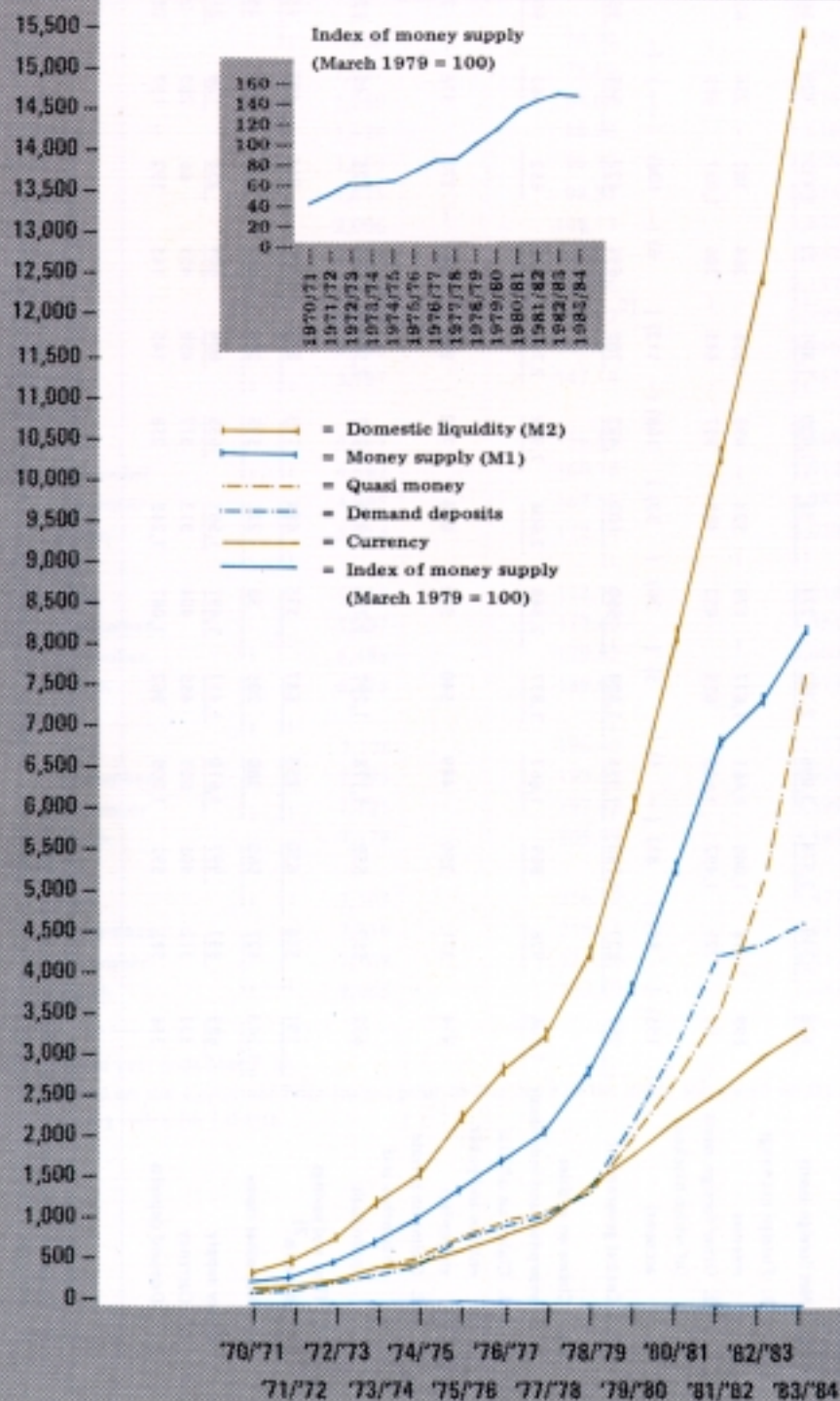
Items	1978/79 ¹⁾	1979	1979/80	1980	1980/81	1981	1981/82	1982	1982/83	1982/83 ³⁾	1983				1984		1983/84
											¹⁾	II	III	IV	I		
I. Net foreign assets	<u>808</u>	<u>1,739</u>	<u>2,578</u>	<u>3,096</u>	<u>2,292</u>	<u>274</u>	<u>- 35</u>	<u>-1,420</u>	<u>-1,801</u>	<u>- 22</u>	<u>1,419</u>	<u>429</u>	<u>667</u>	<u>528</u>	<u>1,176</u>	<u>2,800</u>	
1. Foreign exchange reserves	899	1,018	1,086	1,461	1,677	- 179	- 523	- 493	-1,356	264	382	- 254	670	565	1,369	2,350	
2. Other foreign assets	- 91	721	1,492	1,635	615	452	488	- 927	- 445	- 286	1,037	683	- 3	- 37	- 194	450	
(of which blocked account)	(- 155)	(85)	(81)	(- 5)	(- 5)	(36)	(32)	(108)	(- 112)	(6)	(- 106)	(---)	(- 4)	(122)	(- 3)	(115)	
II. Central government	<u>- 291</u>	<u>- 827</u>	<u>-1,180</u>	<u>-1,914</u>	<u>-1,820</u>	<u>- 560</u>	<u>- 103</u>	<u>422</u>	<u>789</u>	<u>691</u>	<u>427</u>	<u>- 348</u>	<u>- 867</u>	<u>- 517</u>	<u>- 102</u>	<u>-1,834</u>	
III. Claims on entities																	
enterprises and individuals	<u>1,606</u>	<u>928</u>	<u>809</u>	<u>1,667</u>	<u>1,837</u>	<u>2,348</u>	<u>2,604</u>	<u>2,949</u>	<u>2,741</u>	<u>3,035</u>	<u>652</u>	<u>362</u>	<u>609</u>	<u>810</u>	<u>852</u>	<u>2,633</u>	
1. Claims on official entities and public enterprises	974	371	250	489	540	592	683	732	235	381	- 273	316	- 11	31	- 58	278	
2. Claims on private enterprises and individuals	632	557	559	1,178	1,297	1,756	1,921	2,217	2,506	2,654	925	46	620	779	910	2,355	
IV. Time and savings deposits ²⁾	<u>- 191</u>	<u>- 516</u>	<u>- 650</u>	<u>- 859</u>	<u>- 687</u>	<u>- 535</u>	<u>- 684</u>	<u>- 723</u>	<u>- 871</u>	<u>-1,491</u>	<u>- 915</u>	<u>- 597</u>	<u>- 655</u>	<u>- 974</u>	<u>- 610</u>	<u>-2,836</u>	
V. Net other items	<u>-1,243</u>	<u>- 427</u>	<u>- 560</u>	<u>- 380</u>	<u>- 205</u>	<u>- 36</u>	<u>- 221</u>	<u>- 593</u>	<u>- 254</u>	<u>-1,653</u>	<u>-1,325</u>	<u>280</u>	<u>457</u>	<u>- 6</u>	<u>- 830</u>	<u>- 87</u>	
Money supply	<u>689</u>	<u>897</u>	<u>997</u>	<u>1,610</u>	<u>1,417</u>	<u>1,491</u>	<u>1,561</u>	<u>635</u>	<u>604</u>	<u>604</u>	<u>258</u>	<u>126</u>	<u>211</u>	<u>- 147</u>	<u>486</u>	<u>676</u>	
- Currency	333	312	405	601	455	404	313	377	459	459	66	283	24	26	221	554	
- Demand deposits	356	585	592	1,009	962	1,087	1,248	258	145	145	192	- 157	187	- 173	265	122	

1) Includes increases from valuation adjustments of balances denominated in foreign exchange due to November 15, 1978 rupiah devaluation.

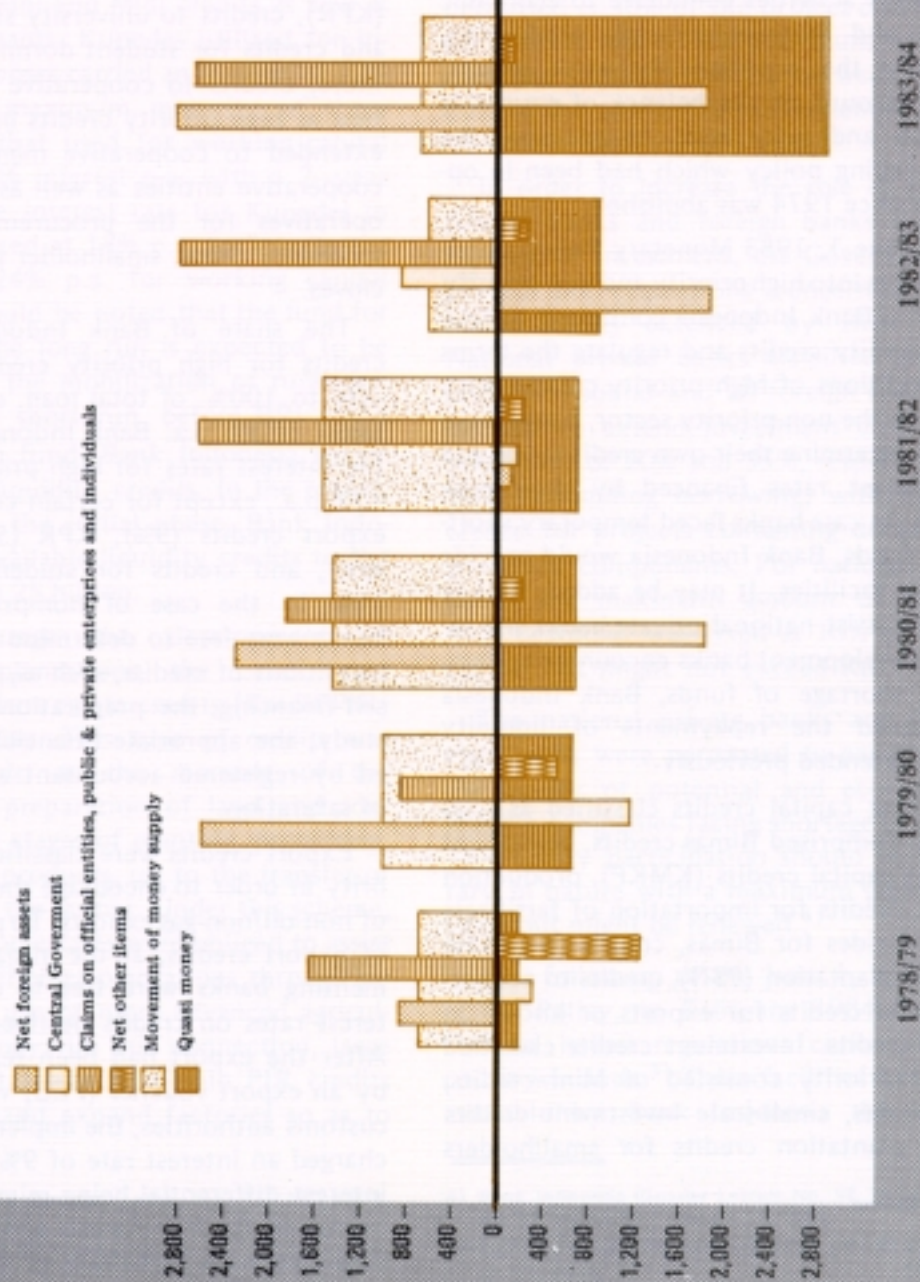
2) Includes foreign currency deposits held by private residents.

3) Includes increases from valuation adjustments of balances denominated in foreign exchange due to March 30, 1983 rupiah devaluation.

MONEY SUPPLY AND DOMESTIC LIQUIDITY



FACTORS AFFECTING MONEY SUPPLY



II. BANK CREDIT DEVELOPMENT

A. Credit Policy

Credit policy in 1983/84 was characterized by the introduction of the June 1, 1983 Monetary Policy, with the principle objective of improving the ability of banks to provide credits from funds mobilized from the public. This policy is basically directed to support activities conducive to economic growth and increase domestic production, especially the economically weak groups, taking account of the balance of payments situation and price level. In addition, the credit ceiling policy which had been in operation since 1974 was abolished.

The June 1, 1983 Monetary Policy classified credits into high priority and non-priority credits¹⁾. Bank Indonesia continued to provide liquidity credits and regulate the terms and conditions of high priority credits. With regard to the non-priority sector, banks were free to determine their own credit terms and the interest rates financed by their own sources. In case banks faced temporary shortage of funds, Bank Indonesia would provide discount facilities. It may be added, that in order to assist national private banks and regional development banks encountering temporary shortage of funds, Bank Indonesia rescheduled the repayments of liquidity credits extended previously.

Working capital credits classified as high priority comprised Bimas credits, permanent working capital credits (KMKP), production credits, credits for importation of fertilizers and pesticides for Bimas, credits to private national plantation (PSN), credits to cooperatives and credits for exports or known as export credits. Investment credits classified as high priority consisted of Mini credits, Midi credits, small-scale investment credits

(KIK), plantation credits for smallholders (Nucleus Estate Credit/PI R), credits for replanting, rehabilitation and expansion of plantation for export crops (PRPTE), credits for national plantation, credits for the opening of ricefields, investment credits up to Rp 75 million and investment credits to cooperatives. Other credits classified as high priority included house ownership credits (KPR), credits to university students (KMI) and credits for student dormitory. Furthermore, credits to co-operative entities classified as high priority credits involved credits extended to cooperative members through cooperative entities as well as credits to cooperatives for the procurement of food, secondary crops, smallholder sugar cane and cloves.

The share of Bank Indonesia liquidity credits for high priority credit range from 70% to 100% of total loan, carrying an interest of 3% p.a. Bank Indonesia also fixed the interest rates for high priority sector at 12% p.a., except for certain credits, such as, export credits (9%), KPR (5%-9%), KMI (6%), and credits for student dormitories (5%). In the case of nonpriority credits, banks were free to determine the terms and conditions of credits, such as, the amount of self-financing, the preparation of feasibility study, the appropriate financial report audited by registered accountant and the degree of saturation.

Export credits were classified as high priority in order to encourage the development of non-oil/nongas exports. To prevent misuse of export credits, at the initial stage implementing banks were free to charge the interest rates on credits destined for exports. After the export had been realized, proven by an export voucher (PEB) verified by the customs authorities, the implementing banks charged an interest rate of 9% p.a., with the interest differential being reimbursed to the

1) Ban Indonesia Circular Letter No. SE 16/1/UKU, June 1, 1983.

borrower. Bank Indonesia provided liquidity credit between 70%-80% of the total credit for realized exports with a maturity of one year.²⁾

To encourage small-scale business, Mini and Midi credits were classified as high priority. These two types of credits were to be administered by Bank Rakyat Indonesia (BRI) and in the reporting year these credits were converted into general rural credits (Kupedes). This credit facility, designed to encourage the development of small enterprises in rural areas, was accessible to both former users of the Mini and Midi credits as well as to new applicants. Kupedes utilized for investment purposes carried an interest of 12% p.a. with a maximum maturity of three years, while that used for working capital carried an 18% interest p.a. with a 2-year maturity. The interest rate for Kupedes in arrears was fixed at 18% p.a. for investment credits and 24% p.a. for working capital credits. It should be noted that the fund for Kupedes in the long run is expected to be derived from the mobilization of rural savings. For the short run, before BRI could mobilize such fund, Bank Indonesia would still provide liquidity credits. In the reporting year, for the initial phase, Bank Indonesia made available liquidity credits to the amount of Rp 25 billion.

To encourage the development of smallholder plantations, the Government classified nucleus estate credits (Kredit PIR) as high priority. This type of credits was made available at the moment of the opening and preparation of land and continued to the stages of planting, processing, marketing of products, up to the transfer of ownership to the farmer. Under this scheme, large plantation estates were obliged to assist adjacent smallholder plantations through supervising the use of more advanced agricultural technology. In this connec-

tion, large plantation estates could obtain PIR credits to construct and expand factories so as to enable them to absorb the production of smallholder plantations. Bank Indonesia provided liquidity credits up to 80% of the amount of credit extended.

Since late 1983 state banks were permitted to provide working capital credits on semi-concessional terms to national contractors obtaining international tenders. These credits may be used to finance projects implemented both domestically and overseas. The maximum amount of credit permitted is 30% of the project cost bearing an interest rate of 9% p.a. Bank Indonesia provided liquidity credits between 70% to 80% of the amount of loan extended, with a maximum maturity of 1 year.³⁾

In order to increase the role of national private banks and foreign banks in the financing of investment, the Government improved the regulations concerning investment credits extended by these banks. National private banks classified as sound and fairly-sound and all foreign banks were allowed to extend investment credits to a maximum of 20% and 35%, respectively, of their outstanding borrowing, with the preference for projects containing domestically produced components. For national private banks the maximum amount of loan for each customer was fixed at 10% of its own capital but might not exceed Rp 1 billion.

The national private banks and the foreign banks were permitted to participate in the equity of potential and economically feasible companies facing shortage of capital. This equity participation should be temporary in nature with a maximum period of 8 years but might be renewed.⁴⁾

2) Bank Indonesia Circular Letter No. SE 16/2/UKU, October 1, 1983.

3) Bank Indonesia Circular Letter No. SE 16/5/UKU, November 9, 1983.

4) Bank Indonesia Circular Letters No. SE 16/6/UKU and No. SE 16/7/UKU, January 16, 1984.

As a follow-up of the June 1, 1983 Monetary Policy, in February 1984 Bank Indonesia issued regulations concerning discount windows.⁵⁾ These facilities were made available by Bank Indonesia through the purchase of promissory notes issued by these banks. Unlike liquidity credits thus far in practice, these facilities were provided by the central bank as lender of last resort and were intended to be the last recourse for banks encountering temporary shortage of liquidity.

Two types of discount facilities were provided for banks facing temporary liquidity problems, namely the Discount Window I created to assist banks in overcoming liquidity shortage in their day-to-day operation and Discount Window II designed to support banks in dealing with shortage of funds because of maturity mismatch. The basic maturity for Discount Window I was set at 15 days, but may be extended several times to the maximum of 7 days for each extension provided the total maturity do not exceed 29 days. The maximum amount of assistance eligible under this window was fixed at 5% of funds mobilized from the public.

Regarding to Discount Window II the basic maturity was fixed at 60 days and may be extended several times to the maximum of 30 days for each extension, provided the total length of maturity do not exceed 120 days. The maximum amount of the Discount Window II was set at 3% of the amount of funds mobilized from the public at the date that the mismatch occurred. The basic discount rate would be adjusted to changes in interest rates on time deposits prevailing in the banks. Discount facilities utilized longer than the basic maturity would be subject to additional interest at certain percentage points above the level of the basic discount rate. It should be noted, both Discount Windows might be used simultaneously and repurchase of the promissory notes might be executed prior to the maturity date.

The lending rates of state banks in the periods before the reporting year did not change significantly, due to the availability of low-interest liquidity credits from Bank Indonesia. As from June 1, 1983 state banks were free to fix the interest rates as well as other terms and conditions of lendings extended to nonpriority sectors, while those extended to high-priority sectors were still regulated by the Government. Lending rates prevailing in state banks in the periods before June 1, 1983 ranged from 6% to 21 a year, while for private national banks and foreign banks they ranged from 6% to 36% and from 12% to 31%, respectively. At the end of the reporting year the level of interest rates (on an annual basis) were generally higher than those prevailing in the periods prior to June 1, 1983; for non-priority credits they ranged from 13.5% to 24% for state banks, from 18% to 32% for private banks and from 14% to 30% for foreign banks.

B. Credit Development

Bank lendings at the end of the reporting year amounted to Rp 16,135 billion or an increase of 17.7% compared with 27.7% and 31.7%, for the years 1982/83 and 1981 /82, respectively. The increase in lendings, however, was the lowest increase in the past four years due to the sluggish economy as well as the prudent attitude of banks. Commercial bank lendings in the reporting year rose by 22.3% compared with 39.7% in the previous year. Direct credits from Bank Indonesia at the end of March 1984 amounted to Rp 2,292 billion or a decline of 4.0% compared with 9.3% in the previous year. This decline was, in part, due to substantial amounts of loan repayments.

As shown in Table 2.1, in 1983/84 bank credits to all sectors, except mining, recorded increases. Lendings to the trade sector rose quite significantly, by 28.1% (Rp 1,162 billion) principally for food procurement, export credits, import credits for raw materials and intermediate goods as well as credits for the importation of fertilizers and pesticides,

5) Bank Indonesia Circular Letter No. SE 16/8/UKU, January 21, 1984.

TABLE 2.1
BANK CREDITS IN RUPIAH AND FOREIGN EXCHANGE
BY ECONOMIC SECTORS¹⁾
(billions of rupiah)

Specification	March 31					June	Sept.	Dec.	March
	1979	1980	1981	1982	1983 ⁵⁾	30, 1983	30, 1983	31, 1983	31, 1984
Credits in rupiah	<u>5,220</u>	<u>5,915</u>	<u>7,795</u>	<u>10,273</u>	<u>12,804</u>	<u>12,973</u>	<u>13,666</u>	<u>14,312</u>	<u>15,070</u>
– Agriculture ²⁾	379	412	615	898	1,154	1,364	1,219	1,226	1,305
– Mining ³⁾	1,755	1,801	1,819	1,644	1,215	1,093	1,003	806	670
– Manufacturing ⁴⁾	1,191	1,512	1,991	2,561	3,910	3,969	4,213	4,595	5,060
– Trade	1,133	1,241	2,019	3,224	3,936	3,934	4,484	4,781	4,915
– Service rendering industry	575	685	1,002	1,454	1,937	2,023	2,100	2,253	2,389
– Others	187	264	349	492	652	590	647	651	731
Credits in foreign exchange	<u>387</u>	<u>412</u>	<u>359</u>	<u>462</u>	<u>901</u>	<u>827</u>	<u>939</u>	<u>987</u>	<u>1,065</u>
– Agriculture	—	—	—	—	—	—	—	—	—
– Mining	—	—	—	—	—	—	—	—	—
– Manufacturing	360	397	347	419	692	567	616	612	654
– Trade	20	5	7	39	199	253	317	351	382
– Service rendering industry	7	10	5	4	10	7	6	24	29
– Others	—	—	—	—	—	—	—	—	—
Total bank credits	<u>5,607</u>	<u>6,327</u>	<u>8,154</u>	<u>10,735</u>	<u>13,705</u>	<u>13,800</u>	<u>14,605</u>	<u>15,299</u>	<u>16,135</u>
– Agriculture	379	412	615	898	1,154	1,364	1,219	1,226	1,305
– Mining	1,755	1,801	1,819	1,644	1,215	1,093	1,003	806	670
– Manufacturing	1,551	1,909	2,338	2,980	4,602	4,536	4,829	5,207	5,714
– Trade	1,153	1,246	2,026	3,263	4,135	4,187	4,801	5,132	5,297
– Service rendering industry	582	695	1,007	1,458	1,947	2,030	2,106	2,277	2,418
– Others	187	264	349	492	652	590	647	651	731

1) Excludes interbank credits, credits to Government, credits to non-residents, special liquidity credits and foreign exchange component of project aid.

2) Processing of agricultural products is classified under manufacturing, following International Standard Industrial Classification (ISIC) 1968.

3) Includes credits to Pertamina for financing its debt services.

Since March 1979 credits in foreign exchange to Pertamina have been converted into credits in rupiah.

4) Includes credits to PT Krakatau Steel.

5) Includes increases from valuation adjustments due to the exchange rate revision on March 30, 1983, amounting to Rp 190 billion for manufacturing, Rp 58 billion for trade and Rp 3 billion for services.

and retail trade. Credits to the manufacturing sector, up by 24.2% (Rp 1,112 billion), primarily used to finance cement, fertilizers, pharmaceuticals, timber and sugar industries as well as flour mills. Credits extended to the services sector registered an increase of 23.6% (Rp 460 billion), mainly used for the financing of constructions, roads and bridges, low-cost housing, electricity, transporta-

tion and other services. Credits to the agricultural sector rose by 13.1% (Rp 151 billion), which among others were extended to finance smallholder sugar cane plantations and tree crops, such as, rubber and palm oil as well as cattle breeding. Lending to the mining sector declined by 44.9% (Rp 545 billion), which was primarily due to the large debt repayment by Pertamina. As a result of these de-

TABLE 2.2
BANK CREDITS IN RUPIAH AND FOREIGN EXCHANGE
BY MATURITY AND ECONOMIC SECTORS¹⁾
(billions of rupiah)

Specification	March 31					June	Sept.	Dec.	March
	1979	1980	1981	1982	1983 ⁵⁾	30, 1983	30, 1983	31, 1983	31, 1984
Short term credits	2,904	3,201	4,594	6,602	8,686	8,936	9,615	10,258	10,659
— Agriculture ²⁾	306	315	441	583	675	861	697	670	651
— Mining ³⁾	9	3	12	20	32	19	19	36	37
— Manufacturing ⁴⁾	875	1,138	1,397	1,755	2,601	2,597	2,780	2,986	3,315
— Trade	1,100	1,180	1,930	3,111	3,929	3,976	4,570	4,904	4,974
— Service rendering industry	438	330	542	791	1,104	1,224	1,280	1,410	1,390
— Others	176	235	272	342	345	259	269	252	292
Investment credits	2,703	3,126	3,560	4,133	5,019	4,864	4,990	5,041	5,476
— Agriculture	73	97	174	315	479	503	522	556	654
— Mining	1,746	1,798	1,807	1,624	1,183	1,074	984	770	633
— Manufacturing	676	771	941	1,225	2,001	1,939	2,049	2,221	2,399
— Trade	53	66	96	152	206	211	231	228	323
— Service rendering industry	144	365	465	667	843	806	826	867	1,028
— Others	11	29	77	150	307	331	378	399	439
Total bank credits	5,607	6,327	8,154	10,735	13,705	13,800	14,605	15,299	16,135
— Agriculture	379	412	615	898	1,154	1,364	1,219	1,226	1,305
— Mining	1,755	1,801	1,819	1,644	1,215	1,093	1,003	806	670
— Manufacturing	1,551	1,909	2,338	2,980	4,602	4,536	4,829	5,207	5,714
— Trade	1,153	1,246	2,026	3,263	4,135	4,187	4,801	5,132	5,297
— Service rendering industry	582	695	1,007	1,458	1,947	2,030	2,106	2,277	2,418
— Others	187	264	349	492	652	590	647	651	731

- 1) Excludes interbank credits, credits to Government, credits to non-residents, special liquidity credits and foreign exchange component of project aid.
- 2) Processing of agricultural products is classified under manufacturing, following International Standard Industrial Classification (SIC) 1968.
- 3) Includes credits to Pertamina for financing its debt service.
Since March 1979 credits in foreign exchange to Pertamina have been converted into credits in rupiah.
- 4) Includes credits to PT Krakatau Steel.
- 5) Includes increases from valuation adjustments due to the exchange rate revision on March 30, 1983, amounting to Rp 80 billion for short term credits comprises of Rp 19 billion for manufacturing, Rp 58 billion for trade and Rp 3 billion for services, and Rp 171 billion for investment credits (manufacturing).

velopments, the share of credits extended to the trade sector in 1983/84 rose from 30.2% to 32.8%, manufacturing rose from 33.6% to 35.4%, mining declined from 8.9% to 4.2%, while the share of other sectors remained relatively unchanged.

Bank lendings classified by the use of funds

is shown in Table 2.2. Working capital credits went up by 22.7% reaching Rp 10,659 billion compared with an increase of 31.6% in 1982/83 and 43.7% in 1981 /82. Working capital credits were mainly used to finance trade sector (46.7%), manufacturing (31.1%) and services (13.0%). Investment credits under the "Bank Indonesia 1969 invest-

TABLE 2.3
OUTSTANDING INVESTMENT CREDITS¹⁾
(billions of rupiah)

Specification	March 31					June	Sept.	Dec.	March
	1979	1980	1981	1982	1983 ³⁾	30, 1983	30, 1983	31, 1983	31, 1984
1. Investment credits under									
Bank Indonesia scheme²⁾	<u>375</u>	<u>570</u>	<u>761</u>	<u>1,210</u>	<u>2,146</u>	<u>2,229</u>	<u>2,408</u>	<u>2,674</u>	<u>3,213</u>
— Agriculture	56	74	117	219	389	416	438	477	573
— Mining	10	13	11	31	43	46	53	49	58
— Manufacturing	215	182	253	348	769	826	891	1,052	1,190
— Trade	35	38	39	67	99	101	117	115	209
— Service rendering industry	51	237	270	406	545	514	534	586	747
— Others	8	26	71	139	301	326	375	395	436
2. K I K	<u>68</u>	<u>118</u>	<u>249</u>	<u>374</u>	<u>414</u>	<u>409</u>	<u>411</u>	<u>393</u>	<u>387</u>
— Agriculture	17	23	57	96	90	87	84	79	81
— Mining	1	1	1	1	1	1	1	1	1
— Manufacturing	8	13	24	35	43	45	46	45	44
— Trade	18	28	57	85	107	110	114	113	114
— Service rendering industry	21	50	104	146	167	161	163	151	144
— Others	3	3	6	11	6	5	3	4	3
3. Others	<u>2,260</u>	<u>2,438</u>	<u>2,550</u>	<u>2,549</u>	<u>2,459</u>	<u>2,226</u>	<u>2,171</u>	<u>1,974</u>	<u>1,876</u>
— Agriculture	—	—	—	—	—	—	—	—	—
— Mining	1,735	1,784	1,795	1,592	1,139	1,027	930	720	574
— Manufacturing	453	576	664	842	1,189	1,068	1,112	1,124	1,165
In rupiah	(168)	(251)	(363)	(470)	(568)	(568)	(583)	(583)	(598)
— In foreign currency	(285)	(325)	(301)	(372)	(621)	(500)	(529)	(541)	(567)
— Trade	—	—	—	—	—	—	—	—	—
— Service rendering industry	72	78	91	115	131	131	129	130	137
— Others	—	—	—	—	—	—	—	—	—
Total	<u>2,703</u>	<u>3,126</u>	<u>3,560</u>	<u>4,133</u>	<u>5,019</u>	<u>4,864</u>	<u>4,990</u>	<u>5,041</u>	<u>5,476</u>
— Agriculture	73	97	174	315	479	503	522	556	654
— Mining	1,746	1,798	1,807	1,624	1,183	1,074	984	770	633
— Manufacturing	676	771	941	1,225	2,001	1,939	2,049	2,221	2,399
— Trade	53	66	96	152	206	211	231	228	323
— Service rendering industry	144	365	465	667	843	806	826	867	1,028
— Others	11	29	77	150	307	331	378	399	439

1) Excludes foreign exchange component of project aid credits.

2) Based on the Announcement of the Board of Directors of Bank Indonesia No. Peng. I/DIR/1969, March 7, 1969.

3) Includes increases from valuation adjustments due to the exchange rate revision on March 30, 1983, amounting to Rp 171 billion.

TABLE 2.4
INVESTMENT CREDITS BASED ON BANK INDONESIA REGULATION
BY ECONOMIC SECTORS¹⁾
(billions of rupiah)

Specification	March 31					June 30,	Sept. 30,	Dec. 31,	March 31,
	1979	1980	1981	1982	1983	1983	1983	1983	1984
Outstanding credits	<u>375</u>	<u>570</u>	<u>761</u>	<u>1,210</u>	<u>2,146</u>	<u>2,229</u>	<u>2,408</u>	<u>2,674</u>	<u>3,213</u>
— Agriculture	56	74	117	219	389	416	438	477	573
— Mining	10	13	11	31	43	46	53	49	58
— Manufacturing	215	182	253	348	769	826	891	1,052	1,190
— Trade	35	38	39	67	99	101	117	115	209
— Service rendering industry	51	237	270	406	545	514	534	586	747
— Others	8	26	71	139	301	326	375	395	436
Approved by banks	<u>495</u>	<u>755</u>	<u>1,003</u>	<u>1,642</u>	<u>2,810</u>	<u>3,046</u>	<u>3,386</u>	<u>3,688</u>	<u>4,163</u>
— Agriculture	73	183	243	355	644	617	713	734	865
— Mining	13	17	15	44	54	53	61	57	59
— Manufacturing	285	227	302	529	1,111	1,249	1,299	1,400	1,603
— Trade	46	37	49	84	121	121	138	129	271
— Service rendering industry	67	241	320	475	547	641	739	896	828
— Others	11	50	74	155	333	365	436	472	537

1) Based on the Announcement of the Board of Directors of Bank Indonesia No. Peng. 1/DIR/1969, March 7, 1969. Excludes Small Investment Credits (KIK) and foreign exchange component of project aid. Includes rupiah cost of project aid.

ment program", small investment credit (KIK) and other investment credits in the reporting year rose by 9.1% compared with an increase of 21.4% in the preceding year. This low growth was closely associated with the repayment of borrowings by state enterprises. Investment credits were largely used to finance manufacturing (43.8%), services (18.8%), agriculture (11.9%) and mining (11.6%).

Investment credits under the Bank Indonesia program during the reporting year rose by 49.7%

reaching Rp 3,213 billion compared with an increase of 77.4% and 59.0% in the years 1982/83 and 1981 /82, respectively. These credits were mostly used to finance manufacturing (37.0%), services (23.2%) and agriculture (17.8%). It may be added that the amount of credits approved by the implementing banks up to March 1984 reached Rp 4,163 billion or an increase of 48.0% compared with 71.3% in the previous year.

Credits for KIK at the end of the reporting year

TABLE 2.5
SMALL INVESTMENT CREDITS (KIK), PERMANENT WORKING CAPITAL
CREDITS (KMKP), MINI CREDITS, MIDI CREDITS AND KUPEDES
(billions of rupiah and thousands of customers)

Specification	March 31						June	Sept.	Dec.	March
	1978	1979	1980	1981	1982	1983	30, 1983	30, 1983	31, 1983	31, 1984
1. Small Investment Credits										
— Number of applications approved (customers)	42	57	79	125	176	213	218	222	225	228
— Value of application approved	79	113	190	366	571	723	749	778	799	825
— Outstanding credits	53	68	118	249	374	414	409	411	393	387
2. Permanent Working Capital Credits										
— Number of applications approved (customers)	336	438	664	953	1,298	1,486	1,531	1,553	1,592	1,621
— Value of application approved	125	188	349	656	1,178	1,542	1,627	1,697	1,798	1,861
— Outstanding credits	65	93	181	384	704	815	845	872	858	867
3. Total (1 + 2)										
— Number of applications approved (customers)	378	495	744	1,078	1,474	1,699	1,749	1,775	1,817	1,849
— Value of application approved	204	301	539	1,022	1,749	2,265	2,376	2,475	2,597	2,686
— Outstanding credits	118	161	299	633	1,078	1,229	1,254	1,283	1,251	1,254
5. Mini Credits	<u>11</u>	<u>16</u>	<u>20</u>	<u>41</u>	<u>57</u>	<u>63</u>	<u>64</u>	<u>59</u>	<u>58</u>	<u>37</u>
— Investment	2	3	3	4	6	6	6	6	5	4
— Exploitation	9	13	17	37	51	57	58	53	53	33
5. Midi Credits	<u>---</u>	<u>---</u>	<u>---</u>	<u>8</u>	<u>28</u>	<u>42</u>	<u>44</u>	<u>43</u>	<u>43</u>	<u>34</u>
— Investment	---	---	---	1	4	5	5	5	5	4
— Exploitation	---	---	---	7	24	37	39	38	38	30
6. KUPEDES	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>31</u>
— Investment	---	---	---	---	---	---	---	---	---	1
— Exploitation	---	---	---	---	---	---	---	---	---	30

amounted to Rp 387 billion or a decrease of 6.5% compared with an increase of 10.7% in the previous year. The decline in KIK in the reporting year was closely related to the sluggish economic situation.

However, the amount of applications and the number of applicants approved, in the reporting

year, continued to register increases, namely up by 14.1 % and 7.0% reaching Rp 825 billion and 228 thousand clients, respectively, compared with 26.6% and 21.0% in the preceding year (Table 2.5).

Other investment credits, consisting of loans to several state enterprises, in the reporting year

amounted to Rp 1,876 billion or a decline of 23.7%. This decline was primarily due to the large repayment of debts by Pertamina. Excluding this loan, the decline in investment credits would in fact be only 1.4% compared with an increase of 37.9% in the preceding year.

Unlike KIK, credits extended under KMKP program continued to advance, reaching Rp 867 billion at the end of March 1984 or up by 6.4% compared with 15.8% in the previous year. Approved KMKP credits and the number of applicants also registered increases, namely by 20.7% and 9.1% reaching Rp 1,861 billion and 1,621 thousand, respectively, at the end of March 1984.

The Mini and Midi credits, intended to assist the economically weak group, at the end of the reporting year respectively amounted to Rp 37 billion and Rp 34 billion. Those two credits declined by 41.3% and 19.0% compared with an increase of 10.5% and 50.0%, respectively, in 1982/83. Since January 30, 1984 the Mini and Midi credits were abolished and replaced by Kupedes.

In addition to the credits mentioned above, the Government also provided credits to assist small business such as "Kredit Candak Kulak" (KCK) as well as house-ownership credit (KPR). The KCK credits were channeled through village coopera-

tives (KUD) and intended to assist petty traders. During the reporting year the extended amount of such credits increased by Rp 22 billion (17.1%) reaching Rp 150 billion, bringing forth an outstanding amount of Rp 10 billion at end of the reporting year. It may be added that until the end of the reporting year the number of KUDs channeling these credits reached 4,967 units.

House-ownership credit (KPR) was designed to assist the community to acquire dwellings. The amount of credit and the number of applicants enjoying the KPR through BTN rose by 44.5% and 32.4%, reaching Rp 578 billion and 196 thousand applicants, respectively, at the end of the reporting year. This considerable increase reflected the rapid progress of housing construction throughout the country. Furthermore, KPR channeled through PT Papan Sejahtera, the funds of which largely came from the banking sector, experienced an increase both in the value and the number of applicants, up by 159.3% and 115.1% reaching Rp 19 billion and 1,478 clients, respectively, at end of March 1984.

Lendings to regional governments for the development and rehabilitation of market places (Pasar Inpres) continued to increase. Credits for these purposes at the end of the reporting year amounted to Rp 91 billion or an increase of 15.2%.

III. MOBILIZATION OF FUNDS

In the final year of the Third Five-Year Development Plan (Pelita III) the policy on mobilization of funds was more emphasized on efforts to enhance the role of private savings as a source of funds for the financing of the rising development needs. As mentioned earlier, the Government allowed state banks to determine the interest rates of their time deposits, provided tax facilities on interest earned from time deposits and savings accounts, and fixed a more attractive interest rate for the Tabanas savings. Furthermore, improvements were made in the capital market, especially regarding the trade of securities.

In the efforts to boost the mobilization of funds through the banking sector, state commercial banks and the state development bank (Bank Pembangunan Indonesia or Bapindo) were free to determine the level of interest rates of their time deposits. However, the level of interest rate for the 24-month maturity time deposits should at least be 12% p.a.¹⁾ In order to provide better services to the public, banks were permitted to issue registered and sight time deposits as well as certificate of deposits which might be renewed automatically.

After the introduction of the June 1, 1983 Monetary Policy, interest rates on time deposits in all banks registered increases. Until the end of the reporting year the highest interest rates on the 1 to 24-month maturity time deposits offered by state banks ranged from 15% to 18.75 % a year. In order to prevent unhealthy competition, an agreement of understanding was concluded among national private banks on the determination of the level of the interest rates of their time deposits. The highest interest rates among national private

banks for the 1-to 24-month maturity time deposits ranged from 15.0% to 20.0% a year, while among foreign banks, which only accepted 1 to 12-month time deposits, ranged from 13.5% to 18.5%.

In order to enhance the mobilization of funds through Tabanas and Taska, the Government established more attractive interest rates and increased the number of implementing banks. Furthermore, taxes levied on interest earnings of Tabanas and Taska savings were postponed until the end of the reporting year.²⁾

As the result of the June 1, 1983 Monetary Policy, the amount of funds mobilized by banks from the public registered rapid increases. The amount of funds mobilized by banks, in rupiah as well as in foreign currencies, reached Rp 13,337 billion or an increase of 30.9% compared with 23.4% in the previous year (Table 3.1). The amount mobilized consisted of demand deposits to the amount of Rp 6,350 billion, time deposits Rp 6,349 billion and savings accounts Rp 638 billion. The share of demand deposits to total funds mobilized declined from 58.0% at the end of March 1983 to 47.6% at the end of the reporting year, while that of time deposits rose from 36.7% to 47.6%. The upward trend in the share of time deposits was caused by the increasingly more attractive interest rates of the rupiah time deposits.

A. Savings

1. Time deposits

The development in time deposits in 1983/84 showed an encouraging improvement, up by 69.9% reaching Rp 6.349 billion. This progress

1) Bank Indonesia Circular' Letter No. SE 16/2/UPUM, June 1, 1983.

1) Government Regulation No. 37 of 1983, December 31, 1983.

TABLE 3.1
BANKING'S FUNDS¹⁾
(billions of rupiah)

End of period	Demand deposits			Time deposits			Savings deposits			Total
	Rupiah	Foreign currency	Sub total	Rupiah ²⁾	Foreign currency	Sub total	Tabanas & Taska	Others	Sub total	
1973	314	68	382	214	125	339	32	3	35	756
1974	453	107	560	359	222	581	44	4	48	1,189
1975	600	107	707	539	221	760	70	6	76	1,543
1976	837	150	987	762	218	980	109	5	114	2,081
1977	1,040	110	1,150	895	209	1,104	154	5	159	2,413
1978	1,318	218	1,536	931	356	1,287	192	9	201	3,024
1979	1,997	563	2,560	991	467	1,458	213	13	226	4,244
1980 : March	2,339	677	3,016	1,039	438	1,477	238	14	252	4,745
June	2,535	733	3,268	1,148	420	1,568	247	83	330	5,166
September	3,094	1,014	4,108	1,220	430	1,650	267	21	288	6,046
December	3,356	1,090	4,446	1,279	372	1,651	292	22	314	6,411
1981 : March	3,586	896	4,482	1,389	355	1,744	321	32	353	6,579
June	3,753	788	4,541	1,525	353	1,878	333	107	440	6,859
September	4,105	962	5,067	1,713	392	2,105	351	33	384	7,556
December	4,412	968	5,380	1,754	456	2,210	385	35	420	8,010
1982 : March	4,512	996	5,508	1,818	496	2,314	400	38	438	8,260
June	4,788	993	5,781	1,959	558	2,517	396	95	491	8,789
September	4,743	986	5,729	2,113	637	2,750	410	45	455	8,934
December	4,295	1,101	5,396	2,198	784	2,982	446	44	490	8,868
1983 : January	4,080	1,095	5,175	2,259	854	3,113	464	42	506	8,794
February	4,178	1,061	5,239	2,319	877	3,196	478	39	517	8,952
March	4,323	1,591	5,914	2,407	1,330	3,737	484	55	539	10,190
April	4,150	1,624	5,774	2,615	1,195	3,810	472	82	554	10,138
May	4,348	1,664	6,012	2,737	1,122	3,859	468	103	571	10,442
June	4,328	1,613	5,941	3,003	1,097	4,100	461	130	591	10,632
July	4,526	1,650	6,176	3,255	1,147	4,402	473	123	596	11,174
August	4,502	1,628	6,130	3,473	1,178	4,651	476	78	554	11,335
September	4,545	1,649	6,194	3,748	1,173	4,921	484	60	544	11,659
October	4,599	1,604	6,203	4,145	1,214	5,359	499	50	549	12,111
November	4,578	1,578	6,156	4,437	1,307	5,744	514	46	560	12,460
December	4,365	1,666	6,031	4,441	1,341	5,782	532	52	584	12,397
1984 : January	4,326	1,743	6,069	4,546	1,394	5,940	546	52	598	12,607
February	4,336	1,742	6,078	4,721	1,384	6,105	571	39	610	12,793
March	4,634	1,716	6,350	4,912	1,437	6,349	576	62	638	13,337

1) Includes funds of Central Government and non-residents.

2) Includes certificates of deposits.

TABLE 3.2
TIME DEPOSITS IN RUPIAH AND FOREIGN CURRENCY
IN SEVERAL BANKS¹⁾
(billions of rupiah)

End of period	State banks ²⁾			National private banks ³⁾			Local development banks			Foreign banks			Total		
	Rupiah	Foreign currency	Sub total	Rupiah	Foreign currency	Sub total	Rupiah	Foreign currency	Sub total	Rupiah	Foreign currency	Sub total	Rupiah	Foreign currency	Total
1973	163	81	244	17	2	19	2	---	2	32	42	74	214	125	339
1974	290	192	482	25	1	26	3	---	3	41	29	70	359	222	581
1975	454	192	646	38	3	41	3	---	3	44	26	70	539	221	760
1976	652	179	831	56	6	62	4	---	4	50	33	83	762	218	980
1977	737	165	902	77	7	84	5	---	5	76	37	113	895	209	1,104
1978	765	270	1,035	87	24	111	6	---	6	73	62	135	931	356	1,287
1979	775	312	1,087	123	23	146	7	---	7	86	132	218	991	467	1,458
1980 :	797	321	1,118	129	22	151	8	---	8	105	95	200	1,039	438	1,477
	812	328	1,140	159	17	176	8	---	8	169	75	244	1,148	420	1,568
	845	339	1,184	189	16	205	9	---	9	177	75	252	1,220	430	1,650
December	903	294	1,197	209	12	221	10	---	10	157	66	223	1,279	372	1,651
1981 :	971	275	1,246	243	11	254	11	---	11	164	69	233	1,389	355	1,744
	1,013	271	1,284	300	10	310	15	---	15	197	72	269	1,525	353	1,878
	1,092	291	1,383	361	12	373	17	---	17	243	89	332	1,713	392	2,105
December	1,093	307	1,400	382	16	398	19	---	19	260	133	393	1,754	456	2,210
1982 :	1,110	313	1,423	404	21	425	21	---	21	283	162	445	1,818	496	2,314
	1,143	350	1,493	472	26	498	25	---	25	319	182	501	1,959	558	2,517
	1,194	383	1,577	536	39	575	28	---	28	355	215	570	2,113	637	2,750
December	1,231	488	1,719	572	65	637	35	---	35	360	231	591	2,198	784	2,982
1983 :	1,257	545	1,802	576	76	652	36	---	36	390	233	623	2,259	854	3,113
	1,262	556	1,818	591	78	669	37	---	37	429	243	672	2,319	877	3,196
	1,347	808	2,155	579	147	726	39	---	39	442	375	817	2,407	1,330	3,737
March	1,385	724	2,109	649	130	779	40	---	40	541	341	882	2,615	1,195	3,810
April	1,449	686	2,135	702	114	816	43	---	43	543	322	865	2,737	1,122	3,859
May	1,682	675	2,357	783	105	888	45	---	45	493	317	810	3,003	1,097	4,100
June	1,867	697	2,564	839	103	942	47	---	47	502	347	849	3,255	1,147	4,402
July	1,867	697	2,564	839	103	942	47	---	47	502	347	849	3,255	1,147	4,402
August	2,048	720	2,768	875	108	983	50	---	50	500	350	850	3,473	1,178	4,651
September	2,262	727	2,989	927	108	1,035	51	---	51	508	338	846	3,748	1,173	4,921
October	2,546	735	3,281	998	114	1,112	53	---	53	548	365	913	4,145	1,214	5,359
November	2,791	814	3,605	1,028	129	1,157	55	---	55	563	364	927	4,437	1,307	5,744
December	2,831	801	3,632	1,078	158	1,236	56	---	56	476	382	858	4,441	1,341	5,782
1984 :	2,895	810	3,705	1,104	194	1,298	57	---	57	490	390	880	4,546	1,394	5,940
	2,968	791	3,759	1,139	190	1,329	59	---	59	555	403	958	4,721	1,384	6,105
	3,044	838	3,882	1,216	187	1,403	61	---	61	591	412	1,003	4,912	1,437	6,349

1) Includes certificates of deposits.

2) Includes Bapindo.

3) Includes private development banks and private savings banks.

occurred largely in the rupiah time deposits which increased by 104%, whereas time deposits denominated in foreign currencies rose only by 8.0%.

