



Report for the Financial Year
1984/1985

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Bank Indonesia

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SAMPIT, SEMARANG, SIBOLGA, SOLO, SURABAYA,
TASIKMALAYA, TEGAL, TERNATE, UJUNG PANDANG, YOGYAKARTA.

Position as per end of March 1985

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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

The Indonesian economy in 1984/85 continued to face serious challenges, in the forms of persistently weak domestic demand and sluggish oil prices in the international market as well as protectionist measures imposed by industrial countries. However, in general the economy during 1984/85 performed quite well. This performance was among others reflected by the higher economic growth rate, improvement in the balance of payments, and stable prices. This satisfactory performance was achieved through various fundamental economic adjustment measures, primarily in the monetary and fiscal sectors, pursued by the Government during the past years and supported by stronger recovery of the world economy.

The higher economic growth was mainly attributable to the better performance of the agricultural and industrial sectors. The improvement in the balance of payments primarily occurred in the current account, which recorded a sharp decline in its deficit, while the overall balance of payments showed quite considerable surplus. The stable prices accomplished during the reporting year were reflected in the much lower rate of inflation, the lowest level since the past 13 years.

The growth rate of the economy of Indonesia, as measured in the rate of increase of gross domestic product (GDP) at 1983 constant prices, reached 5.8%. Taking into consideration the population growth rate of around 2.2%, real per capita GDP during 1984 rose by about 3.5% compared with 1.1% in the previous year.

All economic sectors recorded increases, except construction which recorded a negative growth. The agricultural sector showed a value-added increase of 5.9% compared with 1.9% in the previous year. This high growth rate of the value-added mainly occurred in the food crops production, especially rice, which showed an increase of 7.6%. It should be noted that as a result of this considerable increase Indonesia succeeded to achieve self-sufficiency in rice. Value-added of the processing industries grew by 12.8% compared with 3.5% in the preceding year. This remarkable progress was closely related to the rapid increase of liquefied natural gas (LNG) production. In addition, output of refineries and non-oil/LNG processing plants, especially fertilizer, cement and plywood, also recorded quite considerable improvements. Value-added of the mining sector during 1984 was up by 7.0% compared with 0.7% in the previous year. This higher growth rate was mainly attributable to the rapid increase in the production of the earth gas.

At market prices, the share of the agricultural sector in the GDP formation continued to occupy first place. However, its share during the past decade declined from 40.1% in 1973 to 24.9% in 1984. On the other hand, the share of the industrial sector in the GDP formation recorded an increase, namely from 9.6% in 1973 to 12.0% in 1984.

The higher economic growth rate was also accompanied by a favorable development in the balance of payments, as demon-

strated by the achievement of a \$ 667 million surplus in this reporting year. As a result of the surplus, the international reserves in the Central Bank rose to \$ 5,811 million at end of 1984/85 or equivalent to 5.4 months imports. It should be added that if foreign exchange reserves held by other banks were to be included, which at end of the same period amounted to \$ 4,573 million, the overall foreign exchange reserves would reach \$ 10,384 million at end of March 1985.

The most impressive improvement was recorded by the current account, the deficit of which dropped to \$ 1,968 million from \$ 4,151 million in the previous year. This improvement was closely related to the higher non-oil/LNG export earnings and the considerable decline in imports, as a consequence of the rephasing of various large government projects and the higher utilization of domestically produced goods.

Exports of non-oil/LNG rose by 10.1% to \$ 5,907 million. However, oil/LNG exports recorded a slight decline, therefore, the amount of exports in aggregate rose by only 0.4% to \$ 19,901 million. The credible performance of non-oil/LNG exports was mainly due to the contribution of relatively new export commodities, such as, plywood, textile and products, aluminium, and handicrafts. It should be noted that exports of the new commodities during the recent past years recorded remarkable increases, so that within a short period (5 years) its share to total non-oil/LNG exports increased from 5.3% to 26.5%. **This notable upward trend** was in step with efforts to diversify export commodities.

In the oil/LNG sector, the value of oil exports declined by 11.8% to \$ 10,625 million. This deterioration was closely connected with the persistently sluggish demand in the international oil market, which necessitated the Organization of Petroleum Exporting Countries (OPEC) to impose lower oil prices and production quotas for its members. On the other hand, in step with the higher production capacity and the well secured market LNG exports registered a remarkable increase, namely by 40.4% to \$ 3,369 million.

The value of imports (f.o.b.) as a whole decreased by 11.5% to \$ 14,427 million, following a decline of 11.9% in the previous year. Declines were registered by imports of oil/LNG as well as non-oil/LNG companies. With respect to imports implemented by oil/LNG companies, the decline was mainly brought about by reduced imports of oil companies, namely down by 20.5% to \$ 2,605 million. This decline was closely connected with the higher production of fuel oils (bahan bakar minyak or BBM), thereby enabling the Government to curtail a considerable amount of BBM imports, namely down by 78% to only \$ 222 million. This favorable trend was accompanied by lower imports of oil drilling materials which had been replaced by production of the domestic industry. The decline in the non-oil/LNG imports, by 9.2% to \$ 11,630 million, primarily occurred in imports of foreign assistance.

During the reporting year the expansionary effect on the money supply exerted by the balance of payments was smaller than in the previous year while that exerted by bank lendings was higher.

Although the contractionary effect of the government sector was considerably higher than the previous year, money supply during the reporting year still rose by 11.6% to Rp 8,988 billion as compared with an increase of 9.2% in the preceding year. In the meantime domestic liquidity, consisting of money supply and quasi money, rose by 23.4% compared with 28.7% in the previous year. The rate of inflation was successfully curbed, from 12.63% to only 3.64% in the reporting year. This decline was achieved in part because of the sufficient supply and better distribution of essential commodities as well as the maintenance of stable prices of fuel oils, and supported by the various measures undertaken in the monetary and fiscal fields.

In view of persistently weak oil prices in the world market, the implementation of the 1984/85 state budget (Anggaran Pendapatan dan Belanja Negara or APBN) was more directed on efforts to increase domestic revenues and economize outlays. Efforts to enhance domestic revenues were executed through improved implementation of the new tax system, extension services, and the streamlining of the administrative capability of the tax apparatus. Furthermore, the Government also granted tax pardons. Restraints on expenditures were among others carried out by reducing BBM subsidies through curtailing the cost of production, discontinuing subsidies on food imports, and improving the implementation control of outlays on the procurement of material.

Actual government receipts and expenditures during 1984/85 rose only by 5.8% to Rp 19,383 billion against an in-

crease of 27.6% in the preceding year. After taking into account the rate of inflation, the actual revenues and expenditures in real terms showed an increase of 2.2% compared with 13.3% in the previous year. Although the growth rate of government revenues registered a decline, public savings, representing the difference between domestic revenues and routine expenditures, went up by 7.6% to Rp 6,476 billion. Domestic revenues went up by 10.2% to Rp 15,905 billion, while development revenues recorded a decline of 10.4% to Rp 3,478 billion. Increase in domestic revenues mainly originated from LNG receipts which went up by 49.6% reaching Rp 1,493 billion, as a consequence of the rapid expansion of LNG exports. Non-oil/LNG receipts recording high increases were income tax, sales tax, excise duties, non-tax receipts, and the items under other taxes. On the other hand, receipts of sales tax on imports, customs duties and export taxes recorded declines. These declines were caused, among others, by the reductions of the rates of import duties and import taxes on certain commodities as well as partial reliefs of additional export tax (PET).

As a reflection of government efforts to economize since the preceding years, routine expenditures grew by only 12.1% to Rp 9,429 billion compared with an increase of 20.2% in the preceding year. The smaller growth rate of routine expenditures was closely connected with the sizeable curtailment of BBM subsidies as well as smaller growth rates of almost all expenditure items.

Unlike the previous years, development expenditures rose by only 0.5% com-

pared with 34% in the previous year. This lower rate of increase was due to the rephasing of various large government projects. As was the case with the past year, the largest portion of those expenditures were spent on the economic sector, the field of education, cultural and regional, as well as for the development of business enterprises and preservation of national resources & environments. With regard to the economic field, the largest amount of expenditure was spent on the agricultural sector, followed by transportation & tourism, and mining & energy. It should be noted that although the rate of increase on development expenditures as a whole decelerated, certain items of expenditures still recorded quite considerable increases, such as, outlays on the industrial sector and irrigation, the trade sector, and cooperatives. This quite rapid expansion is a reflection of the Government's firm commitment to promote those sectors, where most of the economically-weak groups subsist.

Bank lendings rose by 19.8% to Rp 19,336 billion compared with an increase of 17.7% in the preceding year. By source of lending, deposit money banks (DMBs) recorded an increase of 32.9%. This considerable advancement reflected the policy of the Government to extend greater role to DMBs in implementing bank lendings. Lending by state banks was up by 31.5% compared with 16.1% in the preceding year, among others caused by the shifting of part of Bank Indonesia's direct lendings to state commercial banks. This shifting was in line with the policy of the Government to reduce Bank Indonesia's direct lendings while increasing the role of DMBs in bank lending activities. It should be noted that

among the DMBs, the highest increase in lending was recorded by private national commercial banks (Bank Umum Swasta Nasional or BUSN), which rose by 52.0% reaching Rp 3,269 billion. As a result of this rapid increase, the role of BUSN in the activities of DMBs lending went up from 15.5% to 17.8% in 1984/85.

By economic sector, bank lendings to all sectors recorded increases, except the mining sector. The highest increase was recorded by the industrial sector (36.2%), followed by trade (32.1%), and services sectors (17.4%). From the point of view of scale of priority, lendings to the priority sector recorded an increase of 60.2%, while those to the non-priority sector registered an increase of 24.5%. Among lendings to the economically weak groups, the value of approved small investment credits and permanent working capital credits (Kredit Investasi Kecil or KIK and Kredit Modal Kerja Permanen or KMKP) recorded an increase of 18.8%. Furthermore, lendings under the general rural credits (Kredit Umum Pedesaan or Kupedes) performed a remarkable increase, namely up by 67.3%.

To improve the role of domestic funds to finance development purposes, the Government continued the effort to encourage the mobilization of these funds through banks, capital market as well as money market. To enhance the mobilization of public funds through the banking sector, during the reporting year the Government reaffirmed the policy that all commercial and development banks would continue to be allowed to issue sight certificates of deposits. Pursuant to the June 1, 1983 Monetary Policy, on February 1, 1985, the Government issued

a policy regarding money market securities (Surat Berharga Pasar Uang or SBPU- MMS). Besides designed as a monetary instrument to regulate domestic liquidity through open market operations, SBPU was also intended to induce bank activities and develop the money market. In addition, to enhance savings from the community, the Government continued to postpone the collection of income tax on interest earnings originating from the rupiah/foreign exchange time and other savings deposits.

The mobilization of public funds through the banking sector in the forms of demand, time and savings deposits in aggregate registered a considerable increase, namely up by 25.1% to Rp 16,688 billion at end of March 1985. As in the previous year, the highest increase was recorded under time deposits, namely by 37.4% reaching Rp 8,726 billion. Savings deposits, which largely consisted of the national development savings scheme (Tabungan Pembangunan Nasional or Tabanas), rose by 21.3% to Rp 7 74 billion. This favorable development was also accompanied by an increase in the number of depositors.

Certificate of deposits (CDs) advanced by 18.4% to Rp 445 billion, of which the largest portion were issued by state banks. It should be noted, towards the end of the reporting year BUSNs also started to issue CDs. Furthermore, commercial papers of non-bank financial institutions or NBFIs (Lembaga Keuangan bukan-Bank or LKBB) rose by 25.4% to Rp 760 billion. Trade in SBPUs, which just started in February 1985, already showed remarkable progress.

Shares and bonds traded in the capital market went up by 708 thousand certifi-

cates at a value of Rp 71.0 billion bringing forth the aggregate number of certificates to 58,208 thousand at a value of Rp 356.5 billion. Trade of shares and bonds during the reporting year stood at 1,705 thousand certificates or averaging 142.1 thousand certificates per month.

In the banking sector, supervision efforts continued to be directed towards improving the efficiency, expanding activity, and strengthening capital of banks. In line with these efforts, one private national savings bank and one BUSN concluded merger, bringing forth the number of banks implementing merger to 96 banks at end of the reporting year. With the conclusion of this merger, although the number of DMBs remained unchanged, the number of DMBs' offices rose from 1,328 to 1,384, testifying increased activities. Higher activities were also demonstrated in the increases of assets, funds mobilized, and credits extended by those DMBs, namely up by 30.4%, 25.0% and 33.7%, respectively. These favorable developments were also recorded by LKBBs. Assets, acquisition of funds and placement of investments of all those LKBBs, respectively recorded increases of 41.4%, 43.2% and 41.9%. The activities of insurance companies also recorded increases, as clearly shown in the higher premiums acquired as well as in the expansion of funds placed.

From the above, it could be concluded that although still facing serious challenges, the economy of Indonesia accomplished to prove its resiliency. This was among others reflected in the achievement of a better economic. Performance, which even surpassed the average economic growth rate of developing countries. This favorable development could only be achieved by the series

of fundamental policies undertaken since the past several years, which accomplished to establish a stronger foundation and thereby enable Indonesia to partly avoid negative impacts of unfavorable world economic developments. The Indonesian economy in the coming year would still encounter serious challenges. This is based on the assumption that the economic recovery of the industrial countries would slow down in 1985, accompanied by increased protectionist measures imposed on exports

of developing countries and persistently weak oil prices. However, with the stronger economic foundation laid down by the fundamental policies undertaken by the Government, the economy of Indonesia in the coming year would still show an improvement although at a lower level than that achieved in 1984.

The Governor of Bank Indonesia

Dr. Arifin M. Siregar.

I. MONETARY DEVELOPMENT AND POLICY

A. Monetary Policy

The monetary policy undertaken during the reporting year principally continued to be directed towards streamlining the June 1, 1983 Monetary Policy, namely to lay down a stronger foundation to enable the banking sector be more efficient in achieving the development goals. In the effort to achieve these development goals the monetary policy continually safeguarded the monetary stability through regulating reserve money using indirect monetary instruments, namely the minimum reserve requirements, discount facilities, open market operations, and moral suasions.

The instruments used in the open market operation consisted of Certificate of Bank Indonesia (Sertifikat Bank Indonesia or SBI) and Money Market Securities (MMS or Surat Berharga Pasar Uang/SBPU). The SBPU, introduced on February 1, 1985¹⁾, was intended to regulate liquidity requirements of banks and enhance the activities of the money market. To streamline and increase trade in SBPU, as well as encourage the creation of a secondary market, it was necessary to establish securities houses. At the initial stage, during the reporting year a nonbank financial institution (NBFI or lembaga keuangan bukan-bank/LKBB) had been appointed to act as a securities house designated to trade securities issued by customers of banks or NBFIs as well as those issued by these institutions. Furthermore,

the securities owned by this securities house might also be rediscounted to Bank Indonesia. In Addition, if deem necessary, banks or NBFIs may also rediscount these SBPU to Bank Indonesia. The type of SBPU which may be traded at present are restricted to certain acceptances, promissory notes and trade bills. At the initial stage the level of rediscount to Bank Indonesia was fixed at 20.5% p.a.

Meanwhile, during the reporting year Bank Indonesia provided a special credit facility to banks encountering liquidity problems. As commonly known, in August and September 1984 a disruption occurred in the inter-bank call money market as a result of speculative expectations that the exchange rate of the United States' dollar might increase and the heavy dependence of certain banks on funds obtained from this market. The large drawings used for the purpose of this speculation resulted in shortages of liquidity of banks and since certain banks heavily depended on funds of the interbank call money market, the interest rate of this market recorded high increases and even reached an unrealistically high level ever recorded. In this connection, to lower the interest rate of the inter-bank call money market and to prevent over dependence of banks on funds from this market in the future, Bank Indonesia fixed the maximum level of eligibility for banks to obtain funds from this market, namely to the maximum of 7.5% of funds in rupiah acquired by those banks from third parties. Furthermore, in step with this action, Bank Indonesia provided a special credit liquidity with a maturity of 1 year.

1) 1) Bank Indonesia Circular Letter No. SE 1 7/6/UPUM, January 28, 1985.

The monetary development during 1984/85 was quite stable as reflected in an expansion in money supply (M1) conducive to support economic growth while the rate of inflation succeeded to be controlled at a low level. It could be added, the achievement to maintain monetary stability, besides the monetary policy was also contributed by the fiscal policy.

B. Money Supply and Factors Affecting its Change

Domestic liquidity (M2) at end of 1984/85 reached Rp 19,447 billion or up by 23.4% compared with 28.7% in the previous year (Table 1.1); This slower growth was caused by the smaller increase of quasi money, namely 35.8% compared with 58.2% in the preceding year. However, since the rate of inflation during the reporting year was slower than the previous year, domestic liquidity in real terms rose by 19.0% compared with 13.6% in the previous year.

Money supply in the narrow sense (M1), comprising currency and demand deposits, in 1984/85 reached Rp 8,988 billion or showing an increase of 11.6% as compared with 9.2% in the preceding year (Table 1.2). This increase mainly occurred in demand deposits, namely up by 15.6% reaching Rp 5,203 billion compared with an increase of 2.8% in the preceding year. Currency in circulation rose by only 6.5% to Rp 3,785 billion compared with 18.4% in the year before. As a consequence of this development, the share of demand deposits rose from 55.9% to 57.9% at end of March 1985. The increase in the share of demand deposits was due to the higher use of banking services by the public among others reflecting higher public confidence in the banking system. Money supply in real terms re-

corded an increase of 7.6% compared with a decline of 3.7% in the previous year (Table 1.3).

As shown in Table 1.4, the external sector in the reporting year recorded an expansionary effect to the amount of Rp 2,476 billion compared with Rp 2,800 billion in the previous year. The considerable expansionary effects of the external sector during the two recent years reflected improvements in the balance of payments, after experiencing considerably large deteriorations in the past two earlier years.

The government sector had a contractionary effect of Rp 2,536 billion compared with Rp 1,834 billion in the past year. The larger contractionary effect was closely related to the increased preservation effort exerted by the Government through reducing production costs for domestic fuel oils which succeeded to curtail fuel oil subsidies.

Claims on entities, enterprises and individuals had an expansionary effect of Rp 3,466 billion compared with Rp 2,633 billion in the previous year. The higher expansionary effects were mainly recorded on loans extended to private enterprises and individuals, indicating an increase of Rp 3,326 billion compared with Rp 2,355 billion in the previous year. Claims to official entities/public enterprises went up by Rp 140 billion compared with Rp 278 billion in the previous year. The slower increase was mainly caused by large amounts of repayments made by various official entities.

Quasi money, which had a contractionary effect on money supply, in the reporting year rose by Rp 2,754 billion. The largest increase was still recorded by the rupiah time

deposits. Foreign exchange demand deposits also recorded a considerable increase.

Other factors, primarily consisting of capital account, reserves, profits and import deposits, during the reporting year had an expansionary impact of Rp 282 billion compared with a contractionary impact of Rp 87 billion in the previous year.

C. Monetary Prospects for 1985/86

To enhance the domestic economic activity while maintaining monetary stability, in 1985/86 the Government would continue to take the necessary measurements toward streamlining the fundamental policies undertaken in the previous years. These measures would principally be directed to lessen the negative impact of the foreign sector and induce investment activities.

The world economic recovery, especially in the industrial countries, during 1985/86 is expected to continue although at a lower level than that achieved in 1984/85. Furthermore, the international market and prices of oil are predicted to remain unfavorable to the Indonesian economy.

Taking into consideration the world economic development, especially in

Indonesia's main trading partners, the external sector is expected to have a smaller expansionary effect on money supply during 1985/86 than those recorded in 1984/85. Since the foreign sector also influenced the implementation of the state finance, the Government would continue to undertake adjustment measures such as economizing routine expenditures as well as intensifying and extending collection of taxes. Based on the budgeted revenues and expenditures for 1985/86, the government sector is estimated to have another contractionary impact on money supply although at a lower level than the previous years.

With the assumption that growth in investment by the government sector would be lower than in the preceding year, it would therefore be necessary to increase private sector investment to induce the domestic economic activity. In this connection, the Government would make efforts to encourage expansion of bank credits at reasonable interest rate levels. It is projected that bank credits in the coming fiscal year would have a substantial expansionary impact, at a similar level recorded in 1984/85.

TABLE 1.1
DOMESTIC LIQUIDITY
(billions of rupiah)

End of period ¹⁾	Domestic liquidity ²⁾		Money supply ³⁾		Quasi money ⁴⁾		
	Total	Changes (%)		Outstanding	% of total	Outstanding % or 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	1,029	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	7,691	47.3		4,995	64.9	2,696	35.1
1980/81	7,906	36.2		5,214	65.9	2,692	34.1
1981/82							
June	8,381		6.0	5,618	67.0	2,763	33.0
September	9,116		8.8	5,997	65.8	3,119	34.2
December	9,716	26.3	6.6	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
1984/85							
June	16,450		4.4	8,183	49.7	8,267	50.3
September	16,742		1.8	7,961	47.6	8,781	52.4
December	17,937	22.3	7.1	8,581	47.8	9,356	52.2
March	19,447	23.4	8.4	8,988	46.2	10,459	53.8

1) Fiscal year ends March 31.

2) Consists of narrow money and quasi money (M₂).

3) Consists of currency and demand deposits (M₁).

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	Outstanding	% of total	Outstanding	% 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		1,240	49.8	1,248	50.2
1978/79	2,800	32.6		1,369	48.9	1,431	51.1
1979	3,385	36.1		1,552	45.9	1,833	54.1
1979/80	3,797	35.6		1,774	46.7	2,023	53.3
1980	4,995	47.6		2,153	43.1	2,842	56.9
1980/81	5,214	37.3		2,229	42.8	2,985	57.2
1981/82							
June	5,618		7.7	2,365	42.2	3,253	57.8
September	5,997		6.7	2,444	40.8	3,553	59.2
Desember	6,486	29.8	8.1	2,557	39.4	3,929	60.6
March	6,775	29.9	4.4	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
1984/85							
June	8,183		1.6	4,047	49.5	4,136	50.5
September	7,961		− 2.7	3,641	45.7	4,320	54.3
December	8,581	13.4	7.8	3,712	43.3	4,869	56.7
March	8,988	11.6	4.7	3,785	42.1	5,203	57.9

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	937	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	4,995	167.55	2,981	121.67
1980/81	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
1984/85				
June	8,183	238.69	3,428	149.11
September	7,961	238.98	3,331	144.89
December	8,581	241.63	3,551	154.46
March	8,988	242.07	3,713	161.50

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)

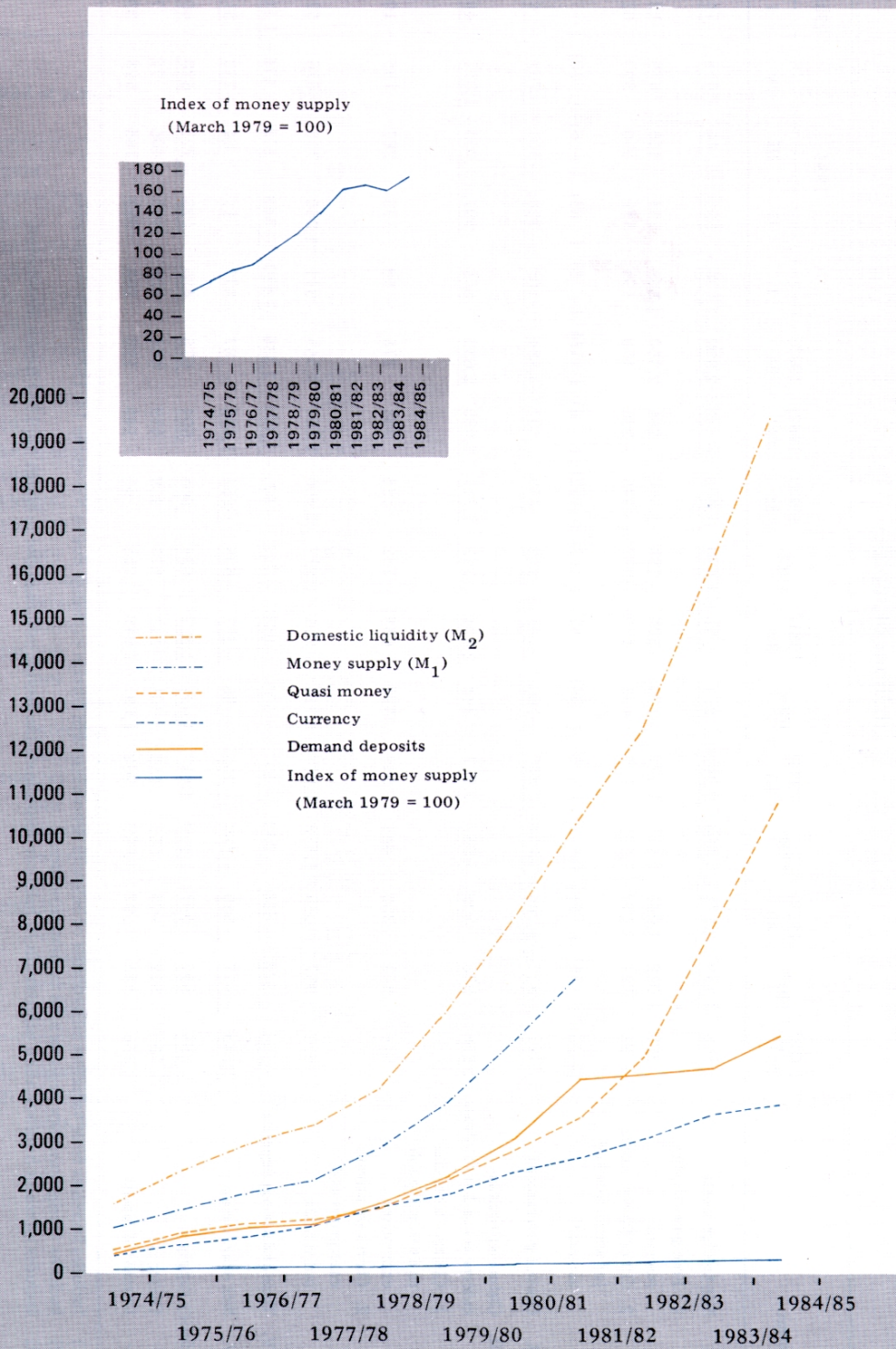
Items	1978/ 79 ¹⁾	1979	1979/ 80	1980	1980/ 81	1981	1981/ 82	1982	1982/ 83	1982/ 83 ³⁾	1983/ 84	1984				1985	
												I	II	III	IV	I	I
I. Net foreign assets	808	1,739	2,578	3,096	2,292	274	-35	-1,420	-1,801	-22	2,800	1,176	595	44	1,078	759	2,476
1. Foreign exchange reserves	899	1,018	1,086	1,461	1,677	-179	-523	-493	-1,356	264	2,350	1,369	994	-446	679	132	1,299
2. Other foreign assets (of which blocked account)	-91	721	1,492	1,635	615	453	488	-927	-445	-286	450	-193	-339	490	399	627	1,177
	(-155)	(85)	(81)	(-5)	(-5)	(36)	(32)	(108)	(-112)	(6)	(115)	(-3)	(63)	(-6)	(70)	(-1)	(126)
II. Central government	-291	-827	-1,180	-1,914	-1,820	-560	-103	422	789	691	-1,834	-102	-828	-901	-764	-43	-2,536
III. Claims on entities enterprises and individuals	1,606	928	809	1,667	1,837	2,348	2,604	2,949	2,741	3,035	2,633	853	907	1,065	1,011	483	3,466
1. Claims on official entities and public enterprises	974	371	250	489	540	592	683	732	235	381	278	-58	-173	287	135	-109	140
2. Claims on private enterprises and individuals	632	557	559	1,178	1,297	1,756	1,921	2,217	2,506	2,654	2,355	911	1,080	778	876	592	3,326
IV. Time and savings deposits²⁾	-191	-516	-650	-859	-687	-535	-684	-723	-871	-1,491	-2,836	-610	-563	-513	-575	-1,103	-2,754
V. Net other items	-1,243	-427	-560	-380	-205	-36	-221	-593	-254	-1,653	-87	-832	17	84	-130	311	282
Money supply	689	897	997	1,610	1,417	1,491	1,561	635	604	604	676	485	128	-221	620	407	934
- Currency	333	312	405	601	455	404	313	377	459	459	554	220	493	-406	72	73	232
- Demand deposits	356	585	592	1,009	962	1,087	1,248	258	145	145	122	265	-365	185	548	334	702

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

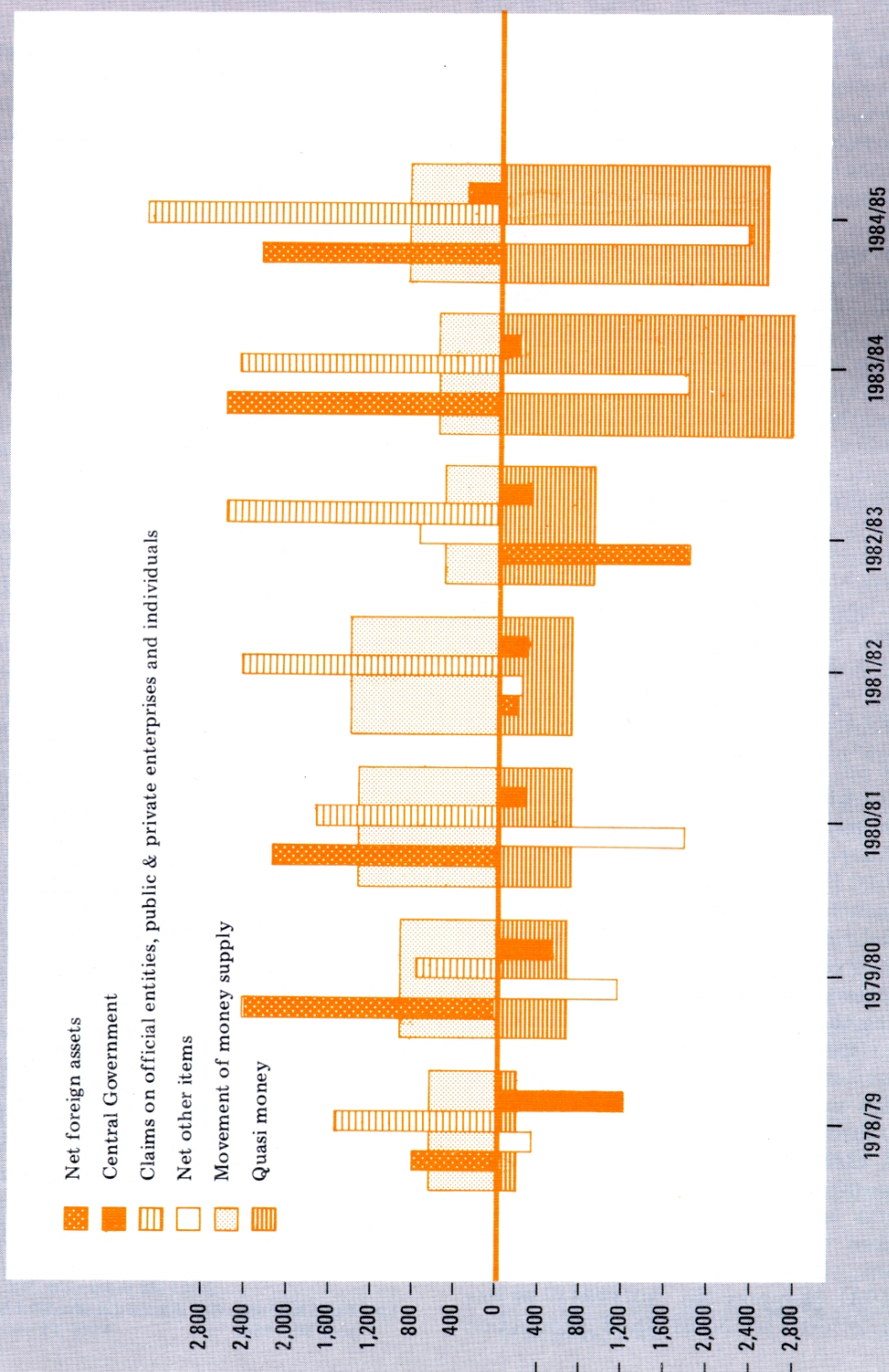
2) Includes foreign currency deposits held by private residents.