1.1. Rupiah time deposits

Rupiah time deposits mobilized by state banks in the reporting year showed a rapid growth, by 126% reaching Rp 3,044 billion compared with an increase of 76.2% among other groups of banks. This progress was partly due to more attractive interest yields and the extensive network of branches of state banks, and partly to the increasing confidence in state banks. The Inpres time deposits, solely handled by state banks, since the June 1, 1983 Monetary Policy declined to only Rp

476 billion compared with Rp 906 billion at the end of March 1983. In contrast, non-Inpres time deposits and other deposits, increased fivefold reaching Rp 2,568 billion at the end of March 1984. The progress in time deposits occurred in all maturities except the 24-month maturity (Table 3.4). This reflected a shift in the preference for short-term maturity time deposits, among others, because of liquidity considerations, while the interest rate differentials between short-term and long-term maturity deposits were marginal.

The rupiah deposits in other banks, namely national private banks, local development banks (Bank Pembangunan Daerah or BPDs), and foreign banks, also experienced a sharp increase,

TABLE 3.3
INTEREST RATES ON TIME DEPOSITS IN RUPIAH AND FOREIGN CURRENCY
(per cent per annum)

Maturity	March 1983		March 1984	
	Rupiah	Foreign currency	Rupiah	Foreign currency
State banks ¹⁾				
1 month ²⁾	6.00 — 7.00	15.00 — 15.25	6.50 — 8.50
3 months ²⁾	6.25 — 8.25	15.50 — 16.50	7.15 — 9.00
6 months	6.00	6.50 — 8.25	16.00 — 18.00	7.25 — 9.00
12 months	9.00	7.00 — 7.90	18.00 — 18.75	7.50 — 8.56
24 months	15/12 ³⁾	---	16.00 — 18.75	---
National private banks				
1 month	14.50 — 17.00	6.00 — 8.75	15.00 — 18.00	6.00 — 9.25
3 months	14.50 — 17.00	6.00 — 9.00	15.50 — 19.50	6.00 — 9.25
6 months	15.00 — 18.00	6.50 — 9.25	16.50 — 20.00	6.50 — 9.50
12 months	16.00 — 18.00	7.00 — 9.50	18.00 — 20.00	7.00 — 9.50
24 months	16.50 — 18.00	---	18.00 — 20.00	---
Foreign banks				
1 month	15.00 — 18.50	4.00 — 7.00	16.00 — 18.00	3.00 — 8.75
3 months	15.00 — 18.50	4.00 — 7.50	16.50 — 18.00	3.00 — 8.75
6 months	14.00 — 18.00	4.00 — 7.50	16.00 — 18.00	3.50 — 8.50
12 months	14.00 — 17.00	4.00 — 7.75	17.50 — 18.50	6.00 — 9.00
24 months	---	---	---	---

1) Through May 31, 1983, interest rates on time deposits at state banks were determined by Bank Indonesia.

2) The level of interest rates were determined by respective banks.

3) 15% p.a. on the amount up to Rp 2.5 million and 12% p.a. on any excess over Rp 2.5 million.

TABLE 3.4
TIME DEPOSITS AT STATE BANKS
(billions of rupiah)

End of period	24 months	12 months	6 months	3 months	1 month	Others	Total
1973	119	14	3	12	1	14	163
1974	200	30	9	22	5	24	290
1975	300	50	21	35	11	37	454
1976	513	71	30	22	12	4	652
1977	591	36	53	13	42	2	737
1978	596	44	60	10	55	—	765
1979	589	33	79	7	61	6	775
1980 : March	591	36	78	23	65	4	797
June	600	47	73	19	70	3	812
September	623	44	75	20	77	6	845
December	639	43	86	41	91	3	903
1981 : March	676	65	93	45	91	1	971
June	702	65	105	37	102	2	1,013
September	730	75	109	51	123	4	1,092
December	748	81	107	40	106	11	1,093
1982 : March	764	77	107	45	63	54	1,110
June	798	76	108	31	126	4	1,143
September	810	78	115	40	142	9	1,194
December	848	79	122	33	138	11	1,231
1983 : January	846	79	123	31	160	18	1,257
February	842	81	124	47	164	4	1,262
March	844	89	124	47	240	3	1,347
April	834	94	146	72	233	6	1,385
May	831	95	188	89	239	7	1,449
June	760	182	285	137	306	12	1,682
July	721	309	310	202	319	6	1,867
August	682	418	393	204	342	9	2,048
September	658	484	409	228	471	12	2,262
October	630	546	597	219	539	15	2,546
November	600	757	624	236	557	17	2,791
December	566	886	549	247	576	7	2,831
1984 : January	543	955	579	228	576	14	2,895
February	514	1,016	541	190	622	85	2,968
March	496	1,112	554	251	593	38	3,044

1) Includes matured time deposits.

namely 76.2% reaching Rp 1,868 billion. The increase primarily occurred in the 1-month and 3-month maturity time deposits placed in national private banks.

1.2. Foreign exchange time deposits

Time deposits denominated in foreign currencies in the reporting year increased only by 8.0% reaching Rp 1,437 billion. This low rate of increase was due to the

increasingly more attractive interest rates of the rupiah deposits than those offered by the foreign exchange time deposits. It should be added that taxes levied on interest, dividend and royalty (PBDR) on the interest earned on foreign exchange time deposits were removed since June 1, 1983.³⁾

3) Bank Indonesia Circular Letter No. SE 16/4/UPUM, June 17, 1983.

TABLE 3.5
TABANAS AND TASKA SAVINGS DEPOSITS
(millions of rupiah)

End of period	Tabanas		Taska		Total	
	Number of savers ¹⁾	Out-standing	Number of savers ¹⁾	Out-standing	Number of savers ¹⁾	Out-standing
1973	2,862,264	32,486	11,794	84	2,874,058	32,570
1974	3,450,463	43,942	8,742	74	3,459,205	44,016
1975	4,108,173	70,048	9,380	115	4,117,553	70,163
1976	5,429,981	109,147	10,836	158	5,440,817	109,305
1977	6,864,401	153,591	8,735	138	6,873,136	153,729
1978	7,458,963	191,462	6,873	120	7,465,836	191,582
1979	7,996,389	212,560	5,880	112	8,002,269	212,672
1980 : March	8,296,854	237,357	5,544	118	8,302,398	237,475
June	8,459,918	247,396	5,453	125	8,465,371	247,521
September	8,692,972	267,019	5,358	131	8,698,330	267,150
December	8,828,909	291,731	5,428	122	8,834,337	291,853
1981 : March	9,021,750	321,382	5,698	133	9,027,448	321,515
June	9,188,951	333,111	5,569	141	9,194,520	333,252
September	9,346,120	351,051	9,536	148	9,355,656	351,199
December	9,480,647	384,255	12,704	168	9,493,351	384,423
1982 : January	9,490,772	386,007	13,923	180	9,504,695	386,187
February	9,505,997	392,669	16,292	200	9,522,289	392,869
March	9,589,604	399,545	17,002	227	9,606,606	399,772
April	9,626,230	405,732	18,052	240	9,644,282	405,972
May	9,666,247	404,610	18,896	268	9,685,143	404,878
June	9,526,420	395,966	19,015	296	9,545,435	396,262
July	9,667,528	399,698	19,732	325	9,687,260	400,023
August	9,612,739	403,709	19,107	343	9,631,846	404,052
September	9,697,774	410,060	16,798	325	9,714,572	410,385
October	9,808,090	424,527	16,061	329	9,824,151	424,856
November	9,908,225	437,138	16,543	283	9,924,768	437,421
December	9,952,239	445,845	16,134	307	9,968,373	446,152
1983 : January	10,024,338	463,433	15,211	306	10,039,549	463,739
February	10,056,783	477,252	16,723	309	10,073,506	477,561
March	10,186,110	483,488	16,532	303	10,202,642	483,791
April	10,233,631	472,296	15,225	398	10,248,856	472,594
May	10,272,380	468,203	15,182	309	10,287,562	468,512
June	10,228,296	460,680	14,213	317	10,242,509	460,997
July	10,346,718	472,853	15,123	345	10,361,841	473,198
August	10,434,771	475,789	15,452	354	10,450,223	476,143
September	10,572,736	483,921	15,546	366	10,588,282	484,287
October	10,660,911	498,675	15,511	379	10,676,422	499,054
November	10,885,481	513,146	16,091	327	10,901,572	513,473
December	11,003,630	532,344	15,716	331	11,019,346	532,675
1984 : January	11,113,207	546,422	16,744	377	11,129,951	546,799
February	11,270,482	562,543	17,104	342	11,287,586	562,885
March	11,474,295	575,672	17,263	357	11,491,558	576,029

1) In units of depositors.

2. Savings deposits

Efforts to encourage savings in the forms of Tabanas, Taska, Haj Pilgrimage Expenses (ONH) and other forms of savings continued to be implemented. In 1983/84 the efforts to increase Tabanas, among others, were carried out by offering higher interest rates. Furthermore, the maximum amount of Tabanas account yielding an interest of 15% p.a. was raised from Rp 200 thousand to Rp 1 million, while the portion above the Rp 1 million was applied an interest of 12%. In the case of Taska, the interest rate remained 9% p.a. unless withdrawn before maturity, in which case the interest rate applied would be 6% a year.⁴⁾ In the reporting year, to improve the services extended to prospective haj pilgrims, the Government increased the number of banks administering the ONH.

2.1. Tabanas and Taska

In the reporting year Tabanas increased by 19.1% reaching Rp 575.7 billion and the number of accounts by 12.6% to 11,474 thousand accounts (Table 3.5). In the case of Taska, the amount mobilized rose by 17.8% to Rp 357 million, while the number of accounts increased by 4.4% making the number of accounts to 17 thousand. The favorable developments of the Tabanas and Taska schemes, were among others, due to the increase in the number of implementing banks by 6, consisting of 5 national private banks and 1 BPD, so that the number increased to 57 banks. Thus at the end of 1983/84 the banks implementing the Tabanas and Taska savings consisted of 6 state banks, 33 national private banks, and A BPDs.

2.2. Haj Pilgrimage Expenses (ONH) savings deposits

ONH comprised savings deposited in installments in implementing banks, destined to cover expenses needed for haj pilgrimage. In order to encourage prospective haj pilgrims to deposit their

TABLE 3.6
TRANSACTIONS AND INTEREST RATES
IN JAKARTA MONEY MARKET

Period	Volume of transaction (billions of rupiah)	Weighted average of interest rates (per cent per annum)
1979		
January — March	527	12.79
April — June	358	13.21
July — September	413	12.97
October — December	497	13.96
1980		
January — March	367	14.73
April — June	207	13.67
July — September	265	10.52
October — December	525	12.55
1981		
January — March	671	15.95
April — June	842	16.56
July — September	980	18.02
October — December	901	14.49
1982		
January — March	957	17.13
April — June	1,314	17.99
July — September	1,388	17.49
October — December	1,087	16.35
1983		
January	323	16.95
February	343	17.19
March	792	18.55
January — March	1,458	17.85
April	452	15.51
May	539	9.03
June	579	8.03
April — June	1,570	10.53
July	496	10.02
August	1,191	8.96
September	870	13.03
July — September	2,557	10.54
October	712	13.16
November	973	13.03
December	1,322	14.52
October — December	3,007	13.72
1984		
January	1,101	19.33
February	1,398	18.22
March	975	16.47
January — March	3,474	18.08

4) Bank Indonesia Circular Letter No. SE 16/3/UPUM, June 1, 1983.

ONH installments as early as possible, banks offered discounts. In the reporting year the amount of ONH per pilgrim was Rp 3,075,570⁵⁾ or an increase of 45.8% from the preceding year. The amount of ONH savings in the reporting year reached Rp 144.5 billion for 47,292 prospective pilgrims compared with Rp 106.2 billion for 51,081 prospective pilgrims in the previous year.

B. Money Market

1. Interbank funds

Interbank call money market transactions through the Jakarta Clearing showed significant increases (Table 3.6). In the reporting year the monthly average transactions increased by 102.3% reaching Rp 884 billion compared with an increase of 42.3% in the preceding year. This reflected the increasing use of the interbank call money market in the operating needs of banks. Up to July 1983 transactions in the interbank market was relatively low, amounting to Rp 2,066 billion or a monthly average of Rp 517 billion. However, the activities in the money market after that date resumed to increase, and over the last eight months in the year under report reached Rp 8,542 billion or a monthly average of Rp 1,068 billion. As was the case in the previous year, transactions in the interbank call money market primarily occurred between state banks as suppliers of funds and foreign banks as borrowers. Several months since the June 1, 1983 Monetary Policy, funds mobilized by state banks experienced higher growth rates than those of their lending activities, bringing forth an increase in the volume of the interbank transactions and a decrease in interest rates.

2. Certificate of deposits

To encourage mobilization of funds from the

public, since 1971 state banks and several foreign banks were permitted to issue certificate of deposits (CDs). The amount of CDs issued, after taking into account the amount of repayments,

TABLE 3.7
CERTIFICATES OF DEPOSIT¹⁾
(billions of rupiah)

End of period	State banks	Foreign banks	Total
1973	24	8	32
1974	65	8	73
1975	71	11	82
1976	25	19	44
1977	23	31	54
1978	14	33	47
1979	14	19	33
1980 : March	28	19	47
June	35	33	68
September	32	33	65
December	52	27	79
1981 : March	56	26	82
June	37	26	63
September	66	26	92
December	55	26	81
1982 : January	45	26	71
February	50	24	74
March	51	23	74
April	55	20	75
May	58	19	77
June	53	17	70
July	51	15	66
August	59	13	72
September	63	4	67
October	58	12	70
November	63	11	74
December	59	13	72
1983 : January	71	12	83
February	78	12	90
March	91	11	102
April	133	40	173
May	165	31	196
June	212	33	245
July	203	30	233
August	213	31	244
September	204	25	229
October	329	35	364
November	374	42	416
December	352	22	374
1984 : January	359	27	386
February	369	27	396
March	346	30	376

1) Outstanding certificates of deposits represent the amount outstanding at the end of a period plus the amount sold and less the amount redeemed during the following period those transactions took place.

5) Presidential Decree No. 18 of 1983, April 4, 1983.

TABLE 3.8
INTEREST RATES ON CERTIFICATES OF DEPOSIT
(annual percentage rates)

Maturity	1 9 8 3				1984
	March	June	September	December	March
1 week	8.50	---	---	---	---
2 weeks	6.00	9.00	9.00	9.00	7.90 — 9.00
1 month	4.00 — 18.50	12.00 — 15.00	12.00 — 15.00	12.50 — 15.00	12.00 — 15.25
2 months	9.00 — 12.00	13.00	13.00 — 15.50	13.00 — 15.50	13.00
3 months	7.00 — 18.50	9.00 — 16.50	13.00 — 16.50	13.50 — 16.50	13.50 — 16.50
6 months	8.00 — 17.00	12.00 — 17.00	13.50 — 17.00	13.75 — 17.00	13.75 — 17.00
9 months	8.00	14.00	14.80 — 17.50	14.80 — 17.50	14.80 — 17.90
12 months	10.00 — 18.00	14.00 — 18.00	14.00 — 18.00	14.50 — 18.50	14.50 — 18.75

rose rapidly, namely by 269% reaching Rp 376 billion compared with an increase of 37.8% in the previous year (Table 3.7). This improvement occurred primarily in the state banks (280%) as a consequence of the more attractive interest rates offered.

3. Non-bank Financial Institutions (NBFIs) papers

Mobilization of funds by NBFIs, among others through the issuance of papers, was principally executed in the form of promissory notes. In 1983/84 funds mobilized by NBFIs through the issuance of papers increased by 16.9% (Rp 88 billion) reaching Rp 610 billion. This was due to the higher investment of banks in notes issued by NBFIs.

C. Capital Market

To encourage public participation in the ownership of shares and bonds issued by companies or

other institutions, such as banks, NBFIs and other business entities, the Government increased the efforts to improve and expand the capital market. In this con

nection, since July 1983 the Government simplified the procedures and shortened the time limit of finalizing the transactions of securities in the stock exchange from 14 days to 4 days.⁶⁾ Furthermore, to enhance trade in securities, banks and NBFIs were allowed to become traders in securities provided that a minimum amount of Rp 250 million was earmarked as capital for these activities, while other business entities with the legal status of a limited liability company or individuals were required to set aside paid-up capital to the minimum amount of Rp 100 million.⁷⁾

6) - Minister of Finance Decree No. 377/KMK.O11/1983, June 2, 1983.

- Decree of Capital Exchange Executive Agency No. KEP-08/PM/83, July 8, 1983.

7) Minister of Finance Decree No. 378/KMK.O11/1983, June 2, 1983.

TABLE 3.9
PLACEMENT OF SHARES AND BONDS
IN THE CAPITAL MARKET

Enterprises	Date issuance permit (go public)	Shares/bonds issued		
		Number of issuance	Initial price per share/bond	Value (millions of rupiah)
I. Share		<u>57,237,184</u>		<u>130,762</u>
1. PT Semen Cibinong	08.06.1977	557,096		7,022
— Emission I	08.06.1977	(342,116)	10,000	(3,421)
— Emission II	05.10.1982	(214,980)	16,750	(3,601)
2. PT Centex	05.04.1979	700,000		3,558
— Emission I	05.04.1979	(116,000)	5,500	(638)
— Emission II	10.10.1983	(584,000)	5,000	(2,920)
3. PT BAT Indonesia	11.19.1979	6,600,000	2,500	16,500
4. PT Tificorp	12.29.1979	1,100,000	7,250	7,975
5. PT Richardson Vicks Indonesia	03.06.1980	360,000		1,080
— Emission I	03.06.1980	(280,000)	3,000	(840)
— Emission II	12.15.1982	(80,000)	3,000	(240)
6. PT Goodyear Indonesia	11.10.1980	6,150,000	1,250	7,688
7. PT Merck Indonesia	06.23.1981	1,680,000	1,900	3,192
8. PT Multi Bintang Indonesia	10.27.1981	3,520,012	1,570	5,526
9. PT Unilever Indonesia	11.16.1981	9,200,000	3,175	29,210
10. PT Sepatu Bata	02.06.1982	1,200,000	1,275	1,530
11. PT Unitex	05.12.1982	733,500	1,475	1,082
12. PT Sucaco	06.05.1982	4,800,000	1,100	5,280
13. PT Bayer Indonesia	06.16.1982	2,324,100	1,325	3,079
14. PT Panin Bank	10.28.1982	4,800,000		16,917
— Emission I	10.28.1982	(1,637,500)	3,475	(5,690)
— Emission II	05.31.1983	(3,162,500)	3,550	(11,227)
15. PT Squibb Indonesia	02.12.1983	972,000	1,050	1,021
16. PT A.J. Panin Putra	04.30.1983	1,020,000	2,950	3,009
17. PT Sari Husada	06.04.1983	1,000,000	1,850	1,850
18. PT Pan Union Insurance	08.13.1983	765,000	1,150	880
19. PT Regnis Indonesia	11.21.1983	523,500	1,540	806
20. PT Pfizer Indonesia	12.21.1983	600,000	1,425	855
21. PT Delta Djakarta	12.23.1983	347,400	2,950	1,025
22. PT Hotel Prapatan	12.29.1983	1,665,976	1,050	1,749
23. PT Jakarta International	12.30.1983	6,618,600	1,500	9,928
II. Bond		<u>263,230</u>		<u>154,718</u>
1. PT Jasa Marga		224,300		123,718
— Issuance : I	01.15.1983	(200,000)		(23,718)
II	09.26.1983	13,500		(40,000)
III	01.09.1984	(3,600)		(20,000)
IV	02.06.1984	(3,600)		(20,000)
V	03.05.1984	(3,600)		(20,000)
2. Bapindo	01.29.1983	32,650		25,000
3. PT Papan Sejahtera	04.16.1983	6,280		6,000
Total (I+ II)		<u>57,500,414</u>		<u>285,480</u>

In order to encourage the public to buy bonds issued by companies, fiscal facilities in the form of partial exemptions of taxes on PBDR continued to be extended. Moreover, during the reporting year, the purchase of bonds issued by a certain company was fully exempted from taxes on PBDR.⁸⁾ In addition, the Government also exempted taxes on earnings arising from investments of pension funds in securities traded in the stock exchange bourse. Furthermore, certificate of shares and certificate of funds traded outside the bourse, and of bonds issued by state-owned enterprises were also exempted from taxes on PBDR.⁹⁾

The progress in the capital market was reflected in the increase in the number of companies placing shares and bonds in the stock exchange bourse. In the reporting year, approvals were granted to 8 companies for the placement of share certificates and to 1 company for the issuance of bonds in the capital market. At the end of March 1984 the number of companies which issued certificate of shares and bonds in the capital market reached 26 compared with 17 at the end of the preceding year.

The number of shares and bonds sold through the stock exchange bourse in the reporting year increased by 16,755 thousand certificates at a

value of Rp 141 billion, so that total placement of shares and bonds at the end of March 1984 reached 57,500 thousand certificates to the amount of Rp 285.5 billion. The number of shares traded in the stock exchange in 1983/84 reached 3,056 thousand or a monthly average of 250 thousand marketable securities. The volume of transactions experienced a decline compared with 1982/83, which traded 4,659 thousand or 388 thousand certificates a month. A decline was also recorded in the index of the shares of companies. This deterioration, among others, was the result of the increasing attractiveness of placement of funds in time deposits and certificate of deposits.

In the reporting year, PT Danareksa issued 1,500 thousand certificate of funds to the amount of Rp 15 billion. With these issues, certificate of funds placed by PT Danareksa since 1981 up to the reporting year reached 6,000 thousand certificates at a total value of Rp 60 billion. In addition to certificate of funds, since 1977 PT Danareksa issued certificate of shares. In the reporting year the number as well as the value of this type of certificates remained practically the same, namely 1,420 thousand certificates and Rp 12.8 billion, respectively. Accordingly, the number of certificates issued by PT Danareksa from 1977 up to the end of the reporting year reached 7,420 thousand certificates with a total value of Rp 72.8 billion. The total number of share certificates and fund certificates held by the public at the end of the reporting year reached 6,115 thousand certificates with a value of Rp 60.5 billion.

8) Minister of Finance Decree No. 553/KMK.04/1983, August 30, 1983.

9) Minister of Finance Decree No. 957/KMK.04/1983, December 31, 1983.

IV. BANKING AND OTHER FINANCIAL INSTITUTIONS

A. Banking

1. Policy on banking supervision

Policy on banking supervision was continued to be directed towards the development of a sound and effective banking system to support the national development objectives. As mentioned before, state banks were free to determine the level of interest rates on their time deposits as well as on loans extended to nonpriority sectors. Furthermore, credit ceilings, imposed since 1974, were lifted. To assist banks in adapting to those new regulations, the level of interest rates on their demand deposits placed at Bank Indonesia were adjusted, taking into consideration the development of funds mobilized and loans extended by those banks. In addition, wider opportunities were granted to the national private banks (bank umum swasta nasional) of which the volume of business had not yet reached national coverage. The measures undertaken in the past years continued to be implemented and improved, such as, encouraging merger among national private banks, assisting state banks in raising their efficiency, promoting local development banks (bank pembangunan daerah or BPD) through technical and education programs, and expanding the network of local clearings to regions where Bank Indonesia was not yet represented.

In order to create a more equitable growth of national private banks, the Government eased the conditions of opening new branch (Kantor Cabang/KC) and subbranch (Kantor Cabang Pembantu/KCP) offices.¹⁾ Formerly, a bank not yet categorized as national coverage²⁾ might only open a branch office

in the province in which the head office of the concerned bank was located. The new regulation allowed the abovementioned bank to open branch or sub-branch offices in any region throughout the country after being classified as national coverage without being subjected to requirements of merger or volume of activities. However, the requirements with respect to the degree of soundness and additional paidup capital remained valid.

In addition, the Government eased the time limit requirements for the preparation of establishing branch offices of the national private banks. The time limit between the date of clearance in principle and the date of business license was extended from 6 months to 1 year. Furthermore, the time limit to fulfill the required additional paidup capital was extended from 1 to 6 months.

In order to direct banks in managing their liquidity to be more efficient and effective, adjustments were made on the interest of demand deposits from banks placed at Bank Indonesia both in rupiah and foreign currency.³⁾ Immediately after the June 1, 1983 Monetary Policy, the increase in the mobilization of funds was faster than that of the extension of loans, causing excess liquidity in some banks. To ease the burden of the cost of funds encountered by these banks, the interest rate of demand deposits placed at Bank Indonesia was raised from 10% to 13% p.a. Following the introduction of certificate of Bank Indonesia (Sertifikat Bank Indonesia/SBI), this interest rate was reduced from 13% to 7% p.a. and the maximum amount of demand deposits eligible for this

1) Minister of Finance Decree No. 49/KMK.OII/1984. January 24, 1984.

2) Banks classified as national coverage were applied to foreign exchange banks which had been merged, and non-foreign exchange banks had not yet been merged but the volume of activities ranked among the first ten.

3) Bank Indonesia Circular Letters:

- No. SE 16/20/UPPB and No. SE 16/21/UPPB, September 16, 1983.

- No. SE 16/31/UPPB and No. SE 13/32/UPPB, December 14, 1983.

- No. SE 16/37/UPPB and No. SE 16/38/UPPB, January 21, 1984.

TABLE 4.1
THE SHARE OF GROUP OF BANKS IN TOTAL ASSETS,
FUNDS AND OUTSTANDING LOANS
(percentage)

Group of banks	Assets		Loans		Funds	
	March 1983	March 1984	March 1983	March 1984	March 1983	March 1984
State banks	77.0	74.8	78.4	74.4	70.7	69.5
National private banks	11.2	13.9	11.9	15.5	13.2	16.3
Local development banks	3.2	3.5	3.2	3.1	3.5	3.6
Foreign banks	8.6	7.8	6.5	7.0	12.6	10.6

interest was set at 1 % of total current liabilities of the respective bank. The interest rate on demand deposits in foreign currencies held in Bank Indonesia, previously fixed at 10%, was abolished since February 1, 1984.

As mentioned earlier, the policy to encourage the development of state banks and BPDs continued to be implemented. The promotion of state banks was carried out through enhancing their efficiency and supervising the implementation of the operational manual. The improvement of BPDs was implemented primarily through the provision of technical assistance and education. Until the end of the reporting year, all BPDs (27 banks) enjoyed technical assistance and education, and 9 of which completed their operational manuals. These operational manuals covered, among others, organizational aspects, mobilization of funds, and research and planning.

To expand and expedite demand deposit transactions, local clearings in regions where Bank Indonesia was not yet represented, continued to be encouraged. In the reporting year, the number of local clearings rose by 6 to 24. Furthermore, the number of subbranch offices participating as indirect members of local clearings in 1983/84 increased by 21 to 68.

With respect to Keppres 14A of 1980 (Presidential Decree 14A of 1980), regarding the implementation of endowments on the construction of projects and procurements of materials financed by the government budget (APBN), contractors were required to submit a letter of guarantee issued by banks or other financial institutions. Until the end of the reporting year the number of banks permitted to issue letter of guarantees was 87, namely 6 state banks, 23 BPDs and 58 national private banks. ⁴⁾

2. Banking development

The number of commercial banks, development banks, savings banks and rural banks (Bank Perkreditan Rakyat/BPR) in 1983/84 rose by 12 to 5,940. The number of offices, comprising head, branch and subbranch offices, increased by 69 to 7,165 (Table 4.4). Due to the merger of 2 national private banks, in the reporting year the number of commercial banks declined by 1 to 85, consisting of 69 national private banks, 5 state commercial banks and 11 foreign banks (including one joint-venture bank). Meanwhile, the number of commer-

4) Min Finance Decree No. 233/KMK.011/1984, March 19, 1984.

TABLE 4.2
DEVELOPMENT OF PAWNSHOP ACTIVITIES
(billions of rupiah)

Particulars	1977	1978	1979	1980	1981	1982	1983
Number of offices ¹⁾	441	446	448	450	463	471	473
Total loans extended	46	59	90	110	156	177	221
Redemption	44	56	83	103	144	175	210
Outstanding loans	13	16	23	30	42	44	55

1) In units.

Source : Pawnshop Service.

cial bank offices, comprising head, branch and subbranch offices, rose by 47 to 1,111 at the end of March, 1984. This increase was brought about by the opening of 10 branch and 2 sub-branch offices of state commercial banks, 26 branch and 8 subbranch offices of national private banks as well as 1 sub-branch office of a foreign bank.

The number of development banks at the end of the reporting year remained at 29, consisting of 1 state development bank, 27 BPDs and 1 national private bank. The number of their offices rose from 208 to 217, after the opening of 10 branch offices (including one promoted from a sub-branch to a branch office) of BPDs.

The number of savings banks and their offices in the last few years remained practically unchanged, namely 1 state savings bank, 2 national private savings banks, while their offices remained at 14.

In the reporting year, the number of rural banks, which consisted of village banks, paddy banks, petty traders' banks and employees' banks, rose from 5,810 to 5,823. The increase resulted from the issuance of permits legalizing operation of 13 village banks and 2 petty traders' banks as well as revocations of permits to operate of 2 paddy banks.

The number of foreign banks at the end of the reporting year remained at 11, whereas their offices rose from 20 to 21. Meanwhile, the number

of representative offices of foreign banks rose sharply, from 4 reaching 68 offices. It should be noted that all foreign banks were located in Jakarta.

In the reporting year, the activities of deposit money banks (DMBs) as reflected in their assets, funds mobilized and loans extended, showed encouraging progress (Table 4.5). The assets of those banks rose by 19.1% to Rp 22,118 billion, funds mobilized increased by 31.1% to Rp 14,704 billion and loans extended rose by 22.7% to Rp 13,827 billion. The share of assets and funds mobilized among the groups of banks remained unchanged, although that of national private banks and BPDs indicated a slight increase. With respect to loans extended, the share of national private banks and foreign banks showed an increase (Table 4.1).

Meanwhile, the percentage of liquidity maintained by banks increased from an average of 17.3% during 1982/83 to 18.6% during the reporting year (Table 4.6). This higher liquidity percentage was mainly recorded at state banks since the increase in the mobilization of funds was faster than that of lending activities. On the other hand, the liquidity percentage of national private banks and BPDs registered a decrease, as a result of increases in loans extended by national private banks and in short-term investments of BPDs. As in the preceding years, the level of - liquidity of BPDs remained the highest compared with other groups of banks, primarily because their source of funds originated from local governments which

TABLE 4.3
ACQUISITION OF FUNDS AND INVESTMENTS BY INSURANCE COMPANIES
(billions of rupiah)

Type of insurance	Funds		Investments		Claims	
	1981	1982	1981	1982	1981	1982
Life insurance	123	162	84	111	32	59
Social insurance	235	315	296	412	27	32
Others ¹⁾	138	166	105	152	87	91
Total	496	643	485	675	146	182

1) Includes PT Askrindo.

Source : Department of Finance.

were subject to large withdrawals at any moment. The liquidity percentage of foreign banks remained at the same level as in the preceding year.

B. Other Financial Institutions

1. Non-bank financial institutions (NBFIs)

In order to encourage the development of the money and capital market and to assist companies in their capital needs, the Government since 1972 permitted the establishment of NBFIs. As commonly known, NBFIs consisted of development finance type, investment finance type and "other finance companies". The NBFIs of the development finance type mainly engaged in medium - and longterm loans as well as in equity participation in companies. Investment finance type of NBFIs mainly acted as brokers in the issuance of securities and as underwriters. Meanwhile, NBFIs of "other" type was established to meet the needs in certain sectors such as the provision of loans to the medium-income group for house ownership.

NBFIs experienced steady growth over the years as reflected in the increase of their assets, investments and mobilization of funds (Table 4.7 and Table 4.8). During the reporting year, their assets increased by 21.0% reaching Rp 1,146 bil-

lion. The mobilization of funds through the end of March 1984 reached Rp 1,022 billion, or rose by 21.1%. During the same period, investments increased by 32.1% reaching Rp 1,090 billion.

The investments and mobilization of funds by NBFIs of the development type and the "other" type recorded substantial increases in 1983/84. Investments rose by 43.4% to reach Rp 218 billion, mostly in the form of medium - and long-term credits and in short-term securities. The amount of funds mobilized also increased rapidly, i.e. by 42.5% to reach Rp 191 billion at the end of March 1984.

Investment activities of the investment type of NBFIs in 1983/84 rose by 29.6% to reach Rp 872 billion. These investments were mainly placed in short-term securities issued by enterprises. Funds mobilized by these institutions increased by 17.0% reaching Rp 831 billion.

To improve the role of NBFIs in the trade of shortterm securities issued by companies, Bank Indonesia continued to provide rediscount facilities. During the reporting year, besides the previously fixed short-term securities, bonds issued by a certain enterprise were also allowed to be rediscounted to Bank Indonesia. At the initial stage, the amount of bonds that might be rediscounted

TABLE 4.4
NUMBER OF BANKS AND THEIR OFFICES
IN INDONESIA

Particulars	March 31, 1983	1983/84		March 31, 1984
	Number of banks/offices	Established	Licenses revoked	Number of banks/offices
Commercial banks				
State banks				
— Number of banks	5	—	—	5
— Number of offices	727	15	3	739
National private banks				
— Number of banks	70	—	1	69
— Number of offices	317	34	—	351
Foreign banks/joint ventures				
— Number of banks	11	—	—	11
— Number of offices	20	1	—	21
Development banks				
State development banks				
— Number of banks	1	—	—	1
— Number of offices	22	—	—	22
Local development banks				
— Number of banks	27	—	—	27
— Number of offices	185	10	1	194
Private development banks				
— Number of banks	1	—	—	1
— Number of offices	1	—	—	1
Savings banks				
State savings banks				
— Number of banks	1	—	—	1
— Number of offices	12	—	—	12
Private savings banks				
— Number of banks	2	—	—	2
— Number of offices	2	—	—	2
Number of commercial banks, development banks and savings banks				
— Number of banks	118	—	1	117
— Number of offices	1,286	60	4	1,342
Rural banks¹⁾				
— Village banks	3,561	13	—	3,574
— Paddy banks	2,081	—	2	2,079
— Petty traders banks	167	2	—	169
— Employees banks	1	—	—	1
Total number of banks	<u>5,928</u>	<u>15</u>	<u>3</u>	<u>5,940</u>
Total number of offices	<u>7,096</u>	<u>75</u>	<u>6</u>	<u>7,165</u>

1) Number of banks/offices.

TABLE 4.5
CONSOLIDATED BALANCE SHEET OF DEPOSIT MONEY BANKS¹⁾
(billions of rupiah)

Items	March 31, 1983					March 31, 1984					
	State banks		National private banks	Local dev. banks	Foreign banks	Total	State banks	National private banks	Local dev. banks	Foreign banks	Total
ASSETS											
— Cash in hand	160	55	54	9	278	189	63	44	9	305	
— Bank Indonesia	1,138	157	103	118	1,516	1,224	212	112	122	1,670	
— Securities	—	1	2	—	3	20	7	2	—	29	
— Domestic drafts	33	28	28	16	105	133	115	43	16	307	
— Outstanding loans	7,847	1,312	367	669	10,195	9,115	2,109	423	859	12,506	
— Foreign exchange assets											
— Loans	989	25	—	64	1,078	1,180	30	—	111	1,321	
— Others	3,386	427	—	567	4,380	3,629	417	—	596	4,642	
— Participations	91	7	1	—	99	74	8	1	—	83	
— Premises, furnishings and fixtures	205	67	21	16	309	161	87	27	16	291	
— Other assets	449	—	13	144	606	819	28	117	—	964	
	<u>14,298</u>	<u>2,079</u>	<u>589</u>	<u>1,603</u>	<u>18,569</u>	<u>16,544</u>	<u>3,076</u>	<u>769</u>	<u>1,729</u>	<u>22,118</u>	
ASSETS = LIABILITIES											
LIABILITIES											
— Paid-up capital	51	166	43	22	282	84	204	55	22	365	
— Reserves/profit and loss account	524	62	41	21	648	849	108	48	32	1,037	
— Borrowings	373	27	6	1	407	604	43	7	3	657	
— Demand deposits	3,336	509	294	184	4,323	3,293	732	408	202	4,635	
— Time and savings deposits	1,752	628	62	442	2,884	3,495	1,287	88	592	5,462	
— Drafts payable	351	39	18	20	428	480	79	16	26	601	
— Guarantee deposits	102	30	4	2	133	132	12	5	2	151	
— Foreign exchange liabilities											
— Demand deposits	1,149	67	—	361	1,577	1,368	33	—	309	1,710	
— Time and savings deposits	808	147	—	375	1,330	838	187	—	412	1,437	
— Borrowings	74	34	—	28	136	6	33	—	12	51	
— Others	536	75	—	65	676	327	65	—	56	448	
— Bank Indonesia	4,244	202	111	1	4,558	4,338	232	117	3	4,690	
— Other liabilities	1,025	93	11	82	1,211	730	61	25	58	874	

1) Consists of commercial banks and development banks.

TABLE 4.6
MONTHLY AVERAGE RUPIAH LIQUIDITY POSITION OF DEPOSIT MONEY BANKS
(billions of rupiah)

Items	1982/83				1983/84					
	State banks	National private banks	Local dev. banks	Foreign banks	Total	State banks	National private banks	Local dev. banks	Foreign banks	Total
Reserves	687	176	177	69	1,109	855	245	160	94	1,354
Current liabilities	4,799	767	366	464	6,396	5,072	1,152	426	645	7,295
Reserves as percentage of current liabilities	14	23	48	15	17	17	21	38	15	19
Minimum reserve requirement	720	115	55	70	960	761	173	64	97	1,095
Excess/deficiency	-- 33	61	122	-- 1	149	94	72	96	-- 3	259
Required reserves with Bank Indonesia	240	39	18	23	320	254	58	21	32	365
Reserves with Bank Indonesia	532	123	122	61	838	688	180	105	83	1,056
Excess reserves with Bank Indonesia	292	84	104	38	518	434	122	84	51	691
Excess/deficiency as percentage of current liabilities	6	11	28	8	8	9	11	20	8	9

to Bank Indonesia was limited to 70% of the nominal value. During 1983/84, securities and bonds rediscounted to Bank Indonesia amounted to Rp 156 billion and the amount of securities repurchased by NBFIs reached Rp 197 billion. Consequently, the outstanding amount of the rediscount facilities declined from Rp 43 billion to Rp 2 billion.

2 Pawnshops

Pawnshops mainly engaged in providing loans to the low-income group with a maximum of Rp 100 thousand per borrower. The maturity of these loans was fixed between 3 to 6 months bearing an interest rate ranging from 3% to 4% a month. The number of pawnshop offices increased by 2 to 473 at the end of December 1983. The activities of pawnshops grew from year to year as reflected in the amount of credits extended. During 1983, total credits extended and the amount amortized increased by 24.8% and 20.0% to Rp 221 billion and Rp 210 billion, respectively. Therefore, the total amount of outstanding credits increased by Rp 11 billion to Rp 55 billion at end of 1983.

3 Insurance companies

Insurance companies, comprising life, social, indemnity insurance and reinsurance companies, registered a remarkable progress in 1983. The activities of insurance companies involved in providing insurance coverage for property, life, work safety and old age and also as source of funds for investment purposes. In this connection, the Government continued to develop these institutions.

To promote insurance companies engaged in indemnity, the Government issued regulations relating to direct supervision, provision of capital and management. Direct supervision would be implemented at least once a year and/or at any time when necessary.⁵⁾ Furthermore, the percentage of shares owned by foreign parties would be gradually reduced so that at the end of December 1990

the percentage of shares permitted to be owned by those parties would be decreased to the maximum of 40% of the paid-up capital, and at the end of December 2000 would further go down to 30%.⁶⁾ Regarding the management, at the end of December 1990 the position in the Board of Directors and Board of Commissioners might only be occupied by one foreigner each. Furthermore, the above-mentioned position would not be allowed to be the president director, director of finance, and president to the board of commissioners.

The number of insurance companies rose by 3, namely 1 life and 2 indemnity insurance companies, reaching 87 companies at the end of December 1983. The number of life insurance companies rose from 13 to 14 while that of indemnity, from 63 to 65.

The amounts of premiums acquired and investments placed by the insurance companies were quite encouraging. Premiums acquired in 1982 reached Rp 643 billion or increased by 29.6% compared with 37.4% in the preceding year. Claims by the customers reached Rp 182 billion, or up by 24.6% compared with 26.9% in 1981. Meanwhile, investments increased by 39.2% to Rp 675 billion compared with an increase of 41.0% in the preceding year.

With regard to indemnity insurance and reinsurance companies, the amount of premiums acquired in 1982 rose by 20.3% to Rp 166 billion. During the same period the amount of claims went up by 4.6% reaching Rp 91 billion, while placement of funds increased by 44.8% to Rp 152 billion. Premiums acquired by the life insurance companies reached Rp 162 billion or an increase of 31.7% compared with 36.7% in 1981. The amount of claims of this type of insurance during the

5) Minister of Finance Decree No. 107/KMK.O11/1983, February 2, 1983.

6) Minister of Finance Decree No. 28/KMK.O11/1984, January 13, 1984.

TABLE 4.7
INVESTMENT AND SOURCES OF FUNDS OF
NON-BANK FINANCIAL INSTITUTIONS¹⁾
(billions of rupiah)

Items	March 31, 1983			March 31, 1984		
	Development type ²⁾	Investment type	Total	Development type ²⁾	Investment type	Total
Investment of funds						
— Call money	—	10	10	—	14	14
— Marketable securities	69	654	723	110	846	956
— Loans extended	72	—	72	101	—	101
— Equity participation	10	7	17	6	8	14
— Others	1	2	3	1	4	5
Total	152	673	825	218	872	1,090
Sources of funds						
— Call money	—	6	6	—	36	36
— Securities issued	44	478	522	66	550	616
— Loans received	88	197	285	119	215	334
— Subordinated loans	2	29	31	6	30	36
— Capital	27	36	63	31	51	82
Total	161	746	907	222	882	1,104

1) Excludes PT Sarana Bersama Pembiayaan Indonesia.

2) Includes non-bank financial institutions for financing house ownership.

same period went up by 84.4% reaching Rp 59 billion compared with an increase of 18.5% in the preceding year. This substantial increase was primarily caused by a large amount of claims maturing. Investments were also up, by 32.1 reaching Rp 111 billion. With respect to social insurance companies, during 1982 the amount of premiums and claims increased by 34.0% and 18.5%, reaching Rp 315 billion and Rp 32 billion, respectively. The investments of those insurance companies rose by 39.2% reaching Rp 415 billion at the end of 1982.

PT Askrido, an indemnity insurance company, was established primarily to act as a guarantor on KIK/KMKP credits as well as on cred-

its for exports. In 1983 the amount of premiums acquired declined by 18.2% to only Rp 19.8 billion, consisting of premiums from KIKs to the amount of Rp 4.2 billion, KMKPs Rp 9.9 billion, credits for exports Rp 5.2 billion and other working capital credits Rp 0.5 billion. The value of credits insured rose by 9.2% reaching Rp 1,211.7 billion, consisting of KIKs Rp 126.3 billion, KMKPs Rp 312.7 billion, credits for exports Rp 722.5 billion, and other working capital credits Rp 50.2 billion. The amount of claims rose by 91.0% reaching Rp 28.4 billion, consisting of claims for KIKs to the amount of Rp 11.0 billion, KMKPs Rp 15.7 billion and other working capital credits Rp 1.7 billion.

Another financial institution which also engaged in indemnity insurance was the state corporation for the financial development of cooperatives (Perusahaan Umum Pengembangan Koperasi/ Perum PKK). The main function of Perum PKK was

to provide guarantee to loans extended by banks and other financial entities to cooperatives. During 1983, Perum PKK concluded guarantee agreements covering Rp 126.7 billion on loans extended by banks to the amount of Rp 138.4 billion.

TABLE 4.8
CONSOLIDATED BALANCE SHEET OF
NON-BANK FINANCIAL INSTITUTIONS¹⁾
(billions of rupiah)

Items	March 31, 1983			March 31, 1984		
	Development type ²⁾	Investment type	Total	Development type ²⁾	Investment type	Total
Current assets						
Cash and banks	4	4	8	2	3	5
Call money	—	10	10	—	14	14
Securities						
— Marketable shares and bonds	—	1	1	—	27	27
— Others	69	628	697	106	803	909
Loans and advances	20	—	20	14	—	14
Other current assets	9	98	107	9	32	41
Other assets						
Securities						
— Non-marketable shares and bonds	9	3	12	5	3	8
— Others	—	25	25	4	16	20
Loans and advances	52	—	52	87	—	87
Equity participation	1	4	5	1	4	5
Fixed assets	1	2	3	7	4	11
Other	5	2	7	2	3	5
ASSETS = LIABILITIES	170	777	947	237	909	1,146
Current liabilities						
Call money	—	6	6	—	36	36
Securities issued	44	475	519	60	547	607
Loans received	8	195	203	6	194	200
Other current liabilities	5	22	27	9	38	47
Other liabilities						
Securities issued	—	3	3	6	3	9
Loans received	80	2	82	113	2	115
Others	4	8	12	6	8	14
Capital and subordinated loans						
Paid-in capital	22	11	33	24	16	40
Reserves	3	2	5	2	2	4
Retained earnings	2	24	26	5	33	38
Subordinated loans	2	29	31	6	30	36

1) Excludes PT Sarana Bersama Pembiayaan Indonesia.

2) Includes non-bank financial institutions for financing house ownership.

V. GOVERNMENT FINANCE

A. General

To achieve economic development and maintain stable prices, the government budgetary policy continued to be guided by the principle of a dynamic and balanced budget. In view of the prolonged world economic recession and weakened oil demand in international market, the Government for 1983/84 followed a relatively tight budget policy as reflected in reduced government spending. On the revenue side, the Government took steps to increase domestic revenues, particularly from the non-oil sector, by intensifying tax collection and expanding the base of revenue sources. On the expenditure side, the Government did the utmost to economize on the routine and development expenditures, by reducing fuel oil and fertilizer subsidies and eliminating food subsidies.

The 1983/84 government budget was fixed at a balanced amount of Rp 16,565 billion or 6.1% above the government budget of the year before. Actual government budget for 1983/84 reached about Rp 18.3 trillion, or 10.6% more than budgeted or 27.6% higher than the actual amount in the preceding year. The higher government budget in this reporting year was primarily due to the rupiah devaluation of March 1983. If the rate of inflation at 12.63% for the year 1983/84 was taken into account, revenues as well as expenditures in real terms showed an increase of 13.3% compared with a decrease of 5.3% in the preceding year. Public savings, the difference between domestic revenues and routine expenditures, in the reporting year amounted to Rp 6,021 billion or rose by 3.6% compared with 11.0% in the year before (Table 5.1).

TABLE 5.1
GOVERNMENT REVENUES AND EXPENDITURES
(billions of rupiah)

Particulars	1979/80	1980/81	1981/82	1982/83	1983/84		1984/85
					Budget	Actuals	Budget
I. Revenues	<u>8,078</u>	<u>11,721</u>	<u>13,922</u>	<u>14,358</u>	<u>16,565</u>	<u>18,315</u>	<u>20,560</u>
1. Domestic	6,697	10,227	12,213	12,418	13,823	14,433	16,149
2. Development	1,381	1,494	1,709	1,940	2,742	3,882	4,411
II. Expenditures	<u>8,076</u>	<u>11,716</u>	<u>13,918</u>	<u>14,356</u>	<u>16,565</u>	<u>18,311</u>	<u>20,560</u>
1. Routine	4,062	5,800	6,978	6,996	7,275	8,412	10,101
2. Development	4,014	5,916	6,940	7,360	9,290	9,899	10,459
III. Public savings (I.1 – II.1)	<u>2,635</u>	<u>4,427</u>	<u>5,235</u>	<u>5,422</u>	<u>6,548</u>	<u>6,021</u>	<u>6,048</u>
IV. Total development funds (I.2 + III)	<u>4,016</u>	<u>5,921</u>	<u>6,944</u>	<u>7,362</u>	<u>9,290</u>	<u>9,903</u>	<u>10,459</u>
V. Surplus (+)/deficit (–)	<u>+2</u>	<u>+5</u>	<u>+4</u>	<u>+2</u>	<u>0</u>	<u>+4</u>	<u>0</u>

Source : Department of Finance.