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

In step with the June 1, 1983 Monetary Policy, the credit policy during 1984/85 continued to be directed towards improving the capability of banks to extend credits on funds mobilized from the public. In the effort to complete the instruments for the execution of the monetary policy and to enhance the credit expansion capability of banks, Bank Indonesia introduced regulations on the issuance of money market securities (Surat Berharga Pasar Uang or SBPU). In addition, to assist banks in solving liquidity problems in their day-to-day operation and in their placement of investment credits which might be encountered in the future, the discount facilities introduced on February 1, 1984 continued to be implemented. It should be noted that during the reporting year direct credits of Bank Indonesia to Bulog and Pertamina were shifted to state-owned banks, so that Bank Indonesia could concentrate its attention more on the central banking functions.

To provide greater opportunities to economically-weak groups, besides credit facilities such as small-scale investment credits (Kredit Investasi Kecil or KIK), permanent working capital credits (Kredit Modal Kerja Permanen or KMKP), general rural credits (Kredit Umum Pedesaan or Kupedes) and credits to cooperatives, during the reporting year the Government also provided other types of credits. These credits, among others included credits under the

framework of Presidential Instruction No. 29/1984 (Keppres No. 29/1984), credits to the maximum amount of Rp 75 million for working capital and investment, and credits to chicken farmers outside those extended under Presidential Instruction No. 50/1981 (Keppres No. 50/1981). In line with efforts to boost food production and enhance the role of village unit cooperatives (Koperasi Unit Desa or KUD), during the reporting year the Government issued a new credit facility, namely credit to farmers (Kredit Usaha Tani) for the intensification of paddy/ secondary crops extended through KUDs. All these credits bore low interest rates, sufficiently long maturities and insignificant portions of self-financing.

To assist the capital and extend greater opportunities to the economically-weak groups, since May 1984 state-owned banks, private national commercial banks (bank umum swasta nasional or BUSN) and regional development banks (bank pembangunan daerah or BPD) were permitted to extend working capital credits under the framework of Keppres No. 29/1984.¹⁾ These credits were extended under the framework of implementing work-orders or Government's purchasing contracts of which the source of financing came from budgets of the central government (Anggaran Pendapatan dan Belanja Negara/ APBN), local government (Anggaran Pendapatan dan Belanja Daerah/APBD), state entities (Badan Usaha Milik Negara/ BUMN) and state-owned banks. These working capital credits might only be extended to the indigenous economically-weak groups, including those assimilated with indigenous

1) Bank Indonesia Circular Letter No. SE 17/1/UKK, May 30, 1984.

inhabitants. Entrepreneurs classified as “economically-weak groups were those with net worth capital of less than Rp 40 million engaged in trade, services and activities outside the industrial and construction sectors and less than Rp 100 million for the industrial and construction activities. The maximum credit was determined at Rp 200 million, bearing a 15% per annum interest rate with a one-year maturity. The share of self-financing was fixed at the minimum of 10% of the required cost while the collateral would be the project financed by this credit. The working capital credit would be automatically insured by PT Askindo and the amount refinanced by Bank Indonesia was fixed at 70% of the extended credit, bearing an interest rate of 3% per annum.

Furthermore, to enhance the role of the private sectors in the development activities and improve the capital of the economically-weak groups, Bank Indonesia provided credit facilities to the maximum amount of Rp 75 million, which might be used both for working capital and investment.²⁾ The terms and conditions of the credits used for working capital followed those applied on credits under the framework of Keppres No. 29/1984.³⁾ With regard to credits used for investment purposes, the maximum maturity was fixed at 10 years including a maximum grace period of 4 years, and the interest rate was fixed at 12% per annum. These credits were provided with an 80% refinancing facility from Bank Indonesia, bearing an interest rate of 3% per annum.

To enhance the activities of the economically-weak groups through the facilities of KIK and KMKP, the Government continued to make efforts to provide funds as well as alleviate their terms and conditions. Funds provided for KIK and KMKP programs originated from the handling banks (20%), Bank Indonesia’s refinancing credits (55%) and World Bank’s refinancing credits (25%).⁴⁾ It should be noted that the financial assistance of the World Bank, previously only provided to the KIK scheme, since August 1, 1984 was also extended to the KMKP scheme. The interest rates charged to handling banks on refinancing credits from Bank Indonesia was fixed at 3% per annum and on those from World Bank at 10,1% per annum, while those charged by handling banks to the customers was fixed at 12% per . Furthermore, the Government provided a 1.5% interest subsidy to handling banks on the amount of credits extended. Since August 1, 1984 the maturities for KMKP credits were extended to 5 years including 1 year grace, while that for KIK was extended to 8 years including 4 year grace. Furthermore, the credit maturity for KIK and KMKP customers who were still unable to duly meet their payment obligations might be extended by 2 years.

Since April 1, 1985 the Government introduced credit to farmers (Kredit Usaha Tani) extended through KUDs for the intensification of paddy/secondary crops. This credit scheme represented working capital credits to farmers following the discontinuation of Bimas credits (Kredit Bimbingan Masal).⁵⁾ The amount of credits channeled

2) - Bank Indonesia Circular Letter No. SE 17/2/ UKK, May 30, 1984.
 - Bank Indonesia Circular Letter No. SE 17/9/ UKK, November 23, 1984.
 3) Bank Indonesia Circular Letter No. SE 17/5/ UKK, October 27, 1984.

4) Bank Indonesia Circular Letter No. SE 17/4/UKK, Juli 13, 1984.
 5) Bank Indonesia Circular Letter No. SE 17/3/UKK, February 26, 1984.

through KUDs would be determined on the basis of the intensification needs per acre of the concerned KUDs while the credits might only be drawn on the actual needs of each farmer. The interest rate charged by KUDs to farmers was fixed at 12% per annum, of which 2% would be in favor for the KUDs and 1.5% for the insurance premium for the state corporation for the financial development of cooperatives (Perusahaan Umum Pengembangan Keuangan Koperasi or Perum PKK). It should be noted that the maximum maturity of bank credits to handling KUDs was fixed at 12 months and that of KUDs to farmers was fixed at 7 months. This type of credit would be fully refinanced by Bank Indonesia at an interest of 3% per annum.

As reported in the previous year, to expand and induce rural economic activities, the Government provided Kupedes, which represented an integration of Mini and Midi credits. Kupedes would be provided to finance investment and working capital needs, at an amount ranging from Rp 25 thousand to Rp 1 million per customer. The source of financing for the extension of Kupedes in the long run would be expected to be derived from the mobilization of rural savings. However, in the short run, before Bank Rakyat Indonesia (BRI) could mobilize such funds, Bank Indonesia provided refinancing credits amounting to Rp 100 billion. It should be noted that Kupedes used for investment and working capital purposes, respectively, bore an interest of 12% and 18% per annum with a maturity of 3 and 2 years. In case a customer could not meet the repayment obligations, the interest rate would be raised to 18% for investment and 24% per annum for working capital credits.

To expedite extension services to chicken farmers and thereby induce production of chicken meat and eggs, since November 1984,⁶⁾ the Government reactivated the provision of credits to chicken farmers outside the Keppres No. 50/1981 program, which since May 1983 had been temporarily discontinued. The terms and conditions of the credits follow those applied to KIKs and KMKPs, provided the amount extended would not exceed Rp 15 million.

To increase foreign exchange earnings of the country, the Government streamlined regulations on credits for exports. Since November 1984, tobacco exporters receiving higher auction prices for their tobacco sales than those determined by the price system, were entitled to receive also higher refunds of interest, taking into account the credit provision of 9% interest rate on realized exports. Since December 1984 the same regulations were applied to exporters of tin. Furthermore, to boost export, since March 1985, besides customers of banks, customers of LKBBs were also made eligible to obtain export credit.

B. Credit Development

After recording a decline in the previous year, the growth of bank lendings showed an increase during the year under report. At end of the reporting year bank lendings amounted to Rp 19,336 billion or up by 19.8% compared with 17.7% in the past year (Table 2.1).

Credits extended by deposit money banks (DMBs) rose by 32.9% to Rp 18,398 bil-

6) Bank Indonesia Circular Letters No. SE 17/6/UKK and No. SE 17/7/UKK, November 21, 1984.

lion compared with an increase of 22.3% in the previous year (Table 2.4). A rapid increase was recorded by stateowned banks, namely up by 31.5% compared with 16.1% in the previous year. This was closely related to the shifting of Bulog's and Pertamina's credits to stateowned banks, which formerly were directly extended by Bank Indonesia. As a result of this development, Bank Indonesia's direct credits during the reporting year declined by 59.1% to Rp 938 billion. It should be noted that after this shifting, direct credits of Bank Indonesia were mainly extended to the state savings bank (Bank Tabungan Negara or BTN) for the financing of house ownership credits (Kredit Pemilikan Rumah or KPR). Credits extended by BUSN rose by 52.0% reaching Rp 3,269 billion. This rapid increase among others reflected higher activities of these banks besides greater opportunities to handle priority credits. Meanwhile, lendings of BPDs went up by 26.2% to reach Rp 545 billion while those of foreign banks rose only by 8.7% to Rp 1,062 billion.

By field of economic activity, all sectors showed increases, except the mining sector (Table 2.1). Credits to the industrial sector recorded a quite considerable increase, namely by 22.5%, most of which were extended to finance non-metal mineral processing industries, papers and printing materials, cattle food, textiles, wood and its products, machinery and equipments, and chemical and fertilizer processing industries. The increase of credits to the services sector of 39.0% were mainly spent on service rendering industries, social service activities, water supply and transportation, warehouse, communication and construction sectors. Furthermore, the 17.1% rise in credits to the trade sector was mainly

spent on the financing of processing and trading of export commodities, collection and distribution of essential commodities and retail trade. Credits to the agricultural sector, which rose only by 6.5%, were among others used to finance rubber smallholders, palm oil estate and forestry. Lendings to the mining sector declined by Rp 291 billion, mainly due to large loan repayments by the state oil company. Based on the development of the credit extension, the role of industrial sector during the reporting year increased from 35.4% to 36.2%, while the trade sector declined slightly, from 32.8% to 32.1%. With regard to the services sector, its role increased from 15.0% to 17.4%, while the agricultural and mining sectors recorded declines, from 8.1% to 7.2% and from 4.2% to 2.0%, respectively.

Bank lendings classified by the use of funds, namely for the purpose of working capital and investment, are shown in Table 2.2. Working capital credits during the reporting year went up by 27.7% reaching Rp 13,607 billion compared with an increase of 22.7% in the previous year. The largest portion of the working credits was placed to finance the trade sector (43.3%), industrial sector (32.3%) and services (16.5%). Investment credits at end of the reporting year reached Rp 5,729 billion or up by 4.6% compared with 9.1% in the previous year (Table 2.2). This lower increase was closely related to the sluggish economic activity which had not yet fully recovered besides due to the loan repayments made by a state-owned company. These investment credits were mainly used for the financing of industrial (45.5%), services (19.4%) and agricultural (12.8%) sectors.

By scale of priority, credits extended to high priority sectors recorded a remarkable

increase, namely by 60.2% reaching Rp 5,209 billion. A considerable increase was registered in credits extended for the purpose of working capital, namely up by 82.5% to reach Rp 4,111 billion, while for investment purposes rose by 10% to Rp 1,098 billion (Table 2.4).

Credits under KIK program at end of the reporting year amounted to Rp 348 billion, indicating a decline by 10.1% compared with 6.5% in the previous year. However, the amount of applications approved registered an increase of 11.3%. Investment credits to other priority sectors, such as Kupedes, estates, investment credits to the maximum amount of Rp 75 million and credits for cooperatives recorded considerable advancements (Table 2.3). Credits for Kupedes, introduced on January 30, 1984 to replace the Mini and Midi credits, showed a remarkable improvement. At end of the reporting year the amount of credits under Kupedes reached Rp 164 billion or indicating a rise of 67.3%. This amount included the outstanding amounts of Mini and Midi credits.

Credits for exports also showed a considerable improvement, namely up by 34.2% to Rp 962 billion compared with an increase of 19.5% in the previous period. This improvement reflected higher efforts by banks to support the Government's program to boost non-oil/non LNG exports.

KPR credits extended through BTN over

the years showed considerable improvements. The amount of credits and the number of customers under KPR, respectively rose by 38.9% and 23.0% reaching Rp 803 billion and 241 thousand customers. These improvements reflected the result of higher efforts of the Government to provide housing to the lowincome community. With regard to KPR channeled through PT Papan Sejahtera, it also showed considerable increases in the amount as well as in the number of customers, namely by 73.7% and 59.6% reaching Rp 33 billion and 2,330 customers, respectively, at end of 1985. These considerable increases were in step with the rising demand on medium quality houses of the community.

Unlike KIK, credits under KMKP continued to show an increase, reaching Rp 886 billion at end of March 1985, or up by 2.2% compared with 6.4% in the previous period. Furthermore, the amount of applications approved and the number of customers under this KMKP program respectively showed an increase of 22.2% and 10.9% reaching Rp 2,274 billion and 1,798 thousand customers at end of the reporting year.

It is worth noting that other credits to support the economically-weak groups, such as working capital credits under the framework of Keppres No. 29/1984, working capital credits with the maximum amount of Rp 75 million and Indonesian student credits (Kredit Mahasiswa Indonesia or KMI) also recorded considerable progress (Table 2.3).

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

Specification	March 31					June	Sept.	Dec.	March
	1980	1981	1982	1983 ²⁾	1984	30, 1984	30, 1984	31, 1984	31, 1985
Credits in rupiah	<u>5,915</u>	<u>7,795</u>	<u>10,273</u>	<u>12,804</u>	<u>15,070</u>	<u>15,951</u>	<u>17,488</u>	<u>18,223</u>	<u>18,735</u>
Agriculture	412	615	898	1,154	1,305	1,371	1,347	1,318	1,390
Mining ³⁾	1,801	1,819	1,644	1,215	670	406	378	384	379
Manufacturing ⁴⁾	1,512	1,991	2,561	3,910	5,060	5,433	5,851	6,205	6,520
Trade ⁵⁾	1,241	2,019	3,224	3,936	4,915	5,457	6,168	6,299	6,168
Service rendering industry ⁶⁾	685	1,002	1,454	1,937	2,389	2,567	2,913	3,088	3,277
Others	264	349	492	652	731	717	831	929	1,001
Credits in foreign exchange	<u>412</u>	<u>359</u>	<u>462</u>	<u>901</u>	<u>1,065</u>	<u>1,007</u>	<u>555</u>	<u>590</u>	<u>601</u>
Agriculture	---	---	---	---	---	---	---	---	---
Mining	---	---	---	---	---	---	---	---	---
Manufacturing	397	347	419	692	654	534	442	462	478
Trade	5	7	39	199	382	431	59	45	37
Service rendering industry	10	5	4	10	29	41	52	81	84
Others	---	---	---	---	---	1	2	2	2
Total bank credits	<u>6,327</u>	<u>8,154</u>	<u>10,735</u>	<u>13,705</u>	<u>16,135</u>	<u>16,958</u>	<u>18,043</u>	<u>18,813</u>	<u>19,336</u>
Agriculture	412	615	898	1,154	1,305	1,371	1,347	1,318	1,390
Mining	1,801	1,819	1,644	1,215	670	406	378	384	379
Manufacturing	1,909	2,338	2,980	4,602	5,714	5,967	6,293	6,667	6,998
Trade	1,246	2,026	3,263	4,135	5,297	5,888	6,227	6,344	6,205
Service rendering industry	695	1,007	1,458	1,947	2,418	2,608	2,965	3,169	3,361
Others	264	349	492	652	731	718	833	931	1,003

- 1) Excludes interbank credits, credits to Government and to non-residents, special liquidity credits and foreign exchange component of project aid.
- 2) Includes increases from valuation adjustments due to the exchange rate revision on March 30, 1983, amounting to Rp 251 billion, comprises Rp 190 billion for manufacturing, Rp 58 billion for trade, and Rp 3 billion for services.
- 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 and since November 30, 1984, some of these direct credits were transferred to state commercial banks.
- 4) Credits for the processing of agricultural products is classified under manufacturing, following International Standard Industrial Classification (ISIC) 1968.
- 5) Includes credits to restaurant and hotel.
- 6) Includes credits to electric, gas and water; transportation, warehouse and communication; and credits to construction.

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
	1980	1981	1982	1983 ²⁾	1984	30, 1984	30, 1984	31, 1984	31, 1985
Short term credits	<u>3,201</u>	<u>4,594</u>	<u>6,602</u>	<u>8,686</u>	<u>10,659</u>	<u>11,920</u>	<u>12,872</u>	<u>13,446</u>	<u>13,607</u>
– Agriculture	315	441	583	675	651	753	680	689	654
– Mining	3	12	20	32	37	39	37	37	33
– Manufacturing	1,138	1,397	1,755	2,601	3,315	3,584	3,946	4,181	4,391
– Trade	1,180	1,930	3,111	3,929	4,974	5,642	5,947	6,068	5,897
– Service rendering industry	330	542	791	1,104	1,390	1,654	1,946	2,109	2,247
– Others	235	272	342	345	292	248	316	362	385
Investment credits³⁾	<u>3,126</u>	<u>3,560</u>	<u>4,133</u>	<u>5,019</u>	<u>5,476</u>	<u>5,038</u>	<u>5,171</u>	<u>5,367</u>	<u>5,729</u>
– Agriculture	97	174	315	479	654	618	667	629	736
– Mining	1,798	1,807	1,624	1,183	633	367	341	347	346
– Manufacturing	771	941	1,225	2,001	2,399	2,383	2,347	2,486	2,607
– Trade	66	96	152	206	323	246	280	276	308
– Service rendering industry	365	465	667	843	1,028	954	1,019	1,060	1,114
– Others	29	77	150	307	439	470	517	569	618
Total bank credits	<u>6,327</u>	<u>8,154</u>	<u>10,735</u>	<u>13,705</u>	<u>16,135</u>	<u>16,958</u>	<u>18,043</u>	<u>18,813</u>	<u>19,336</u>
– Agriculture	412	615	898	1,154	1,305	1,371	1,347	1,318	1,390
– Mining ⁴⁾	1,801	1,819	1,644	1,215	670	406	378	384	379
– Manufacturing ⁵⁾	1,909	2,338	2,980	4,602	5,714	5,967	6,293	6,667	6,998
– Trade ⁶⁾	1,246	2,026	3,263	4,135	5,297	5,888	6,227	6,344	6,205
– Service rendering industry ⁷⁾	695	1,007	1,458	1,947	2,418	2,608	2,965	3,169	3,361
– Others	264	349	492	652	731	718	833	931	1,003

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

2) Includes increases from valuation adjustments due to the exchange rate revision on March 30, 1983, amounting to Rp 251 billion, comprises Rp 190 billion for manufacturing, Rp 58 billion for trade, and Rp 3 billion for services.

3) Includes investment credits based on Decree of Board of Directors of Bank Indonesia No. Peng. 1/DIR/1969, March 7, 1969.

4) 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 and since November 30, 1984, some of these direct credits were transferred to state commercial banks.

5) Credit for the processing of agricultural products is classified under manufacturing, following International Standard Industrial Classification (ISIC) 1968.

6) Includes credits to restaurant and hotel.

7) Includes credits to electric, gas and water; transportation, warehouse and communication; and credits to construction.

TABLE 2.3
CREDITS TO SMALL SCALE ENTREPRENEURS
(millions of rupiah and thousands of customers)

Specification	March 31				June	Sept.	Dec.	March
	1981	1982	1983	1984	30, 1984	30, 1984	31, 1984	31, 1985
1. Small Investment Credits (KIK)								
— Number of applications approved (customers)	125	176	213	228	231	235	238	243
— Value of application approved	366	571	723	825	852	866	896	918
— Outstanding credits	249	374	414	387	380	374	357	348
2. Permanent Working Capital Credits (KMKP)								
— Number of applications approved (customers)	953	1,298	1,486	1,621	1,658	1,718	1,735	1,798
— Value of application approved	656	1,178	1,542	1,861	1,961	2,073	2,142	2,274
— Outstanding credits	384	704	815	867	865	878	871	886
3. KIK/KMKP (1 + 2)								
— Number of applications approved (customers)	1,078	1,474	1,699	1,849	1,889	1,953	1,973	2,041
— Value of application approved	1,022	1,749	2,265	2,686	2,813	2,939	3,038	3,192
— Outstanding credits	633	1,078	1,229	1,254	1,245	1,252	1,228	1,234
4. Kupedes ¹⁾	50	85	104	98	116	125	137	164
— Investment	6	10	11	9	9	10	11	11
— Working capital	44	75	93	89	107	115	126	153
5. Working Capital Credits under Keppres 29/1984	—	—	—	—	—	10	27	36
6. Credits through Rp 75 million	—	—	—	9	16	28	39	59
— Investment	—	—	—	9	16	22	24	32
— Working capital	—	—	—	—	—	6	15	27
7. House Ownership Credits (KPR)	84	211	407	597	654	696	760	836
a. State Savings Bank (BTN)								
— Customers	33	84	148	196	207	215	228	241
— Outstanding credits	84	208	400	578	630	669	730	803
b. PT Papan Sejahtera								
— Customers	0.02	0.08	0.68	1.46	1.79	1.99	2.20	2.33
— Outstanding credits	0.2	3	7	19	24	27	30	33
8. Kredit Candak Kulak (KCK)								
— Customers	7,435	9,007	11,901	12,956	13,511	13,588	13,894	14,045
— Outstanding credits	5	6	8	10	11	11	11	12
9. Credits for Teachers ²⁾	—	2	48	49	49	55	47	49
10. Credits for Indonesian Students (KMI)	—	—	4	11	13	16	17	19
11. Credits for Student Dormitories	—	—	—	—	—	—	0.2	0.5
12. Credits for Cooperatives	55	137	322	323	395	367	312	341
Total	827	1,519	2,122	2,351	2,499	2,560	2,578	2,751

1) Before January, 1984 consisted of Mini and Midi credits; thereafter, consists of Kupedes and unpaid Mini and Midi credits.

2) For purchasing motorcycles.

TABLE 2.4
BANK CREDITS IN RUPIAH AND FOREIGN EXCHANGE
BY PRIORITY AND NON-PRIORITY
(billions of rupiah)

Items	1983	1984	1984			1985
	March ¹⁾	March	June 30	Sep. 30	Dec. 31	March 31
1. State banks ²⁾	<u>8,854</u>	<u>10,283</u>	<u>12,107</u>	<u>12,773</u>	<u>13,345</u>	<u>13,522</u>
1.1. Priority	<u>2,597</u>	<u>2,991</u>	<u>4,555</u>	<u>5,187</u>	<u>5,123</u>	<u>4,890</u>
— Working capital	1,808	2,131	3,646	4,255	4,169	3,937
— Investment	789	860	909	932	954	953
1.2. Non-priority	<u>6,257</u>	<u>7,292</u>	<u>7,552</u>	<u>7,586</u>	<u>8,222</u>	<u>8,632</u>
— Working capital	3,675	4,330	4,483	4,433	4,856	4,970
— Investment	2,582	2,962	3,069	3,153	3,366	3,662
2. National private banks	<u>1,354</u>	<u>2,151</u>	<u>2,455</u>	<u>2,784</u>	<u>3,042</u>	<u>3,269</u>
2.1. Priority	<u>93</u>	<u>116</u>	<u>128</u>	<u>139</u>	<u>149</u>	<u>160</u>
— Working capital	44	56	65	77	87	97
— Investment	49	60	63	62	62	63
2.2. Non-priority	<u>1,261</u>	<u>2,035</u>	<u>2,327</u>	<u>2,645</u>	<u>2,893</u>	<u>3,109</u>
— Working capital	1,254	1,961	2,246	2,569	2,808	3,020
— Investment	7	74	81	76	85	89
3. Local development banks	<u>372</u>	<u>432</u>	<u>462</u>	<u>485</u>	<u>510</u>	<u>545</u>
3.1. Priority	<u>125</u>	<u>144</u>	<u>145</u>	<u>154</u>	<u>158</u>	<u>159</u>
— Working capital	54	65	68	70	75	77
— Investment	71	79	77	84	83	82
3.2. Non-priority	<u>247</u>	<u>288</u>	<u>317</u>	<u>331</u>	<u>352</u>	<u>386</u>
— Working capital	207	244	268	277	294	326
— Investment	40	44	49	54	58	60
4. Foreign banks	<u>737</u>	<u>977</u>	<u>1,039</u>	<u>1,095</u>	<u>1,046</u>	<u>1,062</u>
4.1. Priority	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
— Working capital	—	—	—	—	—	—
— Investment	—	—	—	—	—	—
4.2. Non-priority	<u>737</u>	<u>977</u>	<u>1,039</u>	<u>1,095</u>	<u>1,046</u>	<u>1,062</u>
— Working capital	736	974	1,036	1,093	1,036	1,050
— Investment	1	3	3	2	10	12
5. Total (1 through 4)	<u>11,317</u>	<u>13,843</u>	<u>16,063</u>	<u>17,137</u>	<u>17,943</u>	<u>18,398</u>
5.1. Priority	<u>2,815</u>	<u>3,251</u>	<u>4,828</u>	<u>5,480</u>	<u>5,430</u>	<u>5,209</u>
— Working capital	1,906	2,252	3,779	4,402	4,331	4,111
— Investment	909	999	1,049	1,078	1,099	1,098
5.2. Non-priority	<u>8,502</u>	<u>10,592</u>	<u>11,235</u>	<u>11,657</u>	<u>12,513</u>	<u>13,189</u>
— Working capital	5,872	7,509	8,033	8,372	8,994	9,366
— Investment	2,630	3,083	3,202	3,285	3,519	3,823

- 1) Includes increases due to the rupiah devaluation of March 30, 1983, amounting to Rp 251 billion.
2) Excludes BTN. Credits to Bulog and Pertamina (formerly direct credits of Bank Indonesia) were transferred to state commercial bank since April and November 1984, respectively.

III. MOBILIZATION OF FUNDS

A. Policy on Mobilization of Funds

The policy on mobilization of funds during 1984/85 continued to pursue measures undertaken in the previous years, namely placing more stress on efforts to increase public savings as one of the sources of funds to finance the development purposes. To achieve this goal the Government consistently made efforts to encourage savings through postponing the collection of taxes on income (Pajak Penghasilan or PPh) originated from earnings on time deposits (TDs) and savings deposits. In addition, Bank Indonesia reaffirmed that all commercial and development banks were allowed to issue certificates of deposits (CDs). Furthermore, with the objective to induce the activities of banking business and simultaneously expand the money market, banks and non-bank financial institutions or NBFIs (lembaga keuangan bukan bank or LKBB) were allowed to trade money market securities or MMS (Surat Berharga Pasar Uang or SBPU) and increase the frequency of the issuance period of Bank Indonesia certificates (Sertifikat Bank Indonesia or SBI). During the reporting year a new savings scheme, called rural savings (Simpanan Pedesaan or Simpedes), was also introduced.

In the effort to boost savings among the public, the Government continued to postpone the implementation of PPh collection on income derived from interest earnings of TDs and other savings deposits, in rupiah as well as in foreign exchange. It should be noted that PPh continued to be imposed on interest earnings originating from the rupiah/ foreign exchange time and

savings deposits owned by nonresidents as well as on those earned from the rupiah/ foreign exchange demand deposits, call money and deposits on call owned by resident/ non-resident.¹⁾

To intensify the mobilization of sources through the banking system and concurrently induce the development of the money market, during the reporting year Bank Indonesia reaffirmed that all commercial as well as development banks, on certain conditions, were allowed to issue sight certificates of deposits. This certificate of deposits may only be issued in rupiah, while the maturity may be fixed by the issuing banks, provided that it would not be less than 15 days. Furthermore, it was also stipulated that holdings of certificates of deposits of a bank issued by other banks was limited to 7.5% of its total rupiah and foreign exchange lendings.²⁾ Following this reaffirmation, towards the end of the reporting year several private national commercial banks (bank umum swasta nasional or BUSN) already started to issue certificates of deposits. It should be pointed out that prior to this, the issuance of certificates of deposits was only implemented by state commercial banks and most foreign banks.

To increase the activities of banking business and expand the money market, since February 1, 1985 money market

1) Bank Indonesia Circular Letter No. SE 17/5/UPUM, January 23, 1985.

2) Bank Indonesia Circular Letter No. SE 17/2/UPUM, November 2, 1984.

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	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										
March	4,323	1,591	5,914	2,407	1,330	3,737	484	55	539	10,190
June	4,328	1,613	5,941	3,003	1,097	4,100	461	130	591	10,632
September	4,545	1,649	6,194	3,748	1,173	4,921	484	60	544	11,659
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	563	47	610	12,793
March	4,634	1,716	6,350	4,912	1,437	6,349	576	62	638	13,337
April	4,572	1,701	6,273	5,182	1,432	6,614	585	84	669	13,556
May	4,579	1,665	6,244	5,328	1,460	6,788	581	108	689	13,721
June	4,575	1,669	6,244	5,399	1,488	6,887	582	106	688	13,819
July	4,592	1,670	6,262	5,508	1,417	6,925	585	91	676	13,863
August	4,661	1,641	6,302	5,641	1,501	7,142	590	63	653	14,097
September	5,018	1,783	6,801	5,517	1,750	7,267	593	45	638	14,706
October	5,123	1,736	6,859	5,688	1,809	7,497	613	46	659	15,015
November	5,177	1,677	6,854	5,762	1,725	7,487	633	60	693	15,034
December	5,279	1,686	6,965	6,022	1,757	7,779	670	84	754	15,498
1985										
January	4,913	1,669	6,582	6,334	1,784	8,118	667	78	745	15,445
February	5,235	1,564	6,799	6,373	2,013	8,386	698	59	757	15,942
March	5,601	1,587	7,188	6,545	2,181	8,726	700	74	774	16,688

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		
	Foreign currency		Sub total	Rupiah		Sub total	Rupiah		Sub total	Rupiah		Sub total	Rupiah	Foreign currency	Total
	Rupiah	Sub total		Foreign currency	Sub total		Rupiah	Foreign currency		Rupiah	Foreign currency				
1973	163	81	244	17	2	19	2	—	—	32	42	74	214	125	339
1974	290	192	482	25	1	26	3	—	—	41	29	70	359	222	581
1975	454	192	646	38	3	41	3	—	—	44	26	70	539	221	760
1976	652	179	831	56	6	62	4	—	—	50	33	83	762	218	980
1977	737	165	902	77	7	84	5	—	—	76	37	113	895	209	1,104
1978	765	270	1,035	87	24	111	6	—	—	73	62	135	931	356	1,287
1979	775	312	1,087	123	23	146	7	—	—	86	132	218	991	467	1,458
1980	903	294	1,197	209	12	221	10	—	—	157	66	223	1,279	372	1,651
1981: March	971	275	1,246	243	11	254	11	—	—	164	69	233	1,389	355	1,744
June	1,013	271	1,284	300	10	310	15	—	—	197	72	269	1,525	353	1,878
September	1,092	291	1,383	361	12	373	17	—	—	243	89	332	1,713	392	2,105
December	1,093	307	1,400	382	16	398	19	—	—	260	133	393	1,754	456	2,210
1982: March	1,110	313	1,423	404	21	425	21	—	—	283	162	445	1,818	496	2,314
June	1,143	350	1,493	472	26	498	25	—	—	319	182	501	1,959	558	2,517
September	1,194	383	1,577	536	39	575	28	—	—	355	215	570	2,113	637	2,750
December	1,231	488	1,719	572	65	637	35	—	—	360	231	591	2,198	784	2,982
1983: March	1,347	808	2,155	579	147	726	39	—	—	442	375	817	2,407	1,330	3,737
June	1,682	675	2,357	783	105	888	45	—	—	493	317	810	3,003	1,097	4,100
September	2,262	727	2,989	927	108	1,035	51	—	—	508	338	846	3,748	1,173	4,921
December	2,831	801	3,632	1,078	158	1,236	56	—	—	476	382	858	4,441	1,341	5,782
1984: January	2,895	810	3,705	1,104	194	1,298	57	—	—	490	390	880	4,546	1,394	5,940
February	2,968	791	3,759	1,139	190	1,329	59	—	—	555	403	958	4,721	1,384	6,105
March	3,044	838	3,882	1,216	187	1,403	61	—	—	591	412	1,003	4,912	1,437	6,349
April	3,240	835	4,075	1,281	181	1,462	65	—	—	596	416	1,012	5,182	1,432	6,614
May	3,307	856	4,163	1,341	183	1,524	66	—	—	614	421	1,035	5,328	1,460	6,788
June	3,276	857	4,133	1,428	197	1,625	68	—	—	627	434	1,061	5,399	1,488	6,887
July	3,339	770	4,109	1,469	217	1,686	71	—	—	629	430	1,059	5,508	1,417	6,925
August	3,390	742	4,132	1,504	282	1,786	73	—	—	674	477	1,151	5,641	1,501	7,142
September	3,264	858	4,122	1,480	354	1,834	74	—	—	698	539	1,237	5,516	1,751	7,267
October	3,335	926	4,261	1,569	342	1,911	76	—	—	708	541	1,249	5,688	1,809	7,497
November	3,326	890	4,216	1,647	323	1,970	77	—	—	712	512	1,224	5,762	1,725	7,487
December	3,497	908	4,405	1,750	331	2,081	79	—	—	696	518	1,214	6,022	1,757	7,779
1985: January	3,727	889	4,616	1,756	358	2,114	81	—	—	770	537	1,307	6,334	1,784	8,118
February	3,765	1,018	4,783	1,774	378	2,152	82	—	—	752	617	1,369	6,373	2,013	8,386
March	3,925	1,133	5,058	1,805	435	2,240	82	—	—	733	613	1,346	6,545	2,181	8,726

1) Includes certificates of deposits.

2) Includes Bapindo.

3) Includes private development banks and private savings banks.

securities (Surat Berharga Pasar Uang or SBPU) started to be traded.³⁾ At the initial stage, the types of SBPUs eligible to be traded comprised acceptances/ promissory notes and trade bills used in the implementation of credit extension and interbank borrowings. To expand trade in SBPUs, Bank Indonesia appointed one NBFIs to act as a “securities house” with the main function to promote the secondary market through trading of SBPUs with banks or NBFIs. In addition, this institution was also designated to promote the secondary market of SBIs, among others, through purchases and sales on the basis of repurchase agreements. Furthermore, the sales frequency of SBIs were raised from 1 to 3 times per week and introduced a 15 daymaturity SBI besides the 30 day and 90 day-maturity SBIs.⁴⁾

B. Development of Bank's Funds

Mobilization of public funds through the banking system advanced quite considerably. During 1984/85 the amount of funds in rupiah as well as in foreign currencies mobilized by banks in aggregate rose by 25.1% to Rp 16,688 billion (Table 3.1). The mobilized funds comprised demand deposits Rp 7,188 billion, time deposits (TDs) Rp 8,726 billion and savings deposits Rp 774 billion. The share of demand deposits to total funds mobilized declined from 47.6% to 43.1% at end of March 1985 and that of TDs increased from 47.6% to 52.3%, while that of savings deposits remained practically unchanged.

1. Time deposits

In the reporting year TDs in rupiah and foreign exchange in aggregate rose by 37.4% reaching Rp 8,726 billion. Unlike the previous year, the rate of increase of foreign exchange TDs was higher than that of rupiah TDs. This was closely related to the public expectation that the US dollar would continue to appreciate in the future.

1.1. Rupiah time deposits

The amount of rupiah TDs mobilized by banks registered an increase of 33.2%. This quite rapid progress was registered by all groups of banks, namely state banks registered an increase of 28.8%, private national banks 48.4%, local development banks (bank pembangunan daerah or BPD) 34.4% and foreign banks 24.0% (Table 3.2). This favorable development was due to the still attractive interest rates offered.

Classified by maturity, since June 1, 1983 the share of the 24-month maturity TDs continually declined, while that of other TDs increased. The share of 24 month TDs declined from 39.0% at end of May 1983 to 5.8% at end of March 1985. Declines were registered by all groups of banks. The increase in the share of other TDs mainly occurred in the maturities of 12-month, 6-month and 3-month TDs. The share of 12-month, 6-month and 3 months maturity TDs rose from 13.2%, 12.9% and 13.9% to 42.5%, 17.9% and 14.6%, respectively, at end of March 1985. The development of the interest rate of TDs is shown in Table 3.3.

1.2. Foreign exchange time deposits

TDs denominated in foreign currencies during the reporting year rose by 51.8%.

3) Bank Indonesia Circular LetterNo. SE 17/6/UPUM, January 28, 1985.

4) Bank Indonesia Circular Letter No. SE 1 7/3/UPUM, November 2, 1984.

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

Maturity	March 1983		March 1984	
	Rupiah	Foreign currency	Rupiah	Foreign currency
State banks¹⁾				
1 month	15.00 – 15.25	6.50 – 8.50	15.00 – 15.00	6.00 – 7.35
3 months	15.50 – 16.50	7.15 – 9.00	17.00 – 17.00	6.25 – 7.70
6 months	16.00 – 18.00	7.25 – 9.00	19.00 – 19.00	6.75 – 8.25
12 months	18.00 – 18.75	7.50 – 8.56	20.00 – 20.00	7.15 – 9.00
24 months	16.00 – 18.75	--	20.00 – 21.00	--
Natoional private banks				
1 month	15.00 – 18.00	6.00 – 9.25	14.00 – 20.00	7.00 – 8.50
3 months	15.50 – 19.50	6.00 – 9.25	17.00 – 21.00	7.25 – 8.75
6 months	16.50 – 20.00	6.50 – 9.50	17.50 – 22.20	7.25 – 9.00
12 months	18.00 – 20.00	7.00 – 9.50	18.00 – 24.00	7.75 – 9.50
24 months	18.00 – 20.00	--	20.00 – 23.00	--
Foreign banks				
1 month	16.00 – 18.00	3.00 – 8.75	15.25 – 20.00	4.75 – 6.50
3 months	16.50 – 13.00	3.00 – 8.75	15.25 – 21.00	5.00 – 6.75
6 months	16.00 – 18.00	3.50 – 8.50	16.00 – 21.50	5.125 – 7.40
12 months	17.50 – 18.50	6.00 – 9.00	17.00 – 22.00	5.50 – 7.25
24 months	--	--	--	--

All groups of banks registered considerable increases, namely state banks recorded an increase of 35.2%, BUSNs 132.6% and foreign banks 48.8%. By maturity, the highest increase was recorded by 3- month TDs followed by the 1-month TDs, mostly recorded by state banks and BUSNs.

2. Savings deposits

Public savings in the forms of national development savings scheme (Tabungan Pembangunan Nasional or Tabanas), time insurance savings (Tabungan Asuransi Berjangka or Taska), Haj Pilgrimage Expenses (Tabungan Ongkos Naik Haji or ONH) and other types of savings during the

reporting year recorded rapid advances, namely in aggregate rose by 21.3% to Rp 774 billion. The favorable progress of the Tabanas and Taska savings schemes was primarily attributed to the higher number of handling banks and also due to the increased mobilization efforts, especially among youths, high school students and scouts.

2.1. Tabanas and Taska

As a result of the increased efforts implemented in the past years, the amount as well as the number of savings accounts of Tabanas and Taska continually recorded increases. During the reporting year the

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

End of period	24 months	12 months	6 months	3 months	1 month ¹⁾	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	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	126	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: March	844	89	124	47	240	3	1,347
June	760	182	285	137	306	12	1,682
September	658	484	409	228	471	12	2,262
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
April	471	1,219	640	287	614	9	3,240
May	415	1,305	649	401	520	18	3,308
June	374	1,407	797	394	282	22	3,276
July	342	1,551	805	350	255	36	3,339
August	308	1,626	830	345	248	33	3,390
September	298	1,635	781	267	250	33	3,264
October	284	1,686	699	345	282	39	3,335
November	276	1,679	709	312	295	55	3,326
December	280	1,721	721	331	352	92	3,497
1985: January	275	1,954	680	340	390	88	3,727
February	267	1,986	684	367	408	53	3,765
March	264	2,106	702	355	443	55	3,925

1) Includes matured time deposits.

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	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: March	9,589,604	399,545	17,002	227	9,606,606	399,772
June	9,526,420	395,966	19,015	296	9,545,435	396,262
September	9,697,774	410,060	16,798	325	9,714,572	410,385
December	9,952,239	445,845	16,134	307	9,968,373	446,152
1983: March	10,186,110	483,488	16,532	303	10,202,642	483,791
June	10,228,296	460,680	14,213	317	10,242,509	460,997
September	10,572,736	483,921	15,546	366	10,588,282	484,287
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
April	11,544,991	584,853	15,984	343	11,560,975	585,196
May	11,489,362	580,701	16,400	357	11,505,762	581,058
June	11,636,817	581,874	17,301	472	11,654,118	582,346
July	11,703,524	584,454	18,853	669	11,722,377	585,123
August	11,841,293	589,484	18,280	668	11,859,573	590,152
September	12,032,517	592,633	17,628	659	12,050,145	593,292
October	12,217,977	612,946	17,093	564	12,235,070	613,510
November	12,359,176	632,624	17,265	459	12,376,441	633,083
December	12,424,913	669,598	16,362	452	12,441,275	670,050
1985: January	11,917,717	666,306	15,690	403	11,933,407	666,709
February	12,660,529	697,269	14,543	360	12,675,072	697,629
March	12,984,237	699,312	16,937	566	13,001,174	699,878

1) In units of depositors.

amount of Tabanas and Taska savings in aggregate rose by 21.5% reaching Rp 699.9 billion while the number of savings accounts rose by 13.1% to 13 million accounts (Table 3.5).

Furthermore, the number of handling banks of Tabanas and Taska were expanded by 4 BUSNs. Including this expansion, at end of the reporting year the number of handling banks rose to 61 banks, consisting of 6 state commercial banks, 37 BUSNs and 18 BPDs.

2.2. Haj pilgrimage expenses (Ongkos Naik Haji or ONH) savings deposits

ONH savings scheme comprised temporary savings of prospective haj pilgrims in order to cover the expenses needed in fulfilling the haj pilgrimage. Banks appointed to accept ONH deposits are Bank Rakyat Indonesia (BRI), Bank Negara Indonesia 1946 (BNI 1946) and Bank Ekspor Impor Indonesia (BEII). During the reporting year ONH deposits amounted to Rp 108.1 billion for 34,554 prospective haj pilgrims compared with Rp 144.5 billion for 47,292 prospective haj pilgrims in the previous year. It should be noted that the ONH expenses for the 1984 haj pilgrimage amounted to Rp 3,128,500.00 for each prospective haj pilgrim or indicating an increase of 1.7% over the previous year.⁵⁾

C. Money Market

1. Interbank funds

During the reporting year Bank Indonesia directed banks to use the interbank funds more in line with its main purpose,

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	— March	1,458	17.85
April	— June	1,570	10.53
July	— September	2,557	10.54
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
April		974	14.05
May		1,096	17.37
June		1,146	16.48
April	— June	3,216	16.05
July		1,644	16.77
August		1,582	22.58
September		938	46.80
July	— September	4,164	25.74
October		353	14.71
November		447	11.04
December		596	9.62
October	— December	1,396	11.36
1985			
January		854	9.58
February		465	12.16
March		456	13.23
January	— March	1,775	11.19

5) Presidential Decree No. 14/1984, February 28,

namely to solve liquidity problems in their daily operations. This was felt necessary so that banks would not encounter the same difficulties experienced in August and Sep-

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	52	27	79
1981 : March	56	26	82
June	37	26	63
September	66	26	92
December	55	26	81
1982 : March	51	23	74
June	53	17	70
September	63	4	67
December	59	13	72
1983 : March	91	11	102
June	212	33	245
September	204	25	229
December	352	22	374
1984 : January	359	27	386
February	369	27	396
March	346	30	376
April	390	36	426
May	294	37	331
June	261	41	302
July	231	29	260
August	222	29	251
September	189	35	224
October	110	14	124
November	112	16	128
December	112	18	130
1985 : January	221	20	241
February	377	20	397
March	418	27 ²⁾	445

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.

2) Includes national private banks.

tember 1984, in which disruptions occurred in the interbank money market resulting in a substantial rise in interest rates, reaching a level of 90% p.a. For this purpose, as elaborated in chapter I, Bank Indonesia fixed the maximum ceiling for a bank to mobilize funds from the interbank money market, namely at the maximum of 7.5% of rupiah funds mobilized from third parties. As follow up of this restriction, Bank Indonesia provided a special credit facility with a 1- year maturity. Following this measure, the level of the interbank money market interest rate gradually declined to 24.5% p.a. at end of March 1985.

The amount of transactions in the interbank money market implemented through the Jakarta Clearing during the first 6 months of the reporting year reached Rp 7,380 billion, indicating an increase of 78.8% compared with the same period in the previous year. In the following 6-month period those transactions amounted to only Rp 3,171 billion or indicating a decline of 51.1% from the same 6-month period in the previous year. It should also be noted that the amount of interbank money market transactions for the whole period of the reporting year still showed a slight decline compared with the previous year (Table 3.6).

2. Certificate of deposits

During the reporting year the amount of certificates of deposits issued by handling banks went up by 18.4% reaching Rp 445 billion (Table 3.7). Of this increase, Rp 72 billion were contributed by state-owned banks and Rp 0.4 billion by BUSNs, while foreign banks registered a decline of Rp 3 billion.

By maturity, the largest portion of certifi-

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

Maturity	1984				1985
	March	June	September	December	March
1 week	--	--	--	--	--
2 weeks	7.90 - 9.00	--	--	--	9.00 - 10.00
1 month	12.50 - 15.25	14.00 - 18.00	14.00 - 17.00	14.25 - 19.00	14.80 - 20.00
2 months	13.00	15.345 - 15.85	15.50 - 17.00	15.50 - 16.00	15.50 - 16.10
3 months	13.50 - 16.50	13.075 - 18.00	14.25 - 20.00	14.75 - 20.00	16.25 - 21.00
6 months	13.75 - 17.00	14.00 - 18.42	14.00 - 20.00	14.25 - 20.00	16.30 - 20.00
9 months	14.80 - 17.90	16.35 - 19.00	17.25 - 19.00	20.50	17.25 - 20.50
12 months	14.50 - 18.75	15.50 - 20.45	13.36 - 20.00	18.00 - 21.50	15.785 - 21.50
24 months	18.75	13.36 - 19.85	13.36 - 19.85	14.80 - 24.00	14.80 - 24.00

cates of deposits issued by state commercial banks are the 6-month maturity followed by the 1-month maturity, while those issued by foreign banks are the 6-month and 3-month maturities.

3. Money market securities

Trade in SBPUs, which started only since early February 1985, at end of the reporting year showed a considerable progress. At end of March 1985 the amount of SBPUs purchased by the securities house reached Rp 233.3 billion, of which Rp 178.2 billion were from 28 banks and Rp 55.1 billion from 8 NBFIs. Of this total amount, Rp 19.6 billion had been repaid bringing forth the SBPU holdings at the securities house to Rp 213.7 billion. The amount of SBPUs rediscounted to Bank Indonesia totalled Rp 205.0 billion. It should be noted that the number of business entities implementing the transaction of SBPUs reached 123 enterprises.

4. Non-bank Financial Institution (NBFI) papers

The amount of short-term papers issued by NBFIs during the reporting year rose by 25.47% to Rp 760 billion. This improvement was mainly due to higher placement of investments by banks in NBFI papers.

D.Capital Market

In the effort to increase the capacity of providing domestic funds for the financing of development, the Government enhanced its effort to expand the capital market. The effort was among others executed through providing opportunities to financial institutions to become security traders and postponing PPh collection on earnings originating from certain bonds.

During the reporting year the number of entities which placed their shares and bonds through the capital market grew by 1 to 27.

In addition, in step with the opportunity extended to financial institutions to become securities traders, at end of the reporting year, the number of securities traders rose to 15 traders, consisting of 6 banks, 5 NBFIs and 4 other business entities.

During the reporting year the business entities, which for the first time entered the capital market, issued 221.1 thousand shares at a value of Rp 0.3 billion. In addition, 2 other companies expanded their issues with 480.0 thousand shares amounting to Rp 0.7 billion through the capital market. As a result, until the end of 1984/85 the number of entities placing their shares through the capital market reached 24 entities with a total number of 57,938.2 thousand shares at a total amount of Rp 131.8 billion. Besides issuance of shares, during the reporting year 1 business entity increased the issuance of bonds by 6.5 thousand bonds at a value of Rp 70.0 billion, bringing forth the aggregate number of bonds to 269.7 -thousand bonds with the total amount of Rp 224.7 billion. Accordingly, the amount of funds mobilized from the

public through the capital market reached Rp 356.5 billion at end of March 1985. It is worth noting that trade in shares and bonds in the securities bourse during the reporting year reached 1,672.7 thousand shares and 32.1 thousand bonds.

In order to achieve one of the objectives of the capital market, namely equitable income distribution through the possession of shares, the shares of entities purchased by PT Danareksa through the capital market were transformed to certificates of shares and certificates of funds. Until the end of the reporting year the number of certificates issued by PT Danareksa reached 7,420.3 thousand certificates at a value of Rp 72.8 billion. These certificates consisted of 1,420.3 thousand certificates of shares with a value of Rp 12.8 billion and 6,000.0 thousand certificates of funds at a value of Rp 60.0 billion. The number of certificates of shares and certificates of funds held by the public at the end of the reporting year totalled 6,101.7 thousand certificates with a total value of Rp 59.3 billion.

IV. BANKING AND OTHER FINANCIAL INSTITUTIONS

A. Banking

1. Policy in banking supervision

In order to support the national development program, the policy on banking supervision during the reporting year was emphasized more on enhancing the efficiency of banks' activities, and efforts were more directed to enable banks to be more independent to implement their daily operations. To achieve this aim, the efforts executed in the previous years, such as providing technical assistance to local development banks (bank pembangunan daerah or BPD), expanding local clearing activities, and encouraging merger among private national commercial banks (bank umum swasta nasional or BUSN), continued to be carried out.

To support the execution of the Presidential Instruction No. 29/1984 (Keppres No. 29/1984), during the reporting year several banks and other financial institutions were appointed to issue guarantees for the execution of purchases or other work-orders under the framework of the above mentioned Keppres.¹⁾ Furthermore, following the issuance of Bank Indonesia certificate (Sertifikat Bank Indonesia or SBI), which is another channel for banks in the placement of their investment activities, Bank Indonesia discontinued the provision of interest on demand deposits exceeding the mandatory rupiah deposits of banks at Bank In-

donesia. In addition, since February 1, 1985 banks were granted the opportunities to issue and trade money market- securities (Surat Berharga Pasar Uang or SBPU).

2. Banking development

Following merger of 1 national savings bank with 1 BUSN, the total number of commercial banks, development banks, and savings banks at end of the reporting year declined by 1 to 116 banks. The number of offices, comprising head-, branch- and sub-branch-offices, rose by 56 to 1,397 offices (Table 4.1).

The number of commercial banks at end of the reporting year remained at 85 banks, consisting of 5 state commercial banks, 69 BUSNs and 11 foreign banks. The number of commercial bank offices, comprising head-, branch- and sub-branchoffices, increased from 1,111 to 1,160 offices. The increase of the number of offices was registered by state commercial banks and BUSNs. The number of state commercial bank offices expanded by 10 branchoffices, while that of BUSNs by 29 branch and 11 sub-branch-offices, including the promotion of 1 sub-branch-office to a branch- office.

The number of development banks remained at 29, consisting of 1 state development bank, 27 BPDs and 1 private development bank. Following the opening of 7 branchoffices of BPDs, at end of the reporting year the number of BPDs' offices totalled 224 offices.

Since 1 private savings bank merged with 1 BUSN, the number of savings banks de-

1) Minister of Finance Decree No. 243/KMK.011/1985, March 5, 1985.

TABLE 4.1
NUMBER OF BANKS AND THEIR OFFICES
IN INDONESIA

Particulars	March 31, 1984	1984/85		March 31, 1985
	Number of banks/offices	Established	Licenses revoked	Number of banks/offices
Commercial banks				
State banks				
— Number of banks	5	—	—	5
— Number of offices	739	10	—	749
National private banks				
— Number of banks	69	—	—	69
— Number of offices	351	39	—	390
Foreign banks/joint ventures				
— Number of banks	11	—	—	11
— Number of offices	21	—	—	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	194	7	—	201
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	—	1	1
— Number of offices	2	—	1	1
Number of commercial banks, development banks and savings banks				
— Number of banks	117	—	1	116
— Number of offices	1,342	56	1	1,397
Rural banks¹⁾				
— Village banks	3,574	7	—	3,581
— Paddy banks	2,079	—	1	2,078
— Petty trader banks	169	3	—	172
— Employee banks	1	—	—	1
Total number of banks	5,940	10	2	5,948
Total number of offices	7,165	66	2	7,229

1) Number of banks/offices.

TABLE 4.2
CONSOLIDATED BALANCE SHEET OF DEPOSIT MONEY BANKS¹⁾
(billions of rupiah)

Items	March 31, 1984				March 31, 1985					
	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	189	63	44	9	305	253	73	90	10	426
— Bank Indonesia	1,224	212	112	122	1,670	1,521	232	98	172	2,023
— Securities	20	7	2	—	29	17	7	4	—	27
— Domestic drafts	133	115	43	16	307	247	120	95	11	473
— Outstanding loans	9,115	2,109	423	859	12,506	12,963	3,145	536	955	17,599
— Foreign exchange assets										
— Loans	1,180	30	—	111	1,321	706	85	—	98	889
— Others	3,629	417	—	596	4,642	4,271	578	1	859	5,709
— Participations	74	8	1	—	83	81	11	1	1	94
— Premises, furnitures and fixtures	161	87	27	16	291	230	111	32	20	393
— Other assets	819	28	117	—	964	895	40	148	132	1,215
ASSETS = LIABILITIES	16,544	3,076	769	1,729	22,118	21,184	4,402	1,004	2,258	28,848
LIABILITIES										
— Paid-up capital	84	204	55	22	365	52	238	70	23	383
— Reserves/profit and loss account	849	108	48	32	1,037	1,157	158	63	30	1,408
— Borrowings	604	43	7	3	657	834	75	7	14	930
— Demand deposits	3,293	732	408	202	4,635	3,960	859	550	232	5,601
— Time and savings deposits	3,495	1,287	88	592	5,462	4,469	1,893	118	733	7,213
— Drafts payable	480	79	16	26	601	587	60	25	33	705
— Guarantee deposits	132	12	5	2	151	70	15	6	2	93
— Foreign exchange liabilities										
— Demand deposits	1,368	33	—	309	1,710	1,187	44	—	349	1,580
— Time and savings deposits	838	187	—	412	1,437	1,133	436	—	613	2,182
— Borrowings	6	33	—	12	51	11	24	—	45	80
— Others	327	65	—	56	448	356	76	—	54	486
— Bank Indonesia	4,338	232	117	3	4,690	6,590	440	140	62	7,232
— Other liabilities	730	61	25	58	874	778	84	25	68	955

1) Consists of commercial banks and development banks.

TABLE 4.3
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 1985	March 1983	March 1984	March 1985	March 1983	March 1984	March 1985
State banks	77.0	74.8	73.4	78.4	74.4	73.9	70.7	69.5	66.6
National private banks	11.2	13.9	15.3	11.9	15.5	17.5	13.2	16.3	18.5
Local development banks	3.2	3.5	3.5	3.2	3.1	2.9	3.5	3.6	3.9
Foreign banks	8.6	7.8	7.8	6.5	7.0	5.7	12.6	10.6	11.0

creased from 3 to 2 banks, with 13 offices at the end of the reporting year.

The number of foreign banks and their of fices during the reporting year remained unchanged, namely 11 and 21, respectively. Meanwhile, the number of representatives of foreign banks also remained unchanged, namely at 68 offices. It should be noted that all foreign banks are located in Jakarta.

Furthermore, the number of rural credit banks (Bank Perkreditan Rakyat or BPR), which consisted of village banks, paddy banks, petty traders' banks and employees' banks, rose from 5,823 to 5,832. This increase resulted from the issuance of permits by the Ministry of Finance, legalizing the operations of 7 village banks and 3 petty traders' banks, as well as the revocation of permit to operate of 1 paddy bank.

The activities of deposit money banks (DMBs), consisting of commercial banks and development banks, showed encouraging improvements. This favorable development was reflected in the amount of assets, funds mobilized and loans extended (Table

4.2). During the reporting year the amount of assets rose by 30.4% to Rp 28,848 billion, funds mobilized by 25.0% to Rp 18,384 billion and loans extended by 33.7% to Rp 18,488 billion. Judging from the assets side, the role of BUSNs registered an increase, while that of BPDs and foreign banks remained unchanged and that of state banks recorded a decline. With regard to the mobilization of funds, except state banks, all other groups of banks experienced an increase. With respect to loans extended, the role of BUSNs increased, while that of other groups of banks recorded a slight decline (Table 4.3).

As a reflection of the higher capacity of banks in their management of funds, the average percentage of the rupiah liquidity maintained by DMBs decreased from 18.6% to 17.7% from total current liabilities. This decline were mainly recorded by BUSNs and BPDs (Table 4.4).

As a follow-up of the previous measures, Bank Indonesia continued to provide technical assistance to BPDs. During the reporting year the number of BPDs that succeeded

TABLE 4.4
MONTHLY AVERAGE RUPIAH LIQUIDITY POSITION OF DEPOSIT MONEY BANKS
(billions of rupiah)

Items	1983/84				1984/85			
	National private banks		Local dev. banks	Foreign banks	National private banks		Local dev. banks	Foreign banks
	State banks	Total			State banks	Total		Total
Reserves	855	245	160	94	1,089	1,354	141	1,602
Current liabilities	5,072	1,152	426	645	6,272	7,295	538	9,062
Reserves as percentage of current liabilities	16.8	21.3	37.6	14.6	17.4	18.6	26.2	17.7
Minimum reserve requirement	761	173	64	97	941	1,095	81	1,359
Excess/deficiency	94	72	96	- 3	148	259	60	243
Required reserves with Bank Indonesia	254	58	21	32	313	365	27	453
Reserves with Bank Indonesia	688	180	105	83	879	1,056	93	1,255
Excess reserves with Bank Indonesia	434	122	84	51	566	691	66	802
Excess/deficiency as percentage of current liabilities	8.6	10.6	19.7	7.9	9.0	9.5	12.3	8.9

to finish their manuals rose by 7 reaching 16 BPDs at end of the reporting year. It should be noted that the above manual related to directives for the execution and planning in the fields of organization, management, personnel, credit extension, mobilization of funds and research.

With the efforts to expedite and expand more the transactions of demand deposits, during the reporting year 1 bank was appointed to handle local clearing in a region where Bank Indonesia was not yet represented. Therefore, the number of local clearing offices rose to 25 at end of the reporting year. Furthermore, the number of banks' sub-branch-offices which indirectly participated in local clearing activities went up by 13 to 81 offices.

In connection with the implementation of Keppres No. 29/1984, during the reporting year 87 banks were appointed to issue bank guarantees. These banks comprised 6 state banks, 22 BPDs, 1 private development bank and 58 BUSNs. Furthermore, 1 insurance company had been appointed to issue guarantee in the form of surety bond.

B. Other Financial Institutions

Other financial institutions, comprising NBFIs, insurance and leasing companies and pawnshops, also have an important role in supporting developments, especially in the efforts to mobilize funds from the public to be further channeled to productive activities. In this connection, the Government directed these institutions to be mutually supportive among each other as well as with the banking institutions.

1. Nonbank Financial Institutions (NBFIs)

The policy on the supervision of NBFIs in the previous year continued to be directed so as to enable NBFIs to act as a supporting instrument for the expansion of the money and capital market, and support entrepreneurs in the forms of loan extension and equity participation. In this reporting year this policy continued to be pursued and improved.

By field of activity, there are three types of NBFIs, namely the development finance type, investment finance type, and other finance companies. As generally known, NBFIs of the development finance type are mainly engaged in providing medium-and long-term credits as well as in equity participation in companies. Investment finance type of NBFIs primarily act as brokers in the issuance of securities and as underwriters. Meanwhile, NBFIs of other type are intended to meet the needs of the public in certain fields, such as extending loans to the medium - income group for house ownership.

Until the end of the reporting year, the number of NBFIs remained at 14, consisting of 3 development finance type, 9 investment finance type and 2 other finance type. The activities of NBFIs over the years showed a steady growth as reflected in the increase in their total assets, investments and mobilization of funds. (Table 4.5 and Table 4.6). During the reporting year, total assets rose by 41.4% to Rp 1,621 billion and the amount of funds mobilized, among others in the form of the issuance of com-

TABLE 4.5
INVESTMENT AND SOURCES OF FUNDS OF
NON-BANK FINANCIAL INSTITUTIONS¹⁾
(billions of rupiah)

Items	March 31, 1984			March 31, 1985		
	Development type ²⁾	Investment type	Total	Development type ²⁾	Investment type	Total
Investment of funds						
— Call money	—	14	14	—	8	8
— Marketable securities	110	846	956	149	1,230	1,379
— Loans extended	101	—	101	136	—	136
— Equity participation	6	8	14	5	8	13
— Others	1	4	5	3	8	11
Total	218	872	1,090	293	1,254	1,547
Sources of funds						
— Call money	—	36	36	—	36	36
— Securities issued	66	550	616	91	679	770
— Loans received	119	215	334	164	428	592
— Subordinated loans	6	30	36	8	57	65
— Capital	31	51	82	38	67	105
Total	222	882	1,104	301	1,267	1,568

1) Excludes PT Sarana Bersama Pembiayaan Indonesia.

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

mercial papers, went up by 43.2% to Rp 1,463 billion. During the same period the amount of investments increased by 41.9% to Rp 1,547 billion.