The planned government budget for 1984/85, the first year of the Fourth Five Year Development Plan (Repelita IV), still adhered to the principle of a dynamic and balanced budget. In view of the anticipated better growth prospects in 1984/85 than in 1983/84, government budget for 1984/85 was planned to balance to the amount of Rp 20,560 billion or 24.1% above the actual government budget in 1983/84. Domestic revenues were planned at Rp 16,149 billion or 78.5% of total planned revenues, and routine expenditures were planned to amount to Rp 10,101 billion or 49.1% of total expenditures. Therefore, total public savings were expected to reach Rp 6,048 billion or 57.8% of the development expenditures (Table 5.3).

B. Government Revenues

To increase government revenues and at the same time encourage economic activities, in the reporting year the Government reformed the tax system. The new tax system consisted of general provisions and procedures on taxes,¹⁾ income tax law,²⁾ and value added tax on goods and services and sales tax on luxury goods.³⁾

The Income Tax Law of 1984, which replaced the Income Tax Ordinance of 1944, the Corporate Tax Ordinance of 1925, the Tax Law on Interest, Dividend and Royalty (PBDR) of 1970 and the Withholding Tax (MPO/MPS) Act No. 8 of 1967, could be expected to increase government revenues. The Income Tax Law of 1984, enforced since January 1, 1984, was basically designed to simplify and to decrease the average tax rates, with the objective of improving the public consciousness to pay taxes. The stratification of income tax and corporate tax, previously containing 10

and 6 layers with rates ranging between 5% - 50% and between 2.5% -45%, respectively, was simplified into 3 layers of income tax rate, namely 15% for income up to Rp 10 million, 25% for income more than Rp 10 million up to Rp 50 million and 35% for income more than Rp 50 million per annum.

The Law No. 8 of 1983 on Value Added Tax on Goods and Services and Sales Tax on Luxury Goods was enacted to replace the Sales Tax Law of 1951. Under the new law, double tax collection would be avoided. The tax rates which previously consisted of 8 types of rates were simplified into 2 types of rates. Both rates were the rates for value added tax (VAT), at 10% for domestically consumed goods and 0% for exported commodities. In addition under a government decree the VAT rate for domestically consumed goods could be changed within a range of 5% as a minimum and 15% as a maximum. It may be noted that luxury goods consumed domestically would be subject to a tax between 10% and 20% (depending on the degree of luxury), while luxury goods exported would be subject to a 0%-tax rate. Furthermore, with a government decree, the rate of sales tax (PPn) on luxury goods consumed domestically could be changed up to the maximum of 35%. The VAT on goods and services, and sales tax on luxury goods would be enforced on July 1, 1984.⁴⁾ With the enactment of those new laws it was expected that the amount of tax revenues would increase because of simpler but more assertive methods.

Domestic revenues, which constituted the largest portion (78.8%) of government revenues, reached Rp 14,433 billion or increased by 16.2% compared with 1.6% in the preceding year. These revenues consisted of direct taxes (80.4%), indi-

1) Law No. 6 of 1983.
2) Law No. 7 of 1983.
3) Law No. 8 of 1983.

4) According Government Regulation in lieu of Law No. 1 of 1984, the enactment was postponed until January 1, 1986.

TABLE 5.2.
GOVERNMENT REVENUES
(billions of rupiah)

Particulars	1978/79	1979/80	1980/81	1981/82	1982/83		1983/84	
					Budget	Actuals	Budget	Actuals
I. Domestic revenues	4,266	6,697	10,227	12,213	13,756	12,418	13,823	14,433
1. Direct taxes	2,996	5,129	8,230	10,100	11,113	10,010	11,033	11,605
— Income tax	122	148	164	207	256	289	282	399
— Corporate tax	226	297	448	559	823	675	875	758
— Corporate tax on oil	2,309	4,260	7,020	8,628	9,122	8,170	8,869	9,520
— Withholding tax (MPO)	233	291	433	513	680	642	742	628
— Land tax (Ipeda)	63	71	87	94	109	105	130	132
— Others	43	62	78	99	123	129	135	168
2. Indirect taxes	1,078	1,380	1,681	1,776	2,251	1,973	2,288	2,309
— Sales tax	221	192	266	311	442	477	487	575
— Sales tax on import	126	137	195	223	299	231	299	256
— Excises duties	253	326	438	544	618	620	688	773
— Import duties	295	317	448	536	678	522	678	557
— Export tax	166	389	305	129	170	82	88	104
— Others	17	19	29	33	44	41	48	44
3. Non-tax receipts	192	188	316	337	392	435	502	519
II. Development receipts	1,035	1,381	1,494	1,709	1,851	1,940	2,742	3,882
1. Program aid	48	65	64	45	25	15	5	15
2. Project aid	987	1,316	1,430	1,664	1,826	1,925	2,737	3,867
Total	5,301	8,078	11,721	13,922	15,607	14,358	16,565	18,315

Source: Department of Finance.

rect taxes (16.0%) and non-tax revenues (3.6%). The development revenues which originated from foreign aid increased sharply, by 100.1% compared with only 13.5% in the preceding year. If the valuation adjustment of foreign exchange due to the rupiah devaluation was not taken into account, the increase of development revenues would in fact be only 43.9%.

In 1983/84 the direct tax receipts went up by 15.9% reaching Rp 11,605 billion, which was primarily due to the increases in revenues derived from corporate tax on oil and income tax. The policy on income tax, besides aiming to increase government revenues, was also intended to create a more equitable tax condition and to give tax relief to low-income community by raising the limit of nontaxable income (Batas Pendapatan Bebas Pajak/BPBP). According to the Income Tax Law of 1984, the term of BPBP was changed to PTKP (Pendapatan Tidak Kena Pajak or non-taxable income). The limits of PTKPs for a tax payer were raised from Rp 300 thousand to Rp 960 thousand, for a spouse from Rp 300 thousand to Rp 480 thousand and for each child from Rp 150 thousand to Rp 480 thousand. Therefore, the PTKP for a tax payer with a spouse and 3 children rose from Rp 1,050 thousand to become Rp 2,880 thousand. Moreover, the rates of income tax, which previously consisted of 10 stratifications with 5% as the lowest rate and 50% as the highest rate, were simplified to consist of 3 stratifications, namely 15%, 25% and 35%. With the enforcement of this new law as well as the intensification and extensification efforts, it could be expected that tax revenues would, increase even though the limits of PTKPs were much higher than the previous years.

Income tax revenues in 1983/84 increased by 38.1% to Rp 399 billion. This significant progress was primarily due to higher income tax revenues from workers and employees received by the Government in foreign exchange.

Corporate tax receipts reached Rp 758 billion or up by 12.3% compared with 20.8% in the preceding year. This lower increase was closely related to the prolonged sluggish domestic economic activities which directly influenced the profits received by enterprises. It should be noted that in accordance with the enforcement of the new Income Tax Law, the corporate tax rates were simplified into 3 stratifications, namely 15%, 25% and 35%. The corporate tax on oil in the reporting year increased by 16.5% reaching Rp 9,520 billion. of the valuation adjustments due to the rupiah devaluation of March 1983 were to be excluded, the corporate tax revenues on oil would decrease by 16.5% compared with a decline of 5.3% in the preceding year.

Pre-payment of income tax and corporate tax, in the form of withholding tax (MPO), declined by 2.2% to Rp 628 billion compared with an increase of 25.1 % in the previous year. This decline was among others caused by the income tax law reform involving with corporate tax. In the new Income Tax Law, the rates of Import MPO and Treasurer MPO were lowered while other MPO collections were eliminated. The MPO rate imposed on importers licensed with Importer's Identification Number (Angka Pengenal Importir/API), Temporary Importer's Identification Number (Angka Pengenal Importir Sementara/APIS) or Restricted Importer's Identification Number (Angka Pengenal Importir Terbatas/APIT) was lowered from Rp 70.00 to Rp 25.00 per \$ 1.00. For imports without the license of API, APIS or APIT, the MPO rate was lowered from Rp 200.00 to Rp 75.00 per \$ 1.00. Furthermore, the income tax rate for treasurer was also reduced, from 2.0% to 1.5%.

Receipts from Ipeda reached Rp 132 billion or increased by 25.7% compared with only 11.7% in the year before. This increase primarily occurred in cities and in mining regions. Meanwhile, other direct tax revenues, consisting of property tax, PBDR and others, in 1983/84 rose by 30.2% reach-

ing Rp 168 billion. This increase was among others due to the imposition of a higher rate of property tax, from 0.5% to 1.0%,⁵⁾ and the increased number of tax payers as well as more intensified collection efforts.

The indirect tax revenues reached Rp 2,309 billion or up by 17.0% compared with 11.1% in the preceding year. This advance primarily originated from the quite higher revenues from excise, sales and export taxes.

Sales tax revenues rose by 20.5% reaching Rp 575 billion. This increase was a result of intensification efforts as well as improvement in the administration of tax collection.

Although the import value decreased, the revenues from import duties and import sales tax in 1983/84 respectively went up by 6.7% and 10.8% reaching Rp 557 billion and Rp 256 billion. This increase was brought about by the valuation adjustments due to the rupiah devaluation at end of March 1983.

Receipts from excise taxes reached Rp 773 billion or increased by 24.7% compared with 14.0% in the preceding year. These receipts primarily originated from excise taxes on tobacco amounting to Rp 697 billion, while the remainder were excise taxes on sugar, beer and distilled alcohol. The government policy on excise tax on tobacco was not only intended to increase government revenues but also to support the development of cigarette industries and enhance domestic tobacco production, especially weak and labor intensive producers. In this connection, since November 1, 1983, excise tax rate on tobacco for hand-rolled kretek-cigarettes was lowered.⁶⁾

With regard to beer, since April 1, 1983 the Government raised the base price subject to tax.⁷⁾

Meanwhile, revenues from export tax and additional export tax increased by 26.8% to Rp 104 billion. The export tax measures continued to be directed towards strengthening the competitiveness of Indonesian export commodities in the international markets.

Revenues from other indirect taxes increased by 7.3% reaching Rp 44 billion. The largest portion of these revenues originated from stamp duties to the amount of Rp 40.2 billion and the balance came from auction duties (Rp 3.3 billion) and other indirect levies (Rp 0.5 billion).

In the reporting year, non-tax revenues increased by 19.3% reaching Rp 519 billion. These revenues primarily originated from profits of state banks and state enterprises, and levies on forestry products.

Developments receipts reached Rp 3,882 billion or an increase of 100.1% compared with 13.5% in the year before. These revenues consisted of project aids amounting to Rp 3,867 billion and program aids Rp 15 billion. This substantial increase was among others caused by the rupiah devaluation at end of March 1983.

C. Government Expenditures

The policy on government expenditures in 1983/84 continued to be directed to support the continuation of on-going development efforts initiated in the preceding years. This policy was characterized by efforts to economize on the routine as well as development expenditures, among others, by reducing fuel oil and fertilizer subsidies, and eliminating foodstuff subsidies as well as rephasing of several large government projects.⁸⁾

5) Minister of Finance Decree No. 280/KMK.04/1982, May 1, 1982.

6) Minister of Finance Decrees No. 762/KMK.05/1983, October 28, 1983 and No. 300/KMK.05/1983, April 26, 1983.

7) Minister Finance Decree No. 671/KMK.05/1983, September 22, 1983.

8) Presidential Instructions Nos. 12 and 13 of 1983, May 14 and 19, 1983.

TABLE 5.3
GOVERNMENT EXPENDITURES
(billions of rupiah)

Particulars	1979/80	1980/81	1981/82	1982/83	1983/84		1984/85
					Budget	Actuals	Budget
I. Routine expenditures	4,062	5,800	6,978	6,996	7,275	8,412	10,101
1. Personnel expenditures	1,420	2,023	2,277	2,418	2,598	2,757	3,189
— Rice allowances	180	252	253	290	344	346	416
— Salaries and pensions	1,054	1,483	1,660	1,749	1,835	1,996	2,308
— Food allowances	110	193	241	255	272	261	286
— Other domestic personnel expenditures	47	61	80	78	94	88	100
— Overseas personnel expenditures	29	34	43	46	53	66	79
2. Material expenditures	569	671	923	1,041	1,149	1,057	1,264
— Domestic	540	638	891	1,007	1,099	1,007	1,208
— External	29	33	32	34	50	50	56
3. Subsidies to local governments	670	976	1,209	1,315	1,388	1,547	1,785
— Irian Jaya	25	34	42	43	43	42	48
— Other	645	942	1,167	1,272	1,345	1,505	1,737
4. Amortizations and interest payment	684	785	931	1,225	1,417	2,103	2,686
— Domestic debt	36	31	16	20	30	30	30
— Foreign debt	648	754	915	1,205	1,387	2,073	2,656
5. Others	719	1,345	1,638	997	723	948	1,177
II. Development expenditures	4,014	5,916	6,940	7,360	9,290	9,899	10,459
1. Departments/Institutions including national defence and security	1,480	2,533	2,725	3,261	3,695	3,220	3,510
2. Regional development	549	807	1,134	1,090	1,546	1,447	1,517
— Subsidies to villages	31	51	70	88	92	92	93
— Subsidies to kabupatens/sub provinces	87	119	163	194	197	194	202
— Irian Jaya	—	—	—	—	—	—	—
— East Timor	7	6	7	6	9	5	9
— Subsidies to provinces	101	167	215	253	253	253	253
— Rural development — Ipeda	71	87	95	105	130	132	151
— Development of primary schools	156	250	374	267	589	549	581
— Subsidies for reconstruction and development of shopping centers	12	3	6	5	11	11	11
— Public health centers	30	50	79	80	98	87	98
— Subsidies for regreening and reforestation	41	48	70	50	87	59	39
— Subsidies for infrastructure development	13	26	55	42	80	65	80
3. Other development expenditures	669	1,146	1,417	1,084	1,312	1,365	1,061
— Subsidies on fertilizer	125	284	371	420	457	324	459
— Government capital participation	253	476	481	337	498	592	359
— Others	291	386	565	327	357	449	243
4. Project aid	1,316	1,430	1,664	1,925	2,737	3,867	4,371
Total	8,076	11,716	13,918	14,356	16,565	18,311	20,560

Source : Department of Finance.

Government expenditures, consisting of routine and development expenditures, in the reporting year reached Rp 18,311 billion or increased by 27.6% compared with 3.1 in the previous year (Table 5.3). Routine expenditures rose to Rp 8,412 billion or up by 20.2% compared with only 0.3% in the preceding year. Among routine expenditures, amortization and interest payment recorded the highest increase (71.7%), followed by subsidies on local government (17.6%), and expenditures on personnel (14.0%) and materials (1.5%).

Expenditures on personnel continued to take the largest share of routine expenditures (32.2%), reaching Rp 2,757 billion or an increase of 14.0% compared with 6.2% in the previous year. The higher increase was closely related to the policy of the Government which granted a one-month additional salary in July 1983 (13th month salary),⁹⁾ wage increases through the provision of income allowance improvement (Tunjangan Perbaikan Penghasilan or TPP) effective since February 1984,¹⁰⁾ and increases in the allowance of overseas personnel following the rupiah devaluation of March 1983.

Expenditures on materials amounted to Rp 1,057 billion or increased by only 1.5% compared with 12.8% in the previous year. The smaller increase was closely related to efforts of the Government to economize on consumption of electricity and telephone, and the elimination of official cars as well as the implementation of Presidential Decree No. 10/1980 on procurements of materials needed by government departments or institutions.

Financial assistance to autonomous regions was intended to support the routine expenditures of local governments, salaries and rice allowance for teachers of Inpres primary schools, salaries for medical personnel of public health centers (Puskesmas) and village administrators, and financial assistance to areas vulnerable to food shortage. During the reporting year such

financial assistance increased by 17.6% reaching Rp 1,547 billion.

Amortization and interest payments of foreign debts reached Rp 2,103 billion, an increase of 71.7% compared with 31.6% in the previous year. This higher increase was principally due to the rupiah devaluation on March 30, 1983.

Other routine expenditures were economized by reducing the subsidies on domestic fuel oil prices. On January 12, 1984 the Government raised the domestic fuel oil prices by an average of 36.9%. Therefore, other routine expenditures, largely used to subsidize fuel oils (98%), in the reporting year declined by 4.9% to only Rp 948 billion.

Development expenditures totaled Rp 9,899 billion or increased by 34.5% compared with 6.0% in the previous year. The largest part of these expenditures (55.3%) was still utilized for financing economic sectors, namely mining and energy (42.0%), communication and tourism (27.9%), agriculture and irrigation (16.7%) and industry (9.4%) (Table 5.4). It should be noted that the development expenditures for education and culture rose substantially, by 60.3% reaching Rp 1,335 billion, primarily utilized to improve the standard of education, expand learning opportunities and adjust education to the national needs.

The development expenditures on regional, business and environmental activities in the reporting year amounted to Rp 1,176 billion or leveling that of the previous year. This amount was mostly spent on the development of regional, village and urban areas to the amount of Rp 749 billion (63.7%), followed by expenditures on business activities (government capital participation in enterprises) Rp 234 billion (19.9%) and conservation of natural resources and environmental preservation Rp 193 billion (16.4%). It should be noted, spendings on the development of regional, village and urban areas continued to show an increase, by 5.3% to Rp 749 billion. This increase was closely related to the higher number of villages eligible for a Rp 1.25 million financial assistance per village, from 65,127 to

9) Government Regulation No. 23 of 1983, June 13, 1983.

10) Government Regulation No. 8 of 1984, March 16, 1984.

65,437 villages, bringing forth the total amount of such financial assistance to Rp 92 billion or up by 4.5%. Other financial assistance, namely those allocated to the development of provinces (Dati I) and regencies (Kabupaten) remained practically unchanged, amounting to Rp 253 billion and Rp 194 billion, respectively. Development expenditures on religion and manpower

went up by 5.1% to Rp 511 billion. Of this amount, the largest portion (89.4%) was spent on the manpower and transmigration activities. Other expenditures were allocated for national defence and security (5.3%), state apparatus and law (3.8%), health, social welfare, role of women, population and family planning (2.8%), and housing and human settlement (2.2%).

TABLE 5.4
DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Particulars	1979/80	1980/81	1981/82	1982/83	1983/84		1984/85
					Budget	Actuals	Budget
1. Government	<u>143</u>	<u>221</u>	<u>235</u>	<u>308</u>	<u>267</u>	<u>373</u>	<u>242</u>
— State apparatus	112	168	181	242	188	317	162
— Law	31	53	54	66	79	56	80
2. National defence and security	<u>330</u>	<u>479</u>	<u>566</u>	<u>477</u>	<u>574</u>	<u>526</u>	<u>697</u>
3. Education and culture	<u>419</u>	<u>663</u>	<u>821</u>	<u>833</u>	<u>1,487</u>	<u>1,335</u>	<u>1,708</u>
— Education, youth, culture and belief in the Almighty God	361	575	726	704	1,329	1,032	1,502
— Science, technology and research	58	88	95	129	158	303	206
4. Health, social welfare, role of women, population and family planning	<u>142</u>	<u>218</u>	<u>286</u>	<u>259</u>	<u>344</u>	<u>279</u>	<u>408</u>
5. Housing and human settlement	<u>117</u>	<u>191</u>	<u>166</u>	<u>151</u>	<u>297</u>	<u>221</u>	<u>433</u>
6. Religion and manpower	<u>181</u>	<u>357</u>	<u>457</u>	<u>486</u>	<u>683</u>	<u>511</u>	<u>738</u>
— Religion	19	32	40	50	61	54	63
— Manpower and transmigration	162	325	417	436	622	457	675
7. Economy	<u>1,760</u>	<u>2,768</u>	<u>3,217</u>	<u>3,661</u>	<u>4,359</u>	<u>5,478</u>	<u>4,939</u>
— Agriculture and irrigation	508	929	953	931	1,324	913	1,402
— Industry	356	415	528	506	448	512	650
— Mining and energy	377	507	828	1,165	1,116	2,299	1,301
— Transportation and tourism	466	780	806	876	1,307	1,528	1,392
— Information, press and social communication	22	34	44	51	57	27	67
— Trade and cooperatives	31	103	58	132	107	199	127
8. Regional, business enterprises and environment	<u>922</u>	<u>1,019</u>	<u>1,192</u>	<u>1,185</u>	<u>1,279</u>	<u>1,176</u>	<u>1,294</u>
— Regional, rural and urban development	336	482	616	711	783	749	810
— Development of business enterprises	466	389	390	281	265	234	227
— National resources and environment	120	148	186	193	231	193	257
Total	<u>4,014</u>	<u>5,916</u>	<u>6,940</u>	<u>7,360</u>	<u>9,290</u>	<u>9,899</u>	<u>10,459</u>

Source : Department of Finance.

TABLE 5.5
DEVELOPMENT EXPENDITURES BY SECTOR EXCLUDING PROJECT AID
(billions of rupiah)

Particulars	1979/80	1980/81	1981/82	1982/83	1983/84		1984/85
					Budget	Actuals	Budget
1. Government	<u>122</u>	<u>204</u>	<u>233</u>	<u>284</u>	<u>257</u>	<u>240</u>	<u>236</u>
— State apparatus	91	151	179	218	178	184	157
— Law	31	53	54	66	79	56	79
2. National defence and security	<u>176</u>	<u>342</u>	<u>388</u>	<u>418</u>	<u>401</u>	<u>506</u>	<u>380</u>
3. Education and culture	<u>369</u>	<u>603</u>	<u>780</u>	<u>781</u>	<u>1,348</u>	<u>1,124</u>	<u>1,334</u>
— Education, youth, culture and belief in the Almighty God	318	525	689	679	1,223	1,004	1,217
— Science, technology and research	51	78	91	102	125	120	117
4. Health, social welfare, role of women, population and family planning	<u>108</u>	<u>182</u>	<u>252</u>	<u>236</u>	<u>279</u>	<u>242</u>	<u>286</u>
5. Housing and human settlement	<u>89</u>	<u>158</u>	<u>144</u>	<u>130</u>	<u>252</u>	<u>170</u>	<u>234</u>
6. Religion and manpower	<u>158</u>	<u>327</u>	<u>426</u>	<u>471</u>	<u>619</u>	<u>465</u>	<u>587</u>
— Religion	19	32	40	50	61	54	62
— Manpower and transmigration	139	295	386	421	558	411	525
7. Economy	<u>827</u>	<u>1,727</u>	<u>1,919</u>	<u>1,988</u>	<u>2,243</u>	<u>2,182</u>	<u>2,080</u>
— Agriculture and irrigation	353	706	818	830	951	757	872
— Industry	49	224	193	160	146	266	123
— Mining and energy	120	207	275	271	352	313	329
— Transportation and tourism	274	472	543	544	655	639	631
— Information, press and social communication	11	28	42	51	53	27	48
— Trade and cooperatives	20	90	48	132	86	180	77
8. Regional, business enterprises and environment	<u>849</u>	<u>943</u>	<u>1,134</u>	<u>1,127</u>	<u>1,154</u>	<u>1,102</u>	<u>951</u>
— Regional, rural and urban development	318	458	599	709	743	742	768
— Development of business enterprises	432	353	362	234	197	189	26
— National resources and environment	99	132	173	184	214	171	157
Total	<u>2,698</u>	<u>4,486</u>	<u>5,276</u>	<u>5,435</u>	<u>6,553</u>	<u>6,031</u>	<u>6,088</u>

Source : Department of Finance.

TABLE 5.6
PROJECT AID DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Particulars	1979/80	1980/81	1981/82	1982/83	1983/84		1984/85
					Budget	Actuals	Budget
1. Government	<u>21</u>	<u>17</u>	<u>2</u>	<u>24</u>	<u>10</u>	<u>133</u>	<u>6</u>
— State apparatus	21	17	2	24	10	133	5
— Law	---	---	---	---	---	---	1
2. National defence and security	<u>154</u>	<u>137</u>	<u>178</u>	<u>59</u>	<u>173</u>	<u>20</u>	<u>317</u>
3. Education and culture	<u>50</u>	<u>60</u>	<u>41</u>	<u>52</u>	<u>139</u>	<u>211</u>	<u>374</u>
— Education, youth, culture and belief in the Almighty God	43	50	37	25	106	28	285
— Science, technology and research	7	10	4	27	33	183	89
4. Health, social welfare, role of women, population and family planning	<u>34</u>	<u>36</u>	<u>34</u>	<u>23</u>	<u>65</u>	<u>37</u>	<u>122</u>
5. Housing and human settlement	<u>28</u>	<u>33</u>	<u>22</u>	<u>21</u>	<u>45</u>	<u>51</u>	<u>199</u>
6. Religion and manpower	<u>23</u>	<u>30</u>	<u>31</u>	<u>15</u>	<u>64</u>	<u>46</u>	<u>151</u>
— Religion	---	---	---	---	---	---	1
— Manpower and transmigration	23	30	31	15	64	46	150
7. Economy	<u>933</u>	<u>1,041</u>	<u>1,298</u>	<u>1,673</u>	<u>2,116</u>	<u>3,296</u>	<u>2,859</u>
— Agriculture and irrigation	155	223	135	101	373	156	530
— Industry	307	191	335	346	302	246	527
— Mining and energy	257	300	553	894	764	1,986	972
— Transportation and tourism	192	308	263	332	652	889	761
— Information, press and social communication	11	6	2	---	4	---	19
— Trade and cooperatives	11	13	10	---	21	19	50
8. Regional, business enterprises and environment	<u>73</u>	<u>76</u>	<u>58</u>	<u>58</u>	<u>125</u>	<u>74</u>	<u>343</u>
— Regional, rural and urban development	18	24	17	2	40	7	42
— Development of business enterprises	34	36	28	47	68	45	201
— National resources and environment	21	16	13	9	17	22	100
Total	<u>1,316</u>	<u>1,430</u>	<u>1,664</u>	<u>1,925</u>	<u>2,737</u>	<u>3,868</u>	<u>4,371</u>

Source : Department of Finance.

VI. WORLD ECONOMIC DEVELOPMENT, INTERNATIONAL RELATIONSHIP AND REGIONAL COOPERATION

A. World Economic Development

After experiencing recession since 1980, the world economy in 1983 began to show some indications of recovery accompanied by an expansion in the volume of the world trade. This improvement was led by the recovery of the United States economy, followed by higher real output in most of the major industrial countries of the Organization for Economic Cooperation and Development (OECD) members. The economy of developing countries also recorded this recovery, although some of them continued to face balance of payments difficulties, especially those encountering heavy external debt burdens.

Increased economic activities of industrialized countries were accompanied by lower rates of in-

flation. However, unemployment rates generally remained high. With regard to developing countries, their economic improvements were mostly accompanied by higher inflation rates.

1. Developed countries

In terms of real Gross Domestic Product (GDP) or real Gross National Product (GNP) the economy of OECD member countries in 1983 grew by 2.4% as compared with a negative growth of 0.3% in 1982. Except for Japan, Italy and France, all major OECD countries experienced higher economic growth. Among major OECD countries, the United States recorded the highest economic growth, that was 3.4%, while Italy the lowest, at - 1.2%. As mentioned above, the higher economic growth

TABLE 6.1
REAL GROSS NATIONAL PRODUCT, CONSUMER PRICE INDEX
AND UNEMPLOYMENT RATE IN THE OECD COUNTRIES
(percentage)

Particulars	Real Gross National Product			Consumer Price Index			Unemployment Rate		
	1981	1982	1983	1981	1982	1983	1981	1982	1983
All OECD countries	1.6	- 0.3	2.4	10.5	7.8	5.3	7.1	8.4	8.9
- European OECD	- 0.3	0.6	1.3	12.1	10.5	8.2	8.4	9.5	10.5
- Seven major OECD countries :									
Canada	3.4	- 4.4	3.0	12.5	10.8	5.9	7.6	11.0	11.9
France	0.3 ¹⁾	1.9 ¹⁾	0.7 ¹⁾	13.4	11.8	9.6	7.3	8.0	8.4
Germany, Fed. Rep. of	- 0.3	- 1.1	1.3	5.9	5.3	3.0	4.9	6.9	8.2
Italy	0.1 ¹⁾	- 0.3 ¹⁾	- 1.2 ¹⁾	17.8	16.6	14.6	8.4	9.1	9.7
Japan	4.0	3.0	3.0	4.9	2.7	1.9	2.2	2.4	2.6
United Kingdom	- 1.8 ¹⁾	2.0 ¹⁾	3.1 ¹⁾	11.9	8.6	4.6	10.1	11.0	11.6
United States of America	0.6	- 1.9	3.4	10.4	6.1	3.2	7.6	9.7	9.6

1) Gross Domestic Product.

Source: - World Economic Outlook, A survey by the staff of the IMF, April 1984.
- OECD Economic Outlook, July 1984.

experienced by the industrialized countries were accompanied by lower inflation rates. Inflation rates were under control as a result of restrictive measures imposed on monetary (in the United States) as well as fiscal affairs (in Europe and Japan), and also helped by decreases of various commodity prices, especially oil. In 1983 inflation rate in the OECD countries went down from 7.8% to 5.3%. This level of inflation was the lowest in the past ten years. The lowest inflation rate, at 1.9%, was experienced by Japan, whereas the highest, at 14.6%, occurred in Italy.

Although economic activities in the industrial countries showed signs of recovery, unemployment rate continued to increase, from 8.4% to 8.9% in 1983. This situation was primarily caused by the growth rate of the labor force which was higher than that of the creation of employment opportunity. Among major OECD countries only the United States experienced a modest improvement in unemployment rate, from 9.7% to 9.6% in 1983. The role of industrial countries in world trade rose from 68.3% to 69.2%, although in terms of value decreased by 1.5%.

After deteriorating by 1.9%, the economy of the United States in real GNP grew by 3.4%, attributable to a 4.6% increase in domestic aggregate demand while the external sector decreased by 1.2%. The performance in the aggregate domestic demand was brought about by increases in private investment and consumption, by 8.4% and 4.2%, respectively. This favorable development was made possible by the tax rate cut policy and the decrease in nominal interest rates.

Industrial production increased by 6.4% and housing construction by 60.0% compared with declines of 8.1 % and 2.0%, respectively, in the previous year. It should be noted that the growth rate of housing construction, the highest since the past 40 years, was primarily induced by the decline in the interest rate of housing credits, from 15.0% to less than 13.0% p.a.

The rate of inflation slowed down to 3.2% from 6.1% in 1982. This decline was closely associated with the restrictive monetary policy, wage restraint and lower import prices, especially oil.

Unlike other OECD countries, economic recovery in the United States brought forth a slight improvement in the unemployment rate. In 1983 unemployment rate declined to 9.6% from 9.7% in the previous year.

Due to the strengthening of the dollar, the external sector of the United States in 1983 continued to deteriorate. Balance of trade deficit increased from \$ 36.4 billion to \$ 60.6 billion in 1983. This deterioration was caused by the decline of exports, by \$ 11.0 billion to \$ 200.2 billion, while imports went up by \$ 13.2 billion to \$ 260.8 billion in 1983. Furthermore, the surplus of balance of services decreased from \$ 25.2 billion to \$ 19.8 billion in 1983, therefore the balance of good and services deficit rose substantially, from \$ 11.2 billion to \$ 40.8 billion.

Economic growth of the United Kingdom increased from 2.0% to 3.1% in 1983. This performance was primarily due to increases of private consumption, by 3.9%, and government expenditures, by 3.1% compared with 1.3% and 1.4%, respectively, in 1982. Furthermore, the higher increase in private consumption was facilitated by the government fiscal policy in the form of tax cut.

As a result of the monetary and fiscal policies undertaken in the preceding years, inflation rate was successfully reduced, from 8.6% to 4.6% in 1983. Meanwhile, the policy to retard the growth of wage increase and the higher growth in production succeeded in slowing down the inflation rate. The 1983 inflation rate represented the lowest rate in the past 15 years. On the other hand, unemployment rate increased from 11.0% to 11.6% in 1983, which primarily took place in the industrial sector.

In the foreign sector, the country experienced a \$ 0.8 billion deficit in the balance of trade, compared with a surplus of \$ 3.7 billion in 1982. This deterioration was accounted for by a significant decline in exports, by \$ 5.1 billion, although imports decreased by \$ 0.6 billion. The deterioration in exports was in part affected by the lower oil prices and the weakening competitiveness of its commodities in the European market due to the appreciation of the pound sterling. Meanwhile, the balance of services surplus decreased from \$ 5.8 billion to \$ 3.9 billion, resulting in a drop in the surplus of the current account, from \$ 9.5 billion to \$ 3.1 billion in 1983.

In contrast with other major OECD countries, Italy recorded a higher negative economic growth, from -0.3% to -1.2% in 1983. This deterioration was primarily caused by declines in private consumption (-0.7%), and investments (-5.3%), although government expenditures recorded an increase (2.8%). The decrease in investments, among others, in capital industry (9.1%), was the result of persistently high interest rates.

As was the case with other major OECD countries, Italy successfully slowed down its inflation rate, from 16.6% in 1982 to 14.6%. Due to the sluggish economic activities, unemployment rate increased from 9.1% to 9.7% in 1983. High unemployment rates primarily occurred in industrial and agricultural sectors.

On the external front, both the balance of trade as well as the current account recorded better results. Improvement in the balance of trade was reflected by the sharp decline in its deficit, from \$ 7.9 billion to \$ 3.1 billion in 1983. This favorable trend was caused by the faster decline in imports, by \$ 5.2 billion to \$ 75.1 billion, than that of exports, only by \$ 0.4 billion to \$ 72.0 billion. After considering the increase in balance of service surplus, from \$ 2.5 billion to \$ 3.6 billion, balance of goods and services which previously recorded

a deficit of \$ 5.4 billion reversed to a surplus of \$ 0.5 billion.

Although economic growth of Japan remained at the level achieved in the previous year, at 3.0%, it still represented one of the highest rates among major OECD countries. This achievement was ascribed to the higher increase in industrial production, by 3.5% compared with 0.3% in 1982, which induced a 1.5% increase in the foreign sector. Meanwhile, growth rates of private consumption, government expenditures and investments decelerated from 4.2%, 3.5% and 1.0%, respectively, to 3.3%, 2.4% and 0.2% in 1983.

In 1983, Japan once again succeeded to further slow down the inflation rate, to 1.9% from 2.7% in 1982. That rate was the lowest for more than 20 years. This success was attributable to the relatively tight fiscal policy supported by increased use of inventories and the decline in oil prices. The rate of unemployment, however, increased slightly, from 2.4% in 1982 to 2.6%. This was mainly caused by the higher growth of the labor force (2.8%) than that of the employment creation (2.0%).

The world economic recovery was considerably favorable to Japan's international trade. The surplus in the balance of trade jumped from \$ 18.1 billion in 1982 to \$ 31.5 billion. With the improvement of balance of services deficit from \$ 11.2 billion to \$ 10.7 billion, the balance of goods and services surplus increased from \$ 6.9 billion to \$ 20.8 billion in 1983.

Economic activities of the Federal Republic of Germany in 1983 indicated a growth of 1.3% after experiencing a negative growth of 1.1%. This improvement was mainly caused by the government policy to boost business activities, bringing forth an increase in investments, by 2.9% compared with -5.4% in 1982. Private consumption rose by 1.0%, compared with -2.2% in the previous year.

Inflation rate decreased to 3.0% from 5.3% in 1982, in part because of lower wage increases. Furthermore, decrease in import prices also slowed down the inflation rate.

Unemployment rate went up from 6.9% to 8.2% in 1983. This deterioration was associated with the slower rate of increase in employment creation than that of the labor force in addition to the continuously high inflow of foreign workers.

Balance of trade surplus in 1983 decreased from \$ 26.5 billion to \$ 21.8 billion. This decline was caused by a \$ 7.0 billion reduction in exports, especially to France, while imports decreased by only \$ 2.3 billion. However, the improvement in the deficit of the balance of services, from \$ 23.0 billion to \$ 17.8 billion in 1983, generated a slightly higher surplus in the balance of goods and services, from \$ 3.5 billion to \$ 4.0 billion in 1983.

The economy of *Canada* displayed an impressive improvement, from a negative growth of -4.4% to a positive growth of 3.0% in 1983. This performance was in part attributable to an increase of 3.1 % in private consumption following a decline of 2.1%, although investments continued to decelerate by 3.9 from 11.7% in the previous year. This favorable progress was made possible by the higher utilization of inventories as well as production capacity. Consequently, the industrial sector showed a remarkable increase, by 6.0% compared with a 10.7% decrease in the preceding year.

Inflation rate slowed down from 10.8% to 5.9% in 1983 as a result of the successful government fiscal policy supported by lower import prices and wage restraint. As in other major industrial countries, unemployment rate still increased, to 11.9% from 11.0% in 1982.

In the area of foreign sector, its balance of trade did not experience a significant change. Exports increased by \$ 5.6 billion, however, since imports increased by \$ 5.9 billion, the surplus in the balance of trade decreased only slightly, from \$ 15.5 billion to \$ 15.2 billion in 1983. Since the deficit in the balance of services went up from \$ 13.0 billion to \$ 13.9 billion, the balance of goods and services still indicated a surplus of \$ 1.3 billion compared with \$ 2.5 billion in 1982.

In France economic growth rate in 1983 decreased to 0.7% from 1.9% in the previous year. This slowdown was mainly caused by the smaller increase in private consumption, from 3.5% to 1.0% and the deceleration in investments, from 0.7% to -1.7% in 1983: As in other major OECD countries, inflation rate was successfully reduced through the fiscal policy, from 11.8% to 9.6% in 1983, although in March 1983 the French franc was devalued by 2.5% against the European Currency Unit (ECU). In addition to fiscal policy, the wage freeze and lower oil import bills also contributed to control the inflation rate.

In order to alleviate the rate of unemployment and to open wider opportunities for the younger labor force, since April 1, 1983 the age limit of retirement was adjusted downwards, from 65 to 60 years. However, the rate of unemployment continued to increase, from 8.0% to 8.4% in 1983.

In the area of foreign trade, the devaluation of the French franc succeeded in improving the balance of trade. Imports decreased substantially, from \$ 106.9 billion to \$ 97.5 billion in 1983, while exports decreased slightly, from \$ 91.4 billion to \$ 90.0 billion, bringing forth an improvement in the deficit of the balance of trade, from \$ 15.5 billion to \$ 7.5 billion in 1983. Taking into account the improvement in the surplus in the balance of ser-

vices, from \$ 3.4 billion to \$ 3.5 billion, the deficit in the balance of goods and services declined sharply, from \$ 12.1 billion to \$ 4.0 billion in 1983.

Economic recovery in the developed countries in 1983 was characterized by a sharp gap in growth , rates between the United States and Canada, on the one hand, and the remaining major OECD countries, on the other. It would be expected that in 1984 economic recovery in those countries would continue, their growth rates, however, would converged. Inflation rate in 1984 would be at about the same level as that in 1983, and a declining trend would take place in countries having high inflation rates. In line with the expectation of improving economic conditions, unemployment rate was anticipated to decrease slightly. It is important to note that the 1984 world economic development continued to be characterized by high real interest rate differentials between the United States and other OECD countries. These interest rate differentials would attract foreign capital to the United States and would also aggravate developing countries, especially those heavily burdened by external debts. Economic recovery in the developed countries was forecasted to increase the volume as well as the value of international trade. However, it would still be plagued by trade barriers in the form of protectionism.

2 Developing countries

Economic recovery of developed countries in 1983 favorably affected the economy of developing countries in general. In 1983 developing countries recorded an economic growth rate of 0.8% compared with 0.2% in the previous year.

Inflation rate in the developing countries rose from 26.7% to 35.4% in 1983. This increase mainly resulted from the expansionary policies and ex-

change rate adjustments pursued by some countries, especially Latin American countries.

The share of developing countries in world trade decreased from 31.7% to 30.8% in 1983. This was caused by the adverse effect of protectionism imposed by developed countries on some export commodities produced by developing countries.

Economic growth rate of oil-exporting developing countries in 1983 was -1.1 % or a substantial improvement compared with the previous year (-4.3%). This improvement was closely related with the smaller rate of deceleration of oil production, from 4.0% to 1.0% in 1983. Inflation rate in 1983 rose to 11.4% from 8.1 % in the preceding year.

On the external front, the surplus in the balance of trade fell to \$ 42.5 billion from \$ 61.2 billion in 1982. This deterioration was due to a drop in exports, from \$ 213.7 billion to \$- 175.9 billion in 1983, largely caused by the downward adjustment of the oil prices. On the other hand, imports only decreased by \$ 19.1 billion to \$ 133.4 billion in 1983. Although balance of services deficit indicated a substantial improvement from \$ 73.2 billion to \$ 58.7 billion, the balance of goods and services continued to deteriorate, with an increase in its deficit, from \$ 12.0 billion to \$ 16.2 billion in 1983.

Economic growth rate of non-oil exporting developing countries advanced slightly, from 1.5% to 1.6% in 1983. High increases were recorded in Asian countries, at 6.5%, and Middle East countries, at 4.2%, compared with 4.5% and 3.4%, respectively, in 1982. Western hemisphere countries (Latin America) deteriorated, from a negative growth of -1.6% to -2.3% in 1983. The economy of African and European developing countries experienced declines in their growth rates, from 1.2% and 2.4% in 1982 to 0.1 % and 0.6%, respectively.

Inflation rate of non-oil exporting developing countries increased to 44.1% compared with 32.9% in 1982. This increase was mainly due to a more expansive monetary policy, especially in Latin American countries (Argentina and Brazil), and exchange rate adjustment in some countries.

In step with the world economic recovery and the policy of exchange rate adjustment in some countries, the deficit of the balance of trade declined sharply, to \$ 29.4 billion from \$ 53.3 billion in 1982. Exports of those countries increased from \$ 322.3 billion to \$ 331.7 billion while imports decreased from \$ 375.6 billion to \$ 361.1 billion in 1983. Furthermore, the deficit of the services account also improved, from \$ 28.9 billion to \$ 27.0 billion in 1983, mainly due to the postponement of accrued interest charges of Latin American countries' external debts to the amount of \$ 1.5 billion. As a result of this postponement, the balance of goods and services indicated a substantial improvement, from a deficit of \$ 82.2 billion down to \$ 56.4 billion in 1983.

In line with the economic recovery in the developed countries and the adjustment measures undertaken, the economy of developing countries in 1984 is anticipated to perform better than that in 1983. This improvement would be accompanied by lower inflation rates. However, Latin American countries would still be plagued by high inflation rates.

Economic recovery in the developed countries would strengthen demand for primary goods, especially non-oil commodities produced by developing countries. Increase in exports was expected to be faster than that of imports, bringing forth a higher surplus in the balance of trade. Meanwhile, the agreement concluded on the postponement of accrued interest payments of foreign debts would improve the services account, thereby improving the balance of goods and services. It is important

to note that on the external front, developing countries would continue to encounter problems of trade barriers and persistently high interest rates.

3. ASEAN countries

Economic recovery in the developed countries in 1983, especially the United States and Japan, brought about positive effects on the ASEAN economies. In 1983 economic growth in ASEAN countries reached 3.8% compared with 3.4% in the past year. As in earlier years, Singapore still maintained the highest economic growth and the Philippines the lowest. Except for Indonesia and Thailand, the inflation rates of other ASEAN countries recorded a decline. As a group, the rate of inflation of ASEAN countries in 1983 was 7.8% compared with 8.2% in the previous year.

The GDP growth in real terms of Singapore significantly improved, reaching 7.9% compared with 6.3% in 1982. The high GDP growth rate was principally attributable to higher growth rates of the construction and services sectors.

Meanwhile, inflation rate declined from 3.9% to 1.2% in 1983. This decline was primarily due to lower import prices, especially oil.

In the field of foreign trade, exports increased by 5.0% reaching \$ 20.3 billion while imports remained constant, at \$ 26.2 billion, so that the deficit in the balance of trade improved from \$ 6.8 billion to \$ 5.9 billion in 1983. Although the surplus in services account decreased from \$ 5.5 billion to \$ 4.9 billion, due to the better performance of the balance of trade, the deficit in the current account improved from \$ 1.3 billion to \$ 1.0 billion in 1983.

In 1983 the GDP growth in real terms of Malaysia reached 5.8% compared with 4.6% in 1982. This increase was largely attributable to the increase of mining production, by 20.2%, particularly oil and liquefied natural gas (LNG).

Inflation rate declined from 5.8% to 3.7% in 1983. The decline in inflation rate was particularly due to the tight monetary policy, supported by the decline in import prices and austerity measures.

In the external field, balance of trade improved significantly, from a deficit of \$ 0.7 billion to a surplus of \$ 0.7 billion in 1983. This progress was caused by a \$ 2.1 billion higher exports, reaching \$ 14.1 billion, while imports only increased by \$ 0.7 billion to \$ 13.4 billion. Although the deficit in the services account worsened by \$ 0.8 billion to \$ 3.5 billion, the deficit in the current account improved from \$ 3.4 billion to \$ 2.8 billion in 1983.

In contrast with other ASEAN countries, the economy of the Philippines deteriorated from a growth rate of 2.8% to 1.4% in 1983. This decline was caused by the weakening activities of export industries and services. In addition, agriculture production declined, particularly due to the long drought. Inflation rate in 1983 was successfully maintained at the same level as last year, at 10.9%, although a devaluation of the currency and reductions in oil subsidies were implemented during that year. This success was primarily due to the pursuance of a tight monetary policy and reductions in government spendings.

In the field of international trade, exports declined slightly, by \$ 5.0 billion to \$ 4.9 billion. However, the faster decline in imports, from \$ 7.7 billion to \$ 7.4 billion, resulted in an improvement in the deficit of the balance of trade, from \$ 2.7 billion to \$ 2.5 billion in 1983. The deficit in the services account increased from \$ 0.7 billion to \$ 0.8 billion, bringing forth only a slight improvement in the deficit in the current account, from \$ 3.4 billion in 1982 to \$ 3.3 billion.

The GDP growth in real terms of Thai/and in 1983 reached 5.8% compared with 4.2% in the previous year. This development was, among others, supported by production improvements in the sectors of agriculture (3.0%) and industry (8.0%).

Inflation rate was successfully managed. It declined from 5.2% to 3.8% in 1983. This achievement was made possible by reductions in government spendings and lower prices of import commodities.

A deterioration occurred in the field of international trade. Exports decreased from \$ 6.8 billion to \$ 6.4 billion in 1983, particularly because of lower exports of rice, tapioca and cane sugar. Since imports increased from \$ 7.5 billion to \$ 9.6 billion, the deficit in balance of trade rose from \$ 0.7 billion to \$ 3.2 billion in 1983. On the other hand, the services account improved from a deficit of \$ 0.3 billion to a surplus \$ 0.9 billion in 1983. Therefore, the deficit in the current account deteriorated from \$ 1.0 billion to \$ 2.3 billion.

B. International Monetary Development

The international monetary development in 1983 remained characterized by high level of real interest rates in the United States, large capital inflows to that country, strong appreciation of the US dollar, increasing international liquidity and heavier external debt burdens of developing countries.

Tight monetary policy succeeded to push down inflation at a faster pace than that of the nominal interest rate, so that real interest rate increased. High interest rates coupled with expectations of stronger recovery of the United States economy continued to induce large capital inflows to that country, resulting in an appreciation of the US dollar against the currencies of other industrial countries.

As a consequence of the persistent appreciation of the US dollar, the exchange rate of currencies under the European Monetary System (EMS), such as, the German mark, the French franc and the Italian lira, depreciated by 14%, 21 % and 18%, respectively, since December 1982 to January 1984. In order to achieve a more bal-

anced economic activity among member countries of the EMS, in March 1983 exchange rates realignments were made among the EMS countries. It should be added that the Japanese yen also appreciated against other key currencies due to the increasingly larger surplus in the current account of Japan. In fact, since October 1982 the appreciation of the Japanese yen against other major currencies was even higher than that of the US dollar.

International liquidity in 1983 showed an increase of 8.9% after a decrease of 1.6% in the previous year. Increases in international liquidity were registered by industrial countries and non-oil exporting developing countries, by 9.7% and 12.6%, respectively. The rise in foreign exchange reserves of non-oil exporting developing countries were due, among others, to the combination of increases in exports and decreases in imports, as a result of lower world oil prices. On the other hand, foreign exchange reserves of oil-exporting developing countries declined by 1.2% due to lower oil export earnings. In order to overcome these problems, in 1983 the IMF enlarged its fund under the Eighth General Quota Increase to SDR 90 billion. Besides, major industrial member countries of the General Arrangement to Borrow (GAB) agreed to supply SDR 17.0 billion to IMF. Furthermore, Saudi Arabia also agreed to supply additional fund under the above arrangement to the amount of SDR 1.5 billion.

C. Relation between Indonesia and Multilateral Institutions

1. The International Monetary Fund (IMF or the Fund)

Under the Eighth General Quota Increase of IMF, Indonesia's quota rose from SDR 720 million to SDR 1,009.7 million. Of this increase, 75% may be paid in rupiah and the balance in SDR. Transactions with the Fund during the reporting year

included the obligation due to the quota increase, releases and purchases of SDR as well as drawings of IMF facilities.

As stipulated by the IMF, members were allowed to release their SDR holdings to other members through IMF. In the reporting year Indonesia released SDR 205.7 million. With the decline of SDR reserves, in 1983/84 Indonesia purchased SDR 80.7 million, used for the payments of Indonesia's quota increase to the amount of SDR 72.4 million and charges SDR 8.3 million.

As an effort to improve the balance of payments position, in early 1983/84 Indonesia made use of the IMF facilities in the forms of Reserve Tranche Facility amounting to SDR 218.4 million and Compensatory Financing Facility (CFF) SDR 360.0 million. Since drawings under the Reserve Tranche Facility Scheme were not obliged to be repurchased, the aggregate outstanding amount at the end of 1983/84 stood at SDR 425.1 million, of which SDR 65.1 million represented assistance in the form of the Bufferstock Financing Facility (BFF), drawn in January 1983.

2. World Bank group

During the reporting year, the International Bank for Reconstruction and Development (IBRD) extended loans amounting to \$ 874.9 million to Indonesia, for the financing of 8 projects in the fields of agriculture, transmigration, water supply, irrigation and electricity. The above amount of loans reflected an increase compared with \$ 733.6 million for 9 projects in the previous year. Up to the end of 1983/84 total World Bank lendings reached \$ 6,170.5 million, of which \$ 2,643.0 million (39.1%) were disbursed. The largest portion of the amount disbursed (56.8%) was spent on the fields of agriculture, irrigation and electricity.

The maturity of IBRD loans remained the same, ranging between 7 and 30 years, including

grace period between 3 and 10 years. The interest rate, fixed at 10.47% p.a. for the period of July to December 1983 was reduced to 10.08% p.a. for the period of January to June 1984. The front-end fee, fixed at 0.25% since March 1, 1983, remained unchanged.

Since the end of 1980, Indonesia was no longer eligible for soft loans from the International Development Association (IDA). Accordingly, at the end of the reporting year such loans remained at \$ 931.8 million, used for the financing of 48 projects in the fields of agriculture, industry, communication, electrification and improvement of villages. Of this amount, \$ 785.3 million (84.3%) had been disbursed.

International Finance Corporation (IFC) provided financial assistance to the private sector in the form of equity capital and loans. Up to the end of the reporting year the accumulated amount of financial assistance provided to Indonesia remained the same as in the preceding year, namely \$ 136.8 million. These financial aids were extended to 13 private enterprises. Of this amount, \$ 66 million was in the form loans, \$ 15 million in equity capital and \$ 55.8 million in equity participation through other financial institutions.

3 Asian Development Bank (ADB)

In the period of 1983/84, the amount of loans extended by ADB to Indonesia reached \$ 489 million for 8 projects in the fields of agriculture, irrigation, urbanization, geology and electrification. Up to the end of 1983/84, the total amount of loans provided by ADB reached \$ 2,273.4 million, of which \$ 2,216.6 million were from Ordinary Resources (72 projects) and \$ 156.8 million from Special Funds (23 projects). The disbursed amount of loans received under the Ordinary Resources totaled \$ 534.8 million or 24.1%, while that of Special Funds amounted to \$ 116.1 million or reaching 74%. The maturity of loans from the Ordinary Resources ranged between 0 and 30 years, including 2 to 7 years grace period with the interest rate ranging from 7.4% to 11.0% p.a. The maturity of Special Funds loans ranged

from 24 to 30 years, including 7 to 10 years grace, bearing no interest but a service fee of 1% p.a. would be charged on the amount disbursed. Since 1980 Indonesia was no longer eligible for concessionary loans from the Special Funds.

Up to the end of the reporting year, Indonesia's subscription to ADB amounted to SDR 963.5 million. From this total, SDR 115.7 million consisted of paid-in capital, of which SDR 97.2 million were paid while the balance was payable in three equal annual instalments. An amount of \$ 617.8 million, representing capital, should be set aside and might be drawn at any moment.

4 Islamic Development Bank (IDB)

At end of 1983/84 total assistance provided to Indonesia remained at ID 31.92 millions¹⁾, consisting of loans, equity participation and leasing. The paid-in capital of Indonesia to IDB amounted to ID 63 million, of which ID 47.86 million was paid.

5 Inter-Governmental Group on Indonesia (IGGI)

In the 26th IGGI session, held in The Hague on June 13-14, 1983, it was agreed that the amount of financial assistance to be made available to Indonesia would amount to \$ 2.24 billion, consisting of aids from donor countries (\$ 0.57 billion) and multilateral financial institution (\$ 1.67 billion). Up to the end of March 1984, total IGGI loan agreement signed amounted to \$ 26.4 billion, of which \$ 16.7 billion was disbursed.

6 Association of South East Asian Nations (ASEAN)

Cooperation among ASEAN states steadily progressed in the reporting year. Favorable progress was achieved in the fields of trade and industry as well as in finance and banking. Furthermore, since January 7, 1984, Brunei Darussalam became a member of ASEAN.

1) ID 1 (Islamic Dinar) = SDR 1.

The maximum tariff preference under the Preferential Trading Arrangement (PTA), which since July 1983 was fixed at 20-25% of the customs duties on imports not exceeding \$ 10 million, for certain commodities (covering both food and non-food produce) was raised to 50% effective March 1984. The number of commodities covered by PTA remained at 18,000 commodities.

Cooperation in the field of industry also progressed smoothly. The development of the ASEAN urea fertilizer project in Aceh, with an annual capacity of 570,000 ton was expected to be completed in early 1984. In the trial run its production reached 56,076 metric ton of urea. Furthermore, the ASEAN fertilizer project in Malaysia, which in the preceding year reached the stage of basic preparation, during the reporting year progressed rapidly so that at the end of the reporting year more than half (54%) of the construction work was realized. The proposed ASEAN copper processing plant in the Philippines had reached the stage for project tender. The ASEAN soda-ash project in Thailand, planned to be a joint-venture with Ja-

pan, reached the stage of final discussion. Furthermore, as proposed by Singapore, the economic minister of ASEAN countries agreed to replace the ASEAN diesel project with Hepatitis B Vaccine industry.

It should be added that an agreement had been concluded on the improvement of the pattern of complementary automotive industries for various automobile brands. This agreement was concluded in the Fifteenth Meeting of the ASEAN Economic Ministers held on October 17-19, 1983.

In addition, in the Twelfth Meeting of ASEAN Committee of Finance and Banking (COFAB) held in Bangkok on March 13-15, 1984, an agreement was concluded on the possibility of establishing an ASEAN Export Import Bank. It was also agreed that this possibility would be studied by IFC, the expense of which would be borne by that institution. Furthermore, efforts would be enhanced to improve cooperation with EEC and other industrial countries, such as, Australia, Canada, Japan, the United States and New Zealand.

VII. INDONESIA'S BALANCE OF PAYMENTS

A. Balance of Payments Policy

1. General

After facing heavy pressures in the last two years, in 1983/84 Indonesia's balance of payments improved considerably. This improvement was brought about by the pursuance of a series of economic policies during 1983. The beginning of the economic recovery of major industrial countries also facilitated this progress.

Shortly before the reporting year, the Government devalued the rupiah to restore the competitiveness of the Indonesian economy. Furthermore, in May 1983, with a view to economizing the use of foreign exchange, a number of large government projects were rephased. These two measures, along with efforts to promote non-oil and non-LNG (non-oil) exports, directly contributed to the favorable development of the balance of payments.

In addition, the June 1, 1983 Monetary Policy also affected the balance of payments. This policy, especially the substantial reduction of refinancing facilities (liquidity credits), indirectly reduced the propensity to import. The Government also continued to pursue a prudent external debt management and placed high priority on concessional funds while keeping the external debt service burden at a manageable level. Besides those measures the Government continued to pursue and improve the policies undertaken in the past years.

2. Foreign exchange system and exchange rate policy

As mentioned earlier, towards the beginning of the reporting year the Government devalued the rupiah to improve the competitiveness of Indonesia's economy and established a stronger foundation for the maintenance of the appropriate level of the rupiah exchange rate. Furthermore,

the Government reconfirmed the policy of a managed floating rate within a free foreign exchange system.

The embryo of a free foreign exchange system was in fact initiated with the establishment of the Foreign Exchange Bourse (Bursa Valuta Asing or BVA) in Jakarta in May 1967, whose members consisted of foreign exchange banks and traders in securities. Up to early 1970, exporters were obliged to surrender their export proceeds to the Government through Bank Indonesia in exchange for rupiahs at a rate fixed by the Government. The policy on the determination of the foreign exchange rates was materially based on the multiple fixed exchange rate system, comprising three different rates, namely B.E. Umum rate, B.E. Kredit rate and Devisa Pelengkap rate.

Since April 1970¹⁾, Indonesia adopted a fixed exchange rate system in which the rupiah was linked to the US dollar. Also, proceeds of export of services were no longer obliged to be surrendered to Bank Indonesia, while surrender requirements of merchandise export proceeds remained in force.

In the course of the years the rate of foreign exchange against the rupiah, fixed since 1970, no longer corresponded to the prevailing exchange rate, while the dollar fluctuated heavily. As a consequence of these developments, since November 1978, along with the devaluation of the rupiah, the Government suspended the fixed exchange rate system and adopted a managed floating exchange rate system linked to a basket of currencies of Indonesia's major trading partners. Exporters, however, were still under obligation to surrender their export proceeds at a rate determined by

1) Government Regulation No. 16 of 1970, April 17, 1970.

the demand for and supply of foreign exchange at the foreign exchange bourse. In conjunction with efforts to improve the free foreign exchange system as well as to promote nonoil exports, the requirement imposed on exporters to surrender their export earnings to the Government through Bank Indonesia was abolished since January 1982.²⁾

3. Export policy

The Government during the reporting year continued to pursue the export policy focusing on strengthening the competitiveness of non-oil export commodities while securing adequate supply of goods for domestic consumption, taking into consideration the protection of domestic industry. The policy covered measures on credits, taxation and marketings.

Under the June 1, 1983 Monetary Policy, banks were free to determine the level of interest rates on credits, including credits for exports. However, for credits on realized exports a lower interest rate of 9% would be charged. Accordingly, as stipulated in the October 1, 1983 regulation, handling banks were to refund the amount of interest charged higher than that determined rate of 9%, immediately after the exportation of goods was realized.³⁾

In the field of taxation, measures taken during the past years were improved, among others, by expanding the number of manufactured goods eligible for export certificate facilities. In addition, to promote exports of a number of mineral products as well as to secure their overseas market, export taxes levied on nickel (ore and condensate)⁴⁾ and bauxite (ore and condensate)⁵⁾ were reduced to 10% and 0%, respectively. Furthermore, with the enactment of the new Income Tax Law since

January 1, 1984, the withholding tax (MPO) on exports was abolished.

Regarding marketing, the efforts to improve the quality control on exportable goods were enhanced to enable Indonesia to obtain better prices in the world markets. In the reporting year the Government added 49 commodity items to the number of export commodities subject to quality standardization. In addition, since October 1983 the defect system had been applied to the standardization of the quality of Indonesian coffee in place of triace system.⁶⁾ All exports of textiles and textile products enjoying export certificate facilities and being destined for Singapore, Malaysia, Hongkong and Taiwan were required to have a prior survey report made either by PT Sucofindo or an agency designated by the Director General of Foreign Trade, Ministry of Trade. This measure was introduced to avoid possible frauds in the use of export certificate facilities. In order to ensure the proceeds of textile exports, its implementation might only be carried out under irrevocable sight letter of credit, the value of which had to be equal to the actual selling price.⁷⁾

With a view to promoting exports of garments, especially to European countries and the United States, efforts were made to obtain larger export quotas. As results of these efforts, a multilateral and several bilateral agreements were concluded during this reporting year, namely with the EEC countries, Sweden and the United States.⁸⁾ Indonesia obtained an export quota of 12 million pieces

2) Government Regulation No. 1 of 1982, January 16, 1982.

3) Decree of Board of Directors of Bank Indonesia No. 16/35/Kep/DIR, October 1, 1983.

4) Minister of Finance Decree No. 280/KMK.O11/1983, April 20, 1983.

5) Minister of Finance Decree No. 42/KMK.O11/1984, January 23, 1984.

6) Letter of Director of Standardization and Normalization, Ministry of Trade, No. 408/PTD-1/IX/83, September 10, 1983.

7) Decree of Director General of Foreign Trade, Ministry of Trade, No. 14/DAGLU/Kp/IV/83, April 26, 1983.

8) Conclusion of the agreements on textile
- Indonesia - USA in Jakarta, October 20, 1983.
- Indonesia - EEC countries in Brussels, November 16, 1983.
- Indonesia - Sweden in Jakarta, December 12, 1983.

of garments for the EEC, three million for Sweden, and 11 million for the United States.

4. Import policy

The import policy pursued in the past years, designed to induce the development of domestic industries as well as ensure the domestic supply of the basic needs, continued to be improved and enhanced. In the reporting year, the Government took a number of measures involving limitation of imports and appointment of importers for certain products. Furthermore, the Government took a number of steps to increase as well as to improve trade cooperation, especially among ASEAN countries.

In the field of taxation, the Government relaxed import duties and sales tax on imports⁹⁾ of certain raw materials, auxiliary and capital goods.¹⁰⁾ Conversely, to protect domestic industries, the output of which could meet the domestic demand and to create a climate of fair competition, the Government annulled the exemption and even increased the import duties as well as the sales tax on imports of a number of goods, such as, paper of particular types and polymerized products.¹¹⁾ Furthermore, import duties and import sales tax were imposed on a number of domestically assembled products, such as, hydraulic excavators and wheel loaders.¹²⁾ With a view to maintaining price stability, the Government exempted import duties and sales tax on imports of cooking oil, the amount of which was subject to the approval of the Minister of Trade.¹³⁾ In accordance with the Income Tax Law being in force since January 1, 1984, the withholding tax on imports was abol-

ished. Subsequently, imports were subject to an income tax of 2.5% of the import value (CIF) applied to holders of Importer's Identification Number (API), Temporary Importer's Identification Number (APIS), or Limited Importer's Identification Number (APIT), while the nonholders of such licenses were subject to a 7.5% income tax.¹⁴⁾

With regard to trading arrangements, the Government issued a series of regulations for producing importers on the importation of a number of industrial products with a view to ensuring the availability of raw materials and auxiliary goods for domestic industries.¹⁵⁾ Under these measures it was stipulated that imports of certain groups of commodities might only be executed by designated importers, consisting of state trading companies and registered producing importers. In addition, the regulations determined particular specifications and quantitative restrictions on each group of those imports.¹⁶⁾

To promote trade among ASEAN countries, as of end of the reporting year Indonesia made a total of 11,823 items of import commodities eligible for preferential treatment under the ASEAN Preferential Trading Arrangement.

5. Policy on services

The policy on services pursued in the past years continued to be directed towards economizing the use of as well as increasing the earnings of foreign exchange. To boost foreign exchange earnings, especially from tourism, the Government enhanced the development of points of interest in

9) A number of decrees of the Minister of Finance, the most recent being Decree No. 89/KMK.1/1984, January 24, 1984.

10) Such as laboratory and mechanical equipments, toolkits, electronic motors, and soybean.

11) Minister of Finance Decrees No. 484/KMK.05/1983, July 29, 1983 and No. 721/KMK.05/1983, October 20, 1983.

12) Minister of Finance Decree No. 313/KMK.05/1983, May 3, 1983.

13) Minister of Finance Decree No. 945/KMK.05/1983, December 31, 1983.

14) Cable of Director General of Tax No. KWT-3/PJ.1/1984, January 3, 1984.

15) Minister of Trade Decrees:

- No. 306/KP/VIII/1983, August 6, 1983.

- Nos. 717-723/KP/XII/1983, December 2, 1983.

- No. 107/KP/I/1984, January 25, 1984.

16) Decrees of Director General of Foreign Trade, Ministry of Trade, Nos. 23-27/DAGLU-4/KP/XII/ 1983, December 6, 1983.

ten tourist destination areas as well as improved promotion activities abroad. As already mentioned in the previous report, those efforts were supported by lifting the requirement on visas for foreign tourists from 26 countries staying in Indonesia for less than two months. In addition, tourists' personal effects were exempted from import duties and import sales tax provided that these equipments were in reasonable amount and should be brought out of Indonesia on departure.

In 1983/84 the Government enforced a regulation to safeguard and facilitate the recruitment of Indonesian labors for overseas work. In this regulation it was stipulated that enlistments of Indonesian labors for Saudi Arabia must be accompanied by specifications of salaries, working permits and work contracts.¹⁷⁾

6. Policies on capital flows

To finance the ever increasing development needs, in addition to domestic resources, it was still considered necessary to use foreign resources as a supplement. Foreign resources comprised public as well as private external borrowings, and direct foreign investment.

The policy on external borrowing consistently pursued the principles of non-adherent to any political ties while maintaining a self-imposed prudent debt management so as to prevent dependence on foreign borrowings as well as to limit the burden on the balance of payments, while their usage would be applied in accordance to the overall development plan.

To support the development of domestic industries and thereby creating job opportunities, efforts to loosen up the linkage between foreign borrowings and the obligation to procure creditor countries' goods were continued and enhanced. As regards industrial goods which still have to be

imported, the Government placed higher preference on the importation of relevant components. With a view to preventing heavy debt burden in the short as well as long run, the Government in pursuing a prudent external debt management continued to place high priority on concessional borrowings.

As mentioned in the reports of past years, since 1967 the Government encouraged foreign capital investment by granting various incentives, the degree of which depended on the scale of priorities in line with the progress achieved in the overall development plan. Accordingly, since 1977 the Investment Coordinating Board (BKPM) issued a series of Investment Priority Lists (DSP) adjusted on an annual basis conforming to the development objectives. With the enactment of the new Income Tax Law,¹⁸⁾ only Foreign Capital Investment (PMA) companies having acquired Permanent Letter of Approval (SPT) before the end of December 1983 were eligible for all incentives previously provided. Thenceforth, a number of previously extended incentives, such as tax holiday, investment allowance and exemption of dividend tax, were abolished. Nevertheless, the much lower rates of income tax than that previously prevailing on corporate income would still result in a more favorable climate on foreign capital investment in Indonesia. Furthermore, certain facilities, such as, exemption from stamp duty on capital goods, import duties, sales tax on imports, and transfer duty on the deed of a ship's registration, were still provided.

As regards oil exploration, an agreement was concluded involving the transfer of the operating status of PT Caltex from the status of Contract of Work to Production Sharing Contract. Subsequent to the expiration of the Contract of Work agreement of PT Caltex in November 1983, all assets

17) Minister of Manpower Affairs Decree No. 149/MEN/1983, May 30, 1983.

18) Law No. 7 of 1983.

of PT Caltex as stipulated under Act No. 14 of 1983, became the property of the Government of Indonesia. Thereupon, PT Caltex, might continue its operation under the scheme of Production Sharing Contract which provided for a sharing ratio of 88% for the Government and 12% for PT Caltex, in lieu of the generally applied formula of 85 : 15. In addition, as new investment was regarded unnecessary for the continuation of this operation, PT Caltex was obliged to spend additional investments, to the amount of \$ 3 billion, thereby enabling increased oil production. The above investments were required to be carried out within ten years, commencing from the date of transfer of the operating status. It should be noted that oil exploration incentive programs continued to be applied to Production Sharing Contracts, under which arrangement of prorata crude derived from new fields was valued at realized export prices.

With respect to foreign borrowings by state and private sectors, the Government continued the policies pursued in the past years. State and local government enterprises were eligible for borrowing from abroad only after obtaining an approval from the Government¹⁹⁾, whereas the private sector was not required to obtain this approval. Foreign borrowings by banks and non-bank financial institutions have since 1979 been subjected to ceilings, over which interest penalty would be imposed on borrowings exceeding the ceilings.²⁰⁾

B. Balance of Payments Development

1. General

Pursuant to the March 1983 rupiah devaluation and the rephasing of various large government projects, supported by the world economic recovery, Indonesia's 1983/84 balance of payments showed a considerable improvement. This improvement was reflected in the remarkable increase of the balance of trade surplus and the substantial decline in the deficit of the current account, bringing forth a large surplus in its over-

all balance of payments, following record deficits in the current accounts as well as in the overall balance of payments.

The balance of trade surplus in the reporting year rose by not less than \$ 3,336 million to \$ 3,512 million, after being afflicted by a decline from \$ 5,083 million to only \$ 176 million in the previous year (Table 7.1.). Correspondingly, although the deficit in the balance of services deteriorated, the deficit in the current account improved significantly, from \$ 7,039 million down to \$ 4,151 million in 1983/84. After experiencing a substantial deficit of \$ 3,280 million in 1982/83, in the reporting year the overall balance of payments reversed to a significant surplus of \$ 2,070 million. As a result, the net official foreign exchange reserves rose from \$ 3,074 million on March 1983 to \$ 5,144 million at end of March 1984.

2. Current account

After deteriorating by \$ 4,249 million to \$ 7,039 million in 1982/83, the deficit in the current account in the reporting year improved by \$ 2,888 million to \$ 4,151 million. This progress was primarily due to the better performance of non-oil and nonLNG (nonoil) exports. The current account deficit of the nonoil sector advanced from \$ 14,205 million to \$ 11,522 million, while the current account surplus of the oil and LNG sector rose from \$ 7,166 million to \$ 7,371 million.

2.1. Balance of trade

The surplus of the balance of trade reached \$ 3,512 million in the reporting year compared with only \$ 176 million in the preceding year. This remarkable improvement was contributed by the better attainment of exports, up by 6.1 %, and an 11.9% decline in imports.

19) Presidential Decree No. 59 of 1972.

20) Decrees of Board of Directors of Bank Indonesia:
- No. 12/53/Kep/Dir/UULN, August 8, 1979.
- No. 12/43/Kep/Dir/UULN, July 24, 1979.

TABLE 7.1
INDONESIA'S BALANCE OF PAYMENTS¹⁾
(millions of dollars)

Transactions	1979/80	1980/81	1981/82	1982/83 ^r	1983/84
A. Current Account	<u>2,198</u>	<u>2,131</u>	<u>-- 2,790</u>	<u>-- 7,039</u>	<u>-- 4,151</u>
1. Merchandise	<u>7,789</u>	<u>8,643</u>	<u>5,083</u>	<u>176</u>	<u>3,512</u>
Exports, f.o.b.	<u>18,511</u>	<u>22,885</u>	<u>22,994</u>	<u>18,672</u>	<u>19,816</u>
Oil & LNG	12,340	17,298	18,824	14,744	14,449
— Oil	(10,995)	(15,187)	(16,482)	(12,283)	(12,050)
— LNG	(1,345)	(2,111)	(2,342)	(2,461)	(2,399)
Non-oil and non-LNG	6,171	5,587	4,170	3,928	5,367
Imports, f.o.b.	<u>-- 10,722</u>	<u>-- 14,242</u>	<u>-- 17,911</u>	<u>-- 18,496</u>	<u>-- 16,304</u>
Oil & LNG ²⁾	<u>-- 2,672</u>	<u>-- 3,681</u>	<u>-- 4,916</u>	<u>-- 4,365</u>	<u>-- 3,489</u>
— Oil	(-- 2,586)	(-- 3,557)	(-- 4,799)	(-- 4,223)	(-- 3,273)
— LNG	(-- 86)	(-- 124)	(-- 117)	(-- 142)	(-- 216)
Non-oil and non-LNG	-- 8,050	-- 10,561	-- 12,995	-- 14,131	-- 12,815
2. Services	<u>-- 5,591</u>	<u>-- 6,512</u>	<u>-- 7,873</u>	<u>-- 7,215</u>	<u>-- 7,663</u>
Oil & LNG ²⁾	<u>-- 2,693</u>	<u>-- 3,016</u>	<u>-- 4,147</u>	<u>-- 3,213</u>	<u>-- 3,589</u>
— Oil	(-- 2,101)	(-- 2,285)	(-- 3,304)	(-- 2,272)	(-- 2,761)
— LNG	(-- 592)	(-- 731)	(-- 843)	(-- 941)	(-- 828)
Non-oil and non-LNG	-- 2,898	-- 3,496	-- 3,726	-- 4,002	-- 4,074
B. Special Drawing Rights (SDRs)	<u>65</u>	<u>62</u>	<u>---</u>	<u>---</u>	<u>---</u>
C. Capital Account, Excluding Reserves	<u>680</u>	<u>1,708</u>	<u>3,852</u>	<u>5,880</u>	<u>5,974</u>
1. Official Transfer & Capital, net	<u>1,998</u>	<u>2,069</u>	<u>2,712</u>	<u>4,085</u>	<u>4,783</u>
Official inflows	<u>2,690</u>	<u>2,684</u>	<u>3,521</u>	<u>5,011</u>	<u>5,793</u>
IGGI	2,237	2,406	2,415	2,905	4,255
— Program Aid	239	118	50	21	84
— Project Aid	1,998	2,288	2,365	2,884	4,171
Non-IGGI (Project Aid)	453	278	1,106	2,106	1,538
Official Debt Repayments	<u>-- 692</u>	<u>-- 615</u>	<u>-- 809</u>	<u>-- 926</u>	<u>-- 1,010</u>
Pre July 1966 debts	-- 87	-- 85	-- 78	-- 125	-- 89
Post July 1966 debts	-- 605	-- 530	-- 731	-- 801	-- 921
2. Miscellaneous Capital, Net	<u>-- 1,318</u>	<u>-- 361</u>	<u>1,140</u>	<u>1,795</u>	<u>1,191</u>
Direct Investment	217	140	142	311	193
Government Enterprises	-- 1,535	-- 501	998	1,484	998
D. Total (A through C)	<u>2,943</u>	<u>3,901</u>	<u>1,062</u>	<u>-- 1,159</u>	<u>1,823</u>
E. Net Errors and Omissions	<u>-- 1,253</u>	<u>-- 1,165</u>	<u>-- 2,050</u>	<u>-- 2,121</u>	<u>247</u>
F. Reserves	<u>-- 1,690</u>	<u>-- 2,736</u>	<u>988</u>	<u>3,280</u>	<u>-- 2,070</u>
1. Reserve position in the Fund	-- 16	-- 26	-- 104	-- 5	162
2. Short-term foreign liabilities	-- 68	-- 4	---	---	-- 1
3. Short-term foreign assets	-- 1,606	-- 2,706	1,092	3,285	-- 2,231

1) The presentation based on the IMF standards is shown in Table IX.

2) Oil and LNG imports consist of oil and other imports by oil and LNG enterprises, while oil and LNG services cover payments of foreign contractors' share and net other service payments related to oil and LNG transactions.

TABLE 7.2
VALUE OF EXPORTS¹⁾
(millions of dollars)

Items	1979/80	1980/81	1981/82	1982/83 ^r	1983/84*
A. Oil²⁾	<u>10,995</u>	<u>15,187</u>	<u>16,482</u>	<u>12,283</u>	<u>12,050</u>
B. LNG	<u>1,345</u>	<u>2,111</u>	<u>2,342</u>	<u>2,461</u>	<u>2,399</u>
C. Non-oil and non-LNG	<u>6,171</u>	<u>5,587</u>	<u>4,170</u>	<u>3,928</u>	<u>5,367</u>
Timber	2,166	1,672	951	899	1,161
— Log	(2,060)	(1,428)	(504)	(310)	(267)
— Processed timber	(106)	(244)	(447)	(589)	(894)
Rubber	1,101	1,078	770	615	984
Coffee	715	588	342	363	506
Palm oil	257	178	79	103	92
Animal and produce	255	224	213	251	276
— Shrimps	(217)	(170)	(165)	(204)	(206)
— Others	(38)	(54)	(48)	(47)	(70)
Tea	91	97	94	116	156
Foodstuffs	139	135	91	59	134
— Tapioca	(60)	(36)	(20)	(9)	(33)
— Others	(79)	(99)	(71)	(50)	(101)
Pepper	46	51	48	41	58
Tobacco	60	69	49	38	50
Copra cakes	52	46	32	38	33
Hides	49	29	32	25	27
Rattan	92	73	85	82	87
Textiles and textile products	81	88	129	157	290
Handicrafts	70	40	19	23	75
Electrical appliances	70	81	72	113	130
Urea fertilizer	41	23	11	21	50
Cement	29	12	23	9	11
Mining products	609	774	756	676	800
— Tin	(388)	(454)	(437)	(349)	(309)
— Copper	(95)	(115)	(133)	(115)	(89)
— Others	(126)	(205)	(186)	(212)	(402)
Miscellaneous	248 ^r	329	374	299	447
Total (A+B+C)	<u>18,511</u>	<u>22,885</u>	<u>22,994</u>	<u>18,672</u>	<u>19,816</u>

1) Based on f.o.b. value.

2) Crude oil and oil products. Including "cross purchase"/"cross exchange" for the years 1979/80, 1980/81 and 1981/82 amounting to \$ 1,016 million, \$ 1,110 million and \$ 1,849 million, respectively.

2.1 .a. Exports

After recording a sharp decline in the previous year (-18.8%), during the reporting year total exports increased by 6.1 % to \$ 19,816 million. This progress was due to the remarkable increase of the non-oil exports (36.6%), while both oil and LNG exports experienced a decline, by 1.9% and 2.5%, respectively (Table 7.2 and Table 7.3).

Classified by country of destination, Japan remained the main buyer of Indonesia's export commodities, accounting for 44.3% of total exports compared with 51.1% in the preceding year. The United States remained the second, with a share of 21.5% compared with 15.3% in the previous year. Meanwhile, exports to ASEAN countries reached 15.6% of Indonesia's total export value (Table XIV).

TABLE 7.3
VOLUME OF EXPORTS

Items	1979/80	1980/81	1981/82	1982/83 ^f	1983/84*
A. Oil (millions of barrels)¹⁾	487	468 ^f	468	355	413
B. LNG (millions of MMBTU)²⁾	373	424	458	478	549
C. Non-oil and non-LNG (thousands of tons)					
Timber	16,120	11,642	5,948	5,101	5,843
— Log	(15,821)	(10,703)	(4,212)	(2,785)	(2,536)
— Processed timber	(299)	(939)	(1,736)	(2,316)	(3,307)
Rubber	1,016	954	883	877	1,145
Coffee	238	231	219	239	298
Palm oil	440	377	183	315	279
Animal and produce	98	110	105	109	194
— Shrimps	(49)	(42)	(39)	(44)	(44)
— Others	(49)	(68)	(66)	(65)	(150)
Tea	69	78	88	68	85
Foodstuffs	1,388	1,265	971	599	1,199
— Tapioca	(545)	(334)	(267)	(107)	(299)
— Others	(843)	(931)	(704)	(492)	(900)
Pepper	24	32	38	34	51
Tobacco	25	30	26	19	28
Copra cakes	354	390	301	367	338
Hides	8	5	6	6	6
Rattan	113	73	84	89	83
Textiles and textile products	7	10	16	35	67
Handicrafts	22	14	14	6	18
Electrical appliances	1	1	1	1	1
Urea fertilizer	247	151	41	103	377
Cement	647	295	471	236	306
Mining products	3,074	3,291	8,167	22,315	25,233
— Tin	(27)	(31)	(31)	(27)	(24)
— Copper	(187)	(177)	(210)	(217)	(191)
— Others	(2,860)	(3,083)	(7,926)	(22,071)	(25,018)
Miscellaneous	2,190	2,873	1,226	1,547	1,613

1) Crude oil and oil products. Including "cross purchase/cross exchange" for the years 1979/80, 1980/81 and 1981/82 with total 45 million, 47 million and 51 million barrels, respectively.

2) MMBTU = Million BTU (British Thermal Unit).

a.i. Oil and LNG exports

The aggregate exports of oil and LNG went down by 2.0% to \$ 14,449 million, following a decline of 21.7% in the preceding year. This deterioration was recorded the exports of oil as well as LNG, by 1.9% to \$ 12,050 million and by 2.5% to \$ 2,399 million, respectively.

The decline of oil exports was closely associated with the imposition of a lower base price on oil exports since February 1983, although the volume rose by 16.4% to 413 million barrels. The increase in the volume of oil exports was due to the stronger demand for Indonesia's oil, especially from its major buyers. Japan remained the largest buyer of Indonesia's oil exports, followed by the

United States, accounting for 49.3% and 27.4%, respectively (Table 7.4).

Exports of LNG went down by 2.5% to \$ 2,399 million in 1983/84, although its volume increased from 478 million MMBTU to 549 million MMBTU (Table 7.6). The decrease in the value of LNG exports was due to the lower LNG prices (f.o.b.), from \$ 5.15 to \$ 4.37 per MMBTU, since LNG prices were linked to the price of oil. The higher volume of LNG exports was associ-

ated with the increased production capacity of LNG refineries in Bontang (August 1983) and Arun (January 1984), each of which were expanded by 2 trains. Including these expansions, the annual LNG production capacity, almost entirely destined for exports, rose by 7.8 million tons to 14.4 million tons. It should be noted that as a result of the expanded production capacity, Indonesia became the world's largest producer as well as exporter of LNG.

TABLE 7.4
OIL EXPORTS BY COUNTRY OF DESTINATION¹⁾
(millions of barrels and dollars)

Country	1979/80 ^r		1980/81		1981/82		1982/83		1983/84	
	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$
1. United States of America										
— Crude oil	114.4	2,568.6	112.1	3,652.5	81.8	2,903.6	68.9	2,396.0	97.1	2,859.5
— Oil products	15.1	355.1	4.9	152.5	6.6	215.0	2.1	69.5	16.4	448.2
Total	129.5	2,923.7	117.0	3,805.0	88.4	3,118.6	71.0	2,465.5	113.5	3,307.7
— % Share	26.6	26.6	25.0	25.0	18.9	18.9	20.0	20.1	27.5	27.4
2. Japan										
— Crude oil	224.9	5,049.4	218.2	7,114.2	185.1	6,570.6	177.8	6,180.4	168.3	4,955.6
— Oil products	29.6	698.2	45.9	1,429.4	32.7	1,066.1	26.2	855.4	35.9	979.5
Total	254.5	5,747.6	264.1	8,543.6	217.8	7,636.7	204.0	7,035.8	204.2	5,935.1
— % Share	52.2	52.3	56.4	56.3	46.5	46.3	57.4	57.3	49.4	49.3
3. Other Countries										
— Crude oil	96.5	2,164.4	84.0	2,738.3	154.7	5,493.0	75.4	2,619.9	91.2	2,686.2
— Oil products	6.7	158.8	3.2	99.7	7.2	233.2	5.0	162.0	4.5	121.4
Total	103.2	2,323.2	87.2	2,838.0	161.9	5,726.2	80.4	2,781.9	95.7	2,807.6
— % Share	21.2	21.1	18.6	18.7	34.6	34.8	22.6	22.6	23.1	23.3
4. Total (1+2+3)										
— Crude oil	435.8	9,782.4	414.3	13,505.0	421.6	14,967.2	321.7	11,196.3	356.6	10,501.3
— Oil products	51.4	1,212.1	54.0	1,681.6	46.5	1,514.3	33.4	1,086.8	56.8	1,549.1
Total	487.2	10,994.5	468.3	15,186.6	468.1	16,481.5	355.1	12,283.1	413.4	12,050.4
— % Share	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1) Based on f.o.b. value.

TABLE 7.5
EXPORT PRICES OF SELECTED INDONESIAN CRUDE OIL
(\$ per barrel)

	1979					1980			1981			1982	1983	
	Jan.	Apr.	May	June	July	Nov.	Dec.	Jan.	Feb.	May	Jan.	Sept.	Nov.	March
1. S.L.C. / Minas	13.90	15.65	16.15	18.25	21.12	23.50	25.50	27.50	29.50	31.50	35.00	35.00	34.53	29.53
2. Duri	13.90	15.65	16.15	18.25	21.12	23.50	25.50	27.50	29.50	31.50	35.00	35.00	33.10	27.85
3. Cinta	13.50	15.20	15.70	17.75	21.01	23.50	25.40	27.00	29.00	31.00	34.50	34.00	33.30	28.25
4. Arimbi	13.50	15.20	15.70	17.75	21.01	23.50	25.40	27.00	29.00	31.00	34.50	34.50	33.60	28.35
5. Jatibarang / Cemara	13.15	14.80	15.30	17.35	20.66	23.50	25.00	26.50	28.50	30.60	34.10	34.10	33.10	27.80
6. Handil	13.95	15.70	16.30	18.30	21.16	23.50	25.60	27.55	29.55	31.55	35.30	35.30	34.80	29.50
7. Sepinggan / Yakin Mix	13.95	15.70	16.30	18.30	21.16	23.50	25.60	27.55	29.55	31.55	35.30	35.30	34.00	29.00
8. Salawati	13.80	15.55	16.15	18.15	21.02	23.50	25.40	27.40	29.40	31.40	34.90	34.90	34.40	28.70
9. P. Juata Sanga-sanga Mix	13.70	15.40	15.90	18.05	20.91	23.50	25.30	27.30	29.30	31.30	34.80	34.80	34.00	29.00
10. Walio	13.65	15.25	16.00	17.95	20.86	23.50	25.30	27.20	29.20	31.20	35.00	35.00	34.40	28.75
11. Udang	13.55	13.60	15.75	17.85	21.00	23.50	25.40	27.10	29.10	31.10	34.60	34.60	34.10	28.70
12. Klamono	12.10	13.60	14.10	16.20	19.36	23.50	24.00	25.45	27.45	29.45	32.95	32.95	32.00	27.20
13. Arjuna	14.40	16.45	17.20	19.70	21.56	23.50	26.00	28.95	30.95	32.95	36.45	36.45	35.20	30.20
14. Bunyu / Sembakung	14.40	16.45	17.20	19.20	21.56	23.50	26.00	28.95	30.95	32.95	36.45	36.45	35.20	29.90
15. Attaka	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25	34.25	37.75	37.55	36.25	30.95
16. Bekapai	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25	34.25	37.75	37.55	36.25	30.95
17. Badak	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25	34.25	37.75	37.55	36.25	30.95
18. Arun Condensate	14.80	16.80	17.80	21.00	23.50	23.50	27.90	30.75	32.75	34.75	37.75	37.50	36.25	30.95
19. N.S.C. / Katapa	15.25	17.35	18.35	21.50	23.50	23.50	27.90	30.75	32.75	34.75	38.25	38.00	36.50	31.15

Source : Department of Mining and Energy.

TABLE 7.6
LNG EXPORT
(millions)

Year	value (\$)	Volume (MMBTU)	Price (\$/MMBTU)
1979/80	1,345	373	3.61
1980/81	2,111	424	4.97
1981/82	2,343	458	5.12
1982/83	2,461	478	5.15
1983/84	2,399	549	4.37

Source : Pertamina.

a.ii. Non-oil/LNG (non-oil) exports

After consecutively experiencing declines in the past three years, exports of non-oil increased significantly in the reporting year, by 36.6% to \$ 5,367 million (Table 7.2 and Table 7.3). This progress was brought about by the policy to expand non-oil exports which had been continually pursued since the past years, supported by stronger world demand. Although both the value and volume of some major export commodities, such as palm oil, tin and copper continued to decline, almost all other main export commodities advanced in 1983/84. Considerable increases were registered in the exports of processed timber, rubber, coffee and tea, while shrimps rose only slightly. It may be added, that the decline in palm oil exports was closely related to the policy to secure the need of domestic consumption, while declines in tin and copper exports were due to the persistently sluggish world demand for these commodities. On the other hand, exports of industrial commodities, particularly textiles, handicrafts and electrical appliances, continued to show improvements. In the reporting year, the aggregate exports of those three commodities experienced a significant increase (68.9%), primarily reflecting the result of the consistent market expansion efforts.

By country of destination, Japan was still the biggest buyer of indonesia's non-oil exports, with a share of 20.8%, followed by the United States

at 19.6%. The share of ASEAN countries experienced a slight increase, from 17.5% to 18.6%.

Timber

In the reporting year, timber exports still occupied first place as the largest foreign exchange earner of non-oil exports, taking a share of 21.6%. Although the volume of timber exports only rose by 14.5% to 5,843 thousand tons, its value went up by 29.1% to \$ 1,161 million, due to the considerable increase in the share of processed timber exports (sawn timber, plywood and other processed timber). In the reporting year, the value as well as the volume of processed timber exports advanced by 51.8% to \$ 894 million and by 42.8% to 3,307 thousand tons, respectively. On the other hand, the value as well as the volume of log exports were down by 13.9% to \$ 267 million and by 8.9% to 2,536 thousand tons, respectively. These developments were in line with the policy undertaken since 1980, to gradually expand exports of processed timber in lieu of logs.

Japan was still the largest importer of Indonesia's timber, although its share declined from 30.3% to 20.7% in 1983/84. Other main importing countries were the United States (16.4%), Singapore (14.1%), Hongkong (8.6%), Taiwan (5.1%) and Italy (4.7%).

Rubber

After consecutively experiencing declines in the past three year, rubber exports rose sharply, by 60.0% to \$ 984 million and its volume by 30.6% to 1,145 thousand tons. This improvement was associated with the brisker world demand as reflected in the 22.5% increase in the world market prices. The United States remained the largest importing country of Indonesia's rubber exports, with a share of 42.3% compared with 41.3% in the preceding year. Singapore ranked second, its share rose from 22.1% to 27.2%. Other important buyers of Indonesia's rubber were the Soviet Union,

Japan and the Federal Republic of Germany, accounting for 5.2%, 4.4% and 3.5%, respectively.

Coffee

As in the preceding years, among non-oil export commodities, coffee continued to occupy third place after timber and rubber. Both the value and volume of coffee exports registered an increase, by 39.4% to \$ 506 million and 24.7% to 298 thousand tons, respectively. It should be noted, the value and volume of Indonesia's coffee exports to nonquota countries recorded remarkable increases, by 28.1% to \$ 123 million and by 19.1% to 112 thousand tons, respectively. This progress was due both to price improvements in the international markets as well as enhanced market expansion efforts, especially to non-quota countries. The favorable coffee prices were mainly due to a slowdown in coffee production in the main producing countries, such as Brazil and Ivory Coast. It may be added that Indonesia's quota of coffee exports imposed by the International Coffee Organization (ICO) was raised by 5.4 thousand tons to 147.4 thousand tons for the period of 1983/84.

Tin

Tin exports still experienced a decline, in volume by 11.1 % to 24 thousand tons and in value by 11.5% to \$ 309 million. This deterioration was in conjunction to the downward adjustment of Indonesia's quota of tin exports enforced by ITC from 5,825 tons to 5,524 tons per quarter for the 1983/84 period. This quota reduction was considered necessary since the international tin prices remained weak due to the release of the United States' tin stockpile. During the reporting year, the release of this stockpile reached 2,295 tons compared with 2,267 tons in the previous year.

In terms of country of destination, Singapore and the Netherlands were the largest buyers of Indonesia's tin, with a share of 61.9% and 16.6%, respectively. In the reporting year, Indonesia re-

mained the world's second largest producer and exporter after Malaysia.

Palm oil

In the reporting year, both value and volume of palm oil exports declined, by 10.7% to \$ 92 million and by 11.4% to 279 thousand tons, respectively. This slowdown was due to the policy of the Government which limited the exports of palm oil to secure adequate supply for the domestic market. This limitation was implemented through, among others, the raising of the level of export tax as well as the imposition of additional export tax (PET) on palm oil and stearin. By country of destination, the main consumers of Indonesia's palm oil were the Netherlands (30.8%), United Kingdom (26.8%), the Federal Republic of Germany (16.3%) and Italy (11.3%).

Shrimp

In this reporting year, though increased only slightly, by 1.0% to \$ 206 million, shrimps retained its important position as one of the main foreign exchange earner among non-oil export commodities. Shrimps accounted for 74.6% of total exports of animal and produce, and 3.8% of total exports of non-oil commodities.

As in the previous years, the bulk of shrimp exports went to Japan (78.0%), and the rest to the United States, Hongkong and Singapore.

Tea

In the reporting year, the value of tea exports went up by 34.5% to \$ 156 million, compared with 23.4% in the preceding year. This improvement was due to an increase in the volume of exports, by 25.0% to 85 thousand tons, induced by the better world market prices. This favorable development was caused by the fall in the supply from major tea producing countries such as India, Sri Lanka and the People's Republic of China.

Other important export commodities

Among other important non-oil commodities showing favorable improvements were textiles, electrical appliances, nickel, aluminium and urea fertilizer, while copper experienced a decline. The first group of the above commodities in the aggregate rose by 50.7% to \$ 893 million. Textile exports increased by 84.7% to \$ 290 million. This remarkable increase was due to the easing of import quotas for Indonesian garments by the United States, Sweden, Canada and the expansion of markets to African and the Middle East countries. Exports of electrical appliances rose by 15.0% to \$ 130 million which was due primarily to the result of increased marketing efforts to African and ASEAN countries, such as, Singapore, Malaysia and the Philippines. The value of nickel exports

went up by 22.3% to \$ 170 million, largely due to higher volume of exports. Aluminium exports, commencing from October 1982, reached \$ 165 million in the reporting year. The highest increase was registered in the exports of urea fertilizer, up by not less than 138.1 % to \$ 50 million, due to an increase in volume. With regard to copper, due to the persistently sluggish world demand, its export value declined further, by 22.6% to \$ 89 million, following a 13.5% decline in the previous year.

2.1. b. Imports

Imports, for the first time since many years, experienced a decline, by 11.9% to \$ 16,304 million. Declines were recorded in the oil and non-oil sectors, by 20.1% to \$ 3,489 million and 9.3% to \$ 12,815 million, respectively (Table 7.7). As in the previous year, in 1983/84 imports by oil enterprises

TABLE 7.7
VALUE OF IMPORTS¹⁾
(millions of dollars)

Items	1979/80	1980/81	1981/82	1982/83	1983/84
A. Imports by oil and LNG enterprises	<u>2,672</u>	<u>3,681</u>	<u>4,916</u>	<u>4,365</u>	<u>3,489</u>
B. Imports by non-oil and non-LNG enterprises	<u>8,050</u>	<u>10,561</u>	<u>12,995</u>	<u>14,131</u>	<u>12,815</u>
General foreign exchange imports	5,567	7,787	8,775	8,431	8,082
Foreign aid imports	2,205	2,271	3,127	4,287	3,947
— Food aid	(88)	(54)	(7)	(3)	(48)
— PL 480 (rice, bulgur and wheat grains) ²⁾	(151)	(64)	(43)	(18)	(36)
— Project aid	(1,966)	(2,153)	(3,077)	(4,266)	(3,863)
Imports under foreign capital inflow	278	503	1,093	1,413	786
— Direct investment	(177)	(160)	(201)	(299)	(217)
— Other foreign capital inflow ³⁾	(101)	(343)	(892)	(1,114)	(569)
Total (A+B)	<u>10,772</u>	<u>14,242</u>	<u>17,911</u>	<u>18,496</u>	<u>16,304</u>

1) Based on f.o.b.