Investments and mobilization of funds of the development finance type as well as the other type of NBFIs during the reporting year showed encouraging improvements. The amount of investments in aggregate rose by 34.4% to Rp 293 billion, of which the major portion was placed in the forms of loans and investment in commercial papers. The amount of funds mobilized went up by 37.7% to Rp 263 billion.

Placement of funds by the investment finance type of NBFIs advanced by 43.8% to Rp 1,254 billion. Of these investments, almost all went to commercial papers issued by companies. Furthermore, the amount mobilized was also up by 44.4% to Rp 1,200 billion.

As in the previous years, with the purpose to promote the role of NBFIs in the trade of securities issued by companies, Bank Indonesia continued to provide rediscount facility until the end of January 1985. After this period, in step with the introduction of SBPUs, this rediscount facility was

TABLE 4.6
CONSOLIDATED BALANCE SHEET OF
NON-BANK FINANCIAL INSTITUTIONS¹⁾
(billions of rupiah)

Items	March 31, 1984			March 31, 1985		
	Development type ²⁾	Investment type	Total	Development type ²⁾	Investment type	Total
Current assets						
Cash in banks	2	3	5	5	2	7
Call money	—	14	14	—	8	8
Securities						
— Marketable shares and bonds	—	27	27	—	34	34
— Others	106	803	909	136	1,181	1,317
Loans and advances	14	—	14	20	—	20
Other current assets	9	32	41	17	38	55
Other assets						
Securities						
— Non-marketable shares and bonds	5	3	8	4	2	6
— Others	4	16	20	13	15	28
— Loans and advances	87	—	87	116	—	116
Equity participation	1	4	5	1	6	7
Fixed assets	7	4	11	9	8	17
Others	2	3	5	1	5	6
ASSETS = LIABILITIES	<u>237</u>	<u>909</u>	<u>1,146</u>	<u>322</u>	<u>1,299</u>	<u>1,621</u>
Current liabilities						
Call money	—	36	36	—	36	36
Securities issued	60	547	607	85	675	760
Loans received	6	194	200	6	428	434
Other current liabilities	9	38	47	15	25	40
Other liabilities						
Securities issued	6	3	9	6	4	10
Loans received	113	2	115	157	1	158
Others	6	8	14	7	6	13
Capital and subordinated loans						
Paid-in capital	24	16	40	24	17	41
Reserves	2	2	4	5	2	7
Retained earnings	5	33	38	9	48	57
Subordinated loans	6	30	36	8	57	65

1) Excludes PT Sarana Bersama Pembiayaan Indonesia.

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

TABLE 4.7
ACQUISITION OF FUNDS AND INVESTMENTS BY INSURANCE COMPANIES
(billions of rupiah)

Type of insurance	Funds			Investments			Claims		
	1981	1982	1983	1981	1982	1983	1981	1982	1983
Life insurance	123	162	229	84	111	170	32	59	151
Social insurance	235	315	398	296	412	570	27	32	48
Others ¹⁾	138	166	261	105	152	160	87	162 ^r	249
Total	496	643	888	485	675	900	146	253 ^r	448

1) Includes PT Askrindo.

Source : Department of Finance.

discontinued. It should be added that during the period of March 1984 until January 1985, the amount of commercial papers rediscounted by NBFIs to Bank Indonesia reached Rp 201.1 billion and during the same period the whole amount had been repurchased by those institutions.

With the purpose to smoothen transactions of SBPUs introduced on February 1, 1985, at the initial stage 1 NBFi had been appointed to act as a securities house. The function of this securities house is to trade securities issued by banks or NBFIs as well as by customers of these institutions themselves. Furthermore, the securities owned by this securities house may be rediscounted to Bank Indonesia. It should be noted that if deemed extremely necessary, banks or NBFIs are also allowed to rediscount their SBPUs to Bank Indonesia. At the initial stage, trading in securities was restricted to certain acceptances, promissory notes and trade bills only. Until the end of the reporting year the amount of SBPUs traded by this securities house reached Rp 233.3 billion, of which Rp 55.1 billion origi-

nated from SBPU sales by NBFIs and Rp 178.2 billion by banks. Of this total, an amount of Rp 205.0 billion was rediscounted to Bank Indonesia with an interest rate of 20.5% p.a. The interest rate of the SBPU transactions among NBFIs, banks and customers ranged from 19.75% to 20.5% p.a.

2. Insurance companies

Insurance companies also have an increasingly important role in the mobilization of public funds for the financing of development purposes. The insurance companies operating in Indonesia comprised social, life and indemnity insurance, and reinsurance companies.

During 1984 the number of insurance companies was up by 2 reaching 89 companies. This increase was recorded in life insurance companies, namely from 14 to 16 companies. The amount of premiums acquired and investments placed of all insurance companies showed considerable progress. The amount of premiums mobi-

TABLE 4.8
DEVELOPMENT OF PAWNSHOP ACTIVITIES
(billions of rupiah)

Particulars	1978	1979	1980	1981	1982	1983	1984
Number of offices ¹⁾	446	448	450	463	471	473	474
Total loans extended	59	90	110	156	177	221	246
Redemption	56	83	103	144	175	210	239
Outstanding loans	16	23	30	42	44	55	62

1) In units.

Source : Pawnshop Service.

lized until the end of 1983 reached Rp 888 billion or up by 38.1% compared with 29.6% in the previous year. Claims increased by 77.1% reaching Rp 448 billion compared with an increase of 73.3% in 1982. In the meantime, during the same period, placement of funds was higher by 33.3% reaching Rp 900 billion compared with an increase of 39.2% in 1982.

With regard to activities of indemnity insurance and reinsurance, the amount of premiums acquired during 1983 increased by 57.3% to Rp 261 billion. Claims during the same period increased by 53.7% to Rp 249 billion, while investment of funds rose only by 5.3% to Rp 160 billion. The amount of premiums mobilized by life insurance companies reached Rp 229 billion, indicating an increase of 41.4% as compared with 31.7% in 1982. Meanwhile, the amount of claims of this type of insurance went sharply up by 155.9% to Rp 151 billion compared with a rise of 84.4% in 1982. The amount of investment of funds also registered an increase, by 53.2% to Rp 170 billion.

With regard to social insurance, the amount of premiums and claims went up

by 26.4% and 50.0% reaching Rp 398 billion and Rp 48 billion, respectively, in 1983. The amount of investment of funds of this type of insurance grew by 38.4% reaching Rp 570 billion at end of 1983.

PT Asuransi Kredit Indonesia (PT Askrido), an indemnity insurance company, mainly functioned to cover insurance on KIK/KMKP and export credits. During 1984 the amount of premiums acquired by this insurance company reached Rp 22.6 billion or up by 14.1%. The amount of insurance extended reached Rp 1,562.4 billion or indicating an increase of 28.9%, while the amount of claims totalled Rp 51.5 billion or up by 81.3%.

The state corporation for the financial development of cooperatives (Perusahaan Umum Pengembangan Keuangan Koperasi or Perum PKK), established in 1981, is mainly engaged in granting guarantees to cover loans extended by banks and other institutions to cooperatives. The coverage of guarantee from Perum PKK ranged from 33% to 100% of the total credits extended. During 1984/85 Perum PKK concluded insurance agreement to the amount of Rp 78.9 billion to cover credits to the amount of Rp 91 billion.

3. Leasing companies

To promote business activities and thereby increase their role in the development efforts and to meet the increasing financial requirements, in February 1974 the Government issued regulation regarding leasing companies.²⁾ The activities of leasing companies were mainly directed to finance companies through providing capital goods for a certain period, based on schedule of payments. If the time period terminated, the lessee has the option to purchase the concerned capital goods or extend the time period of leasing, taking into consideration the amount outstanding agreed upon. Leasing companies are not allowed to receive savings in the forms of demand, time and savings deposits as well as extend loans in the forms of money, extension of guarantees or other banking activities.

To increase the activities of leasing, leasing companies were permitted to operate on a joint-venture basis with foreign companies and obtain borrowings from 3rd parties, domestically as well as overseas. The amount of such borrowings may not exceed 33 times of paid-up capital, provided the amount of foreign borrowings may not exceed 6 times of its paid-up capital.³⁾

Furthermore, to induce the domestic industry, first priority should be placed on goods produced by the domestic industry for materials to be on lease. The activities of leasing in the financing of the development continually increased, as reflected in the higher number of companies engaged in leasing and the

amount of their paid-up capital as well as in the amount of contracts concluded. At the end of 1984 the number of leasing companies reached 47 compared with 34 companies at end of 1983. The amount of paid-up capital of these companies rose from Rp 64.5 billion to Rp 73.8 billion at the end of 1984. The amount of the concluded leasing contracts reached not less than Rp 436.8 billion compared with Rp 277.1 billion in 1983. It should be noted that these contracts were mainly used for the financing of the industrial sector, transportation, office building and construction. By status of ownership, leasing companies comprised state, private national and joint-venture companies.

4. Pawnshops

As commonly known, Perusahaan Jawatan Pegadaian (Perjan Pegadaian) is mainly engaged in providing loans to the low income groups. To increase services to the low income community, during the reporting year the maximum loans that might be extended by this company was raised from Rp 100 thousand to Rp 200 thousand for each borrower. The repayment period for loans from Rp 1,500.00 to Rp 20,000.00 was fixed at the maximum of 180 days bearing an interest rate of 3% per month. For borrowings from Rp 20,000.00 to Rp 200,000.00, the maximum repayment period was fixed at 90 days at an interest of 4% per month.

During 1984 the number of pawnshops increased by 1 to 474. The activities of these pawnshops over the years showed steady growth as reflected in the amount of loans extended and the repayments made. The amount of loans and repayments during 1984 reached Rp 246 billion and Rp 239 billion, bringing forth an increase of the outstanding amount by Rp 7 billion to Rp 62 billion at end of 1984.

2) — Minister of Finance, Minister of Industry and Minister of Trade Joint Decree No. KEP—122/ MK/IV/2/ 1974, No. 82/M/SK/2/1974 and No. 30/Kpb/1/74, February 7, 1974.

— Minister of Finance Decree No. KEP—649/MK/ IV/S/1974, May 6, 1974.

3) Circular Letter of Director General of Domestic Monetary Affairs No. SE—6017/MD/1984, December 4, 1984.

V. GOVERNMENT FINANCE

A. General

With the objectives to achieve higher economic growth and maintain stable prices, the policy of the government budget (Anggaran Pendapatan dan Belanja Negara or APBN) for 1984/85 continued to be guided by the principle of a dynamic and balanced budget. Taking into consideration the persistently weak world oil prices, the not-yet-fully recovered world economic situation, and increased protective measures imposed by industrialized countries, the government finance was principally directed towards enhancing domestic revenues and relatively more restrictive outlays. On the domestic revenues side, during the reporting year the Government initiated steps to improve the implementation of the new tax system. These measures were implemented to streamline the administration and improve the tax apparatus, registration of tax subjects, extension of services adjustment of tax rates, intensification and extensification of tax collection and granted pardons on unpaid taxes. On the expenditures side control and economizing of routine expenditures were executed through improving the efficiency of processing of fuel oils (bahan bakar minyak or REM), a more selective implementation of material expenditures and abolishing subsidies on food imports. Besides efforts to increase public savings, the Government also increased its efforts to preserve and secure government assets. With regard to the development expenditures, outlays continued to be directed to finance high priority projects.

For the fiscal year 1984/85 the APBN was fixed at a balanced amount of Rp 20,560

billion or 24.1% higher than the previous government budget. Actual government budget for the reporting year amounted to Rp 19,383 billion or 5.7% lower than budgeted. However, it was still slightly higher than the actual of the previous year. The lower realized amount than budgeted for 1984/85 was caused by the smaller actual than the budgeted items of non-oil/liquefied natural gas (non-oil/LNG) and development receipts. Taking into account the rate of inflation of 3.64% for 1984/85, both the realized amount of receipts and expenditures in real terms showed an increase of 2.2% compared with 13.3% in the previous reporting year.

Public savings, comprising the difference between domestic revenues and routine expenditures, during the reporting year amounted to Rp 6,476 billion or 7.1% higher than budgeted or up by 7.6% over the actuals in the preceding year. This encouraging development reflected the success of the Government in implementing the more avaricious measures on routine expenditures (Table 5.1).

The 1985/86 APBN, representing the state budget for the second year of the Fourth Five Year Development Plan (Rencana Pembangunan Lima Tahun Keempat or Repelita IV), continued to adhere to the principle of a dynamic and balanced budget. In line with the policy of improving efficiency, economizing as well as directing the outlays of government finance towards high priority sectors, the APBN for 1985/86 was fixed at a balanced amount of Rp 23,046 billion or 18.9% higher than the actuals of the previous year.

TABLE 5.1
GOVERNMENT REVENUES AND EXPENDITURES
(billions of rupiah)

Particulars	1980/81	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Actuals	Budget
I. Revenues	<u>11,721</u>	<u>13,922</u>	<u>14,358</u>	<u>18,315</u>	<u>20,560</u>	<u>19,383</u>	<u>23,046</u>
1. Domestic	10,227	12,213	12,418	14,433	16,149	15,905	18,678
2. Development	1,494	1,709	1,940	3,882	4,411	3,478	4,368
II. Expenditures	<u>11,716</u>	<u>13,918</u>	<u>14,356</u>	<u>18,311</u>	<u>20,560</u>	<u>19,381</u>	<u>23,046</u>
1. Routine	5,800	6,978	6,996	8,412	10,101	9,429	12,399
2. Development	5,916	6,940	7,360	9,899	10,459	9,952	10,647
III. Public savings (I. 1 – II. 1)	<u>4,427</u>	<u>5,235</u>	<u>5,422</u>	<u>6,021</u>	<u>6,048</u>	<u>6,476</u>	<u>6,279</u>
IV. Total development funds (I. 2 + III)	<u>5,921</u>	<u>6,944</u>	<u>7,362</u>	<u>9,903</u>	<u>10,459</u>	<u>9,954</u>	<u>10,647</u>
V. Surplus (+)/deficit (–)	<u>+5</u>	<u>+4</u>	<u>+2</u>	<u>+4</u>	<u>0</u>	<u>+2</u>	<u>0</u>

Source : Department of Finance.

Domestic receipts were planned to reach Rp 18,678 billion or 81.1% of total receipts, while routine expenditures were estimated to reach Rp 12,399 billion or 53.8% of total expenditures. As a result, public savings would reach Rp 6,279 billion or 59.0% of total funds needed to finance developments. The balance would be financed by development receipts. Public savings together with development receipts would be expected to reach Rp 10,647 billion. It should be added that almost the whole portion of development receipts would be in the form of project assistance (Table 5.2).

B. Government Revenues

To increase non-oil/LNG revenues the Government undertook various measures on taxation. These measures, besides directed to increase government revenues, were also directed to promote more equitable distri-

bution of the development benefits, create a better climate to induce a more efficient use of domestic production sources, enhance non-oil/LNG exports and maintain stable prices. With the enforcement of the new tax system, domestic receipts previously categorized as direct taxes, indirect taxes and non-tax receipts were changed into two groups, namely oil/LNG and non-oil/LNG receipts (Table 5.2).

During the reporting year actual government receipts amounted to Rp 19,383 billion, comprising domestic and development receipts amounting to Rp 15,905 billion and Rp 3,478 billion, respectively. The amount of actual domestic receipts was 1.5% lower than budgeted. However, this was still 10.2% higher than the amount realized in the previous period. The amount of development receipts was 21.2% lower than budgeted or 10.4% smaller than that realized in 1983/84.

TABLE 5.2
GOVERNMENT REVENUES
(billions of rupiah)

Particulars	1980/81	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Actuals	Budget
I. Domestic revenues	10,227	12,213	12,418	14,433	16,149	15,905	18,678
A. Oil and gas receipts	7,020	8,628	8,170	9,520	10,366	10,430	11,160
1. Oil	6,404	7,943	7,450	8,522	8,895	8,937	9,480
2. Gas	616	685	720	998	1,471	1,493	1,680
B. Non-oil and gas receipts	3,207	3,585	4,248	4,913	5,783	5,475	7,518
1. Taxes on income	1,112	1,367	1,707	1,932	2,451	2,121	3,074
— Income tax	164	207	289	399)			
— Corporate tax	448	559	675	757)	2,451	2,121	3,074
— Withholding tax (MPO)	443	513	642	628)			
— Tax on interest, dividends and royalties (PBDR)	67	88	101	148)			
2. Value-added tax on goods and services and tax on the sales of luxury goods	461	534	708	831	958	878	1,666
— Sales tax	266	311	477	575)	958	637)	1,666
— Sales tax on import	195	223	231	256)		241)	
3. Import duties	448	536	522	557	681	530	717
4. Excises duties	438	544	620	773	728	873	963
5. Export tax	305	129	82	104	124	91	102
6. Others	40	44	69	65	75	138	97
7. Land tax (Ipeda)	87	94	105	132	151	157	167
8. Non-tax receipts	316	337	435	519	615	687	732
II. Development receipts	1,494	1,709	1,940	3,882	4,411	3,478	4,368
A. Program aid	64	45	15	15	40	69	71
B. Project aid	1,430	1,664	1,925	3,867	4,371	3,409	4,297
Total	11,721	13,922	14,358	18,315	20,560	19,383	23,046

Source : Department of Finance.

Receipts originated from oil and liquefied natural gas (LNG) during the reporting year reached Rp 10,430 billion or slightly higher than budgeted. This encouraging development was mainly caused by the quite rapid increase of LNG exports. Compared with the amount realized in the previous year, oil/LNG receipts showed an increase of 9.6% reaching Rp 9,520 billion.

Efforts to enhance non-oil/LNG receipts during 1984/85 continued to be pursued to enable these receipts to become a more important source to finance developments. Although non-oil/ LNG receipts amounted to only Rp 5,475 billion or 5.3% below the budget, it was still 11.4% higher than the amount realized in the preceding year.

The policy on income tax continued to be based on the principle of equitable distribution, taking into consideration the capability of the tax payers. During the reporting year, income tax receipts amounted to Rp 2,121 billion or 13.5% below the amount budgeted. Compared with the previous year, however, this amount was higher by 9.8%.

As commonly known, the implementation of Law No. 8 of 1984 regarding Value Added Tax (VAT) on Goods and Services and Sales Tax on Luxury Goods, previously planned to be enforced on July 1, 1984, was postponed until April 1, 1985. Therefore, the Law on Sales Tax of 1951 was still applied during this reporting year. The amount of sales tax realized during the reporting year increased by 10.8% reaching Rp 637 billion, while import tax decreased by 5.9% to Rp 241 billion. Compared with the amount budgeted, the amount of sales tax realized was lower by 2.7% while that of import duties was smaller by 20.5%. These decreases were closely related to the declines in the growth rates of the trade sector as well as smaller imports.

During the reporting year, customs duties amounted to Rp 530 billion or down by 22.2% from the amount budgeted or 4.8% lower than the amount realized in the previous year. This downward trend was in connection with the decline in imports.

In the meantime, excise duties went up by 12.9% reaching Rp 873 billion or 19.9% larger than budgeted. Of this receipt, the biggest portion (90%) originated from excise duties of tobacco and the remainder of sugar, beer and distilled alcohol. Government policy on the excise duties on tobacco, besides still directed to increase govern-

ment receipts, was also intended to assist the development of domestic cigarette industries as well as tobacco plantations, especially small and labor-intensive producers. In this connection, since October 1, 1984 handmade local cigarette producers were granted excise tax reliefs.¹⁾

Export tax receipts, including additional export tax (Pajak Ekspor Tambahan or PET), during the reporting year amounted to Rp 91 billion or smaller by 26.6% than budgeted and 12.5% than the amount realized in the previous year. This decline was in step with the export taxation policy which continued to be directed towards improving the competitiveness of Indonesia's export commodities in the international market. With the objective to improve the competitiveness of Indonesia's export commodities, during the reporting year PET on certain commodities were alleviated, among others palm oil, crude stearin and refined bleached deodorized stearin. In addition, taxes on export of nickel and bauxite ores were also alleviated.

Land tax receipts (Iuran Pembangunan Daerah or Ipeda) during 1984/85 amounted to Rp 157 billion or 4.0% larger than budgeted or 18.9% higher than the amount realized in the previous year. This increase was brought about by higher Ipeda receipts in urban and mining areas, reflecting higher consciousness of the public to meet their tax obligation and the success of efforts by the Government to improve the administration of land mapping and collection procedures.

Meanwhile, other direct tax revenues,

1) Minister of Finance Decree No. 690/KMK.05/1984, July 16, 1984.

consisting of property tax, stamp and auction duties, during 1984/85 reached Rp 138 billion, surpassing the amount budgeted by 84.0% or 12.3% higher than the amount realized in the previous year. Furthermore, increases were recorded in receipts of property tax and stamp duties. The higher receipts of property tax was attributable to tax pardons bringing forth an increase in the number of tax payers and encourage tax payers to report their genuine property. This improvement could be achieved although the limit of property subject to tax was raised from Rp 14 million to Rp 80 million and the tax rate was reduced from 1% to 0.5%. With regard to stamp duties, its increase was principally caused by higher rates of stamp duties.²⁾

Non-tax revenues, consisting of profits of state banks and state entities and receipts from departments and government institutions, during the reporting year reached Rp 687 billion or 11.7% higher than budgeted and 32.4% above the amount realized in the previous year. This improvement was closely connected with the efforts of the Government to improve administration and supervision.

Development receipts, comprising program and project aid, during the reporting year amounted to Rp 3,478 billion or 21.2% lower than the outlays and 10.4% smaller than the amount realized in the previous year. Program aid rose by Rp 15 billion to Rp 69 billion, while project aid declined from Rp 3,867 billion to Rp 3,409 billion.

C. Government Expenditures

The Government's outlays during the re-

porting year, as was the case in the previous years, continued to be emphasized on improving the role of economically-weak groups, enhancing domestic production and creating work opportunities. Government's outlays, consisting of routine and development expenditures, amounted to Rp 19,381 billion or indicating an increase of only 5.8% compared with 27.6% in the previous year (Table 5.3).

On the routine expenditures side, the Government continually pursued to economize through various efforts, among others by reducing subsidies on fuel oils. Actual routine expenditures during the reporting year reached Rp 9,429 billion, indicating an increase of 12.1% compared with 20.2% in the previous year.

Outlays on personnel, which remained to be the highest routine expenditures (32.3%), during the reporting year rose by 10.5% reaching Rp 3,047 billion. This increase was caused among others by the increases in salaries (15%) and rice allowances (11.9%), implemented since April 1, 1984.

Expenditures on materials during 1984/85 amounted to Rp 1,183 billion or 6.4% lower than budgeted. This was closely related with the avaricious efforts implemented by the Government, among others by applying tighter restriction on the procurement of materials.³⁾ the utilization of electricity and telephone as well as limiting seminars and official travels. It should be added that procurement of goods and services to meet the need of government institutions should primarily be of domestic production, especially those produced by the economically

2) Minister of Finance Decree No. 1252/KMK.04/ 1984, December 18, 1984.

3) Presidential Decree No.80/1984, April 21,1984.

weak groups.⁴⁾ Subsidies to local governments were mainly utilized to support the financing of local routine expenditures. In addition, these subsidies were also used for the payment of salaries and rice allowance for elementary school teachers under the Presidential Instruction program (sekolah dasar Inpres or SD Inpres), salaries for regional officials as well as allowances for village chiefs in minus areas (villages). During the reporting year local government subsidies went up by 21.7% reaching Rp 1.883 billion compared with an increase of 17.6% in the preceding year.

Expenditures on the principal and interest payments of Government's debt, the largest portion of which constituted foreign borrowings, rose by 32.0% reaching Rp 2,776 billion or 3.4% higher than budgeted. The larger amount than projected in the budget outlays of this item was mainly caused by the appreciation of foreign currencies, especially the US dollar.

Other routine expenditures amounted to Rp 540 billion, indicating a decline of 43.0% compared with 4.9% in the previous year. This substantial decline was closely related to the efforts of the Government to reduce the production cost for the processing of BBM through improving the efficiency of processing.

During the reporting year, development expenditures increased by 0.5% reaching Rp 9,952 billion (Table 5.4). These outlays were mainly spent on the financing of economic activities (52.9%). These expenditures were primarily allocated to agriculture and irrigation (32.2%), transportation and

tourism (27.1%), and mining and energy (21.8%).

Expenditures for education and culture ranked second with a total outlays of Rp 1,421 billion (14.3%); In step with the policies undertaken in the previous year, outlays in this item continued to be directed to improve the level of education, expand opportunities for further studies, and direct the education in line with the overall national development needs.

In the meantime, development expenditures for regional, business enterprises and environment, in the reporting year, grew by 11.7% reaching Rp 1,313 billion.

The largest portion of these expenditures were spent on the development of regional areas, villages and urban areas (60.3%), followed by the development of enterprises mainly in the form of government equity participation in business entities (22.2%) and national resources and environment purposes (17.5%). Assistance to the development of villages, regencies and provinces remained relatively unchanged, namely amounting to Rp 93 billion, Rp 195 billion and Rp 253 billion, respectively.

In the meantime, expenditures on religion and manpower during the reporting year went down by 5.6% to Rp 482 billion. This decline was primarily caused by a 7.7% decline in the expenditures on manpower and transmigration compared with an increase of 4.8% in the previous year.

Other outlays represented spending on national defence and security (7.1%), government expenditures on state apparatus and law (2.3%), health, social welfare, role of woman, population and family planning (3.2%) and housing and resettlement (2.3%).

4) Presidential Decree No. 29/1984, April 21, 1984.

TABLE 5.3
GOVERNMENT EXPENDITURES
(billions of rupiah)

Particulars	1980/81	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Actuals	Budget
I. Routine expenditures	5,800	6,978	6,996	8,412	10,101	9,429	12,399
1. Personnel expenditures	2,023	2,277	2,418	2,757	3,189	3,047	4,117
— Rice allowances	252	253	290	346	416	407	482
— Salaries and pensions	1,483	1,660	1,749	1,996	2,308	2,207	3,116
— Food allowances	193	241	255	261	286	271	313
— Other domestic personnel expenditures	61	80	78	88	100	90	117
— Overseas personnel expenditures	34	43	46	66	79	72	89
2. Material expenditures	671	923	1,041	1,057	1,264	1,183	1,530
— Domestic	638	891	1,007	1,007	1,208	1,134	1,452
— External	33	32	34	50	56	49	78
3. Subsidies to local governments	976	1,209	1,315	1,547	1,785	1,883	2,590
— Irian Jaya	34	42	43	42	48	—	—
— Other	942	1,167	1,272	1,505	1,737	1,883	2,590
4. Amortizations and interest payment	785	931	1,225	2,103	2,686	2,776	3,559
— Domestic debt	31	16	20	30	30	39	30
— Foreign debt	754	915	1,205	2,073	2,656	2,737	3,529
5. Others	1,345	1,638	997	948	1,177	540	602
II. Development expenditures	5,916	6,940	7,360	9,899	10,459	9,952	10,647
1. Departments/Institutions including national defence and security	2,533	2,725	3,261	3,220	3,510	3,474	3,644
2. Regional development	807	1,134	1,090	1,447	1,517	1,526	1,644
— Subsidies to villages	51	70	88	92	93	93	99
— Subsidies to kabupatens/sub provinces	119	163	194	194	202	195	216
— Irian Jaya	—	—	—	—	—	—	—
— East Timor	6	7	6	5	9	4	9
— Subsidies to provinces	167	215	253	253	253	253	280
— Ipeda	87	95	105	132	151	157	167
— Development of primary schools	250	374	267	549	581	572	617
— Subsidies for reconstruction and development of shopping centers	3	6	5	11	11	25	11
— Public health centers	50	79	80	87	98	65	115
— Subsidies for regreening and reforestation	48	70	50	59	39	61	42
— Subsidies for infrastructure development	26	55	42	65	80	101	88
3. Other development expenditures	1,146	1,417	1,084	1,365	1,061	1,543	1,062
— Subsidies on fertilizer	284	371	420	324	459	732	558
— Government capital participation	476	481	337	592	359	336	256
— Others	386	565	327	449	243	475	248
4. Project aid	1,430	1,664	1,925	3,867	4,371	3,409	4,297
Total	11,716	13,918	14,356	18,311	20,560	19,381	23,046

Source : Department of Finance.

TABLE 5.4
DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Particulars	1980/81	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Actuals	Budget
1. Government	<u>221</u>	<u>235</u>	<u>308</u>	<u>373</u>	<u>242</u>	<u>224</u>	<u>257</u>
– State apparatus	168	181	242	317	162	164	176
– Law	53	54	66	56	80	60	81
2. National defence and security	<u>479</u>	<u>566</u>	<u>477</u>	<u>526</u>	<u>697</u>	<u>702</u>	<u>714</u>
3. Education and culture	<u>663</u>	<u>821</u>	<u>833</u>	<u>1,335</u>	<u>1,708</u>	<u>1,421</u>	<u>1,719</u>
– Education, youth, culture and belief in the Almighty God	575	726	704	1,032	1,502	1,231	1,511
– Science, technology and research	88	95	129	303	206	190	208
4. Health, social welfare, role of women, population and family planning	<u>218</u>	<u>286</u>	<u>259</u>	<u>279</u>	<u>408</u>	<u>320</u>	<u>413</u>
5. Housing and resettlement	<u>191</u>	<u>166</u>	<u>151</u>	<u>221</u>	<u>433</u>	<u>224</u>	<u>438</u>
6. Religion and manpower	<u>357</u>	<u>457</u>	<u>486</u>	<u>511</u>	<u>738</u>	<u>482</u>	<u>740</u>
– Religion	32	40	50	54	63	60	63
– Manpower and transmigration	325	417	436	457	675	422	677
7. Economy	<u>2,769</u>	<u>3,217</u>	<u>3,661</u>	<u>5,478</u>	<u>4,939</u>	<u>5,265</u>	<u>5,009</u>
– Agriculture and irrigation	929	953	931	913	1,402	1,699	1,430
– Industry	415	528	506	512	650	603	655
– Mining and energy	507	828	1,165	2,299	1,301	1,148	1,302
– Transportation and tourism	780	806	876	1,528	1,392	1,428	1,425
– Information, press and social communication	34	44	51	27	67	46	68
– Trade and cooperatives	103	58	132	199	127	342	129
8. Regional, business enterprises and environment	<u>1,019</u>	<u>1,192</u>	<u>1,185</u>	<u>1,176</u>	<u>1,294</u>	<u>1,313</u>	<u>1,357</u>
– Regional, rural and urban development	482	616	711	749	810	791	869
– Development of business enterprises	389	390	281	234	227	292	229
– National resources and environment	148	186	193	193	257	230	259
Total	<u>5,916</u>	<u>6,940</u>	<u>7,360</u>	<u>9,899</u>	<u>10,459</u>	<u>4,952</u>	<u>10,647</u>

Source : Department of Finance.