2) "Initial Payments" are included into general foreign exchange imports.

3) Imports by state enterprises, such as, Pertamina and PT Garuda.

went down from \$ 4,223 million to \$ 3,273 million. This was due to the decline in imports of fuel oils and Arabian Light Crude executed by Pertamina, by 29.2% to \$ 1,000 million and by 21.5% to \$ 757 million, respectively. On the other hand, as in the preceding year, imports by LNG enterprises rose from \$ 142 million to \$ 216 million.

TABLE 7.8
IMPORTS BY ECONOMIC CATEGORY¹⁾
(percentage)

Year	Capital goods	Raw materials and auxiliaries	Consumer goods
1979/80	37.0	33.7	29.3
1980/81	45.2	35.7	19.1
1981 /82	41.7	41.8	16.5
1982/83r	41.9	45.2	12.9
1983/84	41.4	44.4	14.2

1) During the period of 1978/79 through 1981/82 compilation of the data are based on Application for Opening Letter of Credit (P L/C). As from 1982/83, in accordance with the recent regulation on import statistics, the data are compiled on the basis of the Custom Import Document (PPUD).

Non-oil imports, consisting of imports financed with general foreign exchange, foreign assistance and foreign capital investments in the reporting year declined by \$ 1,316 million to \$ 12,815 million. The largest decrease was experienced by imports under foreign capital investments, by 44.4% to \$ 786 million. This decline occurred in imports under foreign private direct investments, by 27.4% to \$ 217 million, as well as imports under public and private investments, by 48.9% to \$ 569 million. The decline in imports under public enterprises was closely related to the completion of the expansions of LNG projects in Badak and Arun.

Imports financed under general foreign exchange, consisting of "program imports" and "non-program imports", in the reporting year declined by 4.1%. The decline in "program imports" was due to lower import bills of sugar and fertil-

izer, attributable to higher output of these commodities. With regard to non-program imports, the substantial fall in its growth rate (merely up by 0.6%) was closely associated with the rupiah devaluation and the June 1, 1983 Monetary Policy, which resulted in a reduction in the propensity to import.

Imports on account of foreign assistance, which in the past years recorded substantial increases, during the reporting year declined by 7.9%. This decline was primarily registered on project aid imports, down from \$ 4,266 million to \$ 3,863 million, following the rephasing of several large government projects.

In terms of economic category, in the reporting year, the composition of imports remained unchanged (Table 7.8). Similar to the past two years, imports of raw materials and auxiliary goods ranked first (44.4%), followed by capital goods (41.4%) and consumer goods (14.2%).

By country of origin, the largest share of Indonesia's imports came from Asian countries (58.0%), while American and European countries ranked second and third, respectively, at 19.3% and 18.7%. Among industrial countries, Japan still occupied first place (24.2%), followed by the United States (17.0%), and the Federal Republic of Germany (4.7%). The share of imports from ASEAN countries rose from 20.0% to 22.2% in the reporting year. Among ASEAN countries, Singapore ranked first (91.1%) and the remainder came from Thailand (4.1%), the Philippines (3.3%) and Malaysia (1 .5%).

2.2. Services account

Unlike the preceding year, the deficit of services account resumed to register an increase, from \$ 7,215 million to \$ 7,663 million (Table 7.9). This increase was due to higher net outflows of investment income and non-freight services. The

TABLE 7.9
SERVICE PAYMENTS (NET)
(millions of dollars)

Items	1979/80	1980/81	1981/82	1982/83	1983/84
1. Freight on imports	<u>1,246</u>	<u>1,645</u>	<u>2,058</u>	<u>2,129</u>	<u>1,880</u>
a. Oil	259	356	480	422	328
b. LNG	9	13	12	14	21
c. Non-oil and non-LNG	978	1,276	1,566	1,693	1,531
2. Other transportation	<u>332</u>	<u>360</u>	<u>414</u>	<u>250</u>	<u>285</u>
a. Oil	186	179	169	11	59
b. LNG	---	---	---	---	---
c. Non-oil and non-LNG	146	181	245	239	226
3. Investment income	<u>2,678</u>	<u>2,943</u>	<u>2,996</u>	<u>3,070</u>	<u>3,872</u>
a. Oil	1,441	1,448	1,870	1,472	1,973
b. LNG	154	497	613	625	466
c. Non-oil and non-LNG	1,083	998	513	973	1,433
4. Others	<u>1,335</u>	<u>1,564</u>	<u>2,405</u>	<u>1,766</u>	<u>1,626</u>
a. Oil	215	302	785	367	401
b. LNG	429	221	218	302	341
c. Non-oil and non-LNG	691	1,041	1,402	1,097	884
5. Total (A+B+C+D)	<u>5,591</u>	<u>6,512</u>	<u>7,873</u>	<u>7,215</u>	<u>7,663</u>
a. Oil	2,101	2,285	3,304	2,272	2,761
b. LNG	592	731	843	941	828
c. Non-oil and non-LNG	2,898	3,496	3,726	4,002	4,074

higher net outflows of investment income was closely associated with the increase in interest payments of foreign debts of the Government, by 20.0% to \$ 1,178 million, while inflows arising from interest earnings on foreign exchange holdings of Bank Indonesia as well as foreign exchange banks recorded declines, by 28.4% to \$ 298 million and by 13.1% to \$ 319 million, respectively. On the other hand, freight on imports declined by 11.7% to \$ 1,880 million caused by the smaller oil and non-oil import bills. It is worth noting that expenditures on overseas travel declined by 9.3% to \$ 510 million, while receipts from foreign tourists rose remarkably, by 32.8% to \$ 417 million.

3. Capital movements of the non-monetary sector

In the reporting year, net inflows of the non-monetary sector rose from \$ 5,880 million to \$ 5,974 million. The surplus in the government capital account registered an increase, while that of the private capital account declined.

3.1. Official capital movements

During 1983/84, inflows of official capital amounted to \$ 5,793 million while amortization reached \$ 1,010 million, thus bringing forth the overall surplus in the capital account to \$ 4,783 million.

3.1.a. Loans and aids

Official capital inflows in the form of financial assistance received by the Government under the IGGI rose by 46.5% to \$ 4,255 million. By contrast, financial assistance under the non-IGGI declined by 27% to \$ 1,538 million. However, the overall official capital inflows still experienced an increase i.e. 15.6%. In terms of credits, the largest increase of the above inflows were borrowings under ODA terms, by 34.3% to \$ 2,097 million. Borrowings under non-ODA terms only rose by 7.2% to \$ 3,696 million. It may be added that as in the preceding year, the largest portion of IGGI borrowings comprised project aid (98.6%) and the balance, program aid. The above official capital inflows included grants (\$ 113 million) as well as placement of government bonds in Japanese yen, the Netherlands guilder and Deutsche mark (totaling \$ 118 million) and floating rates notes (\$ 250 million).

3.1.b. Debt repayments

Principal repayments of Government's foreign

borrowings during 1983/84, amounted to \$ 1,010 million, consisting of ODA borrowings \$ 292 million, non-ODA lendings \$ 630 million and pre-July 1966 borrowings (old debts) \$ 88 million. It may be added that the payments of interest on these borrowings rose by 20.0% reaching \$ 1,178 million. The percentage of amortization and interest payments of foreign debts in proportion to net export earnings, the debt service ratio, stood at 17.2%.

3.1.c. Disbursed and still outstanding external borrowings

At end of March 1984, the amount of disbursed and still outstanding debts amounted to \$ 22,772 million, consisting of \$ 1,429 million of old government debts, \$ 19,674 million of new government loans and \$ 1,669 million of borrowings by state enterprises (Table 7.11).

By source of financing, the largest portion of new government borrowings (66.1 %) originated from IGGI and the remainder (33.9%) from non-IGGI sources. IGGI debts comprised bilat-

TABLE 7.10
GOVERNMENT FOREIGN DEBTS
(millions of dollars)

Particulars	1979/80	1980/81	1981/82	1982/83	1983/84
1. IGGI	<u>2,237</u>	<u>2,406</u>	<u>2,415</u>	<u>2,905</u>	<u>4,255</u>
a. ODA	1,345	1,417	1,046	1,377	1,986
-- Program aid	(239)	(118)	(50)	(21)	(84)
-- Project aid	(1,106)	(1,299)	(996)	(1,356)	(1,902)
b. Non - ODA	892	989	1,369	1,528	2,269
2. Non-IGGI (project aid)	<u>453</u>	<u>278</u>	<u>1,106</u>	<u>2,106</u>	<u>1,538</u>
a. ODA	163	130	168	185	111
b. Non - ODA	290	148	938	1,921	1,427
Total	<u>2,690</u>	<u>2,684</u>	<u>3,521</u>	<u>5,011</u>	<u>5,793</u>

eral (73.7%) and multilateral (26.3%), of which the latter consisted of among others, borrowing from IBRD, IDA, ADB and International Funds for Agricultural Development (I FAD). The largest portion of the nonIGGI borrowings (81.8%) came from banks and other financial institutions, while the remainder (18.2%) from bilateral sources.

By terms of credits, IGGI loans under ODA terms amounted to \$ 8,456 million (including program aid \$ 2,197 million) and non-ODA terms \$ 4,554 million. With respect to non-IGGI borrowings, \$ 1,212 million were on ODA terms and \$ 5,452 million on non-ODA terms. Therefore, of the overall new government debts, an amount of \$ 9,668 million were on ODA terms and \$ 10,006 million on non-ODA terms. It may be stated that the largest portion of these new debts were used to finance development projects.

Borrowings by state-owned enterprises consisted of commercial loans of PT Pertamina and PT Garuda Indonesian Airways.

3.2. Private capital movements

In the reporting year, the surplus of private capital inflows declined by 33.7% to \$ 1,191 million. Lower net capital inflows were recorded in government and private enterprises as well as foreign capital investments. The net capital inflows of the government and private enterprises, went down by 32.8% to \$ 998 million. This downward trend primarily occurred in the capital inflows of Pertamina, from \$ 937 million to \$ 337 million. Regarding foreign capital investments, the net inflows declined from \$ 311 million to \$ 193 million.

4. Monetary movements

As the result of the improvement in the

overall balance of payments, the official foreign exchange reserves during the reporting year augmented again (Table 7.1). Net official foreign exchange reserves, which at end of 1982/83 amounted to \$ 3,074 million or just enough to finance about 2.3 month non-oil imports, at the end of the reporting year went up to \$ 5,144 million or equivalent to 4.3 month non-oil imports.

It should be added that the above reserves excluded foreign exchange holdings of foreign exchange banks, which rose by 13.7% to \$ 3,772 million at end of the reporting year.

TABLE 7.11
OUTSTANDING EXTERNAL DEBTS AT THE
END OF MARCH 1984
(millions of dollars)

Particulars	Position
I. Government debts	21,103
1. Old debts 1)	1,429
2. New debts	19,674
a. IGGI2)	13,010
- ODA3)	(8,456)
- Program aid	2,197
- Project aid	6,259
- Non -ODA4)	(4,554)
b. Non-IGGI	6,664
- ODA	(1,212)
- Non -ODA	(5,452)
II. Debts of State Enterprises	1,669
Total	22,772

- 1) Old debts are those obtained prior to July 1966.
- 2) IGGI borrowings are those obtained under commitment in the IGGI meeting.
- 3) Official Development Assistance (ODA) are loans provided by foreign governments (bilateral) and international agencies (multilateral) to the Government of Indonesia. The terms for the above mentioned bilateral and multilateral loans may be concessionary as well as nonconcessionary.
- 4) Non-ODA borrowings are those mostly obtained bilaterally from foreign banks and creditors on commercial terms.

5. Exchange rate development

As mentioned earlier, Indonesia operated a managed floating exchange rate mechanism within a free foreign exchange system. Consequently, the rate of the rupiah against foreign currencies would be affected by developments in the international money markets, particularly currencies of Indonesia's main trading partners.

In the reporting year, currencies of some of Indonesia's main trading partners appreciated in the international money markets, bringing forth a depreciation of the rupiah against such currencies, among others, by 2.7% against the US dollar, 1.8% against the British pound sterling, 9.3% against Japanese yen and 13.7% against Australian dollar. On the other hand, currencies of some other main trading partners depreciated, hence the rate of rupiah against those currencies appreciated, inter alia, by 4.4% against the Netherlands guilder, 6.5% against French franc and 4.0% against Deutsche mark.

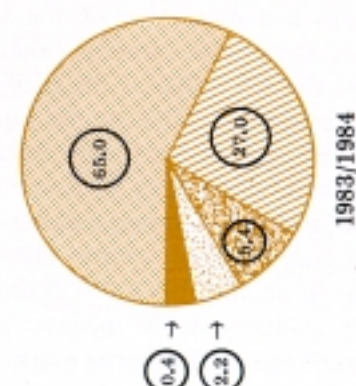
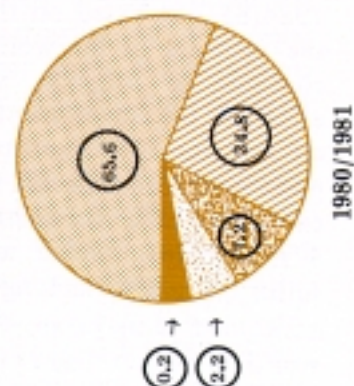
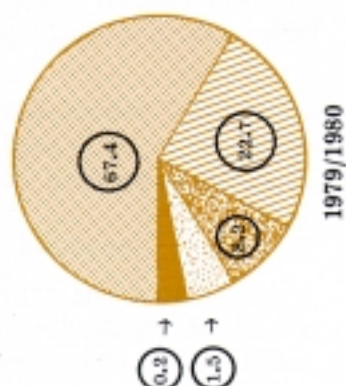
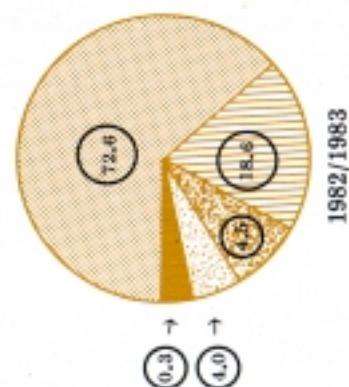
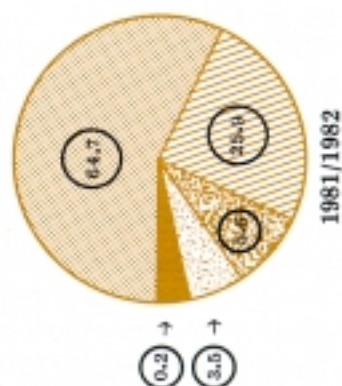
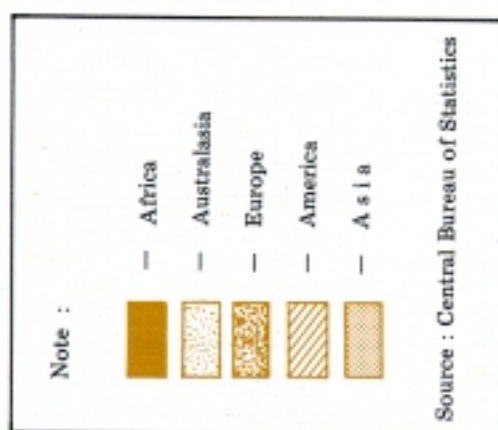
C. Indonesia's Balance of Payments Prospects for 1984/1985

After experiencing a remarkable improvement in the reporting year, the balance of payments in 1984/85 would be expected to improve again. This is based on the anticipation that non-oil and non-LNG export earnings will increase, while imports and services will increase slightly.

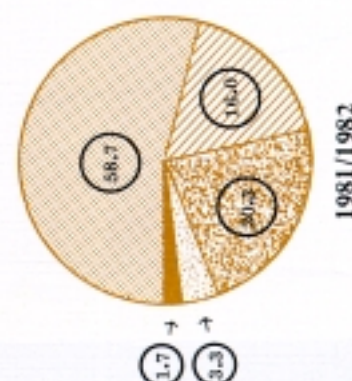
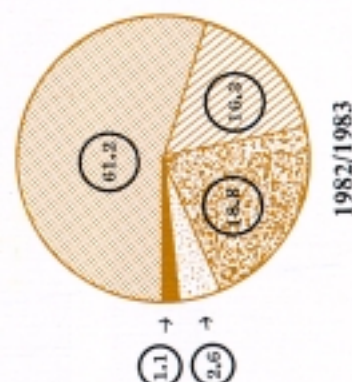
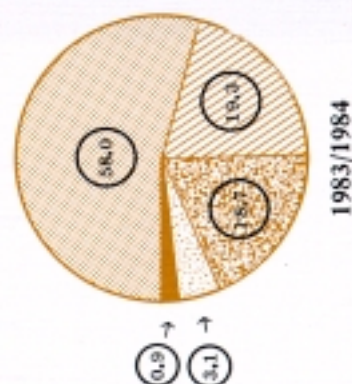
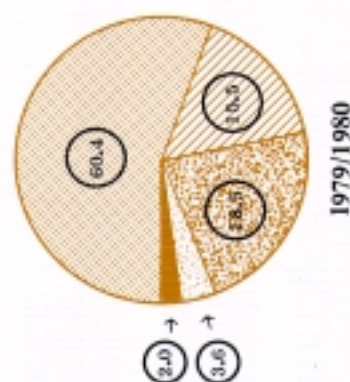
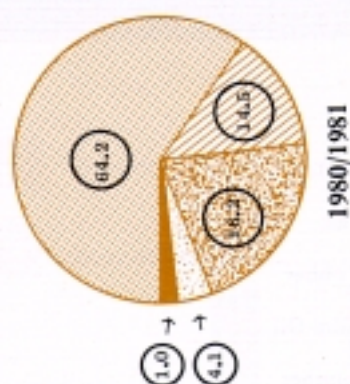
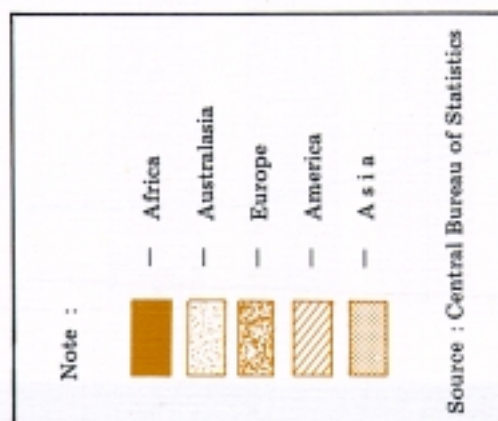
The expected rise of non-oil exports in 1984/85 was based on the assumption that the recovery of the world economy would continue to progress, supported by the efforts of the Government to encourage nonoil and non-LNG exports. Higher LNG exports would be expected to occur due to the expanded LNG production capacity (with 4 new trains), which was constructed to fulfill the additional long-term sales contract concluded with Japan. On the other hand, world oil market might not improve.

Based on these assumption, in 1984/85 the deficit in the current account would be expected to decline and the overall balance of payments would continue to show a surplus.

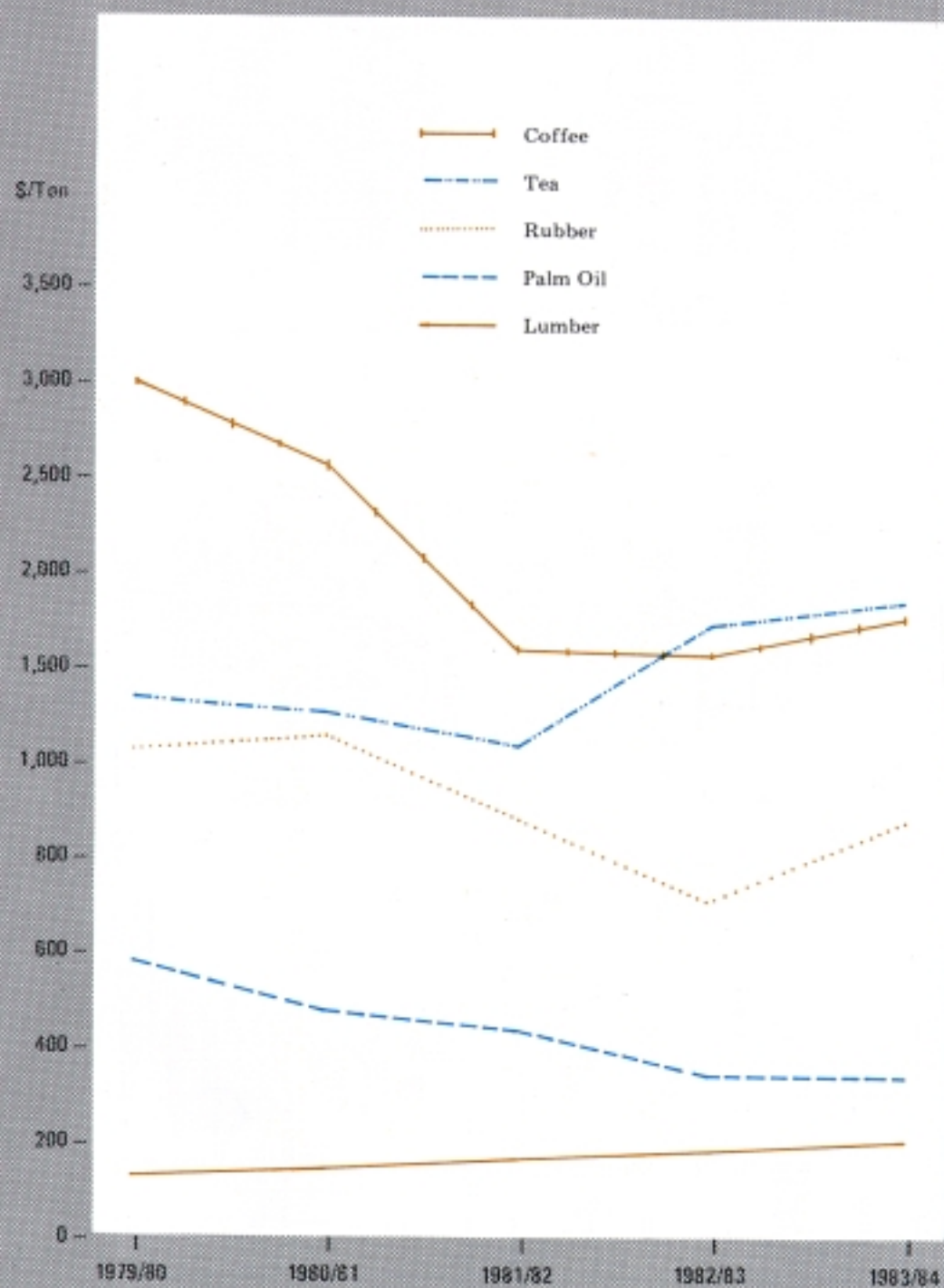
EXPORTS BY COUNTRY OF DESTINATION



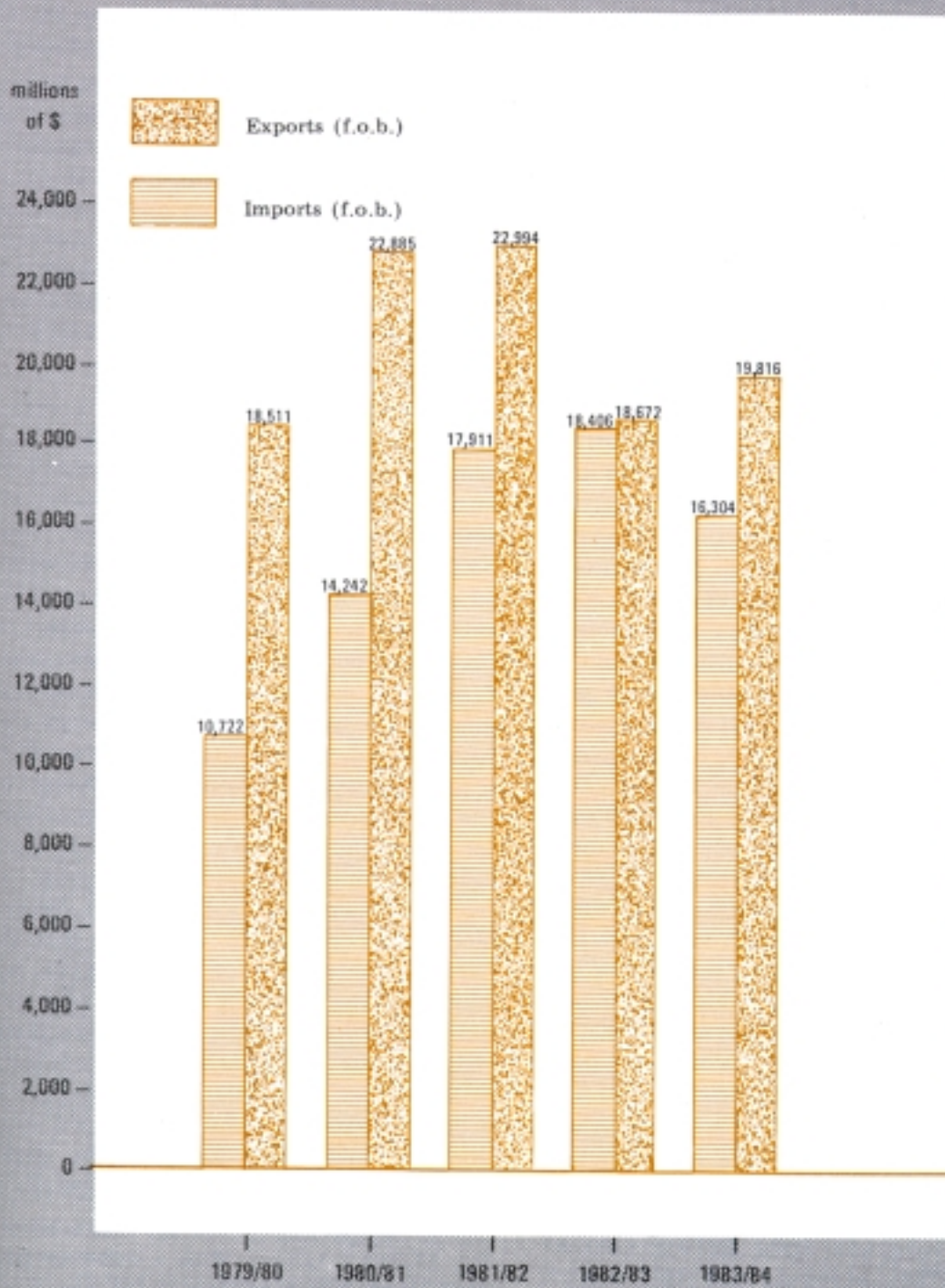
IMPORTS BY COUNTRY OF ORIGIN



UNIT PRICES OF SELECTED EXPORT COMMODITIES



FOREIGN TRADE



VIII. PRODUCTION INFRASTRUCTURE AND PRICES

A. National Product

The growth of the Indonesian economy in terms of real gross domestic product GDP¹⁾ in 1983 was 4.2% after experiencing the lowest growth rate during the past decade at 2.2% in 1982. This improvement was mainly attributable to better production performance of the agricultural, wholesale and retail trade, and industrial sectors. Taking into account the annual population growth rate of 2.2%, real per capita GDP during 1983 grew approximately by 2.0%.

The annual average growth rate, during the Third Five Year Development Plan (Pelita III) was 6.10%, compared with 8.36% and 7.22% during Pelita I and Pelita II, respectively. During Pelita I II, except for the agricultural sector, all sectors registered lower production growth rates than targeted. The high rate of growth of the agricultural sector was closely related to the relatively high production increases of food crops, especially rice and secondary crops, reflecting the result of better implementation of the intensification and extensification programs. In 1983, value added of the agricultural sector rose by 4.8% after experiencing a lower growth rate of 2.1% in the preceding year. The higher increase was associated with the efforts carried out by the Government through guidance and extension services, supported by favorable weather conditions. Those recording high growth rates were rice and corns under foodcrops, rubber, tea and coffee under plantation crops and timber. Value added in wholesale and retail trade, up by 3.8%, was largely due to higher growth rates of other sectors. Industrial sector also experienced an increase of 2.2% which was associated with the increase in production of cement, plywood, fertilizer, textiles, paper, sponge iron, and reinforcing steel bar.

It is worth noting that value-added of the mining sector in 1983 increased by 1.8%, after experiencing a sharp decline of 12.1% in the preceding year. This reversal was mainly attributable to the increase in oil, natural gas, coal and bauxite production.

Based on current prices, the contribution of the agricultural sector to GDP, although remaining the dominant sector, declined from 29.5% at end of Pelita III to 26.4% at the end of Pelita II. The contribution of other major sectors indicated an increase, namely, manufacturing from 10.6% to 12.5%, mining from 19.2% to 19.4% and wholesale and retail trade from 15.2% to 15.3%.

From the expenditure side at constant 1973 prices, private and government consumption rose by 6.3% compared with 4.0% in the preceding year. Gross domestic investment showed a sharp decline, from 13.0% to 7.8%, which inter alia was associated with the decrease of domestic production and imports of capital goods. After experiencing declines in the past few years, exports of goods and non-factor services grew by 6.3%, largely due to better performance of non-oil exports as a result of several adjustment measures undertaken by the Government. Although imports of capital goods and raw materials both declined, aggregate imports of goods and services rose by 12.3% compared with 8.2% in the previous year. It should be noted that the decrease in imports of capital goods was caused by the rephasing of several large government projects, while that of raw materials was due to higher use of domestically produced raw materials. By contribution to economic growth, consumption and gross domestic investment occupied the largest share, being 6.4% and 2.3%, respectively.

GDP at current prices for 1983 totaled Rp 71,214.7 billion. With a mid-year population of 156.4

1) At 1973 prices.

million, GDP per capita rose by 17.3% to Rp 455,336.96 or equivalent to \$ 500.00 (\$ 1.00 = Rp910.90).²⁾ Accordingly, based on World Bank criteria, Indonesia maintained its position as a middle income country.

B. Price Development

Price development during the reporting year, as measured by the consumer price index (CPI) of 17 cities, showed an increase of 12.63% compared with 8.40% in the preceding year (Table 8.5). This development was closely related to the devaluation of the rupiah on March 30, 1983 and the price increase of the domestic fuel oils on January 12, 1984. Nevertheless, this level of inflation was still lower than those prevailing in most other developing countries.

The average rate of inflation during Pelita I, II and III showed a downward movement, from 17.48% to 14.77% and 13.16%, respectively. This price development, accompanied by increases in national income per capita, reflected the success of the Government policies in controlling the price level.

Food component, the largest share in the rate of inflation (48%) recorded the highest increase, up by 15.26%. Besides food, significant price increases were also registered in housing and miscellaneous components, by 14.50% and 8.81 %, respectively, while clothing rose only by 5.02%.

Prices of all commodities under the food component registered increases, especially fats and oils and cereals including its products sub-components. The share of these two sub-components in the price determination of the food component were, 69.30% and 5.40% respectively. The high increase in the fat and oil sub-component was mainly caused by higher prices of cooking oil

due to the lower production of coconut although output of palm oil was up. Higher world market prices of copra, resulting from the fall in coconut output of the Philippines, the largest copra producer, also boosted the price of cooking oil. The relatively high price increase of cereals and cassava was mainly attributable to higher prices of rice. This development was closely related to the government policy, which raised the floor purchase prices of unhusked and husked rice by 13.8% and 13.4%, respectively, effective as from February 1984.

The rise in prices of housing and miscellaneous goods and services components was mainly caused by the pricing policy on domestic fuel oils, which on average was raised by 36.9%. Following this pricing policy, household expenditures on kerosin and premium rose by 50.0% and 9.4%, respectively. Furthermore, the increase in transportation fare ranged between 1 % to 66% while rate for electricity rose by 30%, resulting in price increases of manufactured products, such as cement, between 5.3% and 18.6%.

The increase in clothing component was insignificant although production cost was up following the pricing policy on fuel oils and transportation services. Demand for clothing, especially textiles, was sluggish since the past several years. This situation was reflected by the continually increasing textile inventories.

The average monthly price development during the reporting year showed an increase of 1.05%. The highest rate of increase was recorded in January and February 1984 at 3.42% and 1.66%, respectively, as a result of the pricing policy on fuel oils and transportation services. Relatively high price increases occurred also in April 1983 (2.43%) and in June 1983 (1.58%), of which the former was closely related with the rupiah devaluation (by 27.6%) in March 1983 and the latter to higher demand on consumer goods on the eve of Idul Fitri celebration.

2) Daily average of the middle conversion rate at Bank Indonesia.

TABLE 8.1
GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(billions of rupiah)

Sector	1979	1980	1981	1982*	1983*
I. At 1973 constant market prices					
-- Agriculture, forestry and fishery	3,255	3,425	3,593	3,670	3,846
-- Farm food crops	(1,909)	(2,073)	(2,261)	(2,295)	(2,413)
-- Others	(1,346)	(1,352)	(1,332)	(1,375)	(1,433)
-- Mining and quarrying	1,047	1,035	1,069	940	957
-- Manufacturing	1,395	1,705	1,878	1,901	1,943
-- Electricity, gas and water supply	69	78	90	105	113
-- Construction	563	639	720	758	804
-- Wholesale and retail trade	1,681	1,852	2,043	2,159	2,240
-- Transport and communication	560	609	677	717	752
-- Banking and other financial intermediaries	180	208	231	258	276
-- Ownership of dwelling	306	336	359	377	401
-- Public administration and defence	805	972	1,076	1,114	1,176
-- Services	304	311	319	326	334
-- Gross Domestic Product	10,165	11,169	12,055	12,325	12,842
II. At current market prices					
-- Agriculture, forestry and fishery	8,996	11,290	13,642	15,668	18,771
-- Farm food crops	(4,892)	(6,358)	(8,102)	(9,961)	(12,381)
-- Others	(4,104)	(4,932)	(5,540)	(5,707)	(6,390)
-- Mining and quarrying	6,980	11,673	12,971	11,708	13,824
-- Manufacturing	3,310	5,288	5,822	7,681	8,918
-- Electricity, gas and water supply	149	225	288	380	503
-- Construction	1,790	2,524	3,118	3,507	4,434
-- Wholesale and retail trade	4,775	6,391	7,966	8,865	10,875
-- Transport and communication	1,421	1,965	2,353	2,795	3,325
-- Banking and other financial intermediaries	655	752	1,404	1,604	1,841
-- Ownership of dwelling	914	1,200	1,439	1,703	1,962
-- Public administration and defence	2,200	3,142	3,905	4,429	5,225
-- Services	835	996	1,119	1,293	1,538
-- Gross Domestic Product	32,025	45,446	54,027	59,633	71,215

Source : Central Bureau of Statistics.

TABLE 8.2
PERCENTAGE DISTRIBUTION OF GROSS DOMESTIC PRODUCT
BY INDUSTRIAL CLASSIFICATION

Sector	1979	1980	1981	1982*	1983*
I. At 1973 constant market prices					
– Agriculture, forestry and fishery	32.03	30.66	29.81	29.78	29.94
– Farm food crops	(18.78)	(18.56)	(18.76)	(18.62)	(18.78)
– Others	(13.25)	(12.10)	(11.05)	(11.16)	(11.16)
– Mining and quarrying	10.30	9.26	8.87	7.63	7.45
– Manufacturing	13.73	15.26	15.58	15.42	15.13
– Electricity, gas and water supply	0.67	0.70	0.75	0.85	0.88
– Construction	5.54	5.72	5.97	6.15	6.27
– Wholesale and retail trade	16.54	16.58	16.94	17.51	17.44
– Transport and communication	5.51	5.46	5.62	5.82	5.86
– Banking and other financial intermediaries	1.76	1.86	1.92	2.09	2.15
– Ownership of dwelling	3.01	3.01	2.98	3.06	3.12
– Public administration and defence	7.92	8.70	8.92	9.04	9.16
– Services	2.99	2.79	2.64	2.65	2.60
– Gross Domestic Product	100.00	100.00	100.00	100.00	100.00
II. At current market prices					
– Agriculture, forestry and fishery	28.09	24.84	25.25	26.27	26.36
– Farm food crops	(15.28)	(13.99)	(14.99)	(16.70)	(17.39)
– Others	(12.81)	(10.85)	(10.26)	(9.57)	(8.97)
– Mining and quarrying	21.79	25.68	24.01	19.63	19.41
– Manufacturing	10.34	11.64	10.78	12.88	12.52
– Electricity, gas and water supply	0.46	0.50	0.53	0.64	0.71
– Construction	5.59	5.55	5.77	5.88	6.23
– Wholesale and retail trade	14.91	14.06	14.74	14.87	15.27
– Transport and communication	4.44	4.32	4.36	4.69	4.67
– Banking and other financial intermediaries	2.05	1.66	2.60	2.69	2.58
– Ownership of dwelling	2.85	2.64	2.66	2.86	2.75
– Public administration and defence	6.87	6.92	7.23	7.43	7.34
– Services	2.61	2.19	2.07	2.17	2.16
– Gross Domestic Product	100.00	100.00	100.00	100.00	100.00

Source : Central Bureau of Statistics.

TABLE 8.3
EXPENDITURES ON GROSS DOMESTIC PRODUCT
(billions of rupiah)

Sector	1979	1980	1981	1982*	1983*
I. At 1973 constant market prices					
— Private consumption ¹⁾	7,866	8,867	10,350	10,697	11,501
— Government consumption	1,345	1,490	1,641	1,776	1,759
— Gross domestic capital formation	2,436	2,896	3,219	3,637	3,921
— Export of goods and non-factor services	1,822	1,719	1,678	1,444	1,535
Less :					
Import of goods and non-factor services	3,304	3,803	4,833	5,229	5,874
— Gross Domestic Product	10,165	11,169	12,055	12,325	12,842
— Net factor income from abroad	-- 649	-- 759	-- 674	-- 652	-- 835
— Gross National Product	9,516	10,410	11,381	11,673	12,007
Less :					
Net indirect taxes	496	544	588	601	626
Less :					
Depreciation	663	728	786	804	837
— National Income	8,357	9,138	10,007	10,268	10,544
II. At current market prices					
— Private consumption ¹⁾	19,514	27,503	35,560	41,670	49,231
— Government consumption	3,733	4,688	5,788	6,832	7,791
— Gross domestic capital formation	6,704	9,485	11,553	13,467	17,188
— Export of goods and non-factor services	9,629	13,850	14,928	13,345	17,733
Less :					
Import of goods and non-factor services	7,555	10,080	13,802	15,682	20,728
— Gross Domestic Product	32,025	45,446	54,027	59,633	71,215
— Net factor income from abroad	-- 1,484	-- 2,011	-- 1,925	-- 1,958	-- 3,036
— Gross National Product	30,541	43,435	52,102	57,675	68,179
Less :					
Net Indirect taxes	1,305	1,635	1,752	2,132	2,281
Less :					
Depreciation	2,089	2,962	3,512	3,876	4,629
— National income	27,147	38,838	46,838	51,667	61,269

1) Residual.

Source : Central Bureau of Statistics.

TABLE 8.4
PERCENTAGE DISTRIBUTION OF EXPENDITURE
ON GROSS DOMESTIC PRODUCT

Sector	1979	1980	1981	1982*	1983*
I. At 1973 constant market prices					
— Private consumption ¹⁾	77.38	79.39	85.86	86.79	89.56
— Government consumption	13.23	13.34	13.61	14.41	13.70
— Gross domestic capital formation	23.97	25.93	26.70	29.51	30.53
— Export of goods and non-factor services	17.92	15.39	13.92	11.72	11.95
Less :					
Import of goods and non-factor services	32.50	34.05	40.09	42.43	45.74
— Gross Domestic Product	100.00	100.00	100.00	100.00	100.00
Less :					
Net factor income from abroad	— 6.38	— 6.79	— 5.59	— 5.29	— 6.50
— Gross National Product	93.62	93.21	94.41	94.71	93.50
Less :					
Net indirect taxes	4.88	4.87	4.88	4.88	4.87
Less :					
Depreciation	6.52	6.51	6.52	6.52	6.52
— National income	82.22	81.83	83.01	83.31	82.11
II. At current market prices					
— Private consumption ¹⁾	60.93	60.52	65.82	69.88	69.13
— Government consumption	11.66	10.32	10.71	11.46	10.94
— Gross domestic capital formation	20.93	20.87	21.39	22.58	24.14
— Export of goods and non-factor services	30.07	30.47	27.63	22.38	24.90
Less :					
Import of goods and non-factor services	23.59	22.18	25.55	26.30	29.11
— Gross Domestic Product	100.00	100.00	100.00	100.00	100.00
Less :					
Net factor income from abroad	— 4.63	— 4.42	— 3.56	— 3.28	— 4.26
— Gross National Product	95.37	95.58	96.44	96.72	95.74
Less :					
Net indirect taxes	4.07	3.60	3.24	3.58	3.20
Less :					
Depreciation	6.52	6.51	6.50	6.50	6.50
— National income	84.78	85.47	86.70	86.64	86.04

1) Residual.

Source : Central Bureau of Statistics.

TABLE 8.5
CONSUMER PRICE INDEX FOR INDONESIA (COMPOSITE OF 17 CITIES)
(April 1977 through March 1978 = 100)

Period	Foodstuffs	Housing	Clothing	Miscella- neous	General index	Change in the general index (%)	
						Annually/ quarterly ¹⁾	Monthly
1981/82							
March	183.38	200.12	200.27	183.90	189.63		
1982/83						+ 8.40	
June	183.42	202.01	202.03	184.93	190.49	+ 0.45	
September	186.29	204.96	204.48	187.13	193.41	+ 1.53	
December	192.72	209.76	205.02	189.32	197.85	+ 2.29	
March	189.70	228.76	204.60	210.57	205.99	+ 4.13	
1983/84						+ 12.63	
April	194.84	233.23	207.81	216.56	210.99		+ 2.43
May	197.82	234.38	209.21	216.95	212.83		+ 0.87
June	205.03	234.86	210.18	217.18	216.19	+ 4.88	+ 1.58
July	208.17	235.35	212.12	217.69	217.88		+ 0.78
August	207.22	235.36	212.42	219.38	217.83		— 0.02
September	210.48	236.45	212.96	219.51	219.61	+ 1.58	+ 0.82
October	209.72	237.09	213.24	220.10	219.59		— 0.01
November	209.73	238.02	213.71	221.44	220.20		+ 0.28
December	212.70	238.08	214.04	221.54	221.53	+ 0.87	+ 0.60
January	219.77	250.63	214.49	227.17	229.11		+ 3.42
February	222.63	259.91	214.90	227.72	232.91		+ 1.66
March	220.54	263.88	215.14	229.77	233.42	+ 5.30	+ 0.22

1) Annual/quarterly change of the CPI is calculated on a cumulative basis as a summation of the monthly percentage changes.

Source : Central Bureau of Statistics.

It may be noted that there were also price declines occurring in August (0.02%) and October (0.01%), 1983. The price decline in August 1983 was caused by the weakening demand for consumer goods after the Idul Fitri celebration subsidied, while that of October 1983 was caused by the lower prices of cement and rice.

During the reporting year, price developments as measured by the wholesale price index rose by 27.19% compared with 7.02% in the preceding year. The highest rate of increase was recorded in the indices of export commodities which rose by

43.18%. The wholesale price index of import commodities was up by 25.37%, agriculture commodities by 17.45%, industrial goods by 16.09% and mining products by 12.01 %.

The high increase in the domestic prices of export commodities were mainly due to brisker world demand for rubber, coffee and tea. The international prices for rubber RSS I, Robusta coffee and BOP tea rose by 24.9% to \$ 0.56 per lb, 30.1 % to Sin \$ 4.11 per kg and 69.4% to £1.67 per kg, respectively (Table 8.7). In line with this development, the market prices in Jakarta for rub-

TABLE 8.6
PRICES OF SELECTED EXPORT COMMODITIES
IN THE DOMESTIC MARKET (JAKARTA)
(rupiah per kg)

Period	Rubber RSS—1	Coffee robusta	Tea BOP
1982/83			
April	506.22	760.00	675.00
May	503.09	750.00	675.00
June	489.76	750.00	675.00
July	475.65	775.00	675.00
August	475.27	645.00	700.00
September	483.19	645.00	700.00
October	494.40	675.00	800.00
November	606.06	675.00	825.00
December	571.24	795.00	825.00
January	509.25	975.00	825.00
February	578.50	975.00	825.00
March	701.09	1,025.00	825.00
1983/84			
April	1,019.15	1,150.00	925.00
May	927.94	1,145.00	950.00
June	1,041.64	1,200.00	950.00
July	1,042.68	1,235.00	950.00
August	1,032.55	1,245.00	1,000.00
September	989.27	1,025.00	1,050.00
October	992.74	1,150.00	1,050.00
November	1,013.90	1,250.00	1,100.00
December	1,103.43	1,250.00	1,500.00
January	1,062.49	1,275.00	1,750.00
February	1,050.91	1,250.00	2,000.00
March	1,006.25	1,275.00	2,000.00

Source : Central Bureau of Statistics.

ber RSS I, Robusta coffee, and BOP tea on the average rose by 92.1 % to Rp 1,023.58, 53.0% to Rp 1,204.17 and 68.7% to Rp 1,268.75 per kg, respectively (Table 8.6).

C. Population

Indonesia faced two major problems involving population, namely the high growth rate and over concentration of population in Jawa island. Furthermore, there was an imbalance in the age structure of the population, of which 60% was

under 24 years of age (Population Census of 1980).

The large size of population with a relatively high growth rate caused a higher increase in the labor force than the creation of employment opportunity resulting in unemployment problems. Furthermore, the labor force was mostly inexperienced, and unskilled.

As a program under population policy, transmigration was directed to solve the imbalance of population dispersion and man-

TABLE 8.7
PRICE OF SELECTED EXPORT COMMODITIES
IN THE WORLD MARKET

Period	Rubber RSS--1 New York (US\$ cent/lb)	Coffee Robusta Singapore (Sin \$/100 kg)	Tea BOP London (pence/kg)
1982/83			
April	45.75	337.50	...
May	45.25	332.50	78
June	43.75	335.00	...
July	43.00	335.00	81
August	43.50	312.50	...
September	43.00	302.50	...
October	43.87	312.50	...
November	41.75	312.50	80
December	41.50	322.50	80
January	42.50	302.50	125
February	51.25	292.50	122
March	54.75	292.50	125
1983/84			
April	57.00	332.50	124
May	54.00	332.50	117
June	56.37	332.50	111
July	57.75	342.50	119
August	56.50	362.50	130
September	54.75	362.50	136
October	55.62	437.50	155
November	56.50	477.50	223
December	56.25	487.50	220
January	58.00	487.50	232
February *	57.25	487.50	220
March *	54.25	487.50	220

power distribution. During the reporting year, this program continued to be pursued and enhanced.

Besides the above program, efforts to solve the population problems were carried out through "the family planning program", intended to reduce the growth rate of the population. During the reporting year this program continued to be expanded anti intensified, involving all community levels including those living in new settlement areas.

1. Labor force

During the reporting year, the Government continued to place special attention to promote the expansion of employment opportunities through a more even distribution of economic activities in all sectors and regions. In addition, efforts were enhanced to utilize labor force more efficiently and effectively. In this connection, the Government continued to pursue integrated programs involving state and private institutions to maximize the creation of employment opportunities.

The improvement of the productivity of the labor force, especially young workers in urban areas, was carried out through professional trainings. Efforts to distribute and utilize the labor force more evenly and effectively were executed through inter-local work program (AKL), inter-regional work program (AKAD) and international work program (AKAN).

Based on the 1980 Population Census, the Indonesian population in 1983 was estimated around 158.1 million or an increase of 2.2% over the previous year. Consequently, the labor force rose from 62.6 million reaching 63.5 million or 40.2% of the population in 1983. This high growth rate of the labor force could not be wholly absorbed by the creation of employment opportunities. Furthermore, the quality of the labor force was still low because of the generally low level of education (Table 8.10 and Table 8.11).