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

Particulars	1980/81	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Actuals	Budget
1. Government	<u>204</u>	<u>233</u>	<u>284</u>	<u>240</u>	<u>236</u>	<u>220</u>	<u>254</u>
— State apparatus	151	179	218	184	157	160	174
— Law	53	54	66	56	79	60	80
2. National defence and security	<u>342</u>	<u>388</u>	<u>418</u>	<u>506</u>	<u>380</u>	<u>452</u>	<u>395</u>
3. Education and culture	<u>603</u>	<u>780</u>	<u>781</u>	<u>1,124</u>	<u>1,334</u>	<u>1,161</u>	<u>1,124</u>
— Education, youth, culture and belief in the Almighty God	525	689	679	1,004	1,217	1,051	1,273
— Science, technology and research	78	91	102	120	117	110	139
4. Health, social welfare, role of women, population and family planning	<u>182</u>	<u>252</u>	<u>236</u>	<u>242</u>	<u>286</u>	<u>242</u>	<u>304</u>
5. Housing and resettlement	<u>158</u>	<u>144</u>	<u>130</u>	<u>170</u>	<u>234</u>	<u>140</u>	<u>274</u>
6. Religion and manpower	<u>327</u>	<u>426</u>	<u>471</u>	<u>465</u>	<u>587</u>	<u>406</u>	<u>604</u>
— Religion	32	40	50	54	62	60	64
— Manpower and transmigration	295	386	421	411	525	346	540
7. Economy	<u>1,727</u>	<u>1,919</u>	<u>1,988</u>	<u>2,182</u>	<u>2,080</u>	<u>2,855</u>	<u>2,088</u>
— Agriculture and irrigation	706	818	830	757	872	1,227	958
— Industry	224	193	160	266	123	133	112
— Mining and energy	207	275	271	313	329	294	258
— Transportation and tourism	472	543	544	639	631	828	635
— Information, press and social communication	28	42	51	27	48	33	40
— Trade and cooperatives	90	48	132	180	77	340	76
8. Regional, business enterprises and environment	<u>943</u>	<u>1,134</u>	<u>1,127</u>	<u>1,102</u>	<u>951</u>	<u>1,067</u>	<u>1,019</u>
— Regional, rural and urban development	458	599	709	742	768	790	842
— Development of business enterprises	353	362	234	189	26	131	11
— National resources and environment	132	173	184	171	157	146	166
Total	<u>4,486</u>	<u>5,276</u>	<u>5,435</u>	<u>6,031</u>	<u>6,088</u>	<u>6,543</u>	<u>6,350</u>

Source : Department of Finance.

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

Particulars	1980/81	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Actuals	Budget
1. Government	<u>17</u>	<u>2</u>	<u>24</u>	<u>133</u>	<u>6</u>	<u>4</u>	<u>3</u>
— State apparatus	17	2	24	133	5	4	2
— Law	—	—	—	—	1	—	1
2. National defence and security	<u>137</u>	<u>178</u>	<u>59</u>	<u>20</u>	<u>317</u>	<u>251</u>	<u>319</u>
3. Education and culture	<u>60</u>	<u>41</u>	<u>52</u>	<u>211</u>	<u>374</u>	<u>260</u>	<u>307</u>
— Education, youth, culture and belief in the Almighty God	50	37	25	28	285	180	238
— Science, technology and research	10	4	27	183	89	80	69
4. Health, social welfare, role of women, population and family planning	<u>36</u>	<u>34</u>	<u>23</u>	<u>37</u>	<u>122</u>	<u>77</u>	<u>110</u>
5. Housing and resettlement	<u>33</u>	<u>22</u>	<u>21</u>	<u>51</u>	<u>199</u>	<u>84</u>	<u>164</u>
6. Religion and manpower	<u>30</u>	<u>31</u>	<u>15</u>	<u>46</u>	<u>151</u>	<u>76</u>	<u>137</u>
— Religion	—	—	—	—	1	—	—
— Manpower and transmigration	30	31	15	46	150	76	137
7. Economy	<u>1,041</u>	<u>1,298</u>	<u>1,673</u>	<u>3,296</u>	<u>2,859</u>	<u>2,412</u>	<u>2,920</u>
— Agriculture and irrigation	223	135	101	156	530	472	472
— Industry	191	335	346	246	527	470	544
— Mining and energy	300	553	894	1,986	972	854	1,043
— Transportation and tourism	308	263	332	889	761	601	790
— Information, press and social communication	6	2	—	—	19	13	19
— Trade and cooperatives	13	10	—	19	50	2	52
8. Regional, business enterprises and environment	<u>76</u>	<u>58</u>	<u>58</u>	<u>74</u>	<u>343</u>	<u>245</u>	<u>337</u>
— Regional, rural and urban development	24	17	2	7	42	1	26
— Development of business enterprises	36	28	47	45	201	160	218
— National resources and environment	16	13	9	22	100	84	93
Total	<u>1,430</u>	<u>1,664</u>	<u>1,925</u>	<u>3,868</u>	<u>4,371</u>	<u>3,409</u>	<u>4,297</u>

Source : Department of Finance.

VI. WORLD ECONOMIC DEVELOPMENT, INTERNATIONAL RELATIONSHIP AND REGIONAL COOPERATION

A. World Economic Development

The recovery of the world economy, which started since the second half of 1983, became stronger during 1984. This favorable development, which occurred both in the advanced and developing countries, was brought about by the high growths in the economies of the United States and Japan. The higher growth of the world economy enabled considerable expansion of the volume of trade, which even showed a record increase since 1976. This favorable development was mainly benefited by the industrial countries, while developing countries continued to face protectionist measures imposed by industrial countries. In addition, the growth of the world economy remained to be characterized by uneven rate of growth among advanced countries and a sharper gap between the advanced and developing countries.

The improvement of economic activities of advanced member countries of the Organization for Economic Cooperation and Development (OECD) was accompanied by stability in inflation rates and lower unemployment rates, especially in the United States. The increase of real Gross Domestic Product (GDP) of developing countries was accompanied by persistently higher inflation rates. It should be noted that the persistently high inflation rates were mainly caused by the higher inflation rates prevailing Latin American countries. Moreover, as a result of higher interest rate in the United States and appreciation of the dollar, the developing countries faced heavier external debt burdens.

1. Developed countries

The economic growth rate of all OECD member countries, as measured by real GDP or Gross National Product (GNP), grew by 4.9% compared with 2.7% in 1983. Except the United Kingdom, all major OECD countries experienced higher economic growth. Among major OECD countries, the United States still recorded the highest economic growth, while France the lowest.

The high economic growth achieved by the OECD countries was accompanied by the successful restraint of inflation, which was maintained at the same level as the previous year, namely 5.3%. The successful maintenance of this low inflation rate was mainly contributed by implementations of tight fiscal policies, supported by wage freezes in most developed countries. Furthermore, higher productivity and lower oil and other commodity prices in the international market also contributed to the price stability.

In step with the stronger world economic recovery, the level of unemployment rate in the OECD countries declined from 8.8% to 8.4% in 1984. This decline was primarily brought about by the decline of unemployment rate in the United States, although European OECD countries registered increases.

With regard to the *seven major OECD countries*, on average the rate of economic growth increased from 2.9% to 5.1% in 1984. Inflation rate was successfully maintained at the same level as the previous year,

TABLE 6.1
ECONOMIC GROWTH, CONSUMER PRICE INDEX AND
UNEMPLOYMENT RATE
(percentage)

Particulars	Economic growth ¹⁾			Consumer price index			Unemployment rate		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
— All OECD countries	— 0.3	2.7	4.9	7.8	5.3	5.3	8.3	8.8	8.4
— European OECD countries	0.7	1.4	2.4	10.5	8.3	7.6	9.2	10.2	10.7
— Seven major OECD countries	— 0.5	2.9	5.1	7.0	4.5	4.5	7.9	8.2	7.5
Canada	— 4.4	3.3	4.7	10.8	5.9	4.3	11.1	11.9	11.3
France	2.0	0.7	1.7	11.8	9.6	7.4	8.0	8.1	9.3
Germany, Fed. Rep. of	— 1.0	1.3	2.6	5.3	3.3	2.4	6.7	8.2	8.3
Italy	— 0.5	—0.4	2.6	16.6	14.6	10.8	9.1	9.9	10.4
Japan	3.3	3.4	5.8	2.7	1.9	2.2	2.4	2.6	2.7
United Kingdom	2.3	3.1	2.4	8.6	4.6	5.0	11.0	11.6	11.7
United States of America	— 2.1	3.7	6.8	6.1	3.2	4.3	9.7	9.6	7.5
— Developing countries	1.6	1.5	3.7	24.7	33.0	37.7	...	...	...
Asia	5.1	7.1	6.4	6.2	6.6	6.9	...	...	...
Africa	0.1	—0.2	2.2	13.4	19.0	17.8	...	...	...
Europe	2.2	1.3	2.5	23.8	23.2	28.0	...	...	...
Latin America	— 1.0	—3.1	2.4	65.5	100.5	119.8	...	...	...
Middle East	0.3	0.6	2.3	12.7	12.7	16.5	...	...	...

1) France, Italy and United Kingdom used Gross Domestic Product.

Sources : — World Economic Outlook, A survey by the staff of the IMF, April 1985.

— OECD Economic Outlook, June 1985.

namely at 4.5%, and unemployment rate went down from 8.2% to 7.5%.

GNP of the *United States* in 1984 increased by 6.8% compared with 3.7% in the previous year. This improvement was closely associated with the 8.7% increase in domestic aggregate demand, mainly caused by increases in private consumption, by 5.3%, government expenditures, by 3.5%, and private fixed investments, by 18.0%. The considerable increase of private fixed investments was primarily due to higher investments on private non-residential and private residential sectors by 19.8%

and 12.2%, respectively. Although the United States imposed an expansionary fiscal policy with a federal deficit of \$ 185.3 billion, inflation rate was retained at a low level of 4.3% in 1984, mainly due to restrictive monetary policies, wage restraints, lower international commodity prices and stronger dollar. Unemployment rate in 1984 was successfully reduced to 7.5% from 9.6% in the previous year.

Balance of trade deficit in 1984 worsened from \$ 61.1 billion to \$ 107.4 billion. This deterioration was especially caused by the faster growth of imports than that of exports,

which was associated with the appreciation of the dollar. Imports went up by 25.4% to ~ 327.8 billion while exports by only 10.0% to \$ 220.4 billion. Furthermore, the surplus of balance of services decreased sharply, from \$ 19.5 billion to \$ 5.8 billion, therefore the deficit of the balance of goods and services jumped from \$ 41.6 billion to \$ 101.6 billion in 1984.

Economic growth of the *United Kingdom* stood at only 2.4% in 1984 compared with 3.1% in 1983. This smaller growth rate was primarily due to lower growths of private consumption, from 3.9% to 1.5%, and of government expenditures, from 2.5% to 1.0%. Gross fixed investments increased by 7.6% compared with 3.8% in the previous year, mainly brought about by the rapid growth of investments on private non-residentials.

Inflation rate rose to 5.0% compared with 4.6% in 1983, while unemployment recorded a slight increase, from 11.6% to 11.7%. This level of unemployment rate represented the highest among other major OECD countries.

In international trade, the country experienced a deteriorated trade balance deficit, from \$ 1.8 billion to \$ 5.7 billion in 1984. This unfavorable development was on account of larger import bills, from \$ 93.9 billion to \$ 99.3 billion, while exports registered an increase of only \$ 1.5 billion to \$ 93.6 billion. The substantially higher import bills were primarily caused by a considerable increase in coal imports on account of coal miners' strike. Since the balance of services registered only a slight increase, from \$ 5.7 billion to \$ 5.8 billion, surplus of the current account dropped from \$ 3.9 billion to \$ 0.1 billion in 1984.

Italy displayed an impressive economic improvement, from a negative growth of 0.4% to a positive growth of 2.6% in 1984. This performance was mainly attributable to higher increases of private consumption, from—0.5% to 2.0%, and of gross fixed investments, from —3.8% to 4.1%. The increase in investments, among others was caused by a considerably higher investment in machinery and equipments, up by 9.5% compared with 0.3% in the preceding year.

Inflation rate was successfully curbed from 14.6% to 10.8% in 1984 as a result of the rent freeze and controls on public utility charges, accompanied by higher productivity of the industrial sector. Although Italy experienced a significant economic improvement, unemployment rate went up from 9.9% to 10.4% which, in part, was caused by rationalization in the industrial sector.

The deficit in the balance of trade worsened from \$ 3.1 billion to \$ 6.2 billion in 1984. This deterioration was due to the increase of imports by \$ 3.5 billion to \$ 78.7 billion, while exports rose by only \$ 0.4 billion to \$ 72.5 billion. Since the surplus of balance of services decreased from \$ 3,7 billion to \$ 3.3 billion, the balance of goods and services reversed from a surplus of \$ 0.6 billion to a deficit of \$ 2.9 billion.

In 1984 *Japan* succeeded to achieve the highest economic growth rate since the first world oil crisis, reaching 5.8% from 3.4% in 1983. This achievement was ascribed to the strong expansion of the export sector. In addition, total domestic demand grew from 1.9% to 4.0% in 1984, mainly on account of the rapid increase in the gross fixed capital investments, from 0.7% to 5.7%.

The rate of inflation, although indicating

an increase in line with the higher economic growth, succeeded to be kept at a low level, namely 2.2% compared with 1.9% in the previous year. This low inflation rate was primarily attributable to the increase in productivity following the modernization of the industrial sector, better utilization of production capacity, wage control and tight fiscal policy.

Unemployment rate slightly increased, from 2.6% to 2.7% in 1984. The higher unemployment rate was mainly caused by the decrease of employment opportunities in the construction and wholesale and retail trade sectors.

The surplus in the balance of trade in 1984 grew remarkably, from \$ 12.9 billion to \$ 44.4 billion. This improvement was attributed to the rapid growth of exports, by \$ 22.8 billion to \$ 168.3 billion, while imports only increased by \$ 9.9 billion to \$ 123.9 billion. The deficit in the balance of services improved from \$ 10.7 billion to \$ 9.4 billion, therefore the surplus in the balance of goods and services improved remarkably, from \$ 20.8 billion to \$ 35.0 billion.

Real GNP of the *Federal Republic of Germany* in 1984 grew by 2.6% compared with 1.3% in the past year. The improvement was mainly brought about by an increase in government consumption of 2.0% compared with 0.2% in 1983.

The rate of inflation was successfully curbed from 3.3% to 2.4% in 1984. The decline was, in part, attributable to the weakened import prices, implementation of non-expansionary fiscal policy, and decreased wage cost per unit. However, unemployment rate slightly increased, from 8.2% to 8.3%.

On the external front, the surplus of the balance of trade remained practically unchanged, from \$ 23.3 billion to \$ 23.2 billion in 1984. Exports rose from \$163.6 billion to \$ 164.0 billion, while imports from \$ 140.3 billion to \$ 140.8 billion. Taking into account the improvement in the deficit of the balance of services, by \$ 2.2 billion to \$ 17.0 billion, the surplus in the balance of services improved from \$ 4.1 billion to \$ 6.2 billion.

The economy of *Canada* succeeded to achieve a considerable growth rate, namely 4.7% from 3.3% in 1983. The performance was mainly due to increases of private consumption, from 3.1% to 3.4%, and of government consumption, from 0.3% to 2.8%. Moreover, investments also improved, from a growth rate of—4.9% to 0.6% in 1984.

Inflation rate slowed down from 5.9% to 4.3%, which in part was influenced by lower wage increases, namely up by 3.2% only. In line with the better economic performance, the rate of unemployment declined from 11.9% to 11.3%.

Balance of trade surplus increased from \$ 14.9 billion to \$ 16.7 billion. This improvement was mainly caused by the increase of exports from \$ 75.8 billion to \$ 89.2 billion, while imports rose by only \$ 11.6 billion to \$ 72.5 billion. Since the deficit of the balance of services deteriorated from \$ 13.5 billion to \$ 15.2 billion, the surplus of the balance of goods and services recorded a slight improvement, from \$ 1.4 billion to \$ 1.5 billion.

The economic growth rate of *France* advanced from 0.7% to 1.7% in 1984, as a result of adjustment measures undertaken in the monetary and fiscal fields. However,

this growth rate was the lowest level among major OECD countries. This improvement, albeit small, was induced by the higher total domestic demand, namely up by 0.7% compared with—0.5% in the previous year.

Inflation rate in 1984 slowed down from 9.6% to 7.4%, partly as a result of the wage increase restraint, induced by lower import prices. In addition, the tight fiscal policy also contributed to the decrease of the inflation rate.

As in other major OECD countries, unemployment rate in France increased, from 8.1% to 9.3% in 1984. The higher unemployment rate was associated with the decrease of gross fixed investments, namely a negative growth of 2.0%.

In the area of foreign sector, the deficit of balance of trade showed improvement from \$ 8.2 billion to \$ 3.8 billion. This improvement was caused by higher exports from \$ 89.8 billion to \$ 92.5 billion as well as a decline in imports by \$ 1.7 billion to \$ 96.3 billion. Although the surplus of the balance of services slightly decreased from \$ 3.8 billion to \$ 3.7 billion, the deficit of the balance of goods and services improved from \$ 4.4 billion to \$ 0.1 billion.

As was the case with the seven major OECD countries, the economy of the *other OECD countries* on average performed quite well, growing by 3.2% compared with 1.5% in the previous year. Except for Portugal, which deteriorated from a negative growth of 0.1% to a negative growth of 2.1%, the economy of other OECD countries performed better. This improved performance was, among others reflected in the higher aggregate domestic demand, up by 2.3% compared with 0.4% in 1983.

Unlike the major OECD countries, the unemployment rate of other OECD countries increased from 10.9% to 11.4% in 1984. High unemployment rates mainly occurred in Ireland, the Netherlands and Spain. The level of inflation rates, however, declined to 6.9% from 7.8% in the previous year.

The balance of goods and services of other OECD countries improved remarkably, from a deficit of \$ 9.8 billion to a deficit of \$ 3.5 billion. Since the deficit of the balance of goods and services of the major OECD countries deteriorated from \$ 15.3 billion to \$ 61.8 billion, the balance of goods and services of the OECD countries as a whole deteriorated from a deficit of \$ 25.0 billion to a deficit of \$ 65.4 billion in 1984.

The economy of advanced countries in 1985 was predicted to decline. However, the level of growth rates would be more balanced than those recorded in 1984. Unemployment rates would be expected to decline and inflation rate would be well under control. The economic development of the advanced countries mentioned above would still be characterized by protectionist measures accompanied by structural rigidities. Furthermore, the federal budget of the United States would continue to encounter a substantial deficit, while the level of interest would remain high.

2. Developing countries

In line with the economic recovery of OECD countries, the economy of *developing countries* achieved a significant growth, from 1.5% to 3.7% in 1984. In terms of region, the economies of Latin American and African countries improved remarkably,

TABLE 6.2
ECONOMIC GROWTH, AND CONSUMER PRICE INDEX
IN ASEAN COUNTRIES
(percentage)

Countries	Economic growth			Consumer price index		
	1982	1983	1984	1982	1983	1984
ASEAN	3.3	4.6	3.6	8.0	8.2	16.0
1. Brunei Darussalam	2.0	0.0	1.3	5.9	1.2	3.0
2. Indonesia	2.2 ¹⁾	4.7 ²⁾	5.8 ²⁾	9.7	11.5	8.8
3. Malaysia	5.6	5.8	7.3	5.8	3.7	3.9
4. Philippines	2.6	1.3	-5.5	10.0	10.0	50.3
5. Singapore	6.3	7.9	8.2	3.9	1.2	2.6
6. Thailand	4.1	6.0	6.3	5.2	3.7	0.9

1) At 1973 constant market prices.

2) At 1983 constant market prices.

Source : Data were taken from various sources.

from a growth rate of—3.1% and 0.2% to 2.4% and 2.2%, respectively while those of Asian countries decreased from 7.1% to 6.4%. However, the level of economic growth of Asian countries remained the highest among the groups of developing countries. With regard to inflation, the level remained high, and it even increased from 33.0% to 37.7%. High inflation rates especially occurred in Latin American countries.

The economic growth of *oil-exporting developing countries* rose from 0.3% to 1.9% in 1984. In the same period, inflation rate increased from 9.8% to 10.8%. On the external front, the surplus in the balance of trade increased to \$ 56.7 billion from \$ 43.9 billion in 1983. This improvement was due to a drop in imports, from \$ 133.5 billion to \$ 121.0 billion, while exports were relatively stable. Since the deficit of the balance of services remained almost at the same level as the previous year, the balance of goods and services improved significantly, from a deficit of \$ 18.4 billion

reversing to a surplus of \$ 6.0 billion.

Economic growth rate of *non-oil exporting developing countries* increased from 1.9% to 4.2% in 1984. This improvement was mainly due to a significant increase in exports. The deficit of the balance of trade declined sharply, from \$ 23.4 billion to \$ 6.2 billion in 1984. The improvement was due to a sizeable increase in exports, by \$ 37.2 billion to \$ 369.6 billion, while imports went up by only \$ 20.0 billion to \$ 375.8 billion. Although the deficit of the balance of services deteriorated from \$ 28.7 billion to \$ 31.7 billion, the deficit of the balance of goods and services improved, from \$ 52.1 billion to \$ 37.9 billion. With regard to inflation rate, which in 1983 reached the level of 41.4%, it rose further to 47.4% in 1984. High inflation rates mainly occurred in Latin American countries.

With the assumption that industrial countries would be successful in undertaking

TABLE 6.3
BALANCE OF GOODS AND SERVICES IN ASEAN COUNTRIES
(billions of dollars)

Countries	Exports (fob)				Imports (fob)				Balance of trades				Balance of services				Balance of goods and services			
	1982	1983	1984	1984	1982	1983	1984	1984	1982	1983	1984	1984	1982	1983	1984	1984	1982	1983	1984	1984
Brunei Darussalam	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Indonesia	19.7	18.7	20.8	20.8	17.8	17.7	15.1	15.1	1.9	1.0	5.7	5.7	-7.4	-7.4	-7.7	-7.7	-5.5	-6.4	-2.0	-2.0
Malaysia	11.9	13.7	16.3	16.3	12.7	13.2	13.6	13.6	-0.8	0.5	2.7	2.7	-2.8	-3.9	-4.4	-3.6	-3.6	-3.4	-1.7	-1.7
Philippines	5.0	5.0	5.4	5.4	7.6	7.5	6.1	6.1	-2.6	-2.5	-0.7	-0.7	-0.6	-0.3	-0.6	-0.6	-3.2	-2.8	-1.3	-1.3
Singapore	19.4	20.3	22.7	22.7	26.2	26.2	27.2	27.2	-6.8	-5.9	-4.5	-4.5	5.5	-5.0	4.4	4.4	-1.3	-0.9	-0.1	-0.1
Thailand	6.8	6.3	7.3	7.3	7.5	9.2	9.2	9.2	-0.7	-2.9	-1.9	-1.9	-0.3	0.0	-0.2	-0.2	-1.0	-2.9	-2.1	-2.1

Source : International Financial Statistics, July 1985.

structural adjustments and in alleviating protective measures, the economy of developing countries in 1985 would be more favorable than that experienced in 1984. In line with this assumption, the growth rate of exports would be faster than that of imports, bringing forth an improvement in the balance of trade. Inflation rate in 1985 would decrease, but the level would remain high. This improvement would be made possible by adjustment measures, especially in countries encountering high inflation rates. However, this prospect would still be characterized by heavy debt burdens.

3. ASEAN countries

The steady economic recovery in the developing countries in 1984 favorably effected the economy of ASEAN countries. However, since the economy of the Philippines deteriorated sharply, as a whole the economic growth rate of ASEAN countries decreased from 4.6% to 3.6% (Table 6.2).

After experiencing a zero growth rate in the previous year, real GDP of *Brunei Darussalam* grew by 1.3% in 1984. The economy of Brunei Darussalam largely originated from the mining sector, particularly oil and liquefied natural gas (LNG). Inflation rate rose from 1.2% to 3.0%, primarily due to the annual wage rate increases of about 15 - 40%.

In real terms, the GDP of *Malaysia* grew by 7.3% compared with 5.8% in 1983. As in the previous year, the engine of growth was largely contributed by the mining sector, which grew by 20.0%, particularly brought about by the higher production of oil and LNG. Inflation rate slightly increased from 3.7% to 3.9%. These relatively stable prices were mainly due to lower

import prices, although fuel subsidies were discontinued since early 1984.

In the external field, balance of trade improved significantly, from a surplus of \$ 0.5 billion to \$ 2.7 billion. This favorable trend was due to higher exports by 19.0% reaching \$ 16.3 billion, while imports only increased by 3.0% to \$ 13.6 billion. Although the deficit in the services account rose from \$ 3.9 billion to \$ 4.4 billion, the deficit in the current account declined from \$ 3.4 billion to \$ 1.7 billion in 1984.

The growth rate of the economy of the *Philippines* in 1984 deteriorated from 1.3% to -5.5%. This deterioration was associated with the weakening economic activities as a result of funds constraint, both in the forms of low foreign exchange reserves and shortage of domestic funds. Inflation rate increased sharply, from 10.0% to 50.3% in 1984. The high inflation rate was particularly caused by the sharp depreciation of the peso and the higher rate of taxes on fuel oils.

As a result of the sharp depreciation of the peso and restriction on imports, the balance of trade showed a significant improvement. Exports increased by 8.0% to \$ 5.4 billion, while imports went down by 18.7% to \$ 6.1 billion; therefore, the deficit of the balance of trade decreased from \$ 2.5 billion to \$ 0.7 billion. As a result of the improvement in the balance of trade, the deficit of the balance of goods and services declined from \$ 2.8 billion to \$ 1.3 billion, although the deficit of the balance of services worsened from \$ 0.3 billion to \$ 0.6 billion.

The GDP growth in real terms of *Singapore* in 1984 reached 8.2% compared

with 7.9% in 1983. This rapid GDP growth rate was principally attributable to higher growth rates of industrial, transportation, communication and services sectors. Meanwhile, inflation rate rose from 1.2% to 2.6% in 1984, primarily due to the increase in the price of food as well as higher transportation and communication costs.

In the field of foreign trade, exports advanced by 12.0% to \$ 22.7 billion. On the other hand, imports increased only by 4.0% to \$ 27.2 billion; therefore, the deficit in the balance of trade improved from \$ 5.9 billion to \$ 4.5 billion in 1984. Although the surplus of the balance of services decreased from \$ 5.0 billion to \$ 4.4 billion, the better performance of the balance of trade brought an improvement in the balance of goods and services, namely from a deficit of \$ 0.9 billion to a deficit of only \$ 0.1 billion (Table 6.3).

In 1984 the GDP growth in real terms of *Thailand* reached 6.3% compared with 6.0% in the previous year. The maintenance of this high growth rate was mainly induced by the favorable development on the external sector, although the growth rate of aggregate domestic demand recorded a decline.

Inflation rate was successfully reduced from 3.7% to 0.9% in 1984. This low rate of inflation was particularly due to the tight monetary and fiscal policies, lower import prices and sufficient supply of essential commodities in the domestic market.

The deficit of the balance of trade showed an improvement, from \$ 2.9 billion to \$ 1.9 billion in 1984. The progress was caused by a 15.9% higher export reaching \$ 7.3 billion, while imports remained constant at

\$ 9.2 billion. Increase in exports was mainly brought about by stronger foreign demand and favorable agricultural production. The deficit of the balance of goods and services improved from \$ 2.9 billion to \$ 2.1 billion, although the balance of services was in deficit by \$ 0.2 billion.

B. International Monetary Development

The international monetary situation in 1984 remained characterized by high real interest rates in the industrial countries, the strengthening of the United States dollar, and heavier debt burdens of developing countries. On the other hand, in line with the world economic recovery, international liquidity also showed an improvement.

The average real short-term interest rate in the major OECD countries rose from 5.2% to 6.0% in 1984, while that of long-term increased from 6.8% to 7.4%. The higher real interest rates were related to the stable inflation rates prevailing in industrial countries and increases in nominal short-term as well as long-term interest rates, the latter from 9.2% to 9.7% and from 10.9% to 11.1%, respectively.

In 1984 the United States dollar appreciated against various European currencies, among others, German mark (15.7%), English pound (25.5%), Swiss franc (19.4%), and French franc (15.9%). In addition, the dollar also appreciated against the yen, by 8.8%.

Outstanding debts of developing countries increased from \$ 620.0 billion to \$ 686.0 billion at end of 1984. The heavier debt burden of developing countries, among others was reflected in the higher debt ser-

vice ratio, i.e. the ratio between payments of principal and interest against foreign exchange earnings originating from exports of goods and services. During 1984 the debt service ratio rose to about 19.7%.

In 1984 international liquidity rose by 10.8%. Increases *in* international liquidity were registered not only in industrial countries, but also in developing countries, both the oil and non-oil exporting countries. The fastest increase was still attained by non-oil exporting developing countries (19.2%), while the lowest by oil exporting countries (3.4%).

C. Relation between Indonesia and Multilateral Institutions

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

In 1984/85 transactions with the Fund included repurchases of IMF financial facilities under Bufferstock Financing Facility (BFF) and Compensatory Financing Facility (CFF), SDR designation plan and purchases of SDR for the payments of charges.

With the reimbursement from International Natural Rubber Organization (INRO) of M \$ 8.7 million, Indonesia concluded the repurchase under BFF for rubber to the amount of SDR 3.6 million. In addition, taking into consideration the

improvement of foreign exchange position, especially in the last quarter of 1984/85, IMF reassigned Indonesia to participate in the currency budget and SDR designation plan for the periods of December 1984—February 1985 and March—May 1985. The currency budget for December 1984—February 1985 period was imple-

mented through early repurchases of IMF assistance in the forms of BFF and CFF, amounting to SDR 28.9 million and SDR 85.7 million, respectively. Accordingly, the aggregate amount of repurchases of IMF assistance implemented through the reporting year reached SDR 118.2 million bringing forth the total outstandings of IMF assistance under CFF and BFF to SDR 306.9 million at the end of 1984/85 compared with SDR 425.1 million at end of the previous year. The early repurchase for the period of March—May 1985 to the amount of SDR 95.7 million would be executed in May 1985.

With regard to the SDR designation plan for the December 1984—February 1985 period, Indonesia was included in the participation to the maximum amount of SDR 58.6 million, of which only SDR 10.9 million was realized. In order to pay charges of SDR 55.2 million, Indonesia purchased SDRs from IMF to the amount of SDR 53.6 million in 1984.

2. World Bank group

During the reporting year, *the International Bank for Reconstruction and Development (IBRD)* provided new loans to Indonesia amounting to \$ 979.2 million for the financing of 8 projects in the fields of agriculture, education, urban development and highway reparation. The amount extended indicated an increase compared with \$ 874.9 million for 9 projects in the previous year. Up to the end of 1984/85 total World Bank [endings to Indonesia reached \$ 7,164.4 million, of which \$ 3,128.8 million (46.0%) were disbursed. The largest portion of the disbursement (61.6%) was spent on agriculture, irrigation and electricity.

The maturity of IBRD loans did not change, ranging from 7 to 30 years including grace period from 3 to 10 years. The interest rate charged on these loans was reduced to 9.29% p.a. for the period of January-June 1985 from 9.98% p.a. for the previous six months. The front-end fee was eliminated since January 1985.

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 the loans from IDA remained at \$ 943.5 million, used for the financing of 48 projects in the fields of agriculture, industry, communication, electricity, and improvement of villages. Of this amount, \$ 839.8 million (89.0%) was disbursed.

International Finance Corporation (IFC) provided financial assistance to private sector in the forms of equities and loans. Up to the end of the reporting year the accumulated amount of financial assistance to Indonesia amounted to \$ 141.3 million, provided to 9 entities. Of this amount \$ 75.7 million was in the form of loans, \$ 19.2 million in the form of equity capital and \$ 46.4 million in the form of investment by other financial institutions.

3. Asian Development Bank (ADB)

In the period of 1984/85 the amount of loans extended by ADB to Indonesia reached \$ 587 million. The loans originated from Ordinary Resources for the financing of irrigation, fishery, horticulture, communication, and education. Up to the end of 1984/85, the total amount of loans provided by ADB reached \$ 3,016.9 million, of which \$ 2,851.6 million were from Ordinary Resources for 74 projects, and \$ 162.3 mil-

lion from Special Funds for 23 projects. The disbursed loans under the Ordinary Resources was 22.2%, while that of Special Funds

reached 60.5%. The maturity of loans from Ordinary Resources ranged from 10 to 30 years, including 2 to 7 years grace period with the interest rates 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 period, bearing no interest but a service fee of 1% p.a. would be charged on the amount disbursed. Since the end of June 1979, 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 103.4 million were paid while the balance was payable in two equal installments.

4. Islamic Development Bank (IDB)

In the reporting year the financial assistance extended by IDB to Indonesia amounted to ID 10.2 million ¹⁾ for fishery development. Therefore, at the end of 1984/85 total assistance provided by IDB reached ID 42.0 million, consisting of loans, equity participation, and leasings. Indonesia's paid-in capital to IDB amounted to ID 63.1 million, of which ID 55.5 million was paid.

1) ID 1.00 (Islamic Dinar) = SDR 1.00

5. Inter Governmental Group on Indonesia (IGGI)

At the 27th IGGI meeting in The Hague on June 4 - 5, 1984, it was agreed that the amount of financial assistance to be made available to Indonesia would be \$ 2.46 billion, consisting of aids from donor countries (\$ 0.70 billion) and multilateral financial institutions (\$ 1.76 billion). Up to the end of 1984/85, total IGGI loan agreements signed amounted to \$ 29.0 billion, of which \$ 17.6 billion was disbursed.

6. Association of South East Asian Nations (ASEAN)

During the reporting year, cooperation among ASEAN countries continued to be enhanced. Improvements were achieved in the fields of trade, industry, finance, and banking.

In the reporting year, an agreement was concluded on the application of a 25% across the board tariff cut instead of the 20 - 25% tariff cut on imports of commodities listed under the Preferential Trading Arrangement (PTA). The regulation would be in force since April 1, 1985.

In the industrial sector, the ASEAN Economic Ministers approved various joint venture projects at their seventeenth meeting on February 7 - 9, 1985. The projects included a security paper project, a joint venture between Malaysia and Brunei Darussalam, potash feldspar and quartz project between Thailand and Indonesia, and a slaughter-house project between Thailand and the Philippines.

The ASEAN industrial projects showed significant progress. The ASEAN Urea Fer-

tilizer Project in Aceh, Indonesia, commenced commercial production on January 1, 1984, became the first ASEAN industrial project to go on-stream. The construction work on the ASEAN Urea Project in Bintulu, Malaysia, reached completion and was expected to be on stream in 1985. The ASEAN Copper Processing Project in the Philippines became a state enterprise of the concerned Government.

In the field of finance and banking, the ASEAN Committee on Finance and Banking (COFAB) on its thirteenth meeting held on January 22 - 24, 1985, agreed to designate the ASEAN Secretariat as the center for exchange of information.

The ASEAN Swap Arrangement, which was established to provide short-term liquidity to member countries with a temporary balance of payments need, was extended to August 5, 1987. The total amount of funds available under this scheme amounted to \$ 200 million.

Cooperation with EEC, Japan, Australia, Canada, the United States and New Zealand continued to be enhanced. In addition, a significant cooperation in the field of human resource development was concluded with the Government of Japan. As an implementation of this program, the Government of Japan provided funds amounting to \$ 100 million for the construction of training centers in each ASEAN member country. Furthermore, Japan provided technical training in each member country as well as training opportunities in Japan. The center for Vocational and Extension Services, located at Bekasi, West Jawa, was completed in March 1985.

VII. INDONESIA'S BALANCE OF PAYMENTS

A. Balance of Payments Policy

1. General

During the reporting year the Government undertook various measures directed towards boosting non-oil/LNG exports, promoting revenues originating from services, economizing foreign exchange outlays and encouraging foreign capital inflows.

To encourage non-oil/LNG export earnings, various steps were taken to strengthen the competitiveness of Indonesia's export commodities, through improving the quality and fixing quality standards of commodities. Furthermore, various efforts were made to expand the overseas market, especially to East European countries.

Policy on imports was primarily emphasized to support development of domestic industries and a more selective spending of foreign exchange. In the services sector, efforts continued to be made to enhance receipts and economize foreign exchange utilization.

With regard to foreign capital inflows, the Government consistently pursued the principle of a cautious foreign borrowing policy and placed high priority to concessional sources of funds, taking into consideration the capacity to repay. Furthermore, the Government continued to induce foreign capital inflows.

2. Foreign exchange system and exchange rate policy

During the reporting year the Government continued to pursue a long-standing policy of maintaining a free foreign exchange system and applied a managed float foreign exchange rate policy. This foreign exchange rate policy enabled the Government to provide a realistic exchange rate conducive to support the competitiveness of Indonesia's export commodities in the international market and reduced the propensity to import, and thereby encouraged domestic production. This realistic foreign exchange rate would induce improvements in the balance of payments, increase domestic economic activities, and maintain monetary stability.

3. Export policy

To induce non-oil/LNG exports and expand the export market, the export measures were consistently improved. During this reporting year, the Government undertook improvements in the measures of taxation and other levies as well as in the procedures of trade.

In order to maintain and induce exports, as a consequence of the declining prices in the international market, the Government reduced the rates of additional export tax (pajak ekspor tambahan or PET) for a number of major export commodities, namely crude palm oil, refined bleached deodorized (RBD) stearin and crude stearin.¹⁾

1) Minister of Finance Decree No.802/KMK.01/1984, July 81, 1984.

On the other hand, to increase receipts of export tax, taking into consideration the price increases in the international market, the Government raised the rates of PET on exports of coffee and crude coconut oil.²⁾ It should be noted that in step with the enforcement of the new tax law, the regulations regarding withholding tax (menghitung pajak orang or MPO) on exports were henceforth abolished.³⁾

During the reporting year the Government alleviated other levies to support exporters (entrepreneurs) and explored the expansion of other sources of income on the export front. To alleviate cost to exporters, since December 1984 the Government discontinued levies imposed by local governments on 11 commodities.⁴⁾ These commodities included plywood, sawn timber, rattan, rubber, palm oil, coffee, shrimp, tuna, tongkol fish, cassava, and corn. To attain new sources of government revenues, the Government levied taxes on exports of wild animals⁵⁾ and changed the standard procedure for calculating forestry contribution (Iuran Hasil Hutan or IHH). The export tax imposed on exports of those wild animals was set at 6%, calculated on the basis of the export prices. Since January 1, 1985, the basis of prices used in the process of calculating the amount of IHH was changed into the prices of forestry products pre-

vailing in the domestic market in line of export prices.⁶⁾

In the field of trade procedures, the Government improved regulations relating to quality of commodities, exporter's identification number (angka pengenal eksportir or APE) and regulated trade procedures for several export commodities. During the reporting year the requirement of export quality standard was extended by 5 commodities, namely plywood, conventional rubber, oleoresin black pepper, citronella and geraniol. Furthermore, the export quality standard of palm oil was expanded by 12 types.⁷⁾ To increase the responsibility of exporters to preserve the quality of export commodities, regulations were introduced regarding the appointments of exporterproducers to issue certificates of quality.⁸⁾

With the aim to promote the role and capability as well as to provide legal assurance to business entities engaged in export activities, the Government simplified regulations regarding APE. These regulations among others stipulated that since December 19, 1984, APE and APES (Angka Pengenal Eksportir Sementara or temporary exporter's identification number), the validity of which were formerly re-

2) Minister of Finance Decrees No. 1124/KMK.01/ 1984, November 8, 1984 and No. 1247/KMK.01/ 1984, December 17, 1984

3) Circular Letter of the Directorate of Direct Tax, Directorate General of Taxes No. S—346/Pj. 241/ 1984, June 13, 1984.

4) Minister of Home Affairs Decree No. 48/1984 July 31, 1984.

5) Excluding those protected under the national resources and environment conservation law.

6) Minister of Forestry Decrees No. 104/Kpts—II/ 1984, May 17, 1984 and No. 257/Kpts—II/1984, December 31, 1984

7) — Minister of Trade Decree No. 1012/KP/VIII/ 84, August 15, 1984.

— Minister of Trade Instruction No. 25/INS/M/VIII/ 84, August 30, 1984.

— The Director General of Foreign Trade Decrees No. 18/DAGLU—6/Kp/VIII/84 and 19/ DAGLU—6/Kp/ VIII/84, August 9, 1984 and No. 23/DAGLU—6/Kp/ VIII/84, August 23, 1984.

8) Minister of Trade Decree No. 1013/Kp/VIII/84, August 15, 1984.

stricted to certain regions, became valid throughout the nation.⁹⁾

In accordance with the regulations stipulated by the International Coffee Organization (ICO), with the aim to improve supervision on exports of coffee to non-quota countries, the Government issued measures on procedures for exports of coffee to these countries. Exports of coffee shipped directly to non-quota countries, in which an ICO agent is stationed, should be furnished with certificates of origin, bill of lading, airway bills and other documents, such as, sales contract and invoices. For those shipped directly to non-quota countries but in which an ICO agent is not stationed, the above documents should be completed by import declarations, landing certificates or documents declaring that the import of coffee was in fact executed by the concerned non-quota country.¹⁰⁾

With the conclusion of the establishment of 7 marketing groups, the so-called joint marketing institutions (Badan Pemasaran Bersama or BPB) for exports of plywood, since October 15, 1984 the Government among others stipulated that sales contract for the export of plywood should first obtain approval from the BPB management.¹¹⁾ The arrangements of these trade procedures were designed to prevent unhealthy competition among Indonesia's plywood exporters.

Furthermore, the procedures for exports of tin, nickel, copper, aluminum ingot, and granite were simplified. Since April 14, 1984, the exports of those commodities followed the general procedures as stipulated under Government Regulation No. 1 of 1982 dated January 16, 1982 (Peraturan Pemerintah No. 1/1982 or PP No. 1/1982).¹²⁾ Prior to this date, exports of those commodities might only be implemented after obtaining approval from the Directorate for Export of Industrial and Mining Products in the form of letter of exit permit of commodities (Surat Persetujuan Pengeluaran Barang or SPPB).

To enhance and expand the export market, since October 4, 1984 the Government issued a new regulation regarding trade with East European countries. Exports and imports between Indonesia and those countries, formerly only allowed to be implemented through third parties appointed by the Government, since October 4, 1984 may be implemented according to the general procedures.¹³⁾

In the meantime, to prevent the imposition of countervailing duties by the United States of America on exports of Indonesia, on February 28, 1985 the Governments of Indonesia and the United States concluded an agreement. This agreement principally contained provisions that prior to the imposition of countervailing duties to export commodities of Indonesia, the authorities of the United States should first implement an in-

9) Minister of Trade Decree No. 1459/Kp/XII/84, December 19, 1984.

10) Circular Letters of the Department of Trade No. 916/Dek.pertan—2/VII/84, July 4, 1984 and No. 1642/Dek.pertan—2/XI/84, November 7, 1984.

11) Minister of Trade Decree No. 1198/Kp/X/84 October 15, 1984.

12) Letter of Confirmation of the Director General of Foreign Trade No. KUM.804/DAGLU/1175/84 April 14, 1984.

13) Minister of Trade Decree No. 1162A/Kp/X/1984, October 4, 1984.

jury test regarding the subsidy elements of Indonesia's export commodities. In addition, Indonesia agreed to abolish measures considered containing subsidy elements after having signed the GATT Code on Subsidies and Countervailing Duties. In this connection, the facility in the form of certificate of export (Sertifikat Ekspor or SE) would be abolished on April 1, 1986 at the latest, and would be replaced by a pure draw-back system. With regard to short-term export financing, the subsidy on interest would gradually be abolished. It should be added that on March 4, 1985 the Government signed the above GATT Code on Subsidies and Countervailing Duties.

4. Import policy

During the reporting year the Government continued to implement and improve the import policy adopted in the previous years. This policy was primarily directed to support the development of the domestic industry and economize the use of foreign exchange. In addition, this policy was also emphasized on the protection of consumers and preservation of national environment.

To support the development of the domestic industry, the Government granted reliefs on import duties and sales tax on imports, both in the forms of full as well as partial reliefs. Full reliefs were among others applied to imports of machinery and/or leather tannery/equipments, wood gasification plants, and soybeans.¹⁴⁾ Partial reliefs were granted to imports of commodities, of which the domestic productions were still consid-

ered insufficient to meet the demand, such as, high quality cardboard papers and base/kyro board papers used as raw materials for electricity transformers, and nickel plates for textile printing machines.¹⁵⁾ Furthermore, in line with efforts to provide effective protection to the domestic industry, the Government imposed higher duties and sales taxes on imports of certain raw/auxiliary materials and capital goods domestically produced or assembled, such as, tin wires, basic chrome sulphate, and built-up digging spade machinery.¹⁶⁾ Furthermore, the Government also introduced new regulations regarding trade procedures on imports, among others, in the forms of appointing certain importers, fixing the maximum volume of imports, and regulating requirements of import permits from the Ministry of Trade. To ensure the continuity of business operation and maintain sufficient supply of raw/intermediate materials and capital goods to the domestic industry, the Government introduced regulations regarding the supervision on certain imports, such as, cyclamate, empty capsules, raw materials for plastic, various pharmaceutical products, heavy equipments and their spareparts.¹⁷⁾ Furthermore, the obligation of value added tax (VAT) imposed on imports of some machinery, conditioned to certain requirements, might be postponed.¹⁸⁾

To protect consumers and improve the

14) Minister of Finance Decrees Nos. 469/KM.1/1984 and 472/KM.1/1984, May 30, 1984 and 995/KM.1/ 1984, November 14, 1984.

15) Minister of Finance Decrees Nos.1079/KMK.05/1984 and 1081/KMK.05/1984, October 24, 1984 and 117/KMK.05/1985, January 18, 1985.

16) Minister of Finance Decrees Nos. 461/KMK.05/1984, May 21, 1984, 902/KMK.05/1984, August 29, 1984 and 919/KMK.05/1984, August 31, 1984.

17) — Minister of Trade Decrees Nos.588/KP/V/1984, May 8, 1984, 1071/KP/VIII/1984, August 30, 1984 and 1208/KP/X/1984, October 24, 1984.
— Director General of Foreign Trade Decrees Nos.20/DAGLU/KP/VIII, August 15, 1984, 27/DAGLU/KP/XI/1984, November 6, 1984 and 07/DAGLU/KP/II/1985, February 2, 1985.

18) Minister of Finance Decree No.827/KMK04/1984, August 9, 1984.

quality of domestically produced goods, the Government took steps in the forms of supervising and testing the quality of import commodities.¹⁹⁾ In trade procedures, since December 19, 1984 importer's identification number (Angka Pengenal Importir or API) and temporary API (Angka Pengenal Importir Sementara or APIS) became applicable for imports throughout the country.²⁰⁾

To protect the national environment, the Government prohibited imports of pesticides containing active etilen di-bromide (EDB) which produced undesirable side effects.²¹⁾ In order to implement the new tax law system, during the reporting year the Government issued regulations regarding the impositions and the procedures on depositing/reportings of the 1984 value added tax on import of goods subject to tax. The rate of VAT is fixed at 10% of the import value.²²⁾

5. Policies on services

Efforts to increase the receipts and economize the use of foreign exchange which had been implemented in the past years, continued to be pursued. These steps included efforts to promote tourism industry, extend facilities to foreign tourists, enlarge the role of the national trading fleets for the transportation of export and import goods, encourage exports of contracting services, send labor force to overseas, and reduce

overseas travel through the imposition of high charges on exit permits.

With the purpose to increase foreign exchange receipts, originating from the labor force working overseas and to protect those labor force, during the reporting year the Government issued a regulation regarding placements of Indonesian labor force in Malaysia. This regulation among others stipulated the requirements on salaries, work permits and work contract agreements.²³⁾

6. Policies on capital flows

As in the preceding years, the policy on foreign borrowings continued to be based on the principles that those sources of financing should have no political ties, would not cause dependence on this type of source and would not be a burden to the balance of payments while the utilization should be in line with the development plan. Furthermore, to support the domestic industry and expand employment opportunities, efforts to loosen the provisions of foreign borrowings, which required the purchase of goods from the creditor's country, continued to be pursued. For imports of commodities financed by foreign borrowings, the Government consistently made efforts to implement those imports in the forms of components. To maintain the capacity to repay foreign borrowings and to avoid a heavy burden of foreign debts, the Government emphasized preference for concessional and semi-concessional foreign borrowings.

In executing the policies of foreign borrowings, since October 10, 1984, for each

19) Minister of Trade Decrees Nos. 1325/KP/XI/1984, November 29, 1984 and 529/KP/III/1985, March 11, 1985.

20) — Minister of Trade Decree No. 1460/KP/XII/ 1984, December 19, 1984.

— Director General of Foreign Trade Decree No. 03/DACLU/KP/I/1985, January 11, 1985.

21) Minister of Trade Decree No. 547/KP/III/1985, March 14, 1985.

22) Minister of Finance Decree No.129/KMK.04 1985, January 23, 1985.

23) Minister of Manpower Affairs Decree No. Kep 408/MEN/1984, November 26, 1984.

budget year the Government fixed the need on foreign export credits and listed development projects that could be financed by those credits. Projects excluded from the above list might only be executed if concessional foreign borrowings could be obtained. The concessional borrowings were subject to three requirements, namely the maturity should be at a minimum of 25 years including a grace period of at least 7 years and maximum interest rate of 3.5% p.a.²⁴⁾

To attract foreign capital investments and in line with the simplification policy of April 1984, in October 1984 the Government took measures to simplify further the procedures in obtaining approvals for foreign capital investments.²⁵⁾ Furthermore, in March 1985 the Government improved the regulations regarding the position, duties, functions and organization of the investment coordinating board (Badan Koordinasi Penanaman Modal or BKPM).²⁶⁾ In addition, as a follow-up of the measures introduced since 1977, in September 1984 the BKPM issued the investment priority list (Daftar Skala Prioritas or DSP) for the 1984/85 period, applicable both for new projects as well as for the expansion of projects.²⁷⁾

The policy on private capital flows pursued in the previous years continued to be implemented, namely, the basis of a free foreign exchange system. The policy to obtain foreign borrowings by the private sector, banks, non-bank financial institutions (NBFIs) and state entities continued to be implemented and pursued.

B. Balance of Payments Development

1. General

As a result of various efforts implemented by the Government to increase foreign exchange receipts from exports, especially non-oil/LNG, and earnings on services as well as to economize the use of foreign exchange, the balance of payments during 1984/85 continued to show considerable improvements. These improvements were reflected by the higher surplus of the balance of trade, a reduction in the deficit of the current account, and the achievement of an overall balance of payments surplus, although at a lower level than that achieved in the previous period.

During the reporting year, SC surplus of the balance of trade advanced considerably, namely from \$ 3,512 million to \$ 5,474 million, while the deficit in the services account declined from \$ 7,663 million to \$ 7,442 million. As a result of this development, the balance of merchandise goods and services recorded a deficit of \$ 1,968 million or indicating a sharp improvement compared with the deficit recorded in the previous year. Although capital inflows declined to \$ 2,726 million from \$ 5,974 million in the previous year, the overall balance of payments of Indonesia continued to show a surplus of \$ 667 million (Table 7.1).

2. Current account

The deficit of the current account, after registering a decline, during the reporting year continued to decline, namely to \$ 1,968 million from \$ 4,151 million in the preceding year. This improvement was largely at-

24) Presidential Instruction No. 8/1984, October 10, 1984.

25) — Chairman of Investment Coordinating Board Decree No. 15/1984, October 1, 1984.

— Presidential Instruction No. 5/1984, April 11, 1984.

26) Presidential Decree No. 35/1985, March 13, 1985

27) Presidential Decree No. 51/1985, September 5, 1984.

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

Transactions	1980/81	1981/82	1982/83	1983/84	1984/85
A. Current Account	<u>2,131</u>	<u>- 2,790</u>	<u>- 7,039</u>	<u>- 4,151</u>	<u>- 1,968</u>
1. Merchandise	<u>8,643</u>	<u>5,083</u>	<u>176</u>	<u>3,512</u>	<u>5,474</u>
Exports, f.o.b.	22,885	22,994	18,672	19,816	19,901
Oil & LNG	17,298	18,824	14,744	14,449	13,994
- Oil	(15,187)	(16,482)	(12,283)	(12,050)	(10,625)
- LNG	(2,111)	(2,342)	(2,461)	(2,399)	(3,369)
Non-oil and non-LNG	5,587	4,170	3,928	5,367	5,907
Imports, f.o.b.	-14,242	-17,911	-18,496	-16,304	-14,427
Oil & LNG ²⁾	- 3,681	- 4,916	- 4,365	- 3,489	- 2,797
- Oil	(- 3,557)	(- 4,799)	(- 4,223)	(- 3,273)	(- 2,605)
- LNG	(- 124)	(- 117)	(- 142)	(- 216)	(- 192)
Non-oil and non-LNG	-10,561	-12,995	-14,131	-12,815	-11,630
2. Services	- 6,512	- 7,873	- 7,215	- 7,663	- 7,442
Oil & LNG ²⁾	- 3,016	- 4,147	- 3,213	- 3,589	- 3,381
- Oil	(- 2,285)	(- 3,304)	(- 2,272)	(- 2,761)	(- 2,175)
- LNG	(- 731)	(- 843)	(- 941)	(- 828)	(- 1,206)
Non-oil and non-LNG	- 3,496	- 3,726	- 4,002	- 4,074	- 4,061
B. Special Drawing Rights (SDRs)	<u>62</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
C. Capital Account, Excluding Reserves	<u>1,708</u>	<u>3,852</u>	<u>5,880</u>	<u>5,974</u>	<u>2,726</u>
1. Official Transfer & Capital, net	<u>2,069</u>	<u>2,712</u>	<u>4,085</u>	<u>4,783</u>	<u>2,227</u>
Official inflows	2,684	3,521	5,011	5,793	3,519
IGGI	2,406	2,415	2,905	4,255	3,189
- Program Aid	(118)	(50)	(21)	(84)	(52)
- Project Aid	(2,288)	(2,365)	(2,884)	(4,171)	(3,137)
Non-IGGI (Project Aid)	278	1,106	2,106	1,538	330
Official Debt Repayments	- 615	- 809	- 926	-1,010	-1,292
Pre July 1966 debts	- 85	- 78	- 125	- 89	- 32
Post July 1966 debts	- 530	- 731	- 801	- 921	-1,260
2. Miscellaneous Capital, net	- 361	1,140	1,795	1,191	499
Direct Investment	140	142	311	193	245
Government Enterprises	- 501	998	1,484	998	254
D. Total (A through C)	<u>3,901</u>	<u>1,062</u>	<u>-1,159</u>	<u>1,823</u>	<u>758</u>
E. Net Errors and Omissions	<u>-1,165</u>	<u>-2,050</u>	<u>-2,121</u>	<u>247</u>	<u>- 91</u>
F. Reserves	<u>-2,736</u>	<u>988</u>	<u>3,280</u>	<u>-2,070</u>	<u>- 667</u>
1. Reserve position in the Fund	- 26	- 104	- 5	162	9
2. Short-term foreign liabilities	- 4	---	---	- 1	- 1
3. Short-term foreign assets	-2,706	1,092	3,285	-2,231	- 675

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

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 done by oil and LNG enterprises.

TABLE 7.2
VALUE OF EXPORTS¹⁾
(millions of dollars)

Items	1980/81	1981/82	1982/83	1983/84	1984/85
A. Oil²⁾	<u>15,187</u>	<u>16,482</u>	<u>12,283</u>	<u>12,050</u>	<u>10,625</u>
B. LNG	<u>2,111</u>	<u>2,342</u>	<u>2,461</u>	<u>2,399</u>	<u>3,369</u>
C. Non-oil and non-LNG	<u>5,587</u>	<u>4,170</u>	<u>3,928</u>	<u>5,367</u>	<u>5,907</u>
Timber	1,672	951	899	1,161	1,166
— Log	(1,428)	(504)	(310)	(267)	(135)
— Plywood	(89)	(199)	(324)	(579)	(696)
— Sawn timber	(151)	(244)	(255)	(302)	(319)
— Others	(4)	(4)	(10)	(13)	(16)
Rubber	1,078	770	615	984	854
Coffee	588	342	363	506	567
Palm oil	178	79	103	92	95
Animal and produce	224	213	251	276	219
— Shrimps	(170)	(165)	(204)	(206)	(183)
— Others	(54)	(48)	(47)	(70)	(36)
Tea	97	94	116	156	211
Foodstuffs	135	91	59	134	129
— Tapioca	(36)	(20)	(9)	(33)	(31)
— Others	(99)	(71)	(50)	(101)	(98)
Pepper	51	48	41	58	65
Tobacco	69	49	38	50	44
Copra cakes	46	32	38	33	18
Hides	29	32	25	27	40
Rattan	73	85	82	87	96
Textiles and textile products	88	129	157	290	414
Handicrafts	40	19	23	75	115
Electrical appliances	81	72	113	130	134
Urea fertilizer	23	11	21	50	31
Cement	12	23	9	11	14
Mining products	774	756	676	800	775
— Tin	(454)	(437)	(349)	(309)	(252)
— Copper	(115)	(133)	(115)	(89)	(132)
— Aluminum	(—)	(—)	(48)	(165)	(208)
— Others ³⁾	(205)	(186)	(164)	(237)	(183)
Miscellaneous	329	374	299	447	931
Total (A + B + C)	22,885	22,994	18,672	19,816	19,901

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

2) Crude oil and oil product includes "cross purchase"/"cross exchange" for the years 1980/81 through 1983/84.

3) Includes iron sand, which for 1980/81 through 1984/85 were \$ 0.3 million, \$ 1.1 million, \$ 3.2 million, \$ 5.0 million, and \$ 7.5 million, respectively.

TABLE 7.3
VOLUME OF EXPORTS
(thousands of tons)

Items	1980/81	1981/82	1982/83	1983/84	1984/85
A. Oil (millions of barrels)¹⁾	468	468	355	413	367
B. LNG (millions of MMBTU)²⁾	424	458	478	549	778
C. Non-oil and non-LNG (thousands of tons)					
Timber	11,642	5,948	5,101	5,843	5,197
— Log	(11,703)	(4,212)	(2,785)	(2,536)	(1,223)
— Plywood	(362)	(591)	(876)	(1,603)	(2,103)
— Sawn timber	(546)	(1,100)	(1,365)	(1,630)	(1,788)
— Others	(31)	(45)	(75)	(74)	(83)
Rubber	954	883	877	1,145	1,040
Coffee	231	219	239	298	307
Palm oil	377	183	315	279	175
Animal and produce	110	105	109	194	87
— Shrimps	(42)	(39)	(44)	(44)	(44)
— Others	(68)	(66)	(65)	(150)	(43)
Tea	78	88	68	85	90
Foodstuffs	1,265	971	599	1,199	1,166
— Tapioca	(334)	(267)	(107)	(299)	(418)
— Others	(931)	(704)	(492)	(900)	(748)
Pepper	32	38	34	51	34
Tobacco	30	26	19	28	23
Copra cakes	390	301	367	338	212
Hides	5	6	6	6	9
Rattan	73	84	89	83	101
Textiles and textile products	10	16	35	67	78
Handicrafts	14	14	6	18	30
Electrical appliances	1	1	1	1	1
Urea fertilizer	151	41	103	377	208
Cement	295	471	236	306	516
Mining products	3,291	8,167	22,315	25,233	28,985
— Tin	(31)	(31)	(27)	(24)	(22)
— Copper	(177)	(210)	(217)	(191)	(242)
— Aluminum	(—)	(—)	(32)	(112)	(153)
— Others ³⁾	(3,083)	(7,926)	(22,039)	(24,906)	(28,658)
Miscellaneous	2,873	1,226	1,547	1,613	1,803

1) Crude oil and oil product includes "cross purchase"/"cross exchange" for the years 1980/81 through 1983/84.

2) MMBTU = Millions of BTU (British Thermal Unit).

3) Includes iron sand, which for 1980/81 through 1984/85 were 1,950 thousand and 4,229 thousand tons, 19,472 thousand tons, 21,398 thousand tons, and 24,489 thousand tons, respectively.

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

Country	1980/81		1981/82		1982/83		1983/84		1984/85	
	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$
1. United States of America										
– Crude oil	112.1	3,652.5	81.8	2,903.6	68.9	2,396.0	97.1	2,859.5	69.5	2,044.4
– Oil products	4.9	152.5	6.6	215.0	2.1	69.5	16.4	448.2	13.0	351.7
Total	117.0	3,805.0	88.4	3,118.6	71.0	2,465.5	113.5	3,307.7	82.5	2,396.1
% Share	24.3	25.0	18.9	18.9	20.0	20.1	27.5	27.7	22.5	22.6
2. Japan										
– Crude oil	216.9	7,114.2	185.1	6,570.6	177.8	6,180.4	168.3	4,955.6	148.4	4,294.8
– Oil products	45.9	1,429.4	32.7	1,066.1	26.2	855.4	35.9	979.5	31.7	869.2
Total	262.8	8,543.6	217.8	7,636.7	204.0	7,035.8	204.2	5,935.1	180.1	5,164.0
% Share	54.6	56.3	46.5	46.3	57.4	57.3	49.4	49.3	49.0	48.6
3. Other Countries										
– Crude oil	98.1	2,738.3	154.7	5,493.0	75.4	2,619.9	91.2	2,686.2	102.0	2,987.3
– Oil products	3.2	99.7	7.2	233.2	5.0	162.0	4.5	121.4	2.8	78.0
Total	101.3	2,838.0	161.9	5,726.2	80.4	2,781.9	95.7	2,807.6	104.8	3,065.3
% Share	21.1	18.7	34.6	34.8	22.6	22.6	23.1	28.3	28.5	28.8
4. Total (1+2+3)										
– Crude oil	427.1	13,505.0	421.6	14,967.2	322.1	11,196.3	356.6	10,501.3	319.9	9,326.5
– Oil products	64.0	1,681.6	46.5	1,514.3	33.3	1,086.9	56.8	1,549.1	47.5	1,298.9
Total	481.1	15,186.6	468.1	16,481.5	355.4	12,283.2	413.4	12,050.4	367.4	10,625.4
% 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.

tributable to smaller imports, both imports of oil/LNG entities as well as those of non-oil/LNG entities, namely by \$ 692 million and \$ 1,185 million to \$ 2,797 million and \$ 11,630 million, respectively

2.1. Balance of trade

During the reporting year the balance of trade recorded a surplus of \$ 5,474 million or indicating an increase of \$ 1,962 million over the previous year. This was mainly due to a \$ 1,877 million decline (11.5%) of imports.

2.1.a. Exports

During the reporting year total exports rose only by 0.4% to \$ 19,901 million (Table 7.2). Non- oil/LNG exports went up by 10.1% reaching Rp 5,907 million, while oil/LNG exports recorded a decline of 3.1% to \$ 13,994 million. The decline in oil/LNG exports was caused by a decrease in the exports of oil, from \$ 12,050 million to \$ 10,625 million (11.8%) while LNG exports recorded an increase, from \$ 2,399 million to \$ 3,369 million (40.4%).