As shown in Table 8.8, the number of employment opportunities indicated an increase, reaching 55.37 million in 1983. The highest growth rates of employment creation were by the industrial and construction sectors. Although the growth rate of the agricultural sector was significantly lower than the average, its share remained the highest, i.e. 54.6% (30.2 million) of total employment opportunities.

The regulation on wages were directed towards achieving a standard so that the minimum wages would suffice the subsistent level and a more equitable spreading among comparable occupations in all activities. As shown in Table 8.9, the growth rate of the minimum (13.5%) and the maximum (10.8%) wages both exceeded that of the consumer price index (9.01%).

TABLE 8,8
GROWTH RATE AND NUMBER OF
EMPLOYMENT OPPORTUNITIES IN 1983

Economic Sectpr	Employment opportunities		
	Growth rate (%)	Number thousand (people)	Percentage share (%)
Agriculture	1.3	30,312	54.6
Mining	2.6	331	0.6
Manufacturing	3.5	5,147	9.3
Construction	3.7	1,924	3.5
Transportation	2.1	1,640	2.9
Others	2.9	16,119	29.1
Total	2,1	55,373	100.0

Source : - National Development Planning Board.
- Department of Manpower.
- Central Bureau of Statistics.

Transmigration

The policy on transmigration was directed towards achieving a more even distribution of the population and labor force by opening new and enlarging production areas. To reach that objective, during Pelita III the Government policy on transmigration was focused on the number as well as the skills of the population .being moved.

During Pelita III the number of family targeted for transmigration was set at 500 thousand. Until the end of the reporting year, 535,474 families were transmigrated, or higher than targeted. Of the above number, 169,497 transmigrated spontaneously (on their own initiatives). During the reporting year 76,298 families were transmigrated, including 14,867 spontaneous transmigrants (Table 8.12).

In order to accelerate the implementation of transmigration, since 1982 the Department of Manpower and Transmigration and the Department of Agriculture coordinated a program for the development of Small-

TABLE 8.9
AVERAGE MONTHLY WAGE BY ECONOMIC SECTOR
(In units of rupiah)

Sector	Average minimum wage		Average maximum wage	
	1982	1983 ¹⁾	1982	1983 ¹⁾
Plantation	25,191	26,074	249,456	283,071
Mining	68,188	71,894	553,722	717,200
Manufacturing	55,045	64,400	666,704	706,247
Construction	34,125	36,250	505,423	520,068
Electricity	32,609	52,204	345,320	465,520
Trade, bank and insurance	62,474	64,730	526,636	544,205
Transportation	58,194	67,881	522,492	573,099
Services	50,042	54,800	377,955	393,412
Others	32,400	32,400	307,400	307,400

1) January - June 1983.

Source : Department of Manpower.

holder Nucleus Estate (PI R) in transmigration areas. Furthermore, to induce spontaneous transmigration, the development of these PIRs was also linked to spontaneous transmigration, called special **NES (PIR khusus)**. Regions where PIR - khusus were developed included, among others, Riau, Lampung, East Kalimantan, South Kalimantan and West Kalimantan.

In Repelita IV the program on transmigration would be continued and enhanced. This program would be induced by improving the standard of living of the transmigrants. Furthermore, a more intensive information would be spread nation-wide in order to improve the perception of transmigration. During Repelita IV the Government targeted to transmigrate 750 thousand families.

3. Family Planning

The high rate of population growth, which was accompanied by an imbalanced age structure, remained one of the main population problems. In this connection, the Government continued to place a high priority on the family planning program in order to reduce the population growth rate.

Similar to transmigration, the Government tried hard to improve the perception of family planning. Nation-wide information was spread out to promote the motto saying small family would improve the welfare of the community.

In 1983 the program was expanded to reach remote areas throughout the country. Various steps thus far taken were directed to reach the target of reducing the fertility rate by 50% around 1990. It should be noted that the family planning program also incorporated efforts to improve the standard of living, raise life expectancy and lower infants' mortality rate.

To enlarge the scope and to speed up the attainment of the objective of family planning, a Safari family planning program was introduced, involving the provision of information and services on family planning to all levels of the society.

In line with the growth of family planning, family planning clinics continued to increase, reaching 7,064 at end of the reporting year. Furthermore, the members of family planning rose by

TABLE 8.10
LABOR MARKET IN 1983

Particulars	January	February	March	April	May	June	July	August	September	October	November	December	Total
A. Registered work seeking manpower	33,491	28,199	26,960	28,842	37,555	37,398	33,568	80,259	47,688	41,413	45,963	32,750	474,086
B. Vacancies.	15,854	9,739	13,065	9,683	10,175	12,217	9,572	10,191	8,377	9,975	6,651	7,259	126,758
C. Occupied vacancies	13,214	8,354	7,669	12,262	7,106	9,282	7,016	8,086	6,505	5,788	5,181	4,468	94,931
D. % B : A	47.34	34.54	48.45	33.57	27.09	32.67	28.51	12.70	17.57	24.09	14.47	22.16	25.89
E. % C : A	39.45	29.62	28.44	42.51	18.92	24.83	20.90	10.07	13.64	13.98	11.27	13.64	20.02
F. % C : B	83.35	85.78	58.70	126.63	69.84	75.98	73.30	80.13	77.65	58.03	77.90	61.55	77.33

Source : Labor Market News.

TABLE 8.11
NUMBER OF REGISTERED WORK SEEKING PEOPLE BY
EDUCATIONAL LEVEL IN 1983

Educational attainment	January	February	March	April	May	June	July	August	September	October	November	December	Total	%
1. Illiterate and non-certificated primary school	6,549	3,607	5,360	1,713	1,191	699	1,821	3,582	444	2,636	5,933	1,426	34,961	7.37
2. Primary school	5,353	4,484	3,096	3,005	8,134	7,393	4,897	5,945	8,297	4,148	4,004	3,351	62,107	13.10
3. Junior high school	4,375	3,672	3,783	3,520	2,765	2,906	4,015	9,304	4,537	5,012	2,724	3,372	49,928	10.53
4. Senior high school	15,272	14,607	13,188	18,587	24,054	25,091	21,250	57,940	32,971	26,710	30,573	20,683	300,983	63.49
5. University	1,942	1,829	1,533	2,017	1,411	1,309	1,585	3,488	1,439	2,907	2,729	3,918	26,107	5.51
Total	33,491	28,199	26,960	28,842	37,555	37,398	33,568	80,259	47,688	41,413	45,963	32,750	474,086	100.0

Source : Labor Market News.

TABLE 8.12
REALIZATION OF TRANSMIGRATION
(families)

Year	General transmi- gration	Spontaneous transmi- gration	Total
1979/80	22,474	37,298	59,772
1980/81	73,653	34,428	108,081
1981/82	88,066	35,780	123,846
1982/83	120,353	47,124	167,477
1983/84	61,431	14,867	76,298
Total	365,977	169,497	535,474

Source : Supplement to the President's Report to
Parliament, August 16, 1984.

31.1% or 5.25 million, bringing forth a total of 30.28 million at end of Pelita III. The target of membership of the family planning during Repelita IV was set at 24.7 million (Table 8.13).

D. Capital Investment

To encourage domestic capital investment (PMDN) and foreign capital investment (PMA), since the past several years the Government granted incentives, such as tax holiday on new investments and investment allowances for expansion of projects. The degree of facilities was determined on the basis of the scale of priority and published by the Investment Coordinating Board (BKPM) under the so-called investment priority list (DSP)³⁾ During the reporting year BKPM adjusted the DSP, emphasizing more on equitable spreading of investments and providing greater opportunities for the economically weak group. The DSP classified the field of activities into 7 sectors, 18 sub-sectors and 73 programs covering 2,227 fields of activities, of which 2,116 were open and 111 closed for new investments. Out of the 2,116 fields of activities mentioned above, 883 were open for PMDN, of which 381 were also open for PMA.

Since the enactment of the new Income Tax Law on January 1, 1984, PMDN and PMA investments licenced after December 31, 1983 were henceforth not eligible for the above incentives. However, capital investments were still attractive since the aforementioned law provided a significant reduction on the maximum rate of income tax, namely down from 45% to only 35%. Furthermore, some other concessions such as the exemptions from capital stamp duties, import duties and sales tax on certain raw materials and capital goods and tax on registration of vessel remained valid. In 1983 as a result of measures taken by the Government, such as, better service; more effective investment promotion activities and efforts to simplify the process of issuing permits, intended capital investment of PMDN and PMA rose significantly, by 80.1 %.

During the Third Five Year Development Plan (Pelita III), approved intended domestic and foreign investments increased rapidly, by 58.0% annually compared with 2.2% in the preceding Pelita. This sharp increase was attributable to the favorable investment climate, such as, political stability, better infrastructure and simplified procedures for the issuance of permits. The large increase in the intended capital investments occurred mainly in the industrial sector, such as nonmetallic minerals, chemicals, metal products and paper industries. In Repelita IV, capital investment activities were directed towards the development of natural and human resources, metal products and machinery industries.

1. Domestic capital investment

In 1983 the Government approved 407 projects of intended investment amounting to Rp 7,428.2 billion or 89.9% above the value of investment in the preceding year. Large increases were registered in virtually all sectors led by manufacturing at 112.5%, of which paper and nonmetallic industries experienced the highest increase, by 216.4%

3) Presidential Decree No. 34 of 1983.

TABLE 8.13
NUMBER OF HEALTH CLINICS, TARGET AND
REALIZATION OF FAMILY PLANNING PROGRAM

Province	Number of health clinics				1981/82			1982/83			1983/84		
	1981/ 82	1982/ 83	1983/ 84		Target		Realization	Target		Realization	Target		Realization
					Total	%	%	Total	%	%	Total	%	%
1. DKI Jakarta	265	292	353		95,200	181,947	191.1	188,912	234,633	124.2	226,630	338,704	149.4
2. West Java	741	787	854		292,900	596,654	203.7	710,225	1,002,244	141.1	941,116	1,531,175	162.6
3. Central Java	737	747	798		352,400	667,795	189.5	764,930	863,552	112.8	748,957	1,060,060	141.5
4. D.I. Yogyakarta	129	128	138		37,500	53,383	142.4	103,372	52,722	51.0	102,866	56,726	55.1
5. East Java	1,270	1,311	1,443		436,800	528,725	121.1	875,706	622,639	71.1	851,993	856,974	100.1
6. Bali	159	160	168		34,300	46,525	135.6	44,578	50,148	112.4	53,947	51,481	95.4
Total	3,301	3,425	3,754		1,249,100	2,075,029	166.1	2,687,723	2,825,938	105.1	2,925,509	3,895,120	133.1
7. D.I. Aceh	161	169	173		30,000	32,592	108.6	39,684	41,216	103.8	38,526	57,408	148.8
8. North Sumatra	318	371	429		126,200	137,447	108.9	153,786	218,745	142.2	169,048	227,869	134.7
9. West Sumatra	234	237	249		38,100	69,473	182.3	51,020	62,735	122.9	68,268	86,158	126.2
10. South Sumatra	286	231	284		56,400	71,990	127.6	79,831	99,243	124.3	88,484	133,183	150.5
11. Lampung	141	139	158		71,200	73,809	103.7	100,027	103,970	103.9	76,500	142,762	186.6
12. West Nusa Tenggara	125	136	143		40,300	75,315	186.9	83,213	67,214	80.7	125,349	60,304	48.1
13. West Kalimantan	136	142	154		39,900	43,894	110.0	51,292	54,495	106.2	56,947	67,261	118.1
14. South Kalimantan	130	139	150		58,600	49,293	84.1	25,376	42,403	167.0	29,701	49,685	167.2
15. North Sulawesi	129	128	145		24,300	40,330	165.9	42,462	46,827	110.2	39,964	69,339	173.5
16. South Sulawesi	252	271	278		110,900	122,947	110.9	95,080	114,746	120.6	146,683	115,883	79.0
17. Riau	114	118	131		23,300	23,738	101.9	29,537	25,776	87.2	30,976	43,095	139.1
18. Jambi	95	97	112		18,700	22,158	118.5	24,806	34,377	138.5	29,808	34,410	115.4
19. Bengkulu	87	90	103		12,200	15,492	126.9	15,218	19,442	127.7	21,621	30,381	140.5
20. East Nusa Tenggara	131	132	140		31,800	21,074	66.4	36,991	27,029	73.0	41,592	72,684	174.7
21. Central Kalimantan	106	110	132		12,800	22,200	173.4	15,071	20,076	134.5	6,803	27,624	406.0
22. East Kalimantan	129	130	137		17,900	20,670	115.5	21,247	25,610	120.5	20,684	31,096	150.3
23. Central Sulawesi	99	102	109		16,200	17,189	106.1	17,706	21,570	121.8	9,890	30,141	304.7
24. Southeast Sulawesi	62	60	61		10,300	10,536	102.3	17,272	9,473	54.8	17,570	29,202	166.2
25. Maluku	84	90	101		14,300	11,005	76.9	17,836	11,509	64.5	24,601	25,682	104.3
26. Irian Jaya	62	69	85		10,300	7,461	77.4	11,318	10,048	88.7	22,210	12,648	56.9
27. East Timor	27	32	36		5,300	3,255	61.4	5,099	2,830	55.5	12,090	4,249	35.1
Total	2,808	2,993	3,310		769,000	891,868	115.9	933,872	1,059,538	113.5	1,077,315	1,351,064	125.4
Grand total	6,109	6,418	7,064		2,018,100	2,966,897	147.0	3,621,595	3,885,476	107.3	4,002,860	5,246,184	131.1

Source : National Family Planning Coordinating Board.

TABLE 8.14
APPROVED DOMESTIC INVESTMENT PROJECTS BY SECTOR¹⁾
(millions of rupiah)

Sector	1968-1978 ^r	1979	1980	1981	1982	1983*	Total	
							Value	Project
Agriculture	269,392	36,410	126,942	165,142	511,452	477,363	1,586,701	250
Forestry	325,252	81,802	397,620	362,132	182,523	105,719	1,455,048	479
Mining	68,456	32,882	37,092	13,462	453,606	565,352	1,170,850	44
Manufacturing	2,912,227	502,343	861,462	1,469,529	2,565,749 ^r	5,452,862	13,764,172	2,851
Construction	17,225	2,060	1,531	15,076	16,222	197,749	249,863	33
Hotel and tourism	91,463	12,418	1,032	52,620	70,246	288,914	516,693	145
Housing and offices	11,420	3,778	12,541 ^r	--	70,860	168,709	254,819	39
Other services	413,307	16,936	65,343 ^r	71,712	41,665	171,529	780,492	227
Total	4,108,742	688,629	1,503,563	2,137,184	3,912,323^r	7,428,197	19,778,638	4,068

1) After taking into account the cancelations and shifting of projects from foreign to domestic investment.

Source : Capital Investment Coordinating Board.

TABLE 8.15
DOMESTIC CAPITAL INVESTMENT BY PROVINCE ¹⁾
(millions of rupiah)

Province	1968-1978 ^r	1979	1980	1981	1982	1983*	Total	
							Value	Project
1. DKI Jakarta	187,543	53,704	102,705	324,462 ^r	577,245 ^r	974,854	2,220,513	812
2. West Jawa	1,531,353	284,688	466,260 ^r	689,819 ^r	877,321	1,977,010	5,826,451	939
3. Central Jawa	326,216	40,485	35,752	75,416	160,055	1,217,985	1,855,909	344
4. D.I. Yogyakarta	32,261	385	3,196	13,266	7,958	27,306	84,372	60
5. East Jawa	495,580	53,363	117,902 ^r	263,602	611,420	940,595	2,482,462	492
Jawa and Madura	2,572,953	432,625	725,815^r	1,366,565	2,233,999^r	5,137,750	12,469,707	2,647
6. D.I. Aceh	22,448	12,900	1,561	46,118	16,768	300,482	400,277	44
7. North Sumatra	248,676	31,967	83,722	34,106	109,817	331,728	840,016	204
8. West Sumatra	26,152	404	51,732	8,051	188,357	33,793	308,489	65
9. Riau	10,501	37,483	50,873	108,982	20,214	520,252	748,305	90
10. Jambi	22,226	13,897	18,141	3,893	23,821	19,292	101,270	52
11. South Sumatra	295,417	11,231	15,214	16,373	476,043	78,424	892,702	80
12. Bengkulu	11,109	1,344	3,723	— 242	8,879	48,814	73,627	18
13. Lampung	122,221	6,261	14,311	13,466	70,538	129,303	356,100	72
Sumatra	758,750	115,487	239,277	230,747	914,437	1,462,088	3,720,786	625
14. West Kalimantan	23,939	25,385	58,318	9,171	133,903	152,509	403,225	110
15. Central Kalimantan	78,199	15,471	27,518	28,573	42,434	8,550	200,745	104
16. South Kalimantan	22,622	10,877	59,383	87,996	33,494	16,210	230,582	66
17. East Kalimantan	322,448	49,952	266,446	172,722	224,439	173,933	1,209,940	217
Kalimantan	447,208	101,685	411,665	298,462	434,270	351,202	2,044,492	497
18. North Sulawesi	38,975	938	— 1	3,321	4,972	140,819	189,024	38
19. Central Sulawesi	8,759	15,820	20,130	18,162	9,603	62,014	134,488	27
20. South Sulawesi	97,412	10,933	53,923	—32,713	217,223	46,025	392,803	91
21. Southeast Sulawesi	39,549	—	1,157	7,580	3,489	8,919	60,694	14
Sulawesi	184,695	27,691	75,209	— 3,650	235,287	257,777	777,009	170
22. Bali	40,392	804	1,435	37,108	2,254	78,303	160,296	36
23. West Nusa Tenggara	46,445	—	— 125	666	6,012	3,661	56,659	10
24. East Nusa Tenggara	1,883	2,837	3,471	1,719	22,683	3,736	36,329	8
25. East Timor	—	—	—	—	—	—	—	—
26. Maluku	32,048	10,906	10,243	71,517	55,909	80,520	261,143	55
27. Irian Jaya	24,368	— 3,406	36,573	134,050	7,472	53,160	252,217	20
Total	4,108,742	688,629	1,503,563	2,137,184	3,912,323^r	7,428,197	19,778,638	4,068

1) After taking into account the cancelations and shifting of projects from foreign to domestic investment.
Source : Capital Investment Coordinating Board.

and 194.2%, respectively. During Pelita III intended investment amounted to Rp 15,669.9 billion or reached 79.2% of total investments since the enactment of PMDN, of which almost half of it occurred in 1983. Of these investments, the manufacturing occupied the largest share (Rp 10,851.9 billion), followed by agriculture (Rp 1,317.3 billion) and forestry (Rp 1,129.7 billion).

Since the enactment of the Domestic Investment Law in July 1968 up to the end of 1983, PMDN activities approved by the Government reached 4,068 projects amounting to Rp 19,778.6 billion. Of these investments, the manufacturing occupied the largest share with 2,851 projects, followed by forestry and agricultural sectors with 479 and 250 projects, respectively.

By regional distribution, West Jawa held the first rank with 939 projects followed by Jakarta with 812 projects, East Jawa, Central Jawa and East Kalimantan with 492, 344 and 217 projects, respectively (Table 8.15).

From 1968 to March 1983, total disbursement amounted to Rp 5,025.8 billion involving 2,611 projects. Of these disbursements the manufacturing occupied the largest share amounting to Rp 3,285.5 billion, followed by agricultural, forestry and mining amounting to Rp 513.2 billion, Rp 491.9 billion and Rp 233.1 billion, respectively.

2 Foreign investment

In 1983 the Government approved 23 projects with an intended investment of \$ 1,978.6 million or 7.4% above the preceding year. Increases were registered in the fields of hotel and chemical industry amounting to \$ 25 million and \$ 1,834.4 million, respectively. In contrast, a decline occurred in the field of forestry, by 99.2% to \$ 0.5 million, and mining by 91.6% to \$ 19.0 million.

During Pelita III approved intended investment reached \$ 7,862.6 million compared with \$ 3,455.3 million during the preceding Pelita. The fields of

activities which increased significantly during Pelita III were the manufacturing, amounting to \$ 6,162.7 million, followed by mining at \$ 627.0 million and agriculture at \$ 443.8 million.

Since the promulgation of the Foreign Investment Law (UU PMA) in 1967 up to 1983, total intended foreign capital investment reached 784 projects to the amount of \$ 13,196.5 million. Of these intended investments, the manufacturing occupied the largest share (\$ 9,504.5 million), followed by mining (\$ 1,722.9 million) and forestry (\$ 467.1 million).

By regional distribution (Table 8.17), 286 projects were located in Jakarta, 166 projects in West Jawa, 70 projects in East Jawa and 40 projects in North Sumatra.

By country of origin (Table 8.18) Japan remained the largest investor with \$ 4,056.4 million, followed by Hongkong \$ 1,209.6 million, the United States \$ 958.2 million and Belgium \$ 947.0 million.

Up to the end of 1983, total disbursement of PMA amounted to \$ 5,379.8 million or 40.8% of total intended investment for 689 projects (Table 8.19). The largest investment was placed in industry (66.7%) followed by mining (12.6%) and forestry (7.5%).

E. Agriculture

Agricultural production generally performed well in 1983. This success was attributable to higher productivity and the stronger demand for exportable plantation crops, which were also supported by favorable weather conditions.

The output of food crops, except cassava, increased significantly. This favorable achievement, with the exception of coconut, was also matched by almost all plantation crops. Furthermore, output of fishery, livestock and forestry also increased (Table 8.20).

During the course of Repelita III, the output of

TABLE 8.16
APPROVED FOREIGN INVESTMENT PROJECTS BY SECTOR¹⁾
(millions of dollars)

Sector	1967-1977	1978	1979	1980	1981	1982	1983 ²⁾	Total	
								Value	Project
Agriculture, forestry and fishery	315.7	58.3	99.9	91.7	165.6	84.9	1.7	817.8	130
— Agriculture	99.3	3.1	22.2	50.2	25.0	15.9	—	215.8	54
— Forestry	168.3	38.6	39.3	38.6	119.0	62.8	0.5	467.1	54
— Fishery	48.0	16.6	38.4	2.9	21.6	6.2	1.2	134.9	22
Mining	1,057.8	38.1	350.0	3.0	28.6	226.4	19.0	1,722.9	21
— Metal	879.3	22.0	350.0	—	27.8	214.4	14.0	1,507.5	6
— Others	178.5	16.1	—	3.0	0.8	12.0	5.0	215.4	15
Manufacturing	3,016.0	280.8	1,516.2	708.8	853.9	1,249.3	1,834.4	9,504.5	480
— Food	182.6	5.5	63.5	14.2	40.5	8.2	4.8	319.3	42
— Textile and leather	911.5	113.8	91.4	77.4	138.6	46.9	11.9	1,391.5	68
— Wood and wood products	22.3	1.0	6.0	11.2	123.6	15.5	12.9	192.5	22
— Paper and paper products	95.4	0.5	10.4	2.3	48.5	—	629.9	787.0	13
— Chemicals and rubber	358.3	25.4	380.2	282.2	255.3	357.1	158.6	1,817.1	139
— Non-metallic minerals	329.1	19.7	76.7	222.1	20.2	60.5	11.9	740.2	30
— Basic metal	838.8	9.9	843.5	—	84.8	3.6	848.7	2,629.3	26
— Metal products	317.9	98.1	44.5	98.8	142.4	757.5	155.7	1,614.9	135
— Others	5.1	6.9	—	0.7	—	—	—	12.7	5
Construction	64.7	5.4	0.5	7.7	48.8	40.3	5.9	173.3	67
Trade and hotels	174.7	9.7	3.0	38.6	—	19.2	25.0	270.2	17
— Trade	11.6	—	—	—	—	2.2	—	13.8	3
— Hotels	163.1	9.7	3.0	38.6	—	17.0	25.0	256.4	14
Transportation and communication	44.3	—	0.2	25.1	—	17.9	—	87.5	15
— Transportation	44.3	—	0.2	25.1	—	17.9	—	87.5	15
— Communication	—	—	—	—	—	—	—	—	—
Services	255.0	4.4	45.2	—	18.2	204.9	92.6	620.3	54
— Trade services	241.6	2.4	45.2	—	18.2	204.9	92.6	604.9	44
— Personnel services	13.4	2.0	—	—	—	—	—	15.4	10
Total	4,973.2	396.7	2,015.0	875.0	1,115.1	1,842.9	1,978.6	13,196.5	784

1) After taking into account the cancellations and shifting of projects from foreign to domestic investment.
2) Through September 1983.

TABLE 8.17
DISTRIBUTION OF FOREIGN CAPITAL INVESTMENT BY PROVINCE¹⁾
(millions of dollars)

Province	1967- 1977	1978	1979	1980	1981	1982	1983 ²⁾	Intended investment	
								Value	Project
1. DKI Jakarta	975.1	97.1	202.3	102.3	204.5	902.8	157.2	2,641.3	286
2. West Jawa	1,249.8	125.4	132.9	226.0	254.6	399.8	1,061.8	3,450.3	166
3. Central Jawa	193.7	4.8	1.3	20.1	---	16.7	3.5	240.1	21
4. D.I. Yogyakarta	1.6	---	---	6.6	---	0.1	---	8.3	3
5. East Jawa	261.2	28.4	39.9	39.6	97.5	17.3	58.2	542.1	70
Jawa and Madura	2,681.4	255.7	376.4	394.6	556.6	1,336.7	1,280.7	6,882.1	546
6. D.I. Aceh	3.6	6.0	316.0	6.2	110.5	---	424.0	866.3	9
7. North Sumatra	679.3	1.3	839.5	47.6	18.9	9.9	---	1,596.5	40
8. West Sumatra	19.0	6.2	---	14.2	16.0	7.1	---	62.5	4
9. Riau	72.3	19.1	0.0	50.3	58.1	23.5	---	223.3	18
10. Jambi	5.5	---	---	6.5	8.0	---	---	20.0	4
11. South Sumatra	32.4	3.2	2.5	8.1	10.9	3.4	14.0	74.5	12
12. Bengkulu	---	---	---	---	---	---	---	---	---
13. Lampung	65.9	2.0	0.5	2.0	8.3	---	---	78.7	7
Sumatra	878.0	37.8	1,158.5	134.9	230.7	43.9	438.0	2,921.8	94
14. West Kalimantan	14.8	---	0.2	---	---	1.0	---	11.5	7
15. Central Kalimantan	35.5	15.9	12.8	5.6	4.5	26.4	---	97.2	14
16. South Kalimantan	13.7	---	---	---	69.8	6.0	---	89.6	11
17. East Kalimantan	85.3	13.3	26.1	31.9	60.0	7.3	5.0	228.9	18
Kalimantan	141.4	29.2	39.1	37.5	134.3	40.7	5.0	427.2	50
18. North Sulawesi	76.3	---	---	1.4	---	---	---	77.7	3
19. Central Sulawesi	16.0	2.6	---	---	14.3	---	---	32.9	4
20. South Sulawesi	10.9	3.3	1.2	---	2.7	0.3	---	18.4	6
21. Southeast Sulawesi	15.0	4.2	10.5	---	---	---	---	29.7	3
Sulawesi	118.2	10.1	11.7	1.4	17.0	0.3	---	158.7	16
22. Bali	28.0	2.4	---	---	---	17.0	25.0	72.4	6
23. West Nusa Tenggara	---	---	---	---	---	---	---	---	---
24. East Nusa Tenggara	3.9	---	---	---	---	17.8	---	21.7	2
25. East Timor	---	---	---	---	---	---	---	---	---
26. Maluku	6.9	6.1	23.9	---	---	---	---	36.9	6
27. Irian Jaya	262.1	0.3	8.8	2.9	44.5	35.3	1.2	355.1	16
28. Miscellaneous	853.3	55.1	396.6	303.7	132.0	351.2	228.7	2,320.6	48
Total	4,973.2	396.7	2,015.0	875.0	1,115.1	1,842.9	1,978.6	13,196.5	784

1) After taking into account the cancelations and shifting of projects from foreign to domestic investment.

2) Through September 1983.

TABLE 8.18
APPROVED FOREIGN INVESTMENT PROJECTS BY COUNTRY OF ORIGIN¹⁾
(millions of dollars)

Country of origin	1967-77	1978	1979	1980	1981	1982	1983	Total	
								Value	Project
1. Europe	<u>548.8</u>	<u>50.6</u>	<u>92.7</u>	<u>236.2</u>	<u>135.2</u>	<u>390.7</u>	<u>1,026.1</u>	<u>2,480.3</u>	<u>165</u>
-- Belgium	41.3	0.8	8.0	47.6	46.2	---	803.1	947.0	16
-- France	20.4	5.5	---	0.4	---	0.3	---	26.6	8
-- Germany, Fed. Rep. of	189.9	1.4	3.9	23.4	15.3	79.4	146.8	460.0	25
-- Netherlands	177.5	30.5	2.1	141.0	49.2	30.7	19.0	449.9	42
-- Switzerland	46.6	7.5	9.1	9.1	2.8	101.9	2.2	179.2	16
-- United Kingdom	54.4	4.9	45.3	4.8	14.9	163.7	26.8	314.8	44
-- Others	18.9	---	24.3	9.9	6.8	14.7	28.2	102.8	14
2. America	<u>218.3</u>	<u>29.6</u>	<u>49.1</u>	<u>137.3</u>	<u>33.3</u>	<u>80.8</u>	<u>444.3</u>	<u>992.7</u>	<u>82</u>
-- Canada	4.8	4.6	---	---	---	---	---	9.4	2
-- United States of America	199.9	22.0	48.9	136.9	25.4	80.8	444.3	958.2	74
-- Others	13.6	3.0	0.2	0.4	7.9	---	---	25.1	6
3. Asia	<u>2,575.2</u>	<u>223.9</u>	<u>1,177.6</u>	<u>147.1</u>	<u>674.2</u>	<u>954.7</u>	<u>141.8</u>	<u>5,894.5</u>	<u>413</u>
-- Hongkong	475.4	62.0	115.2	24.7	242.6	246.5	43.2	1,209.6	125
-- Japan	1,899.6	161.7	1,030.0	71.9	202.3	605.2	85.7	4,056.4	207
-- Malaysia	19.2	---	4.8	---	1.2	---	---	25.2	13
-- Philippines	16.5	---	---	---	3.8	12.9	---	33.2	7
-- Singapore	37.7	---	4.2	31.6	15.0	44.1	3.8	136.4	24
-- Thailand	2.5	0.2	---	1.8	3.1	---	---	7.6	4
-- Others	124.3	---	23.4	17.1	206.2	46.0	9.1	426.1	33
4. Africa	<u>11.4</u>	<u>4.6</u>	<u>---</u>	<u>4.2</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>20.2</u>	<u>2</u>
-- Liberia	11.4	4.6	---	4.2	---	---	---	20.2	2
5. Australia	<u>239.6</u>	<u>---</u>	<u>8.3</u>	<u>1.8</u>	<u>19.3</u>	<u>13.3</u>	<u>14.0</u>	<u>296.3</u>	<u>96</u>
6. Group of country	<u>1,379.9</u>	<u>88.0</u>	<u>687.3</u>	<u>348.4</u>	<u>253.1</u>	<u>403.4</u>	<u>352.4</u>	<u>3,512.5</u>	<u>86</u>
Total	<u>4,973.2</u>	<u>396.7</u>	<u>2,015.0</u>	<u>875.0</u>	<u>1,115.1</u>	<u>1,842.9</u>	<u>1,978.6</u>	<u>13,196.5</u>	<u>784</u>

1) After taking into account the cancelations and shifting of project from foreign to domestic investment.

TABLE 8.19
IMPLEMENTATION OF FOREIGN INVESTMENT BY SECTOR
JUNE 1967 THROUGH DECEMBER 1983
(millions of dollars)

Sector	Project ¹⁾	1967-77	1978	1979	1980	1981	1982	1983	Total
Agriculture, forestry and fishery	<u>128</u>	<u>405.7</u>	<u>38.6</u>	<u>34.0</u>	<u>48.6</u>	<u>48.3</u>	<u>25.8</u>	<u>28.4</u>	<u>629.4</u>
– Agriculture	48	52.7	10.1	4.3	14.5	13.0	5.8	6.7	107.1
– Forestry	66	282.4	15.0	19.2	26.2	34.9	11.0	15.9	404.6
– Fishery	14	70.6	13.5	10.5	7.9	0.4	9.0	5.8	117.7
Mining	<u>13</u>	<u>319.3</u>	<u>57.3</u>	<u>47.5</u>	<u>49.4</u>	<u>70.0</u>	<u>32.2</u>	<u>104.2</u>	<u>679.9</u>
Manufacturing	<u>422</u>	<u>1,912.8</u>	<u>267.0</u>	<u>192.0</u>	<u>235.4</u>	<u>243.5</u>	<u>378.9</u>	<u>357.9</u>	<u>3,587.5</u>
– Food	41	148.3	14.9	7.1	7.4	15.8	7.1	4.5	205.1
– Textiles and leather	64	744.8	31.4	41.7	78.7	102.5	69.7	25.5	1,094.3
– Wood and wood products	14	22.1	0.4	0.1	3.3	2.2	23.9	13.7	65.7
– Paper and paper products	10	27.5	11.8	1.4	6.1	2.5	1.6	5.8	56.7
– Chemicals and rubber	129	265.9	71.7	44.8	32.0	44.5	164.9	177.3	801.1
– Non metallic minerals	23	253.7	9.0	3.2	30.0	30.9	49.4	36.6	412.8
– Basic metal	21	139.6	37.8	47.5	23.9	7.9	28.5	57.4	342.6
– Metal products	112	298.8	89.9	36.0	52.0	35.3	33.8	33.7	579.5
– Others	8	12.1	0.1	10.2	2.0	1.9	---	3.4	29.7
Construction	<u>54</u>	<u>37.5</u>	<u>1.4</u>	<u>12.0</u>	<u>0.8</u>	<u>0.6</u>	<u>6.9</u>	<u>0.5</u>	<u>59.7</u>
Trade and hotels	<u>13</u>	<u>86.0</u>	<u>17.2</u>	<u>4.3</u>	<u>0.4</u>	<u>2.9</u>	<u>---</u>	<u>2.1</u>	<u>112.9</u>
– Trade	3	10.1	0.7	---	---	2.5	---	0.4	13.7
– Hotels	10	75.9	16.5	4.3	0.4	0.4	---	1.7	99.2
Transportation and Communication	<u>18</u>	<u>18.3</u>	<u>4.7</u>	<u>21.9</u>	<u>4.8</u>	<u>1.3</u>	<u>---</u>	<u>---</u>	<u>51.0</u>
– Transportation	18	11.5	1.3	0.1	2.1	0.2	---	---	15.2
– Communication	---	6.8	3.4	21.8	2.7	1.1	---	---	35.8
Services	<u>41</u>	<u>80.3</u>	<u>14.0</u>	<u>6.9</u>	<u>7.2</u>	<u>12.4</u>	<u>6.1</u>	<u>17.9</u>	<u>144.8</u>
– Trade services	32	71.2	5.1	6.9	7.2	12.0	6.1	17.9	126.4
– Personnel services	9	9.1	8.9	---	---	0.4	---	---	18.4
Others	<u>---</u>	<u>109.6</u>	<u>5.0</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>114.6</u>
Total	<u>689</u>	<u>2,969.5</u>	<u>405.2</u>	<u>318.6</u>	<u>346.6</u>	<u>379.0</u>	<u>449.9</u>	<u>511.0</u>	<u>5,379.8</u>

1) Through September 1983.

Source : -- BKPM and Bea Cukai (Import).

-- Monthly Bulletin of Foreign Exchange Banks (Cash in flows).

TABLE 8.20
AGRICULTURAL PRODUCTION
(thousands of tons)

Product	1979	1980	1981	1982	1983*
1. Foodstuffs					
— Rice	17,872	20,163	22,286	22,837	23,961
— Corn	3,606	3,991	4,509	3,235	5,095
— Cassava	13,751	13,726	13,301	12,988	11,651
— Sweet potatoes	2,194	2,079	2,094	1,676	2,044
— Peanuts	424	470	475	437	469
— Soybeans	680	653	704	521	568
— Smallgreen peas	103	141	148	123	161
2. Plantation crops					
— Rubber	898	1,002	1,046	900	1,231
— Smallholder	(616)	(705)	(740)	(586)	(910)
— Estate	(282)	(297)	(306)	(314)	(321)
— Copra	1,582	1,759	1,812	1,718	1,603
— Palm oil	642	701	748	884	907
— Palm kernels	108	126	135	157	162
— Granulated sugar	1,291	1,249	1,250	1,629	1,653
— Tea	125	106	110	94	113
— Smallholder	(17)	(21)	(22)	(17)	(25)
— Estate	(108)	(85)	(88)	(77)	(88)
— Coffee	228	285	295	281	302
— Smallholder	(209)	(266)	(276)	(262)	(285)
— Estate	(19)	(19)	(19)	(19)	(17)
— Tobacco	87	116	118	106	119
— Smallholder	(73)	(101)	(103)	(97)	(111)
— Estate	(14)	(15)	(15)	(9)	(9)
— Pepper	47	37	39	34	40
— Nutmeg	17	18	18	19	19
— Cloves	35	39	40	32	44
3. Forestry					
— Timber ¹⁾	25,065	21,740	15,954	9,340	10,513
4. Fishery					
— Sea	1,318	1,395	1,408	1,490	1,578
— Inland	430	455	506	524	552
5. Livestock					
— Meat	486	571	596	629	671
— Eggs ²⁾	164	259	275	297	316
— Milk ²⁾	72	78	86	117	143

1) Thousands of cubic meters.

2) Millions of liters.

Source : Supplement to the President's Report to Parliament, August 16, 1984.

agricultural sector increased substantially. This favorable trend was closely related to the government efforts to boost agricultural output through intensification, extensification and diversification programs.

1. Food crops

Government efforts to raise production of food crops, mainly rice and secondary crops, were continued through intensification, extensification and diversification. Intensification efforts were implemented through Bimbingan Masai (Bimas) and Intensifikasi Masal (Inmas) programs, and further stepped up through Intensifikasi Khusus (Insus) program. For isolated areas with serious food problems, output was enhanced through the implementation of Operasi Khusus (Opsus). In 1983 the harvested areas of rice under the intensification program increased by 4.4% reaching 6,623 thousand ha and the average production went up by 2.1% reaching 4.43 tons per ha.

Expansion of planting areas were pursued through reclamation of new rice fields, including tidal irrigated fields. These efforts were linked with the transmigration and resettlement programs like that in Riau, Jambi, South Sumatra, West Kalimantan, Central Kalimantan and South Kalimantan. In the reporting year, the expansion of new rice fields reached 70 thousand ha. In addition, tidal irrigation

TABLE 8.21
PRODUCTION, HARVESTED AREA AND
AVERAGE YIELD PER HA

Year	Output (thousands of tons) ¹⁾	Harvested area (thousands of ha)	Average yield (tons/ha) ¹⁾
1979	17,872	8,803	2.03
1980	20,163	9,005	2.24
1981	22,286	9,382	2.38
1982	22,837	8,988	2.54
1983*	23,961	9,102	2.63

1) Equivalent of rice.

Source : Supplement to the President's Report to Parliament, August 16, 1984.

TABLE 8.22
NUMBER AND CAPACITY OF
PRODUCTION OF RICE MILLS

Year	Number of rice mills (thousands of units)	Capacity of production (millions of tons) ¹⁾
1979	51.4	14.7
1980	54.1	18.0
1981	55.1	18.3
1982	59.0	19.3
1983*	59.2	19.5

1) Equivalent of rice.

Source : Department of Agriculture.

was expanded by 47.5 thousand ha, of which 27 thousand ha were allocated to tidal rice fields. Hence, during Pelita III, the opening of new tidal irrigated areas reached 326.4 thousand ha, including 136 thousand ha allocated to tidal rice fields.

On the implementation of the diversification program, the Government encouraged farmers to cultivate other food crops, such as soybeans, peanuts and smallgreen peas in addition to rice. In order to maintain soil fertility, the Government also recommended to plant varieties of crops suitable for the soil condition.

As a result of those efforts mentioned above, the annual increase of rice output during Pelita III on the average reached 6.5% or almost doubling the achievement of the previous Pelita. Some secondary crops, such as corn, sweet potatoes and smallgreen peas also increased, whereas cassava, peanuts and soybeans registered declines.

1. 1. Rice

In 1983, rice production grew by 4.9% reaching 23,961 thousand tons. The harvested area rose to 9,102 thousand ha or 1.3% above the previous year. Average yield per ha increased by 3.5% to 2.67 tons/ha (Table 8.21).

The higher output was closely associated with the expanded harvested areas under the intensification programs, up by 4.4% reaching 6,623 thousand ha.

TABLE 8.23
OUTPUT, HARVESTED AREA AND AVERAGE YIELD
OF SECONDARY CROPS

Particulars	1979	1980	1981	1982	1983*
Output (thousands of tons)					
— Corn	3,606	3,991	4,509	3,235	5,095
— Cassava	13,751	13,726	13,301	12,988	11,651
— Sweet potatoes	2,194	2,079	2,094	1,676	2,044
— Peanuts	424	470	475	437	469
— Soybeans	680	653	704	521	568
— Smallgreen peas	103	141	148	123	161
Harvested area (thousands of ha)					
— Corn	2,594	2,735	2,955	2,061	3,018
— Cassava	1,439	1,412	1,388	1,324	1,185
— Sweet potatoes	287	276	275	220	261
— Peanuts	473	506	508	461	484
— Soybeans	784	732	810	608	633
— Smallgreen peas	194	252	270	204	267
Average yield (quintal/ha)					
— Corn ¹⁾	13.9	14.6	15.3	15.7	16.9
— Cassava	95.6	97.2	95.8	98.1	98.3
— Sweet potatoes	76.5	75.3	76.2	76.2	78.3
— Peanuts	9.0	9.3	9.4	9.5	9.7
— Soybeans	8.7	8.9	8.7	8.6	9.0
— Smallgreen peas	5.3	5.6	5.5	6.0	6.0

1) Equivalent of corn beans.

Source : Supplement to the President's Report to Parliament, August 16, 1984.

In order to avoid loss of output during the post harvest activities, efforts to improve efficiency were carried out through intensified extensification services and improvement of infrastructural facilities. Furthermore, the Government provided additional 200 rice milling units with a milling capacity of 200 thousand tons and constructed 83 warehouses with storage capacity of 251 thousand tons. At the end of Pelita III, therefore, there were 59.2 thousand units of rice mills with a milling capacity of 19.5 million tons (Table 8.22) and 511 units warehouses with a total storage capacity of 1,561.5 thousand tons.

To ensure adequate supply and to stabilize prices

of rice, in the reporting year the Government purchased 1,195 thousand tons of rice from the domestic market and 1,130 thousand tons from overseas. To boost production and to improve farmers' income, in December 1983, the Government raised the floor purchase prices of unhusked and husked rice, enforced in February 1984. The price of unhusked rice were raised from Rp 145.00 to Rp 165.00 per kg for KUDs purchases from farmers, and from Rp 238.00 to Rp 270.00 per kg for Bulog purchases from KUDs.

1.2. Secondary crops

In 1983, the output of secondary crops increased by 19.4%, which was associated with the

TABLE 8.24
SHARE OF CRUMB RUBBER TO TOTAL
OUTPUT OF NATURAL RUBBER

Year	Crumb rubber (thousands of tons)	Share (percentage)
1979	572	63.7 ^r
1980	611	61.0
1981	646	61.8 ^r
1982	657	73.0
1983*	690	76.1

Source : Supplement to the President's Report to Parliament, August 16, 1984.

expansion of harvested area, by 19.9% reaching 5,848 thousand ha.

The output of secondary crops which rose significantly were corn, sweet potatoes, and smallgreen peas by 57.5%, 22.0% and 30.9%, caused by the wider harvested areas by 46.4%, 18.6%, and 30.9%, respectively. The output of soybeans and peanuts increased only by 9.0%, and 7.3%, respectively, while that of cassava dropped substantially, by 10.3% (Table 8.24).

In spite of the considerable increase in the output of corn and soybeans, imports were still necessary to meet the rising demand. During the reporting year imports of corn and soybeans reached 5 thousand tons and 317 thousand tons, respectively.

2 Plantation crops

In the reporting year, the government policy on plantation crops continued to be emphasized on the development of smallholders's estates. These efforts were carried out through extensification, rejuvenation, rehabilitation and productivity enhancement, among others, by introducing Perkebunan Inti Rakyat (PIR) and Unit Pelaksana Proyek (UPP) schemes.

In 1983, output of major plantation crops, such as, rubber, tea, pepper, tobacco, coffee, palm oil and sugar increased moderately, while coconut ex-

perienced a sharp drop. It should be noted that during Pelita III output of plantation crops generally performed well, especially clove, palm oil, tobacco, rubber and sugar. During the same period, output of coffee, tea, nutmeg and coconut recorded only a slight increase while pepper experienced a decline.

2.1. Rubber

In 1983, rubber production increased considerably, by 36.8% reaching 1,231 thousand tons, of which 910 thousand tons were produced by smallholder rubber estates (up by 55.3%) and 321 thousand tons by government estates (up by 2.2%). This favorable trend was attributable to the stronger world market demand for rubber.

Rubber plantation covered an acreage of 2.5 million ha, of which 80.6% were smallholders' estates and the remainder government and private estates. From the said acreage, about 22.8% was not yet in production and about 13% no longer in production.

In 1983, the output of crumb rubber increased by 5.0% reaching 690 thousand tons. This progress was related to quality improvement and wider applicability in the use of crumb rubber. The share of crumb rubber to the, entire rubber output reached 56.1% (Table 8.24).

During 1983, the world rubber market slightly improved, as reflected by the high prices and increasing world rubber consumption. World production and consumption of rubber (natural and synthetic), which in the past several years showed a declining trend due to recession, in the reporting year made encouraging recovery. World natural rubber production rose by 5.5% to 3,960 thousand tons and synthetic rubber by 3.2% to 8,075 thousand tons. World consumption of natural and synthetic rubber increased by 7.8% to 3,940 thousand tons and 2.2% to 8,185 thousand tons, respectively (Table 8.25).

TABLE 8.25
WORLD PRODUCTION AND CONSUMPTION OF RUBBER
(thousands of tons)

Year	Production			Consumption		
	Natural	Synthetic	Total	Natural	Synthetic	Total
1979	3,860	9,330	13,190	3,870	9,125	12,995
1980	3,845	8,645	12,490	3,760	8,685	12,445
1981	3,690	8,490	12,180	3,700	8,465	12,165
1982	3,755	7,825	11,580	3,655	8,005	11,660
1983*	3,960	8,075	12,035	3,940	8,185	12,125

Source : International Rubber Study Group (IRSG), Rubber Statistical Bulletin Vol. 38 No. 6, March 1984.

The brighter world rubber market improved exports of Indonesian rubber considerably, by 30.6% to 1,145 thousand tons in the reporting year. The prime destination of its exports was the United States, followed by the Soviet Union, the Federal Republic of Germany and Japan.

During Pelita III, the average annual increase of rubber production reached 8.1%, far better than that of Pelita II, which was only 1.1%. This higher growth rate was closely related to the government's efforts to boost rubber production, supported by the expanding demand in the world market.

2.2. Copra

In order to meet the rising domestic demand, various endeavors were undertaken to encourage output of copra, such as, through rejuvenation using yielding seeds and expansion of plantation areas.

In 1983, the planting area of coconut increased by 1.9% reaching 2,977 thousand ha, of which 2,901 thousand ha were owned by smallholders and the rest by government undertakings. Of the total planting acreage, 23% was not yet in production and about 15% no longer in production.

Output of copra, the main product of coconut, decreased by 6.7% to 1,603 thousand tons

compared to a decline of 5.2% in the previous year. This deterioration was caused by the 1982 long drought, the adverse impact of which was felt more in 1983 than that in the previous year. Furthermore, this deteriorating performance of copra production was also caused by old age of trees, while expansion of coconut cultivation and rehabilitation using hybrid strains were not yet in production. It may be added that most of the copra output (99%) was produced by smallholder estates.

2.3. Palm oil

The planting area of palm oil increased by 0.8% to 368.8 thousand ha, 98% of which was owned by government and private enterprises and the rest by smallholders. Of the said palm oil acreage, 32% was still not yet in production and 0.8% no longer in production.