By country of destination, Japan remained the largest buyer of Indonesia's exports, with a share of 47.2% compared with 44.3% in the preceding year. The United States came second, with a share of 20.2% compared with 21.5% in the previous year (Table XII). The share of ASEAN countries stood at 10.8% of which Singapore held the first place (84.9%), followed by the Philippines (6.7%), Thailand (4.3%) and Malaysia (4.1%).

a.i. Oil/LNG exports

During 1984/85 the world supply of oil

far exceeded the demand, causing a decline of oil prices in the international market. To prevent further deteriorations of the oil prices, the Oil Petroleum Exporting Countries (OPEC) reduced the production quotas of its member countries. As a consequence, effective November, 1984 the production quota of oil allotted to Indonesia declined by 8.5% to 1,189 million barrels per day.

Although OPEC member countries agreed to reduce their production, oil prices in the world markets continued to deteriorate mainly as a result of higher production of non-OPEC countries, such as, Mexico, North Sea countries and the People's Republic of China. In this connection, towards the end of 1984/85 OPEC decided to reduce the base price for oil by \$ 1.00 per barrel. Accordingly, since February 1, 1985 Indonesia's oil prices were reduced by \$ 1.00 per barrel.

The value of oil/LNG exports during the reporting year registered a decrease. This decrease was caused by the decline in the exports of oil although LNG exports recorded a considerable advancement.

Oil exports declined by 11.8% to \$ 10,625 million in 1984/85. This deterioration was caused by a decline of 11.1% in the volume of exports and a decline of 0.8% in oil prices. By country of destination, the largest portion of Indonesia's oil was exported to Japan and the United States, with shares of 48.6% and 22.6%, respectively (Table 7.4).

Unlike oil, exports of LNG registered a considerable increase, by 40.4% to \$ 3,369 million in 1984/85. This improvement was attributable to the larger volume of exports,

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

Types of oil	1979					1980					1981					1982					1983					1984					1985				
	Jan.	Apr.	May	June	July	Nov.	Dec.	Jan.	Feb.	May	Jan.	Sept.	Nov.	March	Apr.	Feb.	Jan.	Sept.	Nov.	March	Apr.	Feb.	Jan.	Sept.	Nov.	March	Apr.	Feb.	Jan.	Sept.	Nov.	March	Apr.	Feb.	
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	29.53	28.53	35.00	35.00	34.53	29.53	29.53	28.53	35.00	35.00	34.53	29.53	29.53	28.53	35.00	35.00	34.53	29.53	29.53	28.53	
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	25.95	25.95	35.00	35.00	33.10	27.85	25.95	25.95	35.00	35.00	33.10	27.85	25.95	25.95	35.00	35.00	33.10	27.85	25.95	25.95	
3. Cinta	13.50	15.20	15.70	17.75	21.01	23.50	25.40	27.00	29.00	31.00	34.50	34.50	33.30	28.25	28.25	27.25	34.50	34.50	33.30	28.25	28.25	27.25	34.50	34.50	33.30	28.25	28.25	27.25	34.50	34.50	33.30	28.25	28.25	27.25	
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	28.35	28.35	34.50	34.50	33.60	28.35	28.35	28.35	34.50	34.50	33.60	28.35	28.35	28.35	34.50	34.50	33.60	28.35	28.35	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	27.80	26.55	34.10	34.10	33.10	27.80	27.80	26.55	34.10	34.10	33.10	27.80	27.80	26.55	34.10	34.10	33.10	27.80	27.80	26.55	
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	29.50	28.00	35.30	35.30	34.80	29.50	29.50	28.00	35.30	35.30	34.80	29.50	29.50	28.00	35.30	35.30	34.80	29.50	29.50	28.00	
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	29.00	29.00	35.30	35.30	34.00	29.00	29.00	29.00	35.30	35.30	34.00	29.00	29.00	29.00	35.30	35.30	34.00	29.00	29.00	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	28.70	27.40	34.90	34.90	34.40	28.70	28.70	27.40	34.90	34.90	34.40	28.70	28.70	27.40	34.90	34.90	34.40	28.70	28.70	27.40	
9. P. Juata Sanga-sanga Mixed	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	29.00	29.00	34.80	34.80	34.00	29.00	29.00	29.00	34.80	34.80	34.00	29.00	29.00	29.00	34.80	34.80	34.00	29.00	29.00	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	28.75	27.75	35.00	35.00	34.40	28.75	28.75	27.75	35.00	35.00	34.40	28.75	28.75	27.75	35.00	35.00	34.40	28.75	28.75	27.75	
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	28.70	27.45	34.60	34.60	34.10	28.70	28.70	27.45	34.60	34.60	34.10	28.70	28.70	27.45	34.60	34.60	34.10	28.70	28.70	27.45	
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	27.20	27.20	32.95	32.95	32.00	27.20	27.20	27.20	32.95	32.95	32.00	27.20	27.20	27.20	32.95	32.95	32.00	27.20	27.20	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	30.20	28.25	36.45	36.45	35.20	30.20	30.20	28.25	36.45	36.45	35.20	30.20	30.20	28.25	36.45	36.45	35.20	30.20	30.20	28.25	
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	30.20	30.20	29.90	36.45	36.45	35.20	30.20	30.20	29.90	36.45	36.45	35.20	30.20	30.20	29.90	36.45	36.45	35.20	30.20	30.20	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	37.75	36.25	30.95	30.95	28.65	37.75	37.75	36.25	30.95	30.95	28.65	37.75	37.75	36.25	30.95	30.95	28.65	37.75	37.75	36.25	30.95	30.95	28.65	
16. Bekapai	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25	34.25	37.75	37.75	36.25	30.95	30.95	28.65	37.75	37.75	36.25	30.95	30.95	28.65	37.75	37.75	36.25	30.95	30.95	28.65	37.75	37.75	36.25	30.95	30.95	28.65	
17. Badak	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25	34.25	37.75	37.75	36.25	30.95	30.95	28.65	37.75	37.75	36.25	30.95	30.95	28.65	37.75	37.75	36.25	30.95	30.95	28.65	37.75	37.75	36.25	30.95	30.95	28.65	
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	37.75	36.25	30.95	30.95	29.00	37.75	37.75	36.25	30.95	30.95	29.00	37.75	37.75	36.25	30.95	30.95	29.00	37.75	37.75	36.25	30.95	30.95	29.00	
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	38.25	36.50	31.15	31.15	31.15	38.25	38.25	36.50	31.15	31.15	31.15	38.25	38.25	36.50	31.15	31.15	31.15	38.25	38.25	36.50	31.15	31.15	31.15	

Source : Department of Mining and Energy.

TABLE 7.6
LNG EXPORTS
(millions)

Year	Value (\$)	Volume (MMBTU)	Price (\$/MMBTU)
1980/81	2,111	424	4.97
1981/82	2,342	458	5.12
1982/83	2,461	478	5.15
1983/84	2,399	549	4.37
1984/85	3,369	778	4.33

Source : Pertamina.

by 41.7% to 778 million MMBTU, although during the reporting year the price of LNG exports registered a decline of 0.9% (Table 7.6). The larger volume of LNG exports was closely related to the increase of the production capacity of the LNG plants in Badak and Arun, which was expanded by four trains. The decline in prices of LNG exports was closely related to the decline in the prices of oil. It should be noted that Indonesia continued to be the world's largest producer and exporter of LNG.

a.ii. Non-oil/LNG exports

Although protectionist measures imposed by advanced countries increased, and sharp competition among developing countries still continued to prevail, nonoil/LNG exports during the reporting year registered an increase of 10.1% to \$ 5,907 million (Table 7.2 and Table 7.3). This achievement was primarily the result of the policy and efforts of the Government to induce non-oil/LNG exports, supported by better prices of several export commodities, such as, tea, pepper, coffee, textiles and products, handicrafts, copper, aluminum and cement.

Unlike the previous year, in which Japan

held the first position of Indonesia's non-oil export commodities, during the reporting year its role was replaced by the United States. During the reporting year the share of this export to the United States went up from 19.6% to 20.8%, while that of Japan decreased from 20.8% to 18.9%. With regard to ASEAN countries, the share declined from 18.6% to 17.7%.

Timber

Timber continued to hold the first place in the foreign exchange earnings of non-oil/LNG exports. It should be noted, until March 1982 the largest share of timber exports was in the form of logs, but thereafter processed timber replaced its position. This development was the result of the policy of the Government to enhance processed timber exports and gradually restricted log exports, implemented since 1980. Since 1985 exports of timber were totally abolished.

During 1984/85, the volume of exports declined by 11.1% to 5,197 thousand tons, however, its value rose by 0.4% to \$ 1,166 million. The decline on the volume of timber exports was due to the smaller export volume of logs although that of processed timber recorded an increase. Both the volume and value of log exports declined by 51.8% and 49.4% to 1,223 thousand tons and \$ 135 million, respectively. On the other hand, the volume and value of plywood exports recorded considerable increases, namely by 31.2% and 20.2% reaching 2,103 thousand tons and \$ 696 million, respectively. The value of sawn timber exports during the reporting year also registered an increase, by 5.6% to \$ 319 million.

By country of destination, Japan and the

United States were still the largest buyers of Indonesia's timber exports. Compared with the previous year, the share of Japan's imports of Indonesia's timber declined from 20.7% to 17.7%, while that of the United States increased from 16.4% to 17.7%. Other major buyers of Indonesia's timber exports were Hongkong (16.6%), Singapore (13.2%), Taiwan (5.4%) and Italy (4.3%).

Rubber

During the reporting year, rubber remained the second largest earner of nonoil/LNG exports, with a share of 14.5%, although during the reporting year the prices fluctuated heavily. Both the volume and value of rubber export registered declines, by 9.2% and 13.2% to 1,040 thousand tons and \$ 854 million, respectively. These declines were mainly caused by the deteriorating rubber prices in the world market, by around 4% compared with an increase of 22% in the previous year.

The pattern of rubber exports by country of destination remained as in the previous years. The United States was still the largest buyer of Indonesia's rubber, with a share of 48.4% compared with 42.3% in the previous year. Other major countries of destination were Singapore (22.1%), the Netherlands (3.0%), Japan (3.0%) and Spain (2.6%).

Coffee

Unlike rubber, the volume as well as the value of coffee exports during 1984/85 continued to register increases, although at lower levels than the preceding years. During the reporting year the volume and value of coffee exports rose by 3.0% and 12.1% reaching 307 thousand tons and \$ 567 mil-

lion compared with an increase of 24.7% and 39.4%, respectively in the previous year. The higher volume of exports was contributed by the efforts of the Government to induce exports to nonquota countries (up by 9.8%), while exports to quota countries recorded a decline (by 1.6%). Pursuant to the ICO decision, Indonesia's quota for coffee export for the coffee year 1984/85 was raised by 1.4% to 155.2 thousand tons. It should be added that the prices of coffee exports to non-quota countries were lower than those to quota countries.

Textile

During the reporting year the export value of textiles and products recorded a remarkable increase, by 42.8% to \$ 414 million. This improvement was made possible by the higher quota obtained for the exports of garments to EEC countries, the United States and Canada.

Tin

For three consecutive years the volume as well as value of tin exports registered deteriorations. It should be added that although the price of tin exports in terms of poundsterling recorded an increase, receipts in terms of US dollar declined, as a consequence of the depreciation of the poundsterling against the US dollar. As a result, foreign exchange receipts originating from the export of tin during 1984/85 declined by 18.4% to \$ 252 million. The decline of the volume of exports, by 8.3% to 22 thousand tons, besides due to the over supply of tin in the world market were also caused by the higher output of non-ITC member countries and by the higher utilization of tin substitutes, such as, aluminum and plastic.

Aluminum

Aluminum exports of Indonesia for the first time entered the world market in 1982/83 at a volume of 32 thousand tons and a value of \$ 48 million, destined to Japan. During the reporting year exports of this commodity recorded a considerable increase, its volume and value went up by 36.6% and 26.1% reaching 153 thousand tons and \$ 208 million, respectively. It should be added that since 1984 the production of Asahan aluminum plant reached 225 thousand tons, of which 150 thousand tons was covered with a sales contract to Japan and the balance was consumed domestically.

Tea

After encountering deterioration on account of natural disaster coupled with a long drought, tea production during the past two years indicated a recovery and in the reporting year it even registered a strong increase. This development enabled Indonesia to fill the shortage of world tea supply as a consequence of a drop in the supply of the major tea producer, namely India. During the reporting year the volume and value of Indonesia's tea exports rose by 5.9% and 35.3% to 90 thousand tons and \$ 211.0 million, respectively.

Shrimp

The value of shrimp exports during the reporting year went down by 11.2% to \$ 183 million, while volume-wise remained practically unchanged, namely at 44 thousand tons. The share of shrimps to total exports of animal and produce, however, went up from 74.6% to 83.6%. Japan remained the

largest export market of shrimps, with a share of 83.3%, and the remainder were among others destined to the United States, Hongkong and Singapore.

Other important export commodities

The major items among other export commodities included electrical appliances, copper, foodstuffs, handicrafts, rattan, palm oil, pepper and tobacco. The value of the above mentioned commodities in aggregate rose by 13.3% reaching \$ 810 million, bringing forth an increase of their share to total non-oil/ LNG exports from 13.3% to 13.7% in 1984/85. This improvement was brought about by higher export values of handicrafts (53.3%), copper (48.3%), pepper (12.1%), rattan (10.3%), palm oil (3.3%) and electrical appliances (3.1%). On the other hand, the export values of foodstuffs and tobacco decreased by 3.7% and 12.0%, respectively.

The higher export value of copper was attributed to an increase of 26.7% in volume and 17.0% increase in price. With regard to rattan and handicrafts, their volumes of export rose by 21.7% and 66.7%, while the prices were down by 9.3% and 8.0%, respectively. Prices of pepper and palm oil registered considerable increases, by 68.1% and 64.6%, however, the volumes of export decreased by 33.3% and 37.3%, respectively.

As regard to tobacco, the decline in its exports value was due to a 17.9% decrease in the volume of exports although its prices were up by 7.1%. The smaller export value of foodstuffs was brought about by a decline in the volume of exports, while its prices practically remained at the same level.

TABLE 7.7
VALUE OF IMPORTS¹⁾
(millions of dollars)

Items	1980/81	1981/82	1982/83	1983/84	1984/85
A. Import by oil and LNG enterprises	<u>3,681</u>	<u>4,916</u>	<u>4,365</u>	<u>3,489</u>	<u>2,797</u>
B. Import by non-oil and non-LNG enterprises	<u>10,561</u>	<u>12,995</u>	<u>14,131</u>	<u>12,815</u>	<u>11,630</u>
General foreign exchange imports	7,787	8,775	8,431	8,082	7,927
Foreign aid imports	2,271	3,127	4,287	3,947	2,999
— Food aid	(54)	(7)	(3)	(48)	(3)
— PL 480 (rice, and wheat grains) ²⁾	(64)	(43)	(18)	(36)	(49)
— Project aid	(2,153)	(3,077)	(4,266)	(3,863)	(2,947)
Imports under foreign capital inflow	503	1,093	1,413	786	704
— Direct investment	(160)	(201)	(299)	(217)	(206)
— Other foreign capital inflow ³⁾	(343)	(892)	(1,114)	(569)	(498)
Total (A + B)	14,242	17,911	18,496	16,304	14,427

1) Based on f.o.b.

2) "Initial Payments" are covered in general foreign exchange imports.

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

2.1.b. Imports

As was the case in the previous year, during the reporting year imports registered a decline, by 11.5% to \$ 14,427 million. Declines were both registered in imports of oil/LNG as well as non- oil/ LNG companies, respectively by 19.8% and 9.2% to \$ 2,797 million and \$ 11,630 million (Table 7) .

The decline in the value of oil/LNG imports started to occur since 1982/83. During the reporting year this import declined by \$ 692 million, mainly brought about by a sharp decline in imports of oil companies, by \$ 668 million to \$ 2,605 million. This development was closely related to the expansion of oil refineries in Dumai,

Balikpapan and Cilacap, which commenced production of fuel oils during the reporting year. As a result, fuel oil imports was considerably reduced by 77.8% to \$ 222 million in the reporting year. In addition, various oil digging materials which previously were imported, during the reporting year could be supplied by the domestic industry; therefore, other imports under oil companies declined by 80.5% to \$ 40 million.

Non-oil/LNG imports also recorded a decrease, by 9.2% to \$ 11,630 million. This was primarily caused by a 24.0% decline in imports financed by foreign aids and a 10.4% decline in imports under foreign capital investment, so that the amount of these imports amounted to only \$ 2,999 million and \$ 704 million, respectively.

The smaller imports financed by foreign aids was mainly caused by a decline in project aid imports, down by 23.7% to \$ 2,947 million, which was closely related to the rephrasing policy of various large government projects. In the meantime, program aid imports, consisting of imports under PL 480 and outside PL 480, were down by 38.1% to \$ 52 million. This was mainly due to a sharp drop in imports of rice, by 76.2% to \$ 14 million, brought forth by the successful efforts of the Government to increase rice production and better domestic rice procurement. It should be noted that rice imports implemented during the reporting year were in fact the realization of sales contracts concluded in the previous year.

Imports under foreign capital investment recorded another decrease, by 10.4% to \$ 704 million. This was due to the lower imports of state entities (Table 7.7).

In terms of economic category, the composition of imports during the reporting year followed the same pattern of those in the preceding years, namely imports of raw/intermediate materials ranked first, followed by capital and consumer goods. The share of imports of raw/intermediate materials rose from 45.1% to 50.3% while those of capital and consumer goods decreased from 40.4% to 36.7% and from 14.5% to 13%, respectively (Table 7.8).

By country of origin, in the reporting year the largest portion of Indonesia's import came from Asian countries (54.7%), followed by North American (21.5%) and European countries (19.1%). Among industrial countries, Japan still occupied first place (23.4%), while the United States (18.0%) and the Federal Republic of Germany (6.8%), consecutively still retained the sec-

ond and third place. With regard to ASEAN countries, their share went down from 22.2% to 13.4%. This decline was on account of smaller fuel oil imports under the so-called cross purchase arrangement from Singapore. It should be noted that imports from ASEAN countries changed in composition. Singapore, with a share of 89.9% compared with 91.1% in the previous year, retained its first place. The share of imports from Thailand went down from 4.1% to 3.7%, bringing forth a shift in its position from the second place in the previous year to the third place in the reporting year. On the other hand, the share of imports from Malaysia went up from 1.5% to 5.6%, so that its position was promoted from the fourth to the second place, while the Philippines declined from the third to the fourth place since its share went down from 3.3% to 0.8%.

2.2. Services account

During the reporting year the services account advanced slightly, with deficit declining by 2.9% to \$ 7,442 million. This improvement was attributable to the smaller net outflows of oil/LNG services sector, by 5.8% to \$ 3,381 million, while that of non-oil/LNG services recorded a decline of 0.3% to \$ 4,061 million (Table 7.9).

Improvement in the oil/LNG services was contributed by the smaller investment income outflows of foreign oil companies, down by 37.0% to only \$ 1,243 million, brought about by a decline in production. On the other hand, investment income outlays of LNG companies experienced an increase of 47.1% reaching \$ 1,187 million. This was caused by the upward movement of the production of LNG, up by 41.7% over the previous year.

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

Items	1980/81	1981/82	1982/83 ^r	1983/84 ^r	1984/85
1. Freight on imports	<u>1,645</u>	<u>2,058</u>	<u>2,129</u>	<u>1,880</u>	<u>1,571</u>
a. Oil	356	480	422	328	261
b. LNG	13	12	14	21	19
c. Non-oil and non-LNG	1,276	1,566	1,693	1,531	1,291
2. Other transportation	<u>360</u>	<u>414</u>	<u>250</u>	<u>285</u>	<u>294</u>
a. Oil	179	169	11	59	70
b. LNG	—	—	—	—	—
c. Non-oil and non-LNG	181	245	239	226	224
3. Investment income	<u>2,943</u>	<u>2,996</u>	<u>3,130</u>	<u>3,934</u>	<u>3,698</u>
a. Oil	1,448	1,870	1,472	1,973	1,243
b. LNG	497	613	625	466	766
c. Non-oil and non-LNG	998	513	1,033	1,495	1,689
4. Others	<u>1,564</u>	<u>2,405</u>	<u>1,706</u>	<u>1,564</u>	<u>1,879</u>
a. Oil	302	785	367	401	601
b. LNG	221	218	302	341	421
c. Non-oil and non-LNG	1,041	1,402	1,037	822	857
5. Total	<u>6,512</u>	<u>7,873</u>	<u>7,215</u>	<u>7,663</u>	<u>7,442</u>
a. Oil	2,285	3,304	2,272	2,761	2,175
b. LNG	731	843	941	828	1,206
c. Non-oil and non-LNG	3,496	3,726	4,002	4,074	4,061

The decline in the net outflows of nonoil/LNG services was due to smaller expenditures of freight costs on imports, by 15.7% to \$ 1,291 million, in step with the decline of imports. On the other hand, outlays under investment income increased by 13.% to \$ 1,689 million, among others caused by higher payments of interest on government as well as state entities' borrowings, by 18.2% and 117.1% to \$ 1,392 million and \$ 330 million, respectively.

In the meantime, as a result of various government efforts to encourage tourism industry, foreign exchange earnings arising from foreign tourism rose by 1 .% to 478

million. However, expenditures of overseas travel was up by 7.8% to \$ 550 million, mainly due to higher outflows of official and business travels, which went up by 14.8% to \$ 279 million.

3. Capital movements of the non-monetary sector

During the reporting year net inflows of the non-monetary sector recorded a considerable decline, from \$ 5,974 million to \$ 2,726 million. This was brought forth by the declines in the surplus of the capital movements in both the government as well as private capital accounts.

TABLE 7.10
GOVERNMENT FOREIGN DEBTS
(millions of dollars)

Particulars	1980/81	1981/82	1982/83	1983/84	1984/85
1. IGGI	<u>2,406</u>	<u>2,415</u>	<u>2,905</u>	<u>4,255</u>	<u>3,189</u>
a. ODA	1,417	1,046	1,377	1,986	1,494
— Program aid	(118)	(50)	(21)	(84)	(52)
— Project aid	(1,299)	(996)	(1,356)	(1,902)	(1,442)
b. Non-ODA	989	1,369	1,528	2,269	1,695
2. Non-IGGI (project aid)	<u>278</u>	<u>1,106</u>	<u>2,106</u>	<u>1,538</u>	<u>330</u>
a. ODA	130	168	185	111	29
b. Non - ODA	148	938	1,921	1,427	301
Total	<u>2,684</u>	<u>3,521</u>	<u>5,011</u>	<u>5,793</u>	<u>3,519</u>

3.1. Official capital movements

Official capital inflows declined by 39.3% to \$ 3,519 million. This was mainly caused by the rephrasing of large government projects, the effects of which were still felt during the reporting year. On the other hand, principal repayments of government borrowings recorded an increase of 27.9% to \$ 1,292 million. Therefore, the net capital inflows amounted to only \$ 2,227 million or indicating a decline of 53.4%.

3.1.a. Loans and aids

The amount of borrowings and assistance received by the Government, comprising loans under Inter-Governmental Group on Indonesia (IGGI) as well as non-IGGI, declined by 39.3%. In 1984/85 aids received under the IGGI program decreased by 25.1% to \$ 3,198 million while that of non-IGGI decreased by 78.5% to \$ 330 million (Table 7.10).

Classified in terms of conditions, it may be noted that the largest decrease was reg-

istered by the non-ODA financial assistance, namely by 46.0% to \$ 1,996 million, while ODA's (concessional borrowings) declined by 27.4% to \$ 1,523 million. It should also be added that of the concessional IGGI financial assistance, 96.5% were in the form of project assistance and the remainder in the form of program aid, generally food aid. With regard to non-IGGI borrowings, consisting of ODA and non-ODA borrowings, it recorded a sharp decline. These declines primarily occurred in non-ODA borrowings, especially the commercial borrowings. This development was in line with the policy of the Government, which placed more emphasis on efforts to obtain concessional and semi-concessional foreign assistance. During the reporting year foreign assistance in the form of grants, included in the official capital inflows, amounted to \$ 68.8 million.

3.1.b. Debt repayments

The amortization of government foreign borrowings during 1984/85 amounted to \$ 1,292 million, consisting of ODA borrowings \$ 373 million, non-ODA \$ 887 million

TABLE 7.11
OUTSTANDING EXTERNAL DEBTS
AT THE END OF MARCH 1985
(millions of dollars)

Particulars	Position
I. Government debts	21,179
1. Old debts ¹⁾	1,186
2. New debts	19,993
a. IGGI ²⁾	13,855
— ODA ³⁾	(8,935)
— Program aid	2,448
— Project aid	6,487
— Non-ODA	(4,920)
b. Non-IGGI	6,138
— ODA	(1,089)
— Non-ODA ⁴⁾	(5,049)
II. Debts of state enterprises	1,724
Total	22,903

1) Old debts are those obtained prior to July 1966.

2) IGGI borrowings are those obtained under commitment from the IGGI meeting.

3) Official Development Assistance (ODA) are loans provided by foreign governments (bilateral) and international agencies (multilateral).
The terms for the above mentioned bilateral and multi-lateral loans may be concessionary as well as semi-concessionary.

4) Non-ODA borrowings are those obtained from foreign banks/creditors (on commercial terms.).

and pre-July 1966 borrowings (old debts) \$ 32 million. It should be added that payments of interests on government borrowings during the reporting year rose by 18.0% to \$ 1,393 million. Accordingly, the percentage of principal and interest payments of official foreign debts in proportion to net export receipts (debt service ratio) stood at 19.6%.

3. 1 .c. Disbursed and still outstanding external borrowings

At the end of the reporting year the outstanding amount of external debts amounted to \$ 22,903 million, consisting of old debts \$ 1,186 million, new government borrowings \$ 19,993 million and borrowings by

state entities \$ 1,724 million (Table 7.11). The foreign currency composition of these foreign debts comprised US dollar 54.7%, Japanese yen 26.1%, German mark 5.1%, French franc 2.4%, the Netherlands guilder 2.0% and various currencies 9.7%.

Classified by creditor source, the largest portion (69.3%) of new government debts originated from IGGI borrowings, while the balance from non-IGGI sources. Of the IGGI borrowings, 70.7% were concluded on bilateral arrangements and the difference originated from multilateral agreements, such as, International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), Asian Development Bank (ADB) and International Fund for Agricultural Development (IFAD). The largest portion (82.3%) of the non-IGGI borrowings were from banks and other financial institutions, while the remainder were obtained through bilateral agreements.

From the perspective terms of credits, \$ 8,935 million (including \$ 2,448 million program aids) of IGGI borrowings were on ODA terms (concessional) and \$ 4,920 million were on non-ODA terms (semi concessional and commercial terms). Non-IGGI borrowings amounted to \$ 6,138 million, of which \$ 1,089 million were on ODA terms and \$ 5,049 million on non-ODA terms. Accordingly, of the aggregate new official borrowings, \$ 10,024 million were on ODA terms and \$ 9,969 million were on non-ODA terms. It should be noted that the largest portion of the new official borrowings were mainly spent to finance development projects.

It should also be noted that foreign borrowings of state-owned enterprises, consisting of borrowings by Pertamina and Garuda

Indonesian Airways, were on commercial terms. At end of the reporting year the disbursed and still outstanding amount of these borrowings stood at \$ 1,724 million.

3.2. Private capital movements

During 1984/85 net inflows of private capital movements amounted to \$ 499 million or down by \$ 692 million. This was caused by a \$ 606 million decline in the net capital inflows of government entities and a \$ 138 million decline of other private capital inflows, while net inflows under-direct foreign investment recorded an increase of \$ 52 million.

The decline in the net inflows of government entities was caused by lower foreign capital inflows and higher repayments of Pertamina's foreign borrowings. With regard to net inflows of other private capital, its decline was mainly caused by the higher amount of repayments.

4. Monetary movements

Although during the reporting year the Indonesian economy faced serious challenges, the balance of payments continued to register a surplus of \$ 667 million, bringing forth an increase in the official foreign exchange to \$ 5,811 million at end of the reporting year (Table 7.1). The level of this foreign exchange was sufficient to cover 5.4 month non-oil/LNG imports, compared with 4.3 month in the previous year.

Besides the favorable development of the above official foreign exchange reserves, those held by foreign exchange

banks during the reporting year also recorded an increase, by 21.2% reaching \$ 4,573 million. Consequently, the aggregate foreign exchange reserves of the country amounted to \$ 10,384 million or equivalent to 9.6 month non-oil/LNG imports.

5. Exchange rate development

The development of the rupiah exchange rate during the reporting year was influenced by the exchange rate of the US dollar, which strengthened against other foreign currencies. During the reporting year the rupiah depreciated by 9.2% against the US dollar and by 3.8% against the Sin. dollar. On the other hand, the rupiah appreciated by 19.9% against the Australian dollar, by 7.6% against the German mark, by 7.5% against the Netherlands florin, by 4.9% against the English poundsterling and by 1.3% against the Japanese yen.

C. Indonesia's balance of payments for 1985/86

In 1985/86 net foreign exchange receipts from oil/LNG would be expected to decline as a result of the persistently weak demand of oil in the international market. Furthermore, the imposition of quota on the oil production of OPEC member countries would still be enforced.

As a result of the government policy to continually encourage non-oil/LNG exports, the volume as well as value of these exports would be expected to register increases. On the import front, the expen-

ditures on non-oil/LNG imports and services were estimated to increase at higher levels than that of exports. Based on these assumptions, the deficit in the current account for the coming 1985/86 was projected to increase considerably. The deficit of this current account, however, would

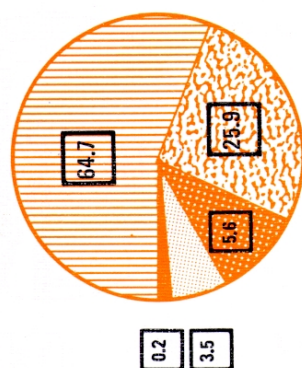
be offset by increases of foreign capital inflows, both in the forms of official as well as private capital inflows. Taking these assumptions into consideration, the overall balance of payments of Indonesia for 1985/86 would still record another considerable surplus.