Production of palm oil continued to increase substantially. In 1983, the output of palm oil went up by 11.3% reaching 972 thousand tons. This improvement was due to extension of palm oil cultivation, rejuvenation, as well as better supervision, improved cultivation and processing methods.

In 1983, export of palm oil reached only 279

thousand tons or down by 11.4%. This decline was closely linked to the government policy which allocated part of the production for fulfilling domestic demand.

2.4. Sugarcane

Most of sugarcane plantations were cultivated by smallholders under the “Tebu Rakyat Intensifikasi” or TRI (smallholders’ Sugarcane Intensification) program, a scheme designed to step up farmers’ income as well as sugar production. Efforts to boost output of sugar were also carried out through the expansion of sugarcane plantations and rehabilitation of sugar factories as well as construction of factories.

In 1983, sugar plantation acreage rose by 1.5% to 386 thousand ha, of which 203.6 thousand ha were under TRI program. During 1983, 52 factories were under reparation, of which 27 factories were completed. Furthermore, the construction of 6 new sugar factories was scheduled to be completed at the beginning of the next reporting year.

In accordance with the expansion of sugarcane acreage, sugar production in 1983, rose by 1.5% to 1,653 thousand tons. Since domestic production was still insufficient to meet the rising domestic demand, during the reporting year 16.3 thousand tons of sugar were imported, among others, from India, South Korea and the Philippines.

2.5. Tea

In order to increase the production of tea, the Government had undertaken several efforts, among others, ex tensification, rejuvenation, intensified of extension services as well as construction of factories.

The largest share of tea production came from large estates (58%) and the remainder from smallholders. In 1983, tea planting areas by 1.2% to 113.6 thousand ha, of which rose 15% was not

yet in production and 6% no longer in production.

In 1983, the output of tea, consisting of black tea produced by large estates and green tea by smallholders, increased by 22.8% reaching 113 thousand tons. This significant progress was closely associated with the rise of prices in the world market. In the reporting year, export of black tea went up by 25.0% reaching 85 thousand tons. This remarkable performance was made possible since the tea supply from major producing countries, such as, India, the People’s Republic of China and Sri Lanka, recorded a deterioration.

2.6. Coffee

The largest share of coffee production came from smallholders (94%) and the remainder from government and private enterprises. The main producing regions of coffee were Lampung, South Sumatra, Aceh, Bengkulu and East Jawa. In 1983, coffee planting area increased by 1.1% to 787.4 thousand ha, of which 26% was not yet in production and 8% no longer in production.

Most of coffee production was destined for exports. In 1983, output of coffee increased by 7.5% to 302 thousand tons. This enhancement was made possible by the recovery of coffee trees from the adverse effects of a prolonged drought.

In order to improve the quality of coffee destined for exports, on October 1, 1983 the Government introduced a defect system to raise the standards of coffee. Through the defect system, coffee was categorized into six Indonesian coffee qualities. In 1983/1984 export of coffee rose remarkably, by 24.7% to 298 thousand tons. This performance was brought about by higher exports to nonquota countries. It should be noted that the quota of coffee exports imposed on Indonesia for the coffee year 1983/1984 was fixed at 142,013 tons.

2.7. Tobacco

Efforts to enhance production and improve the quality of tobacco were carried out by providing extension services, starting from the methods of planting until the technique of processing. These efforts were undertaken through the so-called Smallholders' Tobacco Intensification Program (Program Intensifikasi Tembakau Rakyat). In 1983/84, the area of this intensification program increased by 28.6% to 5,502 ha, located in Central Jawa and East Jawa.

In 1983, tobacco production grew by 1.7% to 19 thousand tons, following the increase in the planting area from 210.7 thousand ha to 219.7 thousand ha. Tobacco plantations were mostly owned by smallholders (93.0%) and the remainder by government estates. The major producing regions of tobacco were East Jawa, Central Jawa and North Sumatra. The types of tobacco cultivated were Virginia, Besuki, Deli, Vorstenlanden and Local strains. Some of these types were mainly exported to the Federal Republic of Germany, the United States and the Netherlands. In 1983/84, exports of tobacco increased by 47.4% reaching 28 thousand tons. To meet the demand of domestic cigarette industries, certain types of tobacco, used as mixture for common as well as clove cigarettes, were still imported. In the reporting year these imports reached 13.8 thousand tons.

2.8. Spices

Major spices, consisting of pepper, clove and nutmeg were mostly cultivated by smallholders. In 1983, production of pepper and clove experienced an increase whereas nutmeg remained virtually unchanged (Table 8.20).

In 1983, the output of pepper increased substantially, by 17.7%, in part due to the improvement of planting methods (Table 8.20). The area of pepper plantation, mostly owned by smallholders (99%), stood at 77.4 thousand ha.

Of this acreage, 26% was not yet in production and 7% no longer in production. Exports of pepper rose by 50.0% reaching 51,0 thousand tons, due to better world market prices.

Clove production grew by 37.5 which was mainly attributable to successful eradication of *Phyllosticta*. The acreage of clove plantation in Indonesia covered an area of 571.2 thousand ha, of which 58% was not yet in production and 3% no longer in production. Most of clove plantations were cultivated by smallholders (96%) and the remainder by government and private estates. The major producing areas of clove were North Sulawesi, Maluku, West Jawa, Central Sulawesi, North Sumatra and Aceh. Clove production was mostly for domestic consumption, especially for cigarette industries. Yearly average clove consumption in Indonesia was 39 thousand tons, of which 70% was provided by domestic production and the remainder by imports.

3. Fishery

In 1983, fishery production consisting of sea and in-land fisheries increased by 5.7%. In the reporting year, exports of shrimps, still the largest exportable product of fishery, reached 44 thousand tons.

The improvement in sea fishery production was the result of the motorization of traditional fishing boats, the application of new shrimp catching devices and better fishing techniques. The new shrimp catching device had been used since December 1982 as an alternate to trawlers. The increase of in-land fishery production was due to the intensified extension services, the use of fish seedlings as well as the improvement of aquaculture techniques in running water ponds and *keramba*, a traditional fishing technique.

During Pelita III, average production of in-land fishery showed an increase of 5.7% and that of sea fishery 5.1%. It should be noted that during

TABLE 8.26
LIVESTOCK
(thousands of heads)

Breed	1978	1979	1980	1981	1982	1983*
Cows	6,330	6,362	6,440	6,516	6,594	6,660
Buffaloes	2,312	2,432	2,457	2,488	2,513	2,538
Goats	8,051	5,659	7,691	7,790	7,891	8,049
Sheeps	3,611	4,071	4,124	4,177	4,231	4,316
Horses	615	596	616	637	658	665
Pigs	2,902	3,103	3,155	3,364	3,587	3,677
Ducks	17,541	18,089	21,078	22,426	23,861	25,436
Cultivated chickens	6,071	7,007	22,940	24,568	26,312	28,993
Non-cultivated chickens	108,916	114,350	126,310	132,878	139,787	148,174

Source : Supplement to the President's Report to Parliament, August 16, 1984.

the course of Pelita III, the annual increase in the output of sea fishery recorded a gradual decline due to the prohibition on the use of trawlers, implemented in stages since October 1980 and entirely abolished since January 1, 1983.

4. Livestock

Efforts to increase livestock production such as meat, egg and milk, were carried out by improving its productivity through the system of "Panca Usaha Ternak Potong" (PUTP), "Bimas ayam", "Pengembangan Usaha Sapi Perah" (PUSP) program, and intensified extension services. Ranches outside Jawa were expanded. In order to protect small milk producers, powder milk companies were required to purchase fresh milk from small farmers.

As a result of improved productivity and expansion of ranches, the output of meat, egg and milk rose sharply, by 6.7%, 6.4% and 22.2%, respectively (Table 8.20). Other livestock recording considerable increases in their output were cultivated chickens, non-cultivated chickens and ducks, by 10.2%, 6.0% and 6.6%, respectively, while cows, buffaloes, goats, sheeps, horses and pigs on the average rose by only 2.0% (Table 8.26).

5. Forestry

After four years of poor performance, in 1983 logs production experienced an increase of 12.6% to 10,513 thousand m³. This improvement was due to higher output of processed timber industries, especially plywood, bringing forth a stronger demand for logs. In step with this development, in 1983/84 wood exports rose by 14.5% to 5,843 thousand tons.

Other forest output, such as, rattan, resin and copal, also constituted significant export commodities (Table 8.27).

The policy to conserve forestry resources through reforestation and forestation continued to be pursued. In addition, the Government contin-

TABLE 8.27
EXPORT OF RATTAN, RESIN AND COPAL

Items	Volume (thousands of tons)			Volume (millions of dollars)		
	1981	1982	1983*	1981	1982	1983*
Rattan	80.4	87.9	73.0	81.0	84.7	73.7
Resin	5.8	2.6	2.0	1.6	0.9	0.9
Copal	2.8	5.4	4.5	1.2	1.5	2.5

TABLE 8.28
REFORESTATION AND GREENING
(thousands of ha)

Year	Reforestation	Greening
1979/80	213.0	575.7
1980/81	179.7 ^r	558.1
1981/82	154.3	501.8
1982/83	119.6	378.6
1983/84*	186.3	610.1

Source : Supplement to the President's Report to Parliament, August 16, 1984.

ued to supervise forest exploitation executed by companies holding forestry exploitation rights (Hak Pengusahaan Hutan/HPH). These policies were designed so that HPH holders would carry out their obligation as stipulated in the agreement. It should be added that up to the end of the reporting year there were 521 HPH holders, either under the PMDNs or PMAs, covering an exploitation area of 53.4 million ha.

During Pelita III, timber production, which constituted the most important forest product, experienced an average decrease of 14.7% per year. This was closely related to government policy enacted in 1980, which limited exports of logs in order to encourage exports of processed timber and domestic timber processing industries, thereby increasing employment opportunities. Consequently, output of logs declined, while processed timber increased from 1,681.1 thousand m3 at the end of Pelita II to 8,734.0 thousand m3 at the end of Pelita III.

F. Mining

In 1983, the mining sector continued to constitute an important role in the GDP formation with a share of 19%, of which oil and gas were the most vital ones. Due to this importance, the Government placed special attention on the energy policy. In the reporting year, efforts were enhanced to expand exploration and diversification of energy sources.

TABLE 8.29
SELECTED MINING OUTPUT

Items	Units	1979/80	1980/81	1981/82	1982/83	1983/84*
1. Crude oil	million barrels	577.2	581.1	570.5	459.0	517.6
2. Natural gas	million MSCF	1,028.8	1,042.2	1,136.2	1,099.9	1,218.6
3. Tin	thousand tons	30.2	33.6	35.9	33.0	25.4
4. Nickle :						
--- Nickle ore	thousand tons	1,771.5	1,339.3	1,598.1	1,591.2	1,355.3
--- Ferro nickle ¹⁾	tons	4,000.0	4,506.0	4,766.0	4,923.1	4,935.1
--- Nickle matte ¹⁾	tons	12,381.0	17,827.0	19,201.0	13,923.0	21,047.9
5. Bauxite	thousand tons	1,160.7	1,269.9	1,015.1	721.0	841.9
6. Coal	thousand tons	267.3	329.3	367.2	456.5	614.7
7. Copper	thousand dry tons	188.5	178.7	196.9	225.4	201.6
8. Gold	kilograms	197.0	225.0	193.0	262.4	265.1
9. Silver	kilograms	1,806.0	2,283.0	1,940.0	3,134.0	1,684.0

1) Equivalent to nickle metal.

Source : Supplement to the President's Report to Parliament, August 16, 1984.

In 1983/84 output of oil, natural gas, coal, bauxite and gold recorded an increase, while tin, nickel and copper declined due to the persistently weak demand for those commodities. During Pelita III the annual output of the mining production declined at an average of 0.9% as compared to that of a 6.9% increase during Pelita II.

1. Oil and natural gas

Due to the vital roles of oil and natural gas in the Indonesian economy both as a source of energy and foreign exchange earnings as well as the major source of government revenues, the policy on oil and natural gas is continued to be directed at inducing exploration in order to open up new deposits.

The exploration activities implemented by Pertamina, Contract of Work and Production Sharing Contract during the past five year recorded a steady increase. In 1983 the number of exploration wells drilled reached 264 compared to 238 in the preceding year. Exploration wells drilled under Production Sharing Contracts recorded the highest increase, by 12% reaching 236, while that under Contract of Work companies decreased by 7% to 13 explorations. With regard to Pertamina, the number of wells drilled rose from 13 to 15. This upward trend was also followed by the increase in exploration expenditures, from \$ 1,100 million to \$ 1,237 million in 1983. Furthermore, three contractors signed a work agreement under the production sharing contract scheme, bringing the total work agreement to 78 contracts, of which 21 reached the stage of production. It should be added that the drilling rigs in Central Sumatra, of which the work agreement with PT Stanvac Indonesia had terminated, were returned to the Government.

Oil production in 1983/84 increased by 12.8% to 1.4 million barrels per day. Oil output under Contract of Work, having a share of 45.0% of total production, in 1983/84 rose by 17.5% to reach 224.0 million barrels, while that of Production Sharing decreased by 11.6% to 238.8 million barrels.

Most of the oil production were for exports and the remainder went to the domestic refineries. (Table 8.29)

Natural gas production in 1983/84 increased by 10.8%. Natural gas produced under Production Sharing Contracts rose by 18.7% reaching 1,007.7 million MSCF⁴⁾ while that under Pertamina by 8.7% to 200.1 million MSCF. This favorable performance reflected the higher utilization of natural gas as a basic material for the production of LNG and fertilizer, and also as fuel for gas, cement and steel industries (Table 8.29).

To promote the domestic utilization of natural gas, various projects using natural gas as the basic material in their process of production were under construction, among others, the Methanol Project in the Bunyu Island, Iskandar Muda fertilizer project in Aceh and Kalimantan Timur II fertilizer project in East Kalimantan.

2. Tin

Tin remained an important foreign exchange earner among mining product besides oil and natural gas. During the first three years of Pelita III tin production recorded a steady increase, promoting Indonesia's position to the second largest producer after Malaysia. However, in the past two years tin output decreased significantly and in the reporting year it dropped by 23.0% after a 8.1% decline in the previous year (Table 8.29). This deterioration was caused by the weakening world demand for tin, resulting the imposition of lower exports quotas by the International Tin Council (ITC).

3. Coal

In line with energy policy of developing and utilizing more non oil resources, the reutilization of coal in the coming years would be more enhanced. These efforts were carried out by encouraging industries to use coal as their source of energy besides boosting steam generators with coal as the main source of energy.

4) MSCF =thousand SCF (Standard Cubic Feet).

In the reporting year coal production increased by 34.7%, mainly caused by the enlargement of production capacity of PN Batubara Ombilin in West Sumatra (Table 8.29).

4. Other mining products

Other important mining products constituted of copper, nickel bauxite, gold and silver.

Copper mining is implemented by Freeport Indonesia Inc. in Irian Jaya. In the reporting year the output of copper concentrates declined by 10.6% and its export by 11.0% to 202.8 thousand tons. This set-back was associated with the sluggish demand for this commodity in the world market (Table 8.29).

Output of *nickel*, comprising of nickel ore, ferro nickel and nickel matte, were mostly destined for exports. A small portion of nickel ore produced by PT Aneka Tambang is processed into ferro nickel while the entire output of PT Inco is processed into nickel matte.

In the reporting year nickel ore production was down by 14.8% and its export by 9.7% to 810.7 thousand tons. On the other hand, ferro-nickel production increased by 0.2% while its export rose by 9.6% to 5.0 thousand tons. With regard to nickel matte, its output advanced significantly, up by

51.4%, bringing forth a considerable rise in its exports, by 41.4% reaching 22.4 thousand tons (Table 8.29).

Bauxite is mined by PT Aneka Tambang in the islands of Embiling, Kleong and Dendang. Bauxite production increased by 16.8% and its export by 16.0% reaching 847.4 thousand tons. This favorable progress was mainly caused by the stronger world demand (Table 8.29).

The gold and silver mines are located in Cikotok, South Banten, West Jawa. These mines are also under the management of PT Aneka Tambang. The depletion of deposits necessitated deeper excavation which resulted in a lower content of gold and silver ores. Unlike the previous years, in the reporting year gold output rose marginally, by 1.0%, while silver production recorded a sharp drop, by 46.3% (Table 8.29).

G. Electric Power

Due to the vital importance of electric power, the Government enhanced the efforts to expand the installed capacity of electric power -generators and enlarged the distributional network to enable PLN electricity to reach remote areas. In the reporting year the installed capacity of power generators operating under PLN rose by 17.7% to

TABLE 8.30
CAPACITY OF ELECTRIC POWER
(MW)

Year	Generator					Total
	PLTD	PLTU	PLTA	PLTG	PLTP	
1978	519	450	350	881	---	2,200
1979	534	750	351	772	---	2,407
1980	522	756	378	896	---	2,552
1981	569	956	398	897	---	2,821
1982	635	1,356	425	897	30	3,343
1983*	784	1,556	536	1,028	30	3,934

Source : State Electricity Company.

TABLE 8.31
PRODUCTION OF ELECTRIC POWER
(millions of KWH)

Year	Generated by PLN	Generated outside PLN ¹⁾	Total
1978	4,721	728	5,449
1979	5,850	802	6,652
1980	7,067	815	7,882
1981	8,229	1,502	9,731
1982	10,103	1,289	11,392
1983*	12,111	1,281	13,392

1) Only those distributed to the community through PLN.
Source : State Electricity Company.

3,934 MW. This improvement was mainly recorded by steam and gas electric power generators, up by 14.7% and 14.6%, respectively (Table 8.30).

In line with the increased installed capacity, electric power produced by PLN rose by 19.9%, while those of non-PLNs declined by 0.6%. However, total output of electric power still recorded an increase of 17.6% in 1983 (Table 8.31).

To improve the welfare of village community, since the past several years the Government launched a program called "electricity enters village". In the reporting year, the coverage of villages under this program rose by 32.2% reaching 5,771 villages.

H. Manufacturing Industry

The main emphasis of industrial policy, especially since Pelita III, was centered on efforts to develop upstream industries, spread industrial development more evenly throughout the country and increase the use of domestic natural resources: The development of upstream industries was focused on basic chemical and metal industries. Through industrial growth centers (Wilayah Pusat Pertumbuhan Industri/WPPI), consisting of various industrial zones, it would be expected that industrial development could be more evenly developed throughout the country. Industrial zones, consisting of industrial complexes and estates, were designed to encourage the development of various complementary industries with a view to inducing upstream industries following the growth of basic industries. The purpose of agglomerating industrial activities was to facilitate the Government in providing the needed infrastructure and thereby accelerating industrial development. Moreover efforts to encourage the use of domestic natural resources in industrial development continued to be pursued.

To boost industries, especially small-scale industries, the Government provided direct as

well as indirect assistance. Direct assistance was carried out, among others, by making available capital goods and consultation services. Indirect assistance was channeled through institutions specializing in promoting the development of small-scale industries. Furthermore, small-scale entrepreneurs were encouraged to settle in smallscale development premises, such as SmallScale Industrial Area (LIK), Rural SmallScale Industrial Group (PIK) and Facilities for Small-Scale Industrial Activities (SUIK). In addition, small-scale industries were encouraged to develop their activities in areas where raw materials were in abundance but not yet fully utilized.

Specifically to improve institutions specializing in providing advisory services to promote small-scale industries, the Government increased its assistance to these institutions in the form of improving the capability of their personnel and executives. These institutions comprised, among others, the Development Center for Small-Scale Industry (PPI K), Center for Sales Promotion (PPP), Maintenance and Service Unit as well as small-scale industrial development centers, i.e., LIK, PIK and SUIK. Up to the end of the reporting year, the Government concluded the construction of 9 units of PPIK, 13 units of PPP and 80 Maintenance and Service Units.

During the reporting year, due to the world economic recovery, the manufacturing industries registered growth as reflected in the increased value added, by 2.2% compared with 1.2% in the preceding year.

The average growth of manufacturing industries during Pelita III was 11.4% per year compared with 13.7% in Pelita II and 12.9% in Pelita I. Based on the past achievements the Government set the target of manufacturing industry for Repelita IV, namely the share of manufacturing sector to total GDP is expected to reach 19.4% from 15.4% at end of the previous Pelita.

1. Fuel oils

The policy on fuel oil production was aimed at meeting the growing domestic demand, while reducing dependence on imports. In line with this policy objective, the Government expanded the capacity of oil refineries. At the end of 1983/1984 the installed capacity of Cilacap and Balikpapan refineries were each expanded by 200 thousand barrels of crude oil per day. In February 1984 the Government completed the construction of the Dumai hydrocracker refinery with a capacity of 85 thousand barrels of Low Sulphur Waxy Residue (LSWR) per day or equivalent to 82 thousands barrels of crude oil. With the completion of this hydrocracker, the by-product of other oil refineries could be further processed into fuel oils. After the completion of these projects, the capacity of oil refineries increased by 91.6% to the equivalent of 1,008 thousand barrels of crude oil per day.

Fuel oil production in 1983 decreased by 10.3% to 94.5 million barrels, which as in the preceding years, was due to the depletion of effective capacity of old refineries while new refineries were not yet in full operation. Fuel oil consumption was 161.2 million barrels, resulting in a shortage of 66.7 million barrels. This shortage was fulfilled by foreign refineries and imports, respectively, by 43.2 million barrels and 23.5 million barrels.

It should be noted, the annual average increase of fuel oil consumption during the first four years of Pelita III was 7.5%, while in the fifth year of Pelita III stood at 0.8% only, reaching 161.2 million barrels. The deceleration of this growth rate was attributable to energy conservation and the upward adjustment of fuel oil prices.

In line with the anticipated expanded economic activities in the coming years, the consumption of fuel oils, especially, diesel and fuel oil would be expected to increase. This increase would be met by the expanded capacity of fuel oil refineries, which was successfully raised to 482 thou-

sand barrels per day. In addition, to improve domestic fuel oil distribution, especially to remote regions, during Repelita IV the Government would improve and construct distributional facilities in those regions.

Although the consumption of fuel oil would continue to show an ever increasing trend, due to the policy of diversification of energy sources, it was expected that the share of fuel as a source of energy would decline from 77.9% at the end of Pelita III to 62.4% at the end of Repelita IV.

2. Liquefied Natural Gas (LNG)

Efforts to increase the utility of nonassociated earth gas were carried out through expansion of LNG plants. The expansion of the Badak liquefaction plant, by 2 trains to 4 trains, was completed at the end of October 1983, so that its capacity increased from 530 million SCF to 1,060 million SCF per day. In January 1984 the expansion of the Arun Plant from 3 trains to 5 trains was also completed, bringing forth an increased capacity of 600 million SCF to 1,200 million SCF per day. In total the capacity of the Badak and Arun LNG plants rose from 1,130 million SCF to 2,260 million SCF per day. It should be noted, as was the case with LNG sales thus far in practice, the market for the additional LNG output was also secured by a long-term sales contract, namely 6.6 million ton LNG per annum for a 20-year period. The additional long-term sales contract was concluded with Japan in 1981 as an addendum to the agreement reached in 1971.

During 1983, production of LNG went up by 17.4% to 10.8 million tons. Of this output, 5.8 million tons were produced by the Arun liquefaction plant and the balance by the Badak plant.

As the result of efforts to increase the share of LNG in the foreign exchange earnings, in 1983 an agreement was concluded with South Korea involving a 20-year sales contract of 2 million tons

of LNG per annum. In this connection, during the reporting year an additional train to the Aran premises started to be constructed. This expansion, with a capacity of 1.5 million tons per annum, was expected to be completed in 1986. Moreover;- the Government continued to explore the possibility of exporting LNG to other countries, such as, Taiwan and the United States.

3. Fertilizer

During the reporting year, output of urea and non-urea fertilizers showed significant increases, by 13.4% and 24.1% reaching 2,204.8 thousand tons and 991 thousand tons, respectively. This improvement was attributable to the expanded capacity brought about by the rising domestic as well as foreign demand. With the completion of the expanded capacity of the PT Petrokimia Gresik and the ASEAN-sponsored Lhokseumawe fertilizer plants by 500 thousand tons urea and 570 thousand tons non-urea, the annual output of urea and non-urea fertilizer reached 2,760 thousand tons and 1,150 thousand tons, respectively. It should be noted, the annual increase in the total output noted, the annual increase in the total output of fertilizers during the period of Pelita III was 11.2%, while that of consumption was 24.4%.

Production of fertilizer for the period of Repelita IV was expected to increase by 10% per annum. This prospect would be enabled by expansion of three fertilizer plants, namely PT Pupuk Iskandar Muda Aceh (570 thousand tons), PT Pupuk Kaltim I Bontang (570 thousand tons), and PT Petrokimia Gresik (250 thousand tons).

4. Cement

To sustain the development momentum, especially the construction sector, the Government continued to encourage enlargements of capacity as well as increase production of cement. In late 1983 the expansion of three cement factories were completed, namely Semen Andalas in Aceh, Se-

men Perkasa Agung in Cibinong and Semen Indarung III A in Padang, with an annual capacity of 1 million tons, 1.5 million tons and 0.6 million tons, respectively. With the completion of those expansions, the aggregate annual capacity of cement production at end of the reporting year reached 11.6 million tons.

In the reporting year, cement output was up by 5.6% to 8,078 thousand tons, resulting in an annual increase of 17.7% for the period of Pelita III. The annual increase of cement consumption during the period of Pelita II I was 9.5%, reaching 8,101 thousand tons in the reporting year. Therefore, cements were still imported, especially certain types not yet produced.

To stabilize the prices of cement, the Government regulated the trade of this commodity by fixing the maximum price level through the mechanism of local price directives for cement (HPS). Consequent to the upward adjustments in the prices of domestic fuel oils in January 1984, the Government raised the HPS prices by an average of 13.8. It should be noted, in the last quarter of 1983 certain regions encountered short age of cement due to malfunction in one of the production plants.

In accordance with the program to promote non-oil exports, the Government enhanced its efforts to boost output of cement during Repelita IV. It is expected that production of cement during this period would increase by 20% p.a., while consumption would rise by only 15% p.a., thereby enabling exports.

5. Plywood and sawn timber

To induce growth of the economy and enlarge non-oil foreign exchange earnings, during the reporting year the Government encouraged production of processed timber and increased its efforts to expand the international market. In this connection, forestry exploitation right (HPH) holders

were required to construct timber processing plants. Furthermore, the Government continued to promote export of processed timber to East European and North African countries, while increasing exports to the established markets, such as, the United States and Middle East.

As a result of the above efforts, plywood factories increased to 79 units and sawn timber mills to 2,491 units with an annual capacity of 4,528 thousand m³ and 14.4 million m³, respectively. Henceforth, output of plywood went up by 7.9% to 2,566 thousand m³ and sawn timber by 10% to 8,200 thousand m³. In the reporting year, exports of plywood increased significantly, by 61.7% to 2,023 thousand m³ and sawn timber by 5.0% to 1,752 thousand m³. This progress was also attainable to the world economic recovery, especially in the United States. Recent developments in the domestic construction industry had a positive impact on processed timber consumption. Consumption of plywood increased by 46.1% to 1,300 thousand m³ and sawn timber by 15.1 % to 5,900 thousand m³.

It should be noted, the production capacity of sawn timber and plywood would be raised by an annual average of 7.6% and 16.0% during Kepelita IV. As a result, output of sawn timber and plywood during the same period would increase by 12.0% and 19.7% annually. This development was in line with the program of the Government of increasing non-oil export earnings and thereby expanding employment opportunities.

6. Paper

In order to meet the rising demand for paper, the Government continued its efforts to develop an integrated paper industry on a large scale. The development of paper industry was directed towards the use of domestic raw materials such as wood waste, cane pulp, lamtoro gung and turf. In addition, the Government also placed priority on the construction of pulp and paper mills.

In line with the above policy, production capacity in the reporting year increased by 53.5% to 671.3 thousand tons. Although production of paper rose by 24.4% to 369.2 thousand tons, since consumption increased by 10% to 582 thousand tons, during the reporting year 212.8 thousand tons of paper were imported. It should be noted that since the past two years Indonesia had been exporting writing and printing papers. During the reporting year, export of those commodities reached 6.9 thousand tons and 16.0 thousand tons, respectively.

For the coming years, the Government planned to expand the capacity of paper mills. The Leces IV printing paper mill and a cement bag mill, each with a production capacity of 90 thousand tons, are expected to be completed in 1986. By the end of 1986/87 the total production capacity of paper mills is expected to reach 1,776 thousand tons per year.

7. Textiles

Since the past several years, tighter competition had occurred in the textile industries. In this connection, during the reporting year the Government issued various regulations to improve the competitiveness of Indonesia's textile products. This policy was carried out by encouraging diversification and quality improvement of textile products, especially those of small-scale entrepreneurs. It should be noted, the long-run objective of this policy was to reduce the dependence of textile industries on imported raw and intermediate materials. This policy was reflected in the efforts of the Government to complete the construction of aromatic center in Plaju, South Sumatra, producing polyester fibres, which was formerly included in one of the four basic industries subject to rephasing.

In the reporting year, textile production increased by 16.7% to 1,995.1 million meters. This

was due to the success of the Government's policy to improve the competitiveness of small-scale textile industries. Furthermore, the Government continued to encourage exports by granting incentives in the form of certificates and providing information on foreign markets. As a result, textile exports rose significantly, by 31.3% to 51.2 thousand tons, especially destined to the United States, West European countries and Australia.

8. Motor vehicle tires

The production capacity of four-wheeled and two-wheeled motor vehicle tires reached 6,435 thousand and 3,699 thousand, respectively. Output of four-wheeled as well as two-wheeled motor vehicle tires during the reporting year recorded declines, by 5.5% and 5.0% which was closely related with the sluggish domestic demand (Table 8.32).

Thus far, several types of tires, namely for aircraft, military and off-road vehicles, were still imported. To meet the demand for those commodities, in 1982 a tire plant with an annual capacity of 48.7 thousand started to be constructed and was expected to commence production in 1986.

The Government continued to encourage tire production, so that at end of Repelita IV would reach 10.3 million pieces. Preparations were under way to construct a factory producing raw materials and intermediate goods needed for the processing of tires, such as, carbon blacks, sulphur and antioxidant.

9. Salt

In the reporting year production of salt decreased by 22.4% to 620.0 thousand tons. However, the availability of a large amount of stock at end of the reporting year, namely 1,272 thousand tons, was more than sufficient to cover the domestic demand of 700 thousand tons, including 450 thousand tons for household consumption. During the reporting year, the prices of salt were

maintained at the same level, namely Rp 25.00 per kg for the first grade, Rp 21.00 for the second grade, and Rp 17.50 for the third grades⁵⁾

10. Basic metal

The policy on basic metal industries was directed towards providing adequate supply of steel and iron for the domestic industries dealing with construction and machinery. To maintain a high quality of iron and steel produced domestically, a standardization of metal products would be developed by a government institution.

At end of the reporting year the installed annual production capacity of steel in the forms of ingot/billet and galvanized iron sheet reached 1,297 thousand tons and 491.8 thousand tons, respectively. Output of steel ingot and zinc plate increased by 26.1% and 32.3%, respectively.

The installed annual production capacity of reinforcing steel bar and aluminium plate rose to 1,231.9 thousand tons and 34.5 thousand tons, while their production increased by 37.9% to 1,026 thousand tons and by 29.8% to 19.6 thousand tons, respectively (Table 8.32). The rapid improvements of the basic metal industry was due to the Government's policy to emphasize more on the development of upstream industries.

In line with the policy to enable to meet the domestic demand for steel, a steel plate plant started to be constructed in Cilegon, West Jawa, during the reporting year. This plant, with an annual capacity of 850 thousand tons, is expected to be on stream in 1986.

11. Transportation means

The policy of the Government to develop the manufacture of transportation means was initiated with assembling of four-wheeled motor vehicles.

5) Decree of Director General of Domestic Trade, Ministry of Trade & Cooperatives, No. 154/Kep/V/1982, May 19, 1982.

TABLE 8.32
SELECTED INDUSTRIAL PRODUCTION

Products	Units	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84*
1. Chemical industry							
— Urea fertilizer	thousand tons	1,437.2	1,827.0	1,985.1	2,006.7	1,944.1	2,204.8
— Non-urea fertilizer ¹⁾	thousand tons	141.0	270.0	649.0	773.7	798.3	991.0
2. Cement	thousand tons	3,629.0	4,705.1	5,851.8	6,844.2	7,650.0	8,078.1
3. Plywood and sawn timber							
— Plywood	thousand m3	424.0	575.0	1,144.6	1,609.9	2,377.2	2,566.0
— Sawn timber	thousand m3	1.8	5.7	7.4	7.8	8.0	8.2
4. Paper	thousand tons	155.2	214.2	232.0	246.6	296.9	369.2
5. Textile and weaving yarn							
— Textile	million meters	1,576.0	1,910.0	2,027.3	2,094.0	1,708.9	1,995.1
— Weaving yarn	thousand bales	837.3	998.0	1,184.0	1,233.0	1,370.0	1,662.0
6. Motor vehicle tires							
— Automobile tires	thousand units	2,540.4	2,898.4	3,320.0	3,816.9	3,885.6	3,673.3
— Motorcycle tires	thousand units	1,658.2	2,070.5	2,319.7	2,801.3	2,567.1	2,438.5
7. Salt	thousand tons	261.8	703.0	690.0	285.8	799.9	620.0
8. Basic metal industry							
— Sponge iron	thousand tons	—	99.5	281.8	384.5	391.0	540.7
— Steel ingot	thousand tons	80.0	122.4	397.1	436.1	693.5	762.0
— Reinforcing steel bar	thousand tons	300.0	500.0	640.5	671.0	743.8	1,026.0
— Wire rod	thousand tons	—	89.5	160.2	157.4	253.3	280.0
— Steel wire	thousand tons	100.0	108.0	143.2	159.7	128.3	147.3
— Steel pipe	thousand tons	118.3	129.5	153.8	243.0	282.5	395.0
— Galvanized iron sheet	thousand tons	185.0	250.0	294.2	301.6	316.7	419.0
— Aluminium plate	thousand tons	9.7	9.5	11.8	13.7	15.1	8.0
9. Transportation means industry							
— Automobiles	thousand units	108.7	102.6	170.1	209.9	188.4	155.8
— Motorcycles	thousand units	330.5	221.6	410.0	503.3	577.4	379.3
— Aeroplanes	units	16	16	12	17	21	15
— Helicopters	units	16	16	12	12	21	18
— Steel vessels	thousand BRT	11.5	24.0	27.5	28.9	16.4	8.2
10. Others							
— Clove cigarettes	million pieces	43,500.0	41,500.0	50,500.0	55,600.0	59,143.0 ^r	68,200.0
— White cigarettes	million pieces	25,700.0	28,600.0	33,400.0	28,400.0	27,125.0 ^r	26,900.0
— Coconut oil	thousand tons	319.1	452.0	610.0	480.8	442.1	381.7
— Cooking oil	thousand tons	37.8	266.2	278.9	326.4	326.2	342.0
— Laundry soap	thousand tons	218.5	202.9	213.0	207.8	213.0	199.0
— Detergents	thousand tons	44.2	46.5	54.4	63.9	66.8	75.5
— Toothpaste	million tubes	108.5	113.9	123.0	137.5	145.0	165.1
— Matches	million boxes	539.8	553.0	586.2	664.8	681.4	817.0
— Electric/telecommunication cords	thousand tons	15.7	17.4	19.1	18.7	20.1	21.0
— Light bulbs/TL bulbs	million units	30.4	29.9	33.8	36.5	30.4	45.4
— Radio and radio cassette recorders	thousand units	1,536.0	1,018.8	1,110.5	1,154.9	1,589.9	1,503.1
— Car radio cassette recorders	thousand units	488.0	560.5	616.6	672.0	355.9	288.4
— Black & white television sets	thousand units	687.6	574.0	631.4	643.6	421.1	433.4
— Color television sets	thousand units	45.6	85.8	98.7	203.3	232.4	189.4
— Refrigerators	thousand units	90.0	99.6	134.5	138.5	152.4	139.2
— Sewing machines	thousand units	600.0	477.6	525.4	551.6	393.5	290.2
— Storage batteries	thousand units	690.0	1,747.2	3,319.7	3,651.6	3,521.0	4,080.0
— Dry batteries	million units	420.0	462.0	526.7	553.6	576.6	633.6
— Sprayers	thousand units	36.5	78.0	134.2	154.3	159.7	170.0
— Hand tractors	units	280	550	877	1,074	1,271	1,065
— Diesel engines	thousand units	30.4	25.0	34.1	69.4	64.6	58.6
— Hullers	units	2,200	2,500	1,868	1,078	1,687	467

1) Until 1978/79 consisting of ZA only, since 1979/80 consisting of ZA, TSP and NPK.

Source : — Supplement to the President's Report to Parliament, August 16, 1984.

— Ministry of Industry.

This effort was later on extended to the manufacturing of certain components of fourwheeled motor vehicles. The manufacture of these components was carried out under an integrated program, in which the use of the domestically produced components followed a specified shedule. During the reporting year, production of assembled four-wheeled motor vehicles stood at 155.8 thousand units and motorcycles 379.3 thousand units.

PT Nurtanio, the only aircraft assembling plant in Indonesia, accomplished to produce fixed-wing and rotary-wing aircrafts (helicopters). The annual production capacity of aircrafts and helicopters was 24 units and 36 units, respectively. During the reporting year, the production of CN-212 aircraft was 15 units and helicopters 18 units.

During Repelita IV, the production of assembled four-wheeled motor vehicles would be expected to meet the domestic demand. In line with this objective, a motorcycle machinery plant would be built, with production capacity of 466.5 tons per year, expected to be on stream in the beginning of 1985. Furthermore, the CN-235 aircraft, another product of PT Nurtanio with a larger capacity than the CN-212 type, would be produced towards the end of 1985. It should be noted, PT Nurtanio already concluded contracts with domestic as well as foreign buyers for the construction of 86 aircrafts.

12. Other industrial products

Major industrial products listed in this category, among others, comprised machinery, equipments and electrical appliances. The manufacture of machinery and equipments continued to be directed towards achieving self-sufficiency so as to reduce dependence on imports. With regard to the manufacture of electrical appliances, its development was mainly aimed at supporting public communication network systems, broadcasting services and for exports.

During the reporting year, except spraying in-

secticide equipments, the production of machinery and equipments experienced a decrease. However, production of electrical appliances improved, except radio and car radio cassettes. Production of machinery which recorded declines were, among others, hand tractors (16.2%), rice hullers (72.3%), diesel engines (9.3%), and sewing machines (26.3%), while spraying insecticide equipments experienced an increase (6.4%). Unlike machinery and equipments, output of some electrical appliances performed better, namely light bulbs went up by 49.3%, storage batteries by 15.9% and dry batteries by 9.9%. But, other products, such as radios and car radio cassettes, decreased by 5.5% and 19.0%, respectively (Table 8.32).

I. Communication

Policy in the field of communication was more focused on achieving continuity in the flow of goods and passengers to remote villages and new settlement areas by improving and repairing the infrastructure and means of transportation. Pioneer transportation services were increased, especially to isolated areas. To sustain the continuity of cargo and passenger flows, the rates of transportation fees were adjusted, on a selective basis, following the price increases of fuel oils at the beginning of 1983.

TABLE 8.33
NUMBER OF LAND TRANSPORTATION
VEHICLES
(thousands of units)

Year	Buses	Truck/ cargo vehicles	Passenger cars	Motor cycles
1979	69.5	383.6	581.5 ^f	2,266.2
1980	86.2	478.1	639.5	2,677.8
1981	112.1	590.5	722.4	3,197.3
1982	134.4	657.1	791.0	3,764.4
1983	160.3	717.9	869.9	4,235.7

Source : Supplement to the President's Report to Parliament,
August 16, 1984.

As a result of the implementation of the above policy, the output of services for cargo and passenger transportation in general improved. Significant improvements in passenger transportation were produced by river, lake, ferry crossing and railway services. Cargo transportation services produced by ocean going, interinsular, river, lake and ferry-crossing fleets also recorded increases.

1. Land transportation

Efforts to improve the infrastructure, such as roads and bridges, continued to be enhanced. In the reporting year, roads and bridges were constructed, with a total length of 175 km and 826 m, respectively. Besides, 4,841 km roads and 10,749 m bridges were improved.

In line with the improvements in infrastructure and increasing demand for land transportation services in 1983, the number of transportation means registered increases, buses by 19.3%, cargo vehicles by 9.3%, passenger cars by 10.0%, and motorcycles by 9.9% (Table 8.33).

Efforts to improve the railway transportation were mainly directed towards rehabilitation of infrastructure and expansion as well as reparation of transportation means. In the reporting year, the rehabilitation of 335.4 km rail road tracks and 98

TABLE 8.35
OUTPUT OF RIVER, LAKE AND
FERRY TRANSPORTATION SERVICES

Year	Passengers transported (thousands)	Cargos transported (thousands of tons)
1979/80 ^r	16,550	3,079
1980/81 ^r	17,662	3,683
1981/82	15,575	3,945
1982/83	14,796	3,979
1983/84*	16,715	3,988

Source: Supplement to the President's Report to Parliament, August 16, 1984.

bridges were completed. With regard to transportation means, 24 locomotives, 352 passenger wagons, and 2,112 freight cars were repaired, while the number of locomotives was expanded by 83. Passengers and cargoes transported showed an increase of 9.6% and 2.5%, respectively (Table 8.34).

The river, lake and ferry transportation services, forming an integrated part of the land transportation system, continued to be emphasized on the improvement of their fleets and the expansion of infrastructure, primarily harbor and terminal facilities. In the reporting year passengers and cargo transported increased by 13.0% and 0.2%, respectively. (Table 8.35).

In Repelita IV, the development of the infrastructure and means of transportation would be more stressed in central production areas, including new settlements, to connect those areas with the market. To reduce traffic congestion in big cities in Jawa, electrical railways would be constructed.

2. Sea transportation

To improve sea transportation services, fleets and shipping routes were expanded. Sea transportation, involving ocean going, interinsular and pioneer fleets continued to be directed towards an integrated system so as to induce domestic and foreign trade, especially

TABLE 8.34
OUTPUT OF RAILWAY TRANSPORTATION
SERVICE

Year	Passenger transportation		Cargo transportation	
	Passengers (thousands)	Passenger - km (millions)	Cargo (thousands of tons)	Cargo - ton-km (millions)
1979/80	37,709	5,981	4,241	1,016
1980/81	40,740	6,229	4,300	980
1981/82	39,951	6,080	5,310	1,016
1982/83	43,279	6,271	5,310	1,063
1983/84	47,436	6,313	5,442	951

Source : Supplement to the President's Report to Parliament, August 16, 1984.

TABLE 8.36
NUMBER OF VESSELS AND THEIR SERVICES

Year	Number of vessels	Capacity (thousands of DWT)	Cargo transportation (thousands of tons)
1979/80	50	513	5,820
1980/81	58	668	7,353
1981/82	61	802	17,637
1982/83	61	807	18,465
1983/84*	51	732	18,964

Source: Supplement to the President's Report to Parliament, August 16, 1984.

the non-oil exports. In line with this policy, efforts were made to improve harbor facilities by expanding and rehabilitating quays and go-downs. In this connection, four harbor public companies (Perusahaan Umum Pelabuhan I, II, III and IV) were established and trusted to execute the above policy involving 91 harbors throughout Indonesia.

Ocean-going transportation, mainly destined to Japan, Hongkong, Taiwan, Canada, United States, and Europe, in the reporting year operated 51 vessels with a carrying capacity of 732 thousand DWT. Compared with the previous year the number of vessels and the carrying capacity decreased by respectively 16.4% and 9.3%. However, the volume of cargo carried increased by 2.7% reaching 18,964 thousand tons (Table 8.36).

The number of ships in interinsular shipping

TABLE 8.37
NUMBER OF VESSELS AND CARGO HANDLED

Year	Number of vessels	Capacity (thousands of DWT)	Cargo transportation (thousands of tons)
1979/80	335	341	3,573
1980/81	390	406	5,816
1981/82	361	425	5,952
1982/83	397	503	6,353
1983/84*	328	433	6,805

Source: Supplement to the President's Report to Parliament, August 16, 1984.

TABLE 8.38
NUMBER OF VESSELS AND PIONEER SAILING SERVICES

Year	Number of vessels	Capacity (thousands of DWT)	Transportation	
			Passenger (thousands)	Cargo (thousands of tons)
1979/80	28	12.9	132.0	66.5
1980/81	31	17.6	165.0	90.0
1981/82	33	17.6	121.8	98.0
1982/83	36	19.0	151.8	97.0
1983/84*	30	16.3	127.8	31.2

Source: Supplement to the President's Report to Parliament, August 16, 1984.

went down by 69 bringing forth a 13.9% reduction in the carrying capacity. Nevertheless, the volume of cargo transported rose by 7.1 % to 6,805 thousand tons (Table 8.37).

Local shipping, mainly engaged in linking sea terminals of certain islands, was directed towards providing transportation services of certain areas and thereby supporting interinsular shipping services. In the reporting year, 1,139 ships were engaged in local shipping, with a carrying capacity of 171.3 thousand BRT.

Traditional shipping, operating small boats (up to the maximum volume of 100 m³ or 75 BRT), was mainly aimed at the improvement of their services. In the reporting year, the number of boats

TABLE 8.39
AIR TRANSPORTATION FLEET

Year	Type of airplanes			Total
	Turbojet	Turboprop	Piston	
1979	63	89	8	160
1980	69	92	8	169
1981	75	89	—	164
1982	82	82	—	164
1983*	82	106	—	188

Source: Supplement to the President's Report to Parliament, August 16, 1984.

increased by 25 to 3,511 with a carrying capacity of 181.2 thousand BRT. Therefore, the cargo carried increased by 33.4% reaching 2,875.9 thousand tons. With regard to pioneer shipping, the number of ships decreased by 16.7% to 30. As a result, passengers and cargo transported declined by 15.8% and 67.8%, respectively (Table 8.38).

To promote production of transportation services and improve shipping safety, at the beginning of Repelita IV the Government issued a regulation concerning the scrapping of old vessels ⁶⁾ In this regulation it was stipulated that vessels in operation during a specified period were to be scrapped according to the following schedule : as of May 1, 1984 for vessels of the age of 30 years or more, and as of January 1, 1985 for those of the age of 25 years or more.

3. Air transportation

Efforts to improve transportation services continued to be expanded. During the reporting year a flight cooperation was concluded between a national and Japanese airline, with the intention of promoting tourism. Furthermore, to encourage non-oil exports, since 1983 national airlines provided discounts for freight ranging between 40% and 60%.

6) Minister of Communication Decree No. KM 57/HK. 404/Phb-84, March 29, 1984.

TABLE 8.40
OUTPUT AIR TRANSPORTATION SERVICES

Year	Passengers carried		Cargos carried	
	Domestic flights	Inter-national flights	Domestic flights	Inter-national flights
1979	4,247 ^f	748 ^f	39.6 ^f	10.0 ^f
1980	4,449	923 ^f	44.5 ^f	17.8 ^f
1981	5,588	1,159 ^f	50.5	20.6 ^f
1982	5,551	1,083	56.0	22.7
1983*	5,253	1,047	49.5	40.4

Source : Supplement to the President's Report to Parliament, August 16, 1984.

During 1983 the number of turboprop aircrafts increased by 29.3% reaching 106, while turbojets at 82 remained unchanged. In order to support air transportation, the number and capacity of airports continued to be improved. At end of 1983, there were 95 airports, of which 5 could be landed by B-747, 8 by DC-10 or A-300, 15 by DC-9, 35 by F-28, 51 by F-27 and the remaining airports (44) could only accommodate Casa212 and Twin Otter aircrafts. It should be noted that pioneer flights only operated the latter two aircrafts.

In 1983, the domestic passengers and cargos transported decreased by 5.4% and 11.5%, respectively. The number of international passengers also decreased, by 3.3%. However, cargo in the international flight served increased by 78.0% (Table 8.40).

J. Tourism, Postal Services and Telecommunication

Policy in the field of tourism, postal services and telecommunication, was mainly directed to increase foreign exchange earnings and expand business as well as employment opportunities. To increase the flow of foreign tourists, on April 1, 1983, the Government issued a series of regulations known as the Paket Kebijakan Pariwisata 1983 (Tourism Policy Package of 1983). This policy involved, among others, with visa, air transportation and services. In addition, incentives were extended to induce the development of supporting services for tourism industry.

Postal and giro services were extended to reach villages and transmigration areas. Furthermore, cooperation with other countries in the fields of philately, postal and money transfers was also improved. Developments in the telecommunication field involved expansion in the network of telephone, telegraph and telex services as well as improvement in the quality. In this connection, Palapa A, a domestic communication satellite

system, was replaced by Palapa B with 24 transponders or twice that of Palapa A.

1. Tourism

As a result of the Tourism Policy Package of 1983, the development of tourism in Indonesia was quite encouraging. In 1983, the number of foreign tourists and the amount of their spendings increased by 7.9% and 22.5%, respectively (Table 8.41). It may be added, as a result of the enactment of the free visa facility applicable for 26 countries since April 1, 1983, not less than 77.8% of 446,892 tourists entering through the three main gates (Jakarta, Denpasar, and Medan) made use of this facility.

By country of origin, the number of tourists from Singapore ranked first (16.6%), followed by Australia (15.8%) and Japan (14.1 %). With regard to purpose of visit, 69.1% came for holidays, 16.7% for business, 5.5% for holidays coupled with business, 1.8% for missions, and 6.9 for other purposes.

In 1983, the number of hotels remained at 1,075 with 38,627 rooms, of which 283 hotels (20,090 rooms) were "starred hotels." Of the starred hotels, 243 (18,821 rooms) were located in the 10 tourist areas (DTW). The number of tourist bureaus increased by 2.3% reaching 436, of which 316 were located in those DTWs. The number of restaurants increased by 135.7% reaching 1,143 res-

TABLE 8.41
NUMBER OF FOREIGN TOURISTS
VISITING INDONESIA

Year	Number of tourists	Tourist spending (millions of dollars)
1978	468,614	94.3
1979	501,430	188.0
1980	561,178	289.0
1981	600,151	309.1
1982 ^f	592,046	358.9
1983*	639,000	439.5

Source : Directorate General of Tourism.

TABLE 8.42
NUMBER OF POST OFFICES

Type of post offices	1979	1980	1981	1982	1983*
Main post offices	195	198	198	200	211
Subsidiary post officex	197	208	232	253	284
Auxiliary post offices	1,023	1,041	1,091	1,163	1,218
Total	1,415	1,447	1,521	1,616	1,713

Source : Directorate General of Post and Telecommunication.

taurants, of which 954 restaurants were located in those DTWs.

To develop tourist objects, in the reporting year plans were under way and feasibility studies were conducted to examine the possibility of expanding tourist facilities. Inline with this policy the Government improved the cooperation among institutions such as the Indonesian consulates, air transportation companies, hotels, travel bureaus, and mass media.

2. Postal and giro services

In 1983, number of post offices increased to 1,713, which consisted of 211 post offices, 284 subsidiary post offices and 1,218 auxiliary post offices (Table 8.24).

In line with the increase of postal and giro services and the extended network, postal and giro services also increased. In 1983, the increase was as follows : letters rose by 16.4%, postal drafts by 47.2%, postal and giro checks by 16.3% and postal savings by 39.6%, while postal packages declined by 4.6% (Table 8.43).

3. Telecommunication

The policy in the field of telecommunication was stressed on the expansion of the network and its industry. In domestic telecommunication, the policy was carried out by expanding the long-distance direct dealing network (SLJJ) and the number of public phones.

TABLE 8.43
POSTAL AND GIRO SERVICES

Type of services	1979	1980	1981	1982	1983*
Postal letters (millions)	266	176	173	299	348
Postal parcels (thousands)	1,141	1,172	1,213	1,230	1,173
Postal drafts (billions of rupiah)	174.6	246.1	301.1	336.8	495.7
Postal giro and cheques (billions of rupiah)	1,113.2	1,558.7	1,997.9	2,208.4	2,569.4
Savings (billions of rupiah)	19.4	32.3	44.4	58.1	81.1

Source : Directorate General of Post and Telecommunication.

The international direct dealing (SLI) was expanded and contracts were signed to develop a sea cable communication network linking Medan -Middle East - West Europe.

During 1983, the number of central automatic telephone exchanges (STO) and central manual telephone exchanges (STM) advanced by 3.7% and 1.80, respectively. As a result, the capacity of STO and STM, in terms of connection lines, increased by 3.4% and 3.2%, respectively (Table 8.44). In addition, the long-distance direct dealing network (SLJ J) and international direct dealing network (SLI) increased by 2.9% and 9.4% covering 105 cities and 56 countries, .respectively. Fur-

thermore, the number of cities served by the general telex (Gentex)⁷⁾ network went up by 7.5% to 158 cities, spread throughout the country, and central telex rose by 3.9% to 27 cities. As a result of the transformation of manual into automatic telex system, the number of manual telegraphic offices decreased by 0.6% to 639.

In Repelita IV, telecommunication services would be expected to increase by 1012% per annum. To meet this increasing demand, the telephone connection capacity would be expanded by

7) Cable transmitted through telex.

TABLE 8.44
NUMBER AND CAPACITY OF TELEPHONE EXCHANGES

Year	Automatic		Manual		Total	
	Telephone exchanges	Capacity (line units)	Telephone exchanges	Capacity (line units)	Telephone exchanges	Capacity (line units)
1979	101	460,100	468	88,172	569	548,272
1980	117	542,860	457	73,762	574	598,622
1981	150	545,500	569	74,130	619	619,630
1982	164	557,963	500	86,579	664	644,542
1983	170	576,797	509	89,336	679	666,133

Source : Directorate General of Post and Telecommunication.

750 thousand line units, including connecting lines to districts, sub-districts and industrial centers.

K. Cooperatives

Cooperative is a joint-endeavor especially suitable for Indonesia since the community has strong traditional family ties. Therefore, the Government considered it of vital importance to continually develop cooperatives in order to improve the welfare of the people. In the reporting year the policy on cooperatives was stressed on improving the quality of institutions, expanding business activities and providing supporting instruments. Improvements of institutions were carried out by upgrading the capability of village cooperative units (Koperasi Unit Desa/KUD) and other primary cooperative units. The expansion of business activities was aimed at enabling cooperatives to become instruments of the economically-weak group. To foster the institutional development and the operational capabilities of cooperatives as business entities the Government provided technical assistance. Furthermore, the development of cooperative institutions was carried out by improving the system of organization, capability of doing business and skill of cooperative members as also by expanding cooperation among cooperatives as well as cooperation between cooperatives and other institutions (banks, state and private enterprises). To improve the efficiency and effectiveness, primary cooperatives were allowed to develop secondary cooperatives.

To increase the business activities of cooperatives, wider opportunities were provided in enlarging capital and in dealing in production activities as well as collecting and marketing of essential commodities. It should be noted, to strengthen the capital of cooperatives, in late of 1983 Perusahaan Umum Pengembangan Keuangan Koperasi (Perum PKK) or corporation for the financial development of cooperatives was established to replace the Lembaga Jaminan Kredit

Koperasi (L J KK) or Cooperative Credit Guarantee Institute. The main function of Perum PKK was to provide guarantee to loans extended by banks and other financial entities to cooperatives. Furthermore, to improve the program on the institution of cooperatives as well as expanding of their business activities, the Government provided apparatus for training and research, and other supporting facilities.

To foster the growth of cooperatives, integrated measures were taken while encouraging the development of entrepreneurial initiatives of the community. Taking into consideration that cooperatives constituted one of the institutions which could assist the development of the economically weak groups and the importance of KUDs in the national economy, the development of cooperatives at the initial state was more emphasized on upgrading the KUDs. Basically, KUDs might be engaged in all sectors of the economy, however, more stress was placed on the rural economic activities, especially the agricultural sector.

At the end of 1983 the number of cooperatives reached 24,791 units with 13.6 million members, consisting of 6,327 KUDs (9.5 million members) and 18,464 nonKUDs (4.1 million members). Of the 6,327 KUDs, 3,701 units were model KUDs.

Food procurement, one of the major functions of KUDs, recorded encouraging improvements. In the reporting year, the quantity of husked and unhusked rice purchased by KUDs from farmers reached 851.7 thousand tons equivalent rice or 71.2% of the total domestic rice procurement.⁸⁾ Furthermore, the quantity of corn purchased reached 7.9 thousand tons or 75.9% of the total domestic corn procurement. With regard to cane sugar, their

8) Purchase targeted for 1983/84 (1,195.7 thousand tons).

quantity purchased increased by 17.1% reaching 652.2 thousand tons or 50.1 % of the total domestic cane sugar procurement.

The marketing of the output of smallholder's plantation, among others, cloves and copra, was handled by KUDs. The quantity of copra purchased by KUDs went up by 4.4% to 56.9 tons while that of cloves reached 20,380.5 tons. KUDs sales of copra and cloves rose by 10.8% and 1.8% reaching 55.5 tons and 19,130.4 tons, respectively. With regard to cloves, PT Kerta Niaga was appointed to manage the auctions and national stock of cloves.

The role of KUDs in the development of small-scale livestock cultivation was mainly carried out by providing hybrids and fodder for cattle and thereby improve production. Furthermore, the KUDs also assisted the marketing of livestock production, especially cow milk. In 1983, the number of cattle owned by the KUD members increased by 12.0% reaching 117.5 thousand heads and the marketing of milk increased by 20.3% reaching 130.0 million liters or 90.0% of the total domestic milk production.

KUDs also played an important role in providing electricity to the village community by producing and distributing electricity through village cooperatives for electrical services (Koperasi Listrik Pedesaan/KLP). Up to the end of 1983, model KLPs were constructed in 3 locations, namely Central Lampung, Luwu and East Lombok with a capacity of 475 KW, 550 KW and 450 KW, respectively. Those three KLPs provided electricity to 207 villages. In the reporting year, the number of KUD and non-KUD cooperatives, dealing with the distribution of electricity in cooperation with PLN, increased by 152.5% reaching 298 units spread in 20 provinces.

In Repelita IV, guidance and support for the development of cooperatives would be more intensified. This program would be carried out by more emphasizing on the development of KUDs and other primary cooperatives. In this connection, an institute called "Institut Manajemen Koperasi Indonesia" (cooperative management institute of Indonesia) would be established in Sumedang, West Jawa.

APPENDICES

APPENDIX A

BANK INDONESIA CONDENSED BALANCE SHEET as per March 31, 1984 ¹⁾ (billions of rupiah)

ASSETS		LIABILITIES
FOREIGN EXCHANGE ASSETS		CURRENCY IN CIRCULATION
a. Gold and foreign exchange	6.610	FOREIGN EXCHANGE
b. Other foreign assets	69	LIABILITIES
CLAIMS ON GOVERNMENT	6.679	a. Foreign liabilities ²⁾
a. Advances to Government	1.304	b. Others
b. Transactions/payment on account of membership in international financial institutions		4.699
— In gold	1	
— In rupiah	1.137	DEPOSITS AND OTHER
c. DICS promissory notes	1.138	LIABILITIES
LOANS		a. Government
a. Financial institutions ³⁾	7.182	1.673
b. Others	1.781	b. Aid counterpart funds
		933
		c. International financial institutions
		1.831
		d. Third parties
		— Banks
		1.380
		— Others
		678
	2.442	2.058
		6.495
		682
		2.471
PREMISES, FURNITURE AND FIXTURES	8.963	
OTHER ASSETS	73	
	145	
TOTAL	<u>18.302</u>	<u>18.302</u>

- 1) As submitted to the Government.
2) Regarded as a component in international reserves.
3) Bank and non-bank.

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
as per **March 31, 1984**
(billions of rupiah)

EXPENDITURES		REVENUES
EXPENSES		
— Personnel, material, operational	80	Interest 877
— Currency issues	24	Commission 1
— Miscellaneous	119	Miscellaneous 33
— Depreciation	309	
	<u>532</u>	
PROFIT		
— Profit before tax	379	
TOTAL	<u>911</u>	<u>911</u>

APPENDIX B

MANAGEMENT OF BANK INDONESIA

as per March 31, 1984

Government Commissioner : A.J. Witono S.

BOARD OF MANAGING DIRECTORS

Governor : Dr. Arifin Mohamad Siregar
Managing Director : Teuku Mohamad Zahirshah, S.H.
Managing Director : Marjanto Danoesapoetro, S.E.
Managing Director : Binhadi, Drs.
Managing Director : Sujitno Siswowidagdo, S.E.
Managing Director : T.M. Sjakur Machmud, S.H.
Managing Director : R. Rachmad
Managing Director : Hendrobudiyanto, Drs.

GENERAL MANAGERS

Office of the Board : Suparman Wijaya, S.H.
Administration and
Organization Department : Bambang Susilo
Budget Department : Sjafri Chalik
Foreign Exchange Department : A. Sulaiman Gandabrata, S.E.
Economics and Statistics
Department : Suhaimi Saleh, S.E.
Legal Department : Mrs. Indrawati Soewarso, S.H.
International Department : Achmad Effendie, S.H.
General Services Department : Sukiyato
Money and Capital Markets
Department : Sjahrizal, S.H.
General Credit Department : Dadang Soerman, S.E.
Cooperative and Small Credits
Department : Bistok Hutasoit, Drs.
Bank Supervision Department : Soengkowo Prijoredjo
Internal Control Department : R. Soegiono
Currency Circulation Department : R. Soejoto
Credit Planning and Credit
Supervision Department : Abdul Muis Bachtum
Personnel Department : Sjamsuddin Sudjaja

REPRESENTATIVES

Kuala Lumpur and Singapore : Hendarno Hendarmin, S.E.
London : N.A.L. Mailangkay, S.E.
New York : M.H. Sitinjak, S.H.
Tokyo : Mahfud Jakile, S.E.

REGIONAL COORDINATORS

Coordinator of Bank Indonesia
for East Jawa : Dewa Made Gunawan
Coordinator of Bank Indonesia
for Central Jawa and Yogyakarta : Sumantri Hadisuryatno, S.E.

BRANCH MANAGERS

Ambon	: Soekisman
Balikpapan	: Oerip Setiawan, S.H.
Banda Aceh	: Aibar Durin, S.H.
Bandar Lampung	: Soesantoro, S.E.
Bandung	: Tom Hartono, S.H.
Banjarmasin	: A. Bakry Pangoriseng, Drs.
Bengkulu	: P.R.O. Sihombing, Drs.
Cirebon	: Abdul Syukur
Denpasar	: Sugiono, S.E.
Jambi	: Koesen, S.E.
Jayapura	: Soedharnindhito, S.H.
Jember	: C. Korompis, S.E.
Kediri	: Soediarto
Kendari	: Djedi
Kupang	: Husein Bratasuwnja
Lhokseumawe	: Soelasmo, Drs.
Malang	: R. Saptadi Baroto
Mataram	: Suryono Joyoprayitno, S.E.
Medan	: Thamrin Soerawisastra, S.H.
Menado	: Nur Sudibyo, S.E.
Padang	: A.F. Tumiwa
Palembang	: Kamaloeddin Chatab, Drs.
Palu	: Basuki Sumadibrata, BBA.
Pekanbaru	: Ph. K. Intama
Pematang Siantar	: Soediono, S.E.
Pontianak	: Ibnoe Soejachmoen N.P.
Purwokerto	: Muhadjir
Samarinda	: Darwis Idroes, S.E.
Sampit	: Syahriar Lathief
Semarang	: Sumantri Hadisuryatno, S.E.
Sibolga	: M.T. Naibaho, S.E.
Solo	: Sri Hastjarja Parwasoeparta, S.E.
Surabaya	: Dewa Made Gunawan
Tasikmalaya	: H. Afnan, Drs.
Tegal	: Djoko Soetrisno
Ternate	: Srie Slamet, Drs. Pend.
Ujung Pandang	: Sutedja Trisnaatmadja, S.H.
Yogyakarta	: Mohamad Kurdi, S.E.

APPENDIX C

TABEL I
INTEREST RATE AND SELF-FINANCING REQUIREMENT OF
BANK INDONESIA'S REFINANCING FACILITY
(in percentage)

Items	Interest charged by handling bank to customer p.a.	Minimum ratio of customer's self- financing requi- rement to total cost of project	Ratio and interest rate of BI's refi- nancing facility	
			Ratio	Interest p.a.
I. Working capital credits				
1. Bimas credits	12	0	100	3
2. Permanent Working Capital Credits (KMKP)	12	0	75	3
3. Credits to Bimas for production, import and distribution of fertilizer and insecticide	12	25	75	3
4. National Private Plantation (PSN)	12	30	75	3
5. Credits to cooperatives (for members and for the purchase of essential commodities)	12	0	90	3
6. Export credits	freely determined by the respective handling bank ¹⁾	15	3)	3
7. Credits to national contractors	9	—	3)	3
II. Investment credits				
1. Mini credits	12	0	100	3
2. Midi credits	12	0	100	3
3. Small Investment Credits (KIK)	12	0	80	3
4. Plantation credits :				
a. Nucleus Smallholders Estate (PIR)	12	0	80	3
b. Rejuvenation, Rehabilitation and Expansion of Export Plant (PRPTE)	12	0	80	3
c. National Private Plantation (PSN)	12	10	85	3
5. New rice fields ²⁾	12	0	100	3
6. Investment credits through Rp 75 million	12	10	80	3
7. Credits to cooperatives (for members and for the purchase of essential commodities)	12	0	90	3
III. Others⁴⁾				
1. House Ownership Credits (KPR)	5—9	10 — 20	90	3
2. Credits for Indonesian Students (KMI)	6	0	100	3
3. Credits for Student Dormitories	5	0	80	3

1) An interest of 9% p.a. would be applied on credits of which exports have been realized.

2) Bank Indonesia's credits to farmers are channelled through the Department of Agriculture.

3) Fixed at 70% for state banks and 80% for Bank Pembangunan Indonesia, national private banks and local development banks

4) Based on the regulation previously enforced.

TABLE II
GOVERNMENT REVENUES¹⁾
(billions of rupiah)

Particulars	1979/80	1980/81	1981/82	1982/83	1983/84		1984/85
					Budget	Actuals	Budget
I. Domestic revenues	<u>6,697</u>	<u>10,227</u>	<u>12,213</u>	<u>12,418</u>	<u>13,823</u>	<u>14,433</u>	<u>16,149</u>
A. Oil and gas receipts	4,260	7,020	8,628	8,170	8,869	9,520	10,366
1. Oil	4,097	6,404	7,943	7,450	7,903	8,522	8,895
2. Gas	163	616	685	720	966	998	1,471
B. Non-oil and gas receipts	2,437	3,207	3,585	4,248	4,954	4,913	5,783
1. Taxes on income	792	1,112	1,367	1,707	2,019	1,932	2,451
— Income tax	148	164	207	289	282	399)	
— Corporate tax	297	448	559	675	875	757)	
— Withholding tax (MPO)	291	433	513	642	742	628)	2,451
— Tax on interest, dividends and royalties (PBDR)	56	67	88	101	120	148)	
2. Value-added tax on goods and services and tax on the sales of luxury goods	329	461	534	708	786	831	958
— Sales tax	192	266	311	477	487	575)	
— Sales tax on import	137	195	223	231	299	256)	958
3. Import duties	317	448	536	522	678	557	681
4. Excise duties	326	438	544	620	688	773	728
5. Export tax	389	305	129	82	88	104	124
6. Others	26	40	44	69	63	65	75
7. Land tax (Ipeda)	71	87	94	105	130	132	151
8. Non-tax receipts	187	316	337	435	502	519	615
II. Development receipts	<u>1,381</u>	<u>1,494</u>	<u>1,709</u>	<u>1,940</u>	<u>2,742</u>	<u>3,882</u>	<u>4,411</u>
A. Program aid	65	64	45	15	5	15	40
B. Project aid	1,316	1,430	1,664	1,925	2,737	3,867	4,371
Total	<u>8,078</u>	<u>11,721</u>	<u>13,922</u>	<u>14,358</u>	<u>16,565</u>	<u>18 215</u>	<u>20,560</u>

1) Composition of domestic revenues was adjusted according to the specification of the 1984/85 budget, therefor the corresponding figures for fiscal year 1979/80 through 1983/84 were adjusted accordingly.

Source : Department of Finance.

TABLE III
PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA I, 1969/70 – 1973/74
(billions of rupiah)

Particulars	1969/70		1970/71		1971/72		1972/73		1973/74		Total	
	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals
Domestic revenues	228	244	276	344	324	428	374	590	428	968	1,630	2,574
Routine expenditures	204	217	243	288	281	349	319	438	357	713	1,404	2,005
Government savings	24	27	33	56	43	79	55	152	71	255	226	569
Foreign aid	99	91	120	120	180	136	209	158	225	203	833	709
— Project aid	(36)	(25)	(45)	(41)	(95)	(45)	(124)	(62)	(140)	(114)	(440)	(288)
— Program aid	(63)	(66)	(75)	(79)	(85)	(91)	(85)	(95)	(85)	(89)	(393)	(421)
Development funds	123	118	153	176	223	215	264	310	296	458	1,059	1,278
Development expenditures	123	118	153	169	223	196	264	298	296	451	1,059	1,233
— Rupiah	(87)	(93)	(108)	(128)	(128)	(151)	(140)	(236)	(156)	(337)	(619)	(945)
— Project aid	(36)	(25)	(45)	(41)	(95)	(45)	(124)	(62)	(140)	(114)	(440)	(288)
Surplus (+) / Deficit (—)	—	—	—	+ 7	—	+19	—	+12	—	+ 7	—	+45

Source : Department of Finance.

TABLE IV
PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA II, 1974/75 – 1978/79
(billions of rupiah)

Particulars	1974/75		1975/76		1976/77		1977/78		1978/79		Total	
	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals
Domestic revenues	1,363	1,754	2,074	2,242	2,277	2,906	2,608	3,535	3,089	4,266	11,411	14,703
Routine expenditures	961	1,016	1,294	1,333	1,428	1,630	1,630	2,149	1,905	2,744	7,218	8,871
Government savings	402	738	780	909	849	1,276	978	1,386	1,184	1,522	4,193	5,832
Foreign aid	214	232	192	492	208	784	218	773	224	1,036	1,056	3,316
— Project aid	(---)	(196)	(---)	(472)	(---)	(774)	(---)	(737)	(---)	(988)	(---)	(3,166)
— Program aid	(---)	(36)	(---)	(20)	(---)	(10)	(---)	(36)	(---)	(48)	(---)	(150)
Development funds	616	970	972	1,401	1,057	2,060	1,196	2,159	1,408	2,558	5,249	9,148
Development expenditures	616	962	972	1,398	1,057	2,054	1,196	2,156	1,408	2,556	5,249	9,126
— Rupiah	(---)	(766)	(---)	(926)	(---)	(1,280)	(---)	(1,419)	(---)	(1,568)	(---)	(5,960)
— Project aid	(---)	(196)	(---)	(472)	(---)	(774)	(---)	(737)	(---)	(988)	(---)	(3,166)
Surplus (+)/Deficit (-)	---	+8	---	+3	---	+6	---	+3	---	+2	---	+22

TABLE V
PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES DURING PELITA III AND
THE FIRST YEAR OF REPELITA IV, 1979/80 – 1984/85
(billions of rupiah)

Particulars	1979/80		1980/81		1981/82		1982/83		1983/84		1984/85	
	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Budget
Domestic revenues	5,440	6,697	6,090	10,227	6,804	12,213	7,526	12,418	8,412	14,433	16,149	16,149
Routine expenditures	3,446	4,062	3,845	5,800	4,294	6,978	4,767	6,996	5,308	8,412	10,101	10,101
Government savings	1,994	2,635	2,245	4,427	2,510	5,235	2,759	5,422	3,104	6,021	6,048	6,048
Foreign aid	1,494	1,381	1,647	1,494	1,840	1,709	2,019	1,940	2,237	3,882	4,411	4,411
a. Project aid	(1,429)	(1,316)	(---)	(1,430)	(---)	(1,664)	(---)	(1,925)	(---)	(3,867)	(4,371)	(4,371)
b. Program aid	(65)	(65)	(---)	(64)	(---)	(45)	(---)	(15)	(---)	(15)	(40)	(40)
Development funds	3,488	4,016	3,892	5,921	4,350	6,944	4,778	7,362	5,341	9,903	10,459	10,459
Development expenditure	3,488	4,014	3,892	5,916	4,350	6,940	4,778	7,360	5,341	9,899	10,459	10,459
a. Rupiah	(2,059)	(2,698)	(---)	(4,486)	(---)	(5,276)	(---)	(5,427)	(---)	(6,032)	(6,088)	(6,088)
b. Project aid	(1,429)	(1,316)	(---)	(1,430)	(---)	(1,664)	(---)	(1,925)	(---)	(3,867)	(4,371)	(4,371)
Surplus (+) / deficit (—)	---	+2	---	+5	---	+4	---	+2	---	+4	---	---

Source : Departement of Finance.

TABLE VI
DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Sector	1979/80	1980/81	1981/82	1982/83	1983/84		1984/85
					Budget	Actuals	Budget
Agriculture and irrigation	508	929	953	931	1,324	913	1,402
Industry	356	415	528	506	448	512	650
Mining and energy	377	507	828	1,165	1,116	2,299	1,301
Transportation and tourism	466	780	806	876	1,307	1,528	1,392
Trade and cooperatives	31	103	58	132	107	199	127
Manpower and transmigration	162	325	417	436	622	457	675
Regional, rural and urban development	336	482	616	711	783	749	810
Religion	19	32	40	50	61	54	63
Education, youth, culture and belief							
in the Almighty God	361	575	726	704	1,329	1,032	1,502
Health, social welfare, role of women,							
population and family planning	142	218	286	259	344	279	408
Housing and human settlement	117	191	166	151	297	221	433
Law	31	53	54	66	79	56	80
National defence and security	330	479	566	477	574	526	697
Information, press and social							
communication	22	34	44	51	57	27	67
Science, technology and research	58	88	95	129	158	303	206
State apparatus	112	168	181	242	188	317	162
Development of business enterprises	466	389	390	281	265	234	227
National resources and environment	120	148	186	193	231	193	257
Total	4,014	5,916	6,940	7,360	9,290	9,899	10,459

Source : Department of Finance.

TABLE VII
DEVELOPMENT EXPENDITURES BY SECTOR EXCLUDING
PROJECT AID
(billions of rupiah)

Sector	1979/80	1980/81	1981/82	1982/83	1983/84		1984/85
					Budget	Actuals	Budget
Agriculture and irrigation	353	706	818	830	951	757	872
Industry	49	224	193	160	146	266	123
Mining and energy	120	207	275	271	352	313	329
Transportation and tourism	274	472	543	544	655	639	631
Trade and cooperatives	20	90	48	132	86	180	77
Manpower and transmigration	139	295	386	421	558	411	525
Regional, rural and urban development	318	458	599	709	743	742	768
Religion	19	32	40	50	61	54	62
Education, youth, culture and belief							
in the Almighty God	318	525	689	679	1,223	1,004	1,217
Health, social welfare, role of women							
population and family planning	108	182	252	236	279	242	286
Housing and human settlement	89	158	144	130	252	170	234
Law	31	53	54	66	79	56	79
National defence and security	176	342	388	418	401	506	380
Information, press and social							
communication	11	28	42	51	53	27	48
Science, technology and research	51	78	91	102	125	120	117
State apparatus	91	151	179	218	178	184	157
Development of business enterprises	432	353	362	234	197	189	26
National resources and environment	99	132	173	184	214	171	157
Total	2,698	4,486	5,276	5,435	6,553	6,031	6,088

Source: Department of Finance.

TABLE VIII
PROJECT AID DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Sector	1979/80	1980/81	1981/82	1982/83	1983/84		1984/85
					Budget	Actuals	Budget
Agriculture and irrigation	155	223	135	101	373	156	530
Industry	307	191	335	346	302	246	527
Mining and energy	257	300	553	894	764	1,986	972
Transportation and tourism	192	308	263	332	652	889	761
Trade and cooperatives	11	13	10	—	21	19	50
Manpower and transmigration	23	30	31	15	64	46	150
Regional, rural and urban development	18	24	17	2	40	7	42
Religion	—	—	—	—	—	—	1
Education, youth, culture and belief							
in the Almighty God	43	50	37	25	106	28	285
Health, social welfare, role of women,							
population and family planning	34	36	34	23	65	37	122
Housing and human settlement	28	33	22	21	45	51	199
Law	—	—	—	—	—	—	1
National defence and security	154	137	178	59	173	20	317
Information, press and social							
communication	11	6	2	—	4	—	19
Science, technology and research	7	10	4	27	33	183	89
State apparatus	21	17	2	24	10	133	5
Development of business enterprises	34	36	28	47	68	45	201
National resources and environment	21	16	13	9	17	22	100
Total	1,316	1,430	1,664	1,925	2,737	3,868	4,371

Source: Department of Finance.

TABLE IX
INDONESIA'S BALANCE OF PAYMENTS¹⁾
(millions of dollars)

	1979/80	1980/81	1981/82	1982/83 ^r	1983/84
A. Goods and services exports	<u>2,198</u>	<u>2,131</u>	<u>- 2,790</u>	<u>- 7,039</u>	<u>- 4,151</u>
1. Merchandise goods, exports f.o.b.	18,511	22,885	22,994	18,672	19,816
imports f.o.b.	- 10,722	- 14,242	- 17,911	- 18,496	- 16,304
2. Freight and insurance on imports	- 1,246	- 1,645	- 2,058	- 2,129	- 1,880
3. Other transportation	- 332	- 360	- 414	- 250	- 285
4. Travel	- 169	- 252	- 386	- 248	- 93
5. Investment income	- 2,678	- 2,943	- 2,996	- 3,070	- 3,872
5.1. Oil and LNG sector	(- 1,595)	(- 1,945)	(- 2,483)	(- 2,097)	(- 2,439)
5.2. Direct investment and others	(- 1,083)	(- 998)	(- 513)	(- 973)	(- 1,433)
6. Government, not included elsewhere	- 92	- 106	- 165	- 114	- 62
7. Other services	- 1,074	- 1,206	- 1,854	- 1,404	- 1,471
Balance of goods and services (1 through 7)	2,198	2,131	- 2,790	- 7,039	- 4,151
Balance of goods (1)	7,789	8,643	5,083	176	3,512
Balance of services (2 through 7)	- 5,591	- 6,512	- 7,873	- 7,215	- 7,663
B. Grants	<u>218</u>	<u>195</u>	<u>185</u>	<u>108</u>	<u>113</u>
8. Private	---	---	---	---	---
9. Government	218	195	185	108	113
C. Special Drawing Rights (DSRs)	<u>65</u>	<u>62</u>	<u>---</u>	<u>---</u>	<u>---</u>
D. Total (A + B + C)	<u>2,481</u>	<u>2,388</u>	<u>- 2,605</u>	<u>- 6,931</u>	<u>- 4,038</u>
E. Capital movements	<u>1,228</u>	<u>- 1,223</u>	<u>4,655</u>	<u>9,052</u>	<u>3,791</u>
E.1. Other than reserves	462	1,513	3,667	5,772	5,861
10. Direct investment and other long-term capital movement	1,394	1,932	3,263	5,138	5,502
10.1. Direct investment	217	140	142	311	193
10.2. Bonds	62	46	47	315	368
a. Government	62	46	47	315	368
b. Private	---	---	---	---	---
10.3. Other long-term capital movement	1,115	1,746	3,074	4,512	4,941
a. Government	1,718	1,828	2,480	3,662	4,302
b. Private	- 603	- 82	594	850	639
11. Short-term capital movement	- 932	- 419	404	634	359
11.1. Government	---	---	---	---	---
11.2. Private	- 932	- 419	404	634	359
E.2. Reserves	- 1,690	- 2,736	988	3,280	- 2,070
12. Monetary gold	- 343	- 789	113	- 102	96
13. Special Drawing Rights	- 91	- 97	56	48	226
14. Reserve position in the Fund	16	- 26	- 104	- 5	162
15. Foreign exchange	- 1,172	- 1,820	923	3,339	- 2,553
16. Others	- 68	- 4	---	---	1
F. Errors and omissions (between D and E)	<u>- 1,253</u>	<u>- 1,165</u>	<u>- 2,050</u>	<u>- 2,121</u>	<u>247</u>

- 1) — The presentation basically follows the Fund.
— Positive is credit and negative is debit.

TABLE X
EXPORTS BY COUNTRY OF DESTINATION
(millions of dollars)

Country	1979/80	1980/81	1981/82	1982/83*	1983/84*
Europe					
Belgium and Luxemburg	20	27	15	21	33
Denmark	42	38	13	9	4
France	99	105	51	46	48
Germany, Federal Rep. of	361	364	220	250	267
Italy	215	237	194	113	134
Netherlands	374	441	308	263	281
Norway	5	5	3	2	2
Sweden	4	9	7	5	7
United Kingdom and Rep. of Ireland	114	135	140	129	217
Others	180	282	275	134	192
Total	1,414	1,643	1,226	972	1,185
Share	8.2%	7.2%	5.6%	4.5%	5.4%
America					
Canada	22	32	18	19	37
United States of America	3,431	4,461	3,804	3,287	4,733
Others	453	1,178	1,887	683	1,186
Total	3,906	5,671	5,709	3,989	5,956
Share	22.7%	24.8%	25.9%	18.6%	27.0%
Africa	25	56	42	59	98
Share	0.2%	0.2%	0.2%	0.3%	0.4%
Asia					
Hongkong	116	163	123	148	198
India	29	44	17	9	69
Iraq	33	34	5	4	6
Japan	8,159	11,282	10,496	10,954	9,768
Malaysia	69	123	60	60	68
Pakistan	24	30	20	26	26
Philippines	196	233	389	243	253
Singapore	2,171	2,425	2,252	3,265	3,068
Thailand	33	38	34	26	58
Others	754	612	835	808	812
Total	11,584	14,984	14,231	15,543	14,326
Share	67.4%	65.6%	64.7%	72.6%	65.0%
Australasia					
Australia	209	367	543	590	208
New Zealand and Oceania	57	137	220	264	276
Total	266	504	763	854	484
Share	1.5%	2.2%	3.5%	4.0%	2.2%
Others	4	---	41	---	---
Share	---	---	0.1%	---	---
Grand total	17,199	22,858	22,012	21,417	22,049

Source: Central Bureau of Statistics.

TABLE XI
IMPORTS BY COUNTRY OF ORIGIN
(millions of dollars)

Country	1979/80	1980/81	1981/82	1982/83	1983/84*
Europe					
Belgium and Luxemburg	64	64	87	112	116
Czechoslovakia	6	8	9	7	6
France	149	278	359	608	588
Germany, Democratic Rep. of	9	4	7	7	7
Germany, Federal Rep. of	514	708	1,014	1,114	680
Italy	76	76	105	120	106
Netherlands	122	130	199	206	262
Spain	39	17	77	153	161
Sweden	37	58	82	90	111
Switzerland	70	69	158	265	83
United Kingdom and Rep. of Ireland	203	339	582	477	349
Others	161	174	209	229	216
Total	1,450	1,925	2,888	3,388	2,685
Share	18.5%	16.2%	20.3%	18.8%	18.7%
America					
Canada	65	100	98	163	184
United States of America	1,070	1,520	1,868	2,656	2,451
Others	79	102	306	124	145
Total	1,214	1,722	2,272	2,943	2,780
Share	15.5%	14.5%	16.0%	16.3%	19.3%
Africa	159	124	247	206	135
Share	2.0%	1.0%	1.7%	1.1%	0.9%
Asia					
Burma	57	47	9	30	52
China, Rep. of	155	232	421	242	189
Hongkong	103	141	86	68	86
India	99	55	140	180	31
Japan	2,421	3,652	4,023	4,418	3,486
Malaysia	33	38	63	65	50
Pakistan	25	14	33	14	51
Philippines	39	179	247	217	106
Singapore	541	1,059	1,751	3,114	2,913
Thailand	227	295	197	222	130
Others	1,025	1,902	1,390	2,497	1,275
Total	4,725	7,614	8,360	11,067	8,369
Share	60.4%	64.2%	58.7%	61.2%	58.0%
Australasia					
Australia	235	397	371	381	382
New Zealand and Oceania	46	85	98	94	72
Total	281	482	469	475	454
Share	3.6%	4.1%	3.3%	2.6%	3.1%
Grand total	7,829	11,867	14,236	18,079	14,423

Source : Central Bureau of Statistics.

TABLE XII
LONG-TERM BORROWINGS¹⁾
(millions of dollars)

Creditors	1979/80	1980/81	1981/82	1982/83	1983/84
Country					
Abu Dhabi	2	8	1	5	1
Austria	---	---	---	146	3
Australia	6	---	---	3	---
Belgium	7	43	19	26	56
Canada	16	16	17	65	42
Denmark	---	---	56	---	---
France	133	138	344	276	359
Germany, Federal Rep. of	678	639	309	344	503
India	---	---	55	16	---
Italy	---	---	---	---	15
Japan	355	404	777	1,254	1,072
Korea, Rep. of	49	2	26	43	---
Kuwait	5	6	7	3	---
Netherlands	67	85	77	132	143
Norway	---	---	---	7	---
Pakistan	---	---	---	---	12
Saudi Arabia	61	---	2	7	16
Spain	---	---	---	265	---
Sweden	7	---	---	---	71
Switzerland	30	7	---	7	---
United Kingdom	23	---	258	134	365
United States of America	262	253	107	57	598
U.S.S.R.	2	---	---	---	---
Yugoslavia	64	---	---	---	---
Institution					
ADB	124	58	84	49	140
IDA — IBRD	314	509	340	472	563
IFAD	---	---	---	2	3
IMF	---	---	---	---	374
Syndicate bank	175	275	810	1,275	976
Others					
Bond	62	46	47	315	368
Hire purchase	30	---	---	---	---
Total	2,472	2,489	3,365	4,903	5,680

1) Represent disbursements.

TABLE XIII
GRANTS¹⁾
(millions of dollars)

Country/Institution	1979/80 ²⁾	1980/81	1981/82	1982/83	1983/84
Country					
Australia	42	45	45	40	41
Belgium	5	8	6	5	---
Canada	3	5	5	---	---
France	2	---	4	2	2
Germany, Federal Rep. of	15	15	20	20	---
Italy	1	1	1	1	---
Japan	29	18	20	18	27
Netherlands	34	32	24	2	18
Switzerland	3	4	3	---	---
United Kingdom	24	22	22	---	25
United States of America	31	46	35	20	---
Institution					
European Economic Community	---	---	---	---	---
United Nations Development Program	16	---	---	---	---
United Nations Fund for Population Activities	3	---	---	---	---
World Food Program	10	---	---	---	---
Total	218	195	185	108	113

1) Including technical assistance.

2) Excluding £ 35.5 million (\$ 70.9 million) loan from the United Kingdom which was transferred into grants on July 11, 1979.

APPENDIX D

GLOSSARY

Bank Perkreditan Rakyat (BPR) is rural bank comprising market bank, employees bank, village bank and paddy bank. This type of bank is engaged primarily in accepting savings and extending loans to traders (in market places or villagers). The operation of this type of bank is limited to regencies (kabupaten)/villages.

Bimas, Inmas, and Insus are terms used in agricultural program in Indonesia. *Bimbingan Masal (Bimas)* is a program of extension services on the application of the so-called Panca Usaha Tani System in order to increase the agricultural production. These extension services were carried out with the cooperation of other government institutions and were simultaneously directed towards increasing the self-reliance of farmers and thereby improve the living standard of the community. *Panca Usaha Tani* is the “five elements of agricultural intensification program” comprising application of fertilizers, control of pests and diseases, planting of high yielding seeds, better farming methods, and better irrigation. *Intensifikasi Masal (Inmas)* is a program to increase agricultural production by implementing some of the “five elements of agricultural intensification program”, especially the application of fertilizers, and control of pests and diseases. As for *Intensifikasi Khusus (Insus)*, a special variant of Bimas applied to groups of farmers in adjacent areas. The groups are formed on the basis of location, type and nature of land. This program is intended to encourage mutual cooperation among farmers in the implementation of the Panca Usaha Tani scheme.

Compensatory Financing Facility (CFF) is a facility or loan provided by IMF to member countries encountering serious balance of payments problems.

Domestic liquidity (M2) comprises currency and demand deposits (M1), and quasi money (time and savings deposits and foreign currency deposits of the domestic private sector).

Export Credit Facility is a package of credit extended by a Government and financial institution(s) to promote exports of the creditor country, the terms of which are softer than those of commercial credits. The portion of credits provided by the financial institutions is guaranteed by the government or by a government insurance agency of the creditor country.

General Arrangement to Borrow (GAB) is an agreement concluded among IMF, some advanced countries and international financial institutions on the strengthening of IMF resources.

Industrial terms/definitions used in Indonesia :

Small-scale Industrial Area (LIK) is a location designated for small-scale industries as a realization of equitable development in the field of small-scale industries. Through LIKs, the Government has easier access to render guidance and information, and provide financial aids to small-scale entrepreneurs. Under the LIK scheme, entrepreneurs must reside apart from the site of industry activities. *Rural Small-scale Industrial Group (PIK)* is an industrial site, smaller and more heterogenous than a LIK, accommodating industries uncovered in a LIK. Entrepreneurs under the PIK scheme must reside in their respective industrial sites. An *industrial zone* consists of a number of industrial complexes. The development of an industrial zone is directed to incorporate various identical industries to enable to improve close cooperation among these industries, and also incorporates downstream industries which de-

velop following the increased activities of basic industries. *Industrial estate* is an integral part in the conception of an industrial center development. The industrial estate provides infrastructure and economic facilities for the development of medium-scale industries. *Industrial Growth Center (WPPI)* is an area covering several industrial estates. The construction of these areas is intended to materialize equitable developments, especially those in remote regions in addition to increasing employment opportunities. *Small-scale Industrial Supporting Services (SUIK)* is a unit which provides supporting services to industrial areas.

Inter-Governmental Group on Indonesia (IGGI) is a group of aid donors of Indonesia comprising governments and international institutions. The group, established in 1967, conducts regular meetings to assess Indonesia's need for credits. Aid donors include Australia, Belgium, Canada, France, the Federal Republic of Germany, Indonesia, Italy, Japan, the Netherlands, New Zealand, Switzerland, the United Kingdom, the United States, the Asian Development Bank, the IMF, the United Nations Development Program and the World Bank. The observers include Austria, Denmark, Finland, Norway, Spain and representatives of the Organization for the Economic Cooperation and Development, the European Economic Community and the United Nations Children's Emergency Fund.

Kredit Candak Kulak (KCK) is a smallscale credit eligible for petty traders. KCK is a soft-term credit with simple procedures, extended to assist the financing of merchandise. Loanable funds for these credits are entirely appropriated by the State Budget. The distribution of this type of credit is entrusted to KUD, under the supervision of the Ministry of Cooperatives.

Kredit Investasi Kecil (KIK) is a smallscale investment credit (medium or long term) extended on special terms and conditions with simple pro-

cedures. This credit is especially designed to assist indigenous small-scale entrepreneurs/enterprises for financing their investments.

Kredit Mudi is a type of credit extended to small-scale entrepreneurs in villages formerly enjoying mini credit due to expansion in their business. This type of credit is granted on the same terms and conditions as those applied to mini credit. Maximum amount of this credit is Rp 500,000.00 with maturity of 3 years for investment and 1 year for working capital.

Kredit Mini is a small-scale credit extended to small-scale entrepreneurs, mainly the village community, on a soft-term basis and simple procedures. Funds for this credit are provided by the State Budget and channeled through Bank Rakyat Indonesia except for the Irian Jaya Province, which is entrusted to Bank Ekspor Impor Indonesia.

Kredit Modal Kerja Permanen (KMKP) or permanent working capital credit, is a credit on special terms and conditions, and simple procedures especially designed to assist indigenous small-scale entrepreneurs/enterprises for the financing of working capital needs.

Kredit Pemilikan Rumah (KPR) or house ownership credit, is a soft-term credit available to employees (government and non-government) with an income not exceeding that of a government employee of category IV, for financing low-cost housing extended through State-owned Savings Bank (BTN).

Koperasi Unit Desa (KUD) is village unit cooperative entrusted with distributing farm inputs, marketing farm products and channeling credits to farmers. Model KUD is one which has met certain requirements, i.e. the qualification of its personnel, administration, social-economic role in the community, and sufficiency of facilities.

Liquid assets comprise cash on hand, demand deposits and clearing guarantee deposits with Bank Indonesia.

Liquidity credit is the refinancing facility of Bank Indonesia to finance banks' loans to borrowers or to assist banks in overcoming liquidity problems.

Money Supply (M1) comprises currency and demand deposits constituting the liabilities of the monetary system to the community.

Net assets of banks is the sum of banks' credit extended plus several other assets, having a similar monetary effect on those of bank credits extended, minus several items of liabilities.

Non-Bank Financial Institution (NBFI) is a non-bank and non-insurance financial institution, the main activity of which is mobilizing funds from the community by issuing commercial papers. There are four types of NBFIs, namely development type, house ownership type, investment type and other type. *NBFI of development type* is an NBFI mainly engaged in extending medium and long-term credits in addition to joining equity participation in corporations. Primary source of funds of this type of NBFI originates from issuance of medium-and long-term commercial papers. *NBFI of house-ownership type* is an NBFI primarily engaged in extending medium and long-term credits to medium-income group for the purchase of non-luxurious houses. Funds of this type of institution originate mainly from issuance of medium-and long-term obligations, especially housing bonds in addition to accepting savings especially those of prospective house purchasers in order to meet the self-financing requirements. *NBFI of investment type* is an NBFI engaged primarily in brokerage in the issuance of commercial papers in addition to underwriting the sales of these papers. Funds of this type of NBFI originate from the issuance of commercial papers. *NBFI of other type* is in fact PT Sarana Pembiayaan Bersama Indonesia (PT SPBI). PT SPBI was established in June 1981 to provide a channel for shareholders of ASEAN Finance Corporation Ltd. (AFC) in Indonesia. The main function of AFC is to mobi-

lize domestic and overseas funds for the financing of regional projects of ASEAN countries.

Official Development Assistance (ODA) is an assistance in the form of aid or loan on concessional terms, i.e. a grant element of 25% or more.

Operasi Khusus (Opsus) Peningkatan Produksi Pangan is a special program aimed at increasing food crops production by placing priority in the services rendered to the implementation of Bimas and Inmas schemes carried out mainly in isolated regions insufficient of food crops.

Primary cooperative is a cooperative of which the membership consists of at least 20 individual members.

Program import is a term used for import of raw material and consumer goods under the government program.

Project Executing Unit (UPP) is a scheme of smallholder plantation development carried out by a Project Executing Unit, a task force unit set up to assist smallholders in developing, cultivating and managing their plantations, and processing and marketing their products, in addition to incorporating them into a cooperative body.

Reserve Tranche Facility is an unconditional facility provided by the Fund to member countries encountering temporary balance of payments problems, the amount of which is determined by the reserve tranche position of the concerned member country.

Secondary cooperative is a cooperative of which the membership consists of legal bodied cooperatives.

Smallholders' Nucleus Plantation (PIR) is a scheme for developing smallholders' plantation by assigning estates to provide guidance in cultivating, managing, processing and marketing their products.

Smallholders' Sugarcane Intensification Program (TRI) is a program aimed at improving smallholders' productivity (outside-estates and sugar mills) by providing guidance and production facilities in addition to bank credits.

Under-writer is an institution acting as a broker

and underwriter in the emission of stock and bonds.

Withholding Tax (MPO) is assessing a person's tax, thereby, a person or body, appointed by Head of Tax Inspection as an MPO agent, entrusted to assess, collect, submit and report other person's tax to the Office of Tax Inspection.