PERCENTAGE OF EXPORTS BY COUNTRY OF DESTINATION

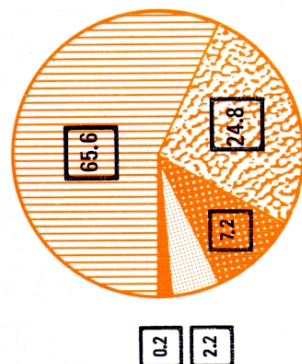
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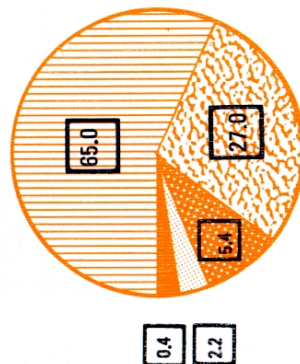
Source : Central Bureau of Statistics



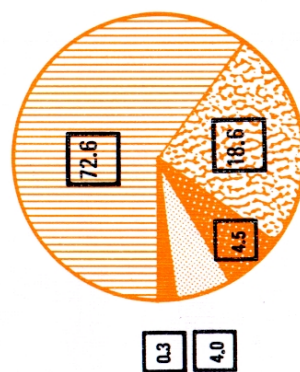
1981/82



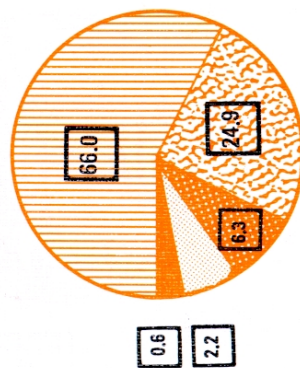
1980/81



1983/84

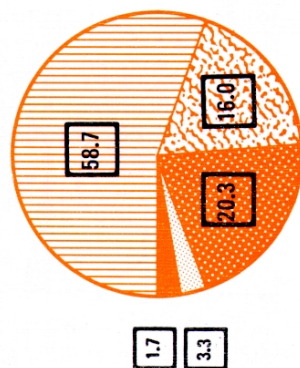
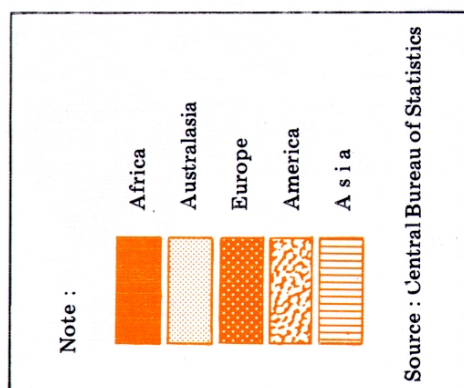


1982/83

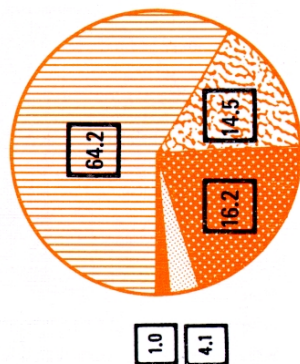


1984/85

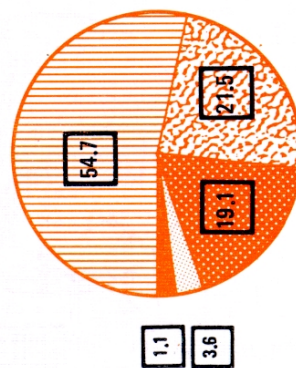
PERCENTAGE OF IMPORTS BY COUNTRY OF ORIGIN



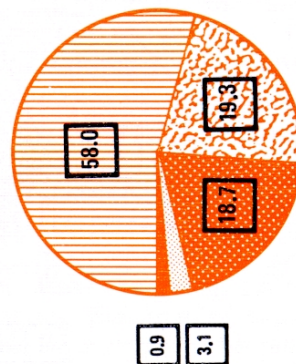
1981/82



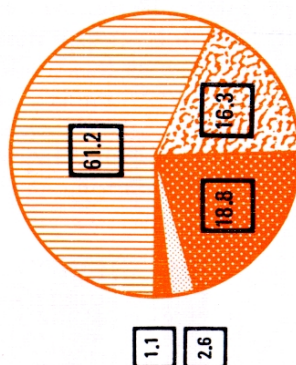
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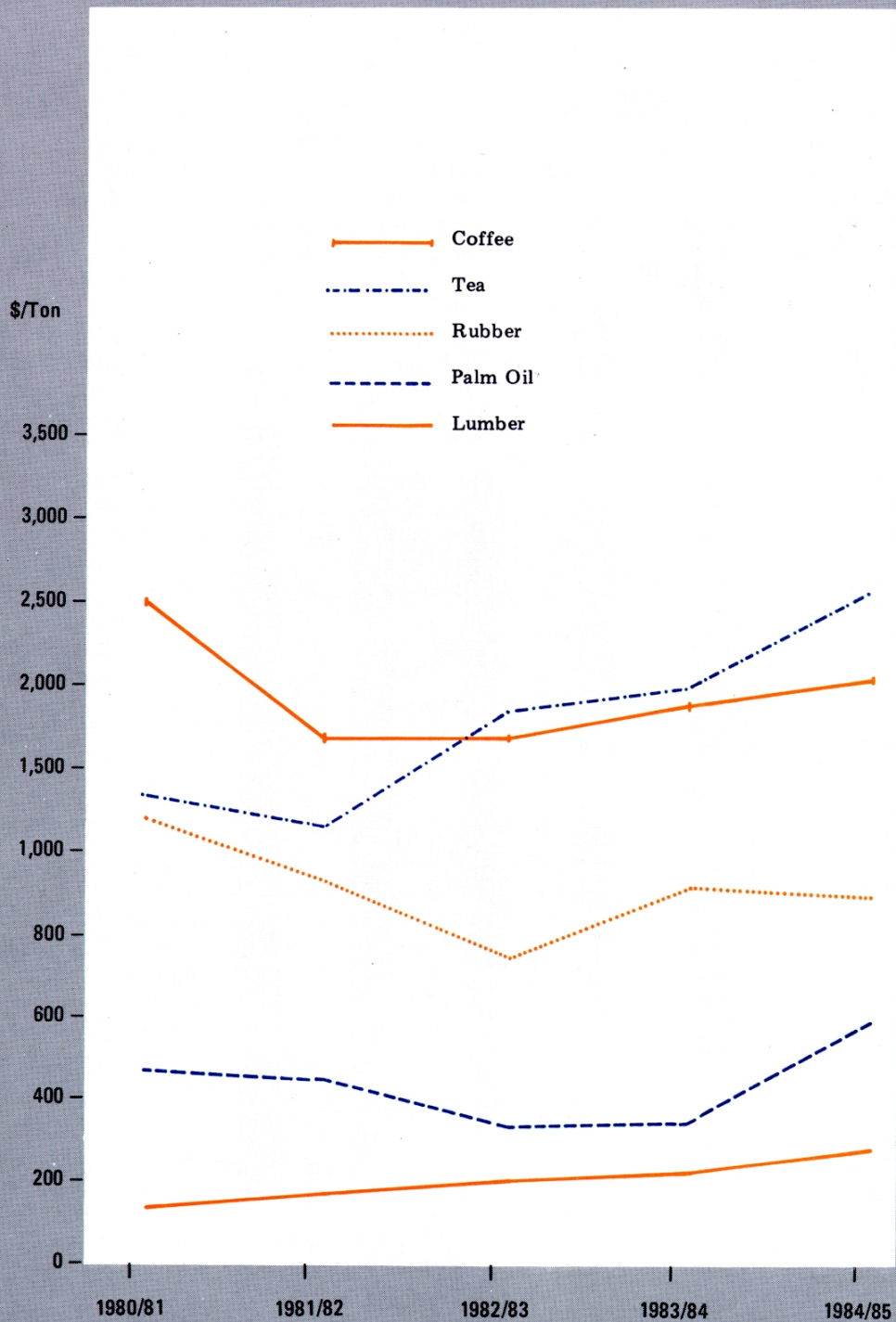


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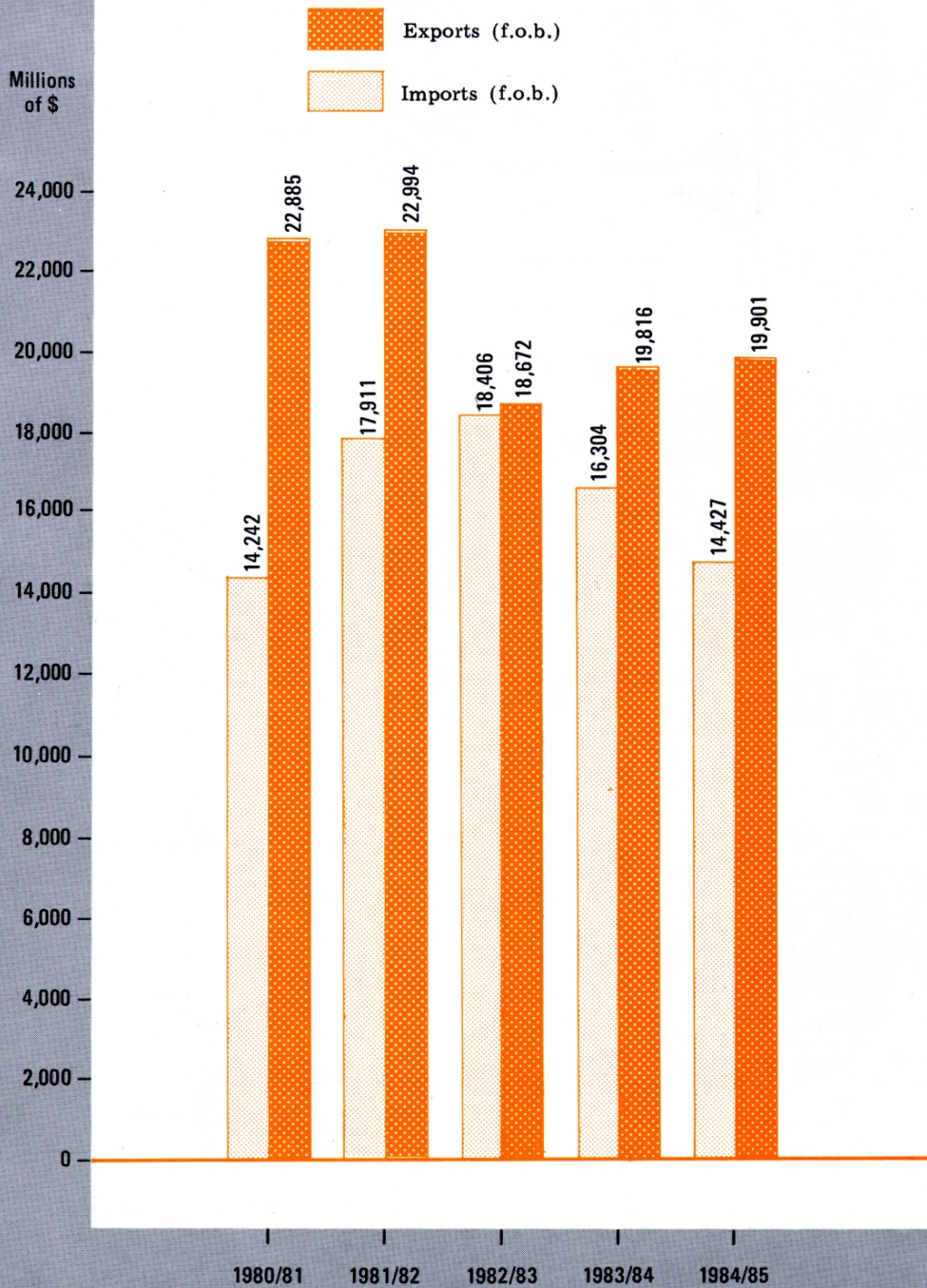


1982/83

UNIT PRICES OF SELECTED EXPORT COMMODITIES



FOREIGN TRADE



VIII. PRODUCTION, INFRASTRUCTURE AND PRICES

A. National Product

During the past decade, the growth of the Indonesian economy was measured by growth rates of real gross domestic product (GDP) using 1973 as the base year. Taking into account domestic as well as overseas economic changes, it was considered necessary to change the base year in the computation of the real GDP growth rates to reflect more realistically developments of the economy. In this connection, the 1984 growth rate was calculated with 1983 as the base year instead of 1973.

In 1984 the Indonesian economy in terms of GDP growth rate at 1983 prices grew by 5.8% compared with 3.3% in the previous year. At 1973 prices the growth rate of the GDP still showed favorable figures, namely 5.2% in 1984 compared with 4.2% in the previous year. Taking into account the annual population growth rate of 2.2%, real per capita GDP (at 1983 prices) during 1984 grew by 3.5% compared with 1.1% in 1983 (Table 8.1).

If oil/liquefied natural gas (oil/LNG) were to be excluded, the growth rate of the economy rose from 3.9% to 4.5% in 1984. This development was mainly due to the high growth rate of the agricultural sector. It should be noted, the value added growth rate of the oil/LNG sector was even faster, namely from 1.2% to 11.1% in 1984. This better performance was mainly caused by the higher growth rate of both LNG and refined oil, by 33.8% and 6.6% compared with an increase of 5.3% and a decline of 13.3%, respectively, in the preceding year.

In general, all economic sectors registered growths, except construction. High growth rates were recorded in the industrial, agricultural and mining sectors.

Industrial sector grew by 12.8% compared with 3.5% in 1983. The advancement was associated with the higher increases in the value-added of the production of LNG, refined oil, and some of non-oil/LNG products, such as fertilizer, cement, and plywood. On the other hand, some products of non-oil/LNG processing industries, namely steel pipe, zinc plate and concrete iron, recorded declines.

Agricultural sector experienced an increase of 5.9% in 1984 compared with 1.9% in the previous year. The improvement in its value-added was among others attributable to higher output of plantation and food crops, especially rice which increased by 7.6% reaching 25.8 million tons.

In 1984 the mining sector grew by 7.0% compared with 0.7% in the previous year, mainly due to rapid increases in the outputs of coal and natural gas. Value-added of coal and earth gas rose by 123.2% and 28.3% compared with 1.0% and 6.7%, respectively, in the previous year.

In terms of GDP formation at current prices, the agricultural sector remained to hold its first place, at a share of 24.9%. Other sectors which also had large shares, among others were mining (17.7%), wholesale and retail trade (15.6%), and industries (12.0%), see Table 8.2.

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

Sector	At 1973 constant market prices				At 1983 constant market prices	
	1980	1981	1982	1983	1983*	1984*
— Agriculture, forestry and fishery	3,425	3,593	3,670	3,846	17,696	18,747
— Farm food crops	(2,073)	(2,261)	(2,295)	(2,413)	(11,057)	(11,917)
— Others	(1,352)	(1,332)	(1,375)	(1,433)	(6,639)	(6,830)
— Mining and quarrying	1,035	1,069	940	957	13,652	14,608
— Manufacturing	1,705	1,878	1,901	1,943	8,528	9,622
— Electricity, gas and water supply	78	90	105	113	524	588
— Construction	639	720	758	804	4,597	4,528
— Wholesale and retail trade	1,852	2,043	2,159	2,241	12,009	12,105
— Transport and communication	609	677	717	752	3,978	4,317
— Banking and other financial intermediaries	208	231	258	276	2,039	2,202
— Ownership of dwelling	336	359	377	400	1,962	2,072
— Public administration and defence	972	1,076	1,114	1,176	5,712	6,086
— Services	311	319	326	334	3,001	3,122
Gross Domestic Product	11,169	12,055	12,325	12,842	73,698	77,997
At current market prices						
	1980	1981	1982		1983*	1984*
— Agriculture, forestry and fishery	11,290	13,642	15,668		17,696	21,424
— Farm food crops	(6,358)	(8,102)	(9,961)		(11,057)	(13,665)
— Others	(4,932)	(5,540)	(5,707)		(6,639)	(7,758)
— Mining and quarrying	11,673	12,971	11,708		13,652	15,218
— Manufacturing	5,288	5,822	7,681		8,528	10,318
— Electricity, gas and water supply	225	288	380		524	700
— Construction	2,524	3,118	3,507		4,597	4,883
— Wholesale and retail trade	6,391	7,966	8,865		12,009	13,372
— Transport and communication	1,965	2,353	2,795		3,978	5,002
— Banking and other financial intermediaries	752	1,404	1,604		2,039	3,068
— Ownership of dwelling	1,200	1,439	1,703		1,962	2,211
— Public administration and defence	3,142	3,905	4,429		5,712	6,310
— Services	996	1,119	1,293		3,001	3,408
Gross Domestic Product	45,446	54,027	59,633		73,698	85,914

Source : Central Bureau of Statistics.

TABLE 8.2
PERCENTAGE DISTRIBUTION OF GROSS DOMESTIC PRODUCT
BY INDUSTRIAL CLASSIFICATION

Sector	At 1973 constant market prices				At 1983 constant market prices	
	1980	1981	1982	1983	1983*	1984*
– Agriculture, forestry and fishery	30.66	29.81	29.78	29.95	24.01	24.04
– Farm food crops	(18.56)	(18.76)	(18.62)	(18.79)	(15.00)	(15.28)
– Others	(12.10)	(11.05)	(11.16)	(11.16)	(9.01)	(8.76)
– Mining and quarrying	9.26	8.87	7.63	7.45	18.52	18.73
– Manufacturing	15.26	15.58	15.42	15.13	11.57	12.34
– Electricity, gas and water supply	0.70	0.75	0.85	0.88	0.71	0.75
– Construction	5.72	5.97	6.15	6.26	6.24	5.80
– Wholesale and retail trade	16.58	16.94	17.51	17.45	16.30	15.52
– Transport and communication	5.46	5.62	5.82	5.86	5.40	5.54
– Banking and other financial intermediaries	1.86	1.92	2.09	2.15	2.77	2.82
– Ownership of dwelling	3.01	2.98	3.06	3.11	2.66	2.66
– Public administration and defence	8.70	8.92	9.04	9.16	7.75	7.80
– Services	2.79	2.64	2.65	2.60	4.07	4.00
Gross Domestic Product	100.00	100.00	100.00	100.00	100.00	100.00
At current market prices						
	1980	1981	1982	1983*	1984*	
– Agriculture, forestry and fishery	24.84	25.25	26.27	24.01	24.94	
– Farm food crops	(13.99)	(14.99)	(16.70)	(15.00)	(15.91)	
– Others	(10.85)	(10.26)	(9.57)	(9.01)	(9.03)	
– Mining and quarrying	25.68	24.01	19.63	18.52	17.71	
– Manufacturing	11.64	10.78	12.88	11.57	12.01	
– Electricity, gas and water supply	0.50	0.53	0.64	0.71	0.82	
– Construction	5.55	5.77	5.88	6.24	5.68	
– Wholesale and retail trade	14.06	14.74	14.87	16.30	15.57	
– Transport and communication	4.32	4.36	4.69	5.40	5.82	
– Banking and other financial intermediaries	1.66	2.60	2.69	2.77	3.57	
– Ownership of dwelling	2.64	2.66	2.86	2.66	2.57	
– Public administration and defence	6.92	7.23	7.43	7.75	7.34	
– Services	2.19	2.07	2.17	4.07	3.97	
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	At 1973 constant market prices				At 1983 constant market prices	
	1980	1981	1982	1983	1983*	1984*
— Private consumption	8,868 ¹⁾	10,350 ¹⁾	10,697 ¹⁾	11,501 ¹⁾	44,739	46,898
— Government consumption	1,490	1,641	1,776	1,759	8,077	8,416
— Gross domestic capital formation	2,896	3,219	3,637	3,921	21,668	18,653
— Export of goods and non-factor services	1,719	1,678	1,444	1,535	20,448	22,754
Less :						
— Import of goods and non-factor services	3,804	4,833	5,229	5,874	21,235	18,724
Gross Domestic Product	11,169	12,055	12,325	12,842	73,698	77,997
— Net factor income from abroad	— 759	— 674	— 653	— 835	— 3,643	— 4,587
Gross National Product	10,410	11,381	11,673	12,007	70,055	73,410
Less :						
— Net indirect taxes	544	588	601	626	1,166	1,234
Less :						
— Depreciation	728	786	804	837	3,658	3,767
National income	9,138	10,007	10,268	10,544	65,230	68,408
At current market prices						
	1980	1981	1982	1983*	1984*	
— Private consumption	27,503 ¹⁾	35,560 ¹⁾	41,671 ¹⁾	44,739	51,399	
— Government consumption	4,688	5,788	6,832	8,077	8,936	
— Gross domestic capital formation	9,485	11,553	13,467	21,668	22,566	
— Export of goods and non-factor services	13,849	14,928	13,345	20,448	23,380	
Less :						
— Import of goods and non-factor services	10,080	13,802	15,682	21,235	20,368	
Gross Domestic Product	45,446	54,027	59,633	73,698	85,914	
— Net factor income from abroad	—2,011	— 1,925	— 1,958	— 3,643	— 4,990	
Gross National Product	43,435	52,102	57,675	70,055	80,924	
Less :						
— Net indirect taxes	1,635	1,752	2,132	1,166	1,359	
Less :						
— Depreciation	2,962	3,512	3,876	3,658	4,150	
National income	38,838	46,838	51,667	65,230	75,415	

1) Residual.

Source : Central Bureau of Statistics.

TABLE 8.4
PERCENTAGE DISTRIBUTION OF EXPENDITURE
ON GROSS DOMESTIC PRODUCT

Sector	At 1973 constant market prices				At 1983 constant market prices	
	1980	1981	1982	1983	1983*	1984*
— Private consumption	79.40 ¹⁾	85.86 ¹⁾	86.79 ¹⁾	89.56 ¹⁾	60.71	60.13
— Government consumption	13.34	13.61	14.41	13.70	10.96	10.79
— Gross domestic capital formation	25.93	26.70	29.51	30.53	29.40	23.91
— Export of goods and non-factor services	15.39	13.92	11.72	11.95	27.74	29.17
Less :						
— Import of goods and non-factor services	34.06	40.09	42.43	45.74	28.81	24.01
Gross Domestic Product	100.00	100.00	100.00	100.00	100.00	100.00
— Net factor income from abroad	— 6.80	— 5.59	— 5.30	— 6.50	— 4.94	— 5.86
Gross National Product	93.20	94.41	94.71	93.50	95.06	94.12
Less :						
— Net indirect taxes	4.87	4.88	4.88	4.87	1.58	1.58
Less :						
— Depreciation	6.52	6.52	6.52	6.52	4.96	4.83
National income	81.82	83.01	83.31	82.11	88.51	87.71
At current market prices						
	1980	1981	1982	1983*	1984*	
— Private consumption	60.52 ¹⁾	65.82 ¹⁾	69.88 ¹⁾	60.71	59.83	
— Government consumption	10.32	10.71	11.46	10.96	10.40	
— Gross domestic capital formation	20.87	21.38	22.58	29.40	26.27	
— Export of goods and non-factor services	30.47	27.63	22.38	27.74	27.21	
Less :						
— Import of goods and non-factor services	22.18	25.55	26.30	28.81	23.71	
Gross Domestic Product	100.00	100.00	100.00	100.00	100.00	
— Net factor income from abroad	— 4.43	— 3.56	— 3.28	— 4.94	— 5.81	
Gross National Product	95.57	96.44	96.72	95.06	94.19	
Less :						
— Net indirect taxes	3.60	3.24	3.58	1.58	1.58	
Less :						
— Depreciation	6.52	6.50	6.50	4.96	4.83	
National income	85.46	86.69	86.64	88.51	87.78	

1) Residual.

Source : Central Bureau of Statistics.

TABLE 8.5
TERMS OF TRADE EFFECT AND GROSS DOMESTIC INCOME
(billions of rupiah)

Items	1981	1982	1983	1983	1984*
Exports at current market prices	14,928	13,345	20,448	20,448	23,380
Exports at constant market prices	1,678 ¹⁾	1,444 ¹⁾	1,535 ¹⁾	20,448 ²⁾	22,754 ²⁾
Export Price Index	890 ³⁾	924 ³⁾	1,332 ³⁾	100 ⁴⁾	102.75 ⁴⁾
Imports at current market prices	13,802	15,682	21,235	21,235	20,368
Imports at constant market prices	4,833 ¹⁾	5,229 ¹⁾	5,874 ¹⁾	21,235 ²⁾	18,724 ²⁾
Import Price Index	286 ³⁾	300 ³⁾	362 ³⁾	100 ⁴⁾	108.78 ⁴⁾
Import capacity	5,220 ¹⁾	4,448 ¹⁾	5,656	20,448 ²⁾	21,493 ²⁾
Term of Trade Index	311 ³⁾	308 ³⁾	368 ³⁾	100 ⁴⁾	94.46 ⁴⁾
Term of Trade Effect	3,542 ¹⁾	3,004 ¹⁾	4,121 ¹⁾	0 ²⁾	- 1,261 ²⁾
GDP at constant market prices	12,055 ¹⁾	12,325 ¹⁾	12,842 ¹⁾	73,698 ²⁾	77,997 ²⁾
Gross Domestic Income	5,597 ¹⁾	15,329 ¹⁾	16,963 ¹⁾	73,698 ²⁾	76,736 ²⁾

1) At 1973 constant market prices.

2) At 1983 constant market prices.

3) At 1973 base year (1973 = 100)

4) At 1983 base year (1983 = 100)

Source : Central Bureau of Statistics.

From the expenditures side at 1983 prices, private consumption, government consumption and exports rose by 4.8%, 4.2% and 11.3%, respectively. On the other hand, gross domestic investment and imports recorded declines of 7.1% and 11.8%, respectively. Private consumption in 1984 rose only by 4.8% compared with 6.1% in the preceding year. This decline was closely related to the deterioration in growth rates of real income of several groups in the society. Government consumption, which in 1983 declined by 1.9%, during the reporting year recorded an increase of 4.2%. This increase was brought about by higher outlays in personnel expenditures (Table 8.3).

Gross domestic investment recorded a decline of 7.1% in 1984 compared with an increase of 1.3% in 1983. This deterioration was among others caused by the rephasing of several large government projects and the decline in private investment, the latter being the result of saturation in some main industries.

Exports of goods and services at 1983 prices rose by 11.3% compared with 6.3% in 1983. This improvement was contributed by higher earnings of LNG and non-oil/LNG exports. Meanwhile, oil exports recorded a decrease due to the persistently sluggish demand for Indonesian oil in the world market.

In 1984 the import volume went down by 11.8% after recording an increase of 4.5% in the preceding year. This decline was attributable to the rephasing of several large government projects, the higher utilization of domestically produced commodities and lower government and private investments.

If the effects, of the terms of trade were to be included in the calculation of the GDP, gross domestic income rose by 4.1% while GDP grew by 5.8%. The lower growth rate of the gross domestic income was caused by the faster increase in the price indices of imports (8.8%) than that of exports (2.8%), see Table 8.5.

TABLE 8.6
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
1982/83							
March	189.70	228.76	204.60	210.57	205.99		
1983/84						+12.63	
June	205.03	234.86	210.18	217.18	216.19	+ 4.88	
September	210.48	236.45	212.96	219.51	219.61	+ 1.58	
December	212.70	238.08	214.04	221.54	221.53	+ 0.87	
March	220.54	263.88	215.14	229.77	233.42	+ 5.30	
1984/85						+ 3.64	
April	221.16	265.64	215.72	240.34	236.48		+ 1.31
May	224.27	265.88	216.03	240.87	238.02		+ 0.65
June	225.29	266.14	217.50	240.93	238.69	+ 2.24	+ 0.28
July	225.93	267.34	218.77	241.68	239.58		+ 0.37
August	223.20	267.94	219.68	244.14	239.22		- 0.15
September	222.45	267.95	219.77	244.57	238.98	+ 0.12	- 0.10
October	221.52	268.53	220.34	246.03	239.06		+ 0.03
November	220.90	269.46	220.46	243.35	239.14		+ 0.03
December	226.35	269.99	220.58	246.54	241.63	+ 1.10	+ 1.04
January	227.07	272.37	220.83	247.17	242.75		+ 0.46
February	223.88	272.89	220.91	247.37	241.54		- 0.50
March	224.34	273.47	221.08	248.07	242.07	+ 0.18	+ 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.

The GDP at current prices for 1984 amounted to Rp 85,914.4 billion. With a midyear population of 159.8 million, GDP per capita reached Rp 537,637.05, indicating an increase of 18% over the previous year.

B. Price Development

The rate of inflation during 1984/85, as measured by the consumer price index (CPI) of 17 cities, showed a sharp decrease, from 12.63% to 3.64% (Table 8.6). This considerable improvement was

contributed by the sufficient supply of consumer goods, the well preserved level of oil prices and supported by appropriate and timely monetary and fiscal policies.

This low rate of inflation was also closely related to the lower rate of inflation prevailing in Indonesia's main trading partners as reflected in the prices of imported goods which remained relatively stable. It is worth noting that the level of inflation rate during the reporting year was the lowest since 1971/72.

TABLE 8.7
PRICES OF SELECTED EXPORT
COMMODITIES IN THE DOMESTIC MARKET
(JAKARTA)
(rupiah per kg)

Period	Rubber RSS-1	Coffee Robusta	Tea BOP
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
1984/85			
April	939.44	1,300.00	2,000.00
May	889.44	1,325.00	2,000.00
June	794.45	1,300.00	1,900.00
July	795.54	1,300.00	1,750.00
August	820.36	1,325.00	1,600.00
September	853.27	1,350.00	1,600.00
October	797.90	1,350.00	1,700.00
November	766.78	1,300.00	1,700.00
December	750.98	1,325.00	1,600.00
January	726.14	1,300.00	1,600.00
February	704.86	1,325.00	1,600.00
March	706.00	1,350.00	1,500.00

Source : Central Bureau of Statistics.

From this 3.64% inflation rate, miscellaneous component contributed 1.64% while the remaining was spread among foodstuffs, housing and clothing components. Prices of all commodities under miscellaneous components registered increases, especially transportation subcomponent (10.57%) and education subcomponent (9.62%).

The price increase in housing component, at 3.50% was much lower than that of last year (14.50%). With regard to foodstuffs and clothing component, the price increases

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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
1984/85			
April	939.44	1,300.00	2,000.00
May	889.44	1,325.00	2,000.00
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December	750.98	1,325.00	1,600.00
January	726.14	1,300.00	1,600.00
February	704.86	1,325.00	1,600.00
March	706.00	1,350.00	1,500.00

Source : Central Bureau of Statistics.

were relatively low, namely 1.77% and 2.72%, respectively.

It should be noted that until to date food-stuff component had a large influence on the rate of inflation. However, in 1984 its influence declined, since its price increases, especially of rice, was relatively slower than that of other components. In the reporting year the price of rice declined by 4.14% as a result of the considerable increase in the output of rice. In addition, this low increase was also attributable to the

decline in the prices of fat and oil (8.7%). Meanwhile, prices of clothing component were relatively stable because of sufficient stock.

The average monthly price development during the reporting year showed an increase of 0.30%. The highest rate of increase was recorded in April 1984, at 1.31%, due to the upward adjustment of transportation services. Another high price increase occurred in December 1984, at 1.04%, following the announcement of the Government regarding the imposition of higher floor purchase prices on paddy and rice effective on February 1, 1985, by 6.1% and 5.7%, respectively. Concurrently, there were also price declines, occurring in August 1984 (-- 0.15%), September 1984 --0.10%) and February 1985 (-- 0.50%). The significant price decline that occurred in February 1985 was brought about by the considerable decrease in the prices of rice and spices.

The stable prices in 1984/85 were also shown in the wholesale price index which in aggregate rose by only 3.5% compared with 27.19% in the previous year. The much lower rate of increase was mainly on account of sharp drop in the prices of export and import commodities, namely from 43.18% and 25.37% to only 2.56% and 3.72%, respectively, in the reporting year.

The domestic prices of some export commodities in 1984/85 showed a different trend. Prices for Robusta coffee and BOP tea in Jakarta increased by 9.7% to Rp 1,320.83 and 35.0% to Rp 1,712.00 per kg, respectively, while that for rubber RSS—1 decreased by 22.4% to Rp 795.43 per kg (Table 8.7). The international prices for Robusta coffee and BOP tea on the average

rose by 18.7% to Sin. \$ 0.488 and 38.3% to £ 2.31 per kg, respectively, while that for rubber RSS—1 declined by 16.1% to \$ 0.47 per pound (Table 8.8).

C. Population

The government policy on population in the reporting year basically continued to pursue and improve the policies undertaken in the previous years. These policies were directed to solve the main problems of high population growth rate, imbalance in the population dispersion, unfavorable age structure as well as the quality of the population which needed to be improved. According to the 1980 Population Census, the annual population growth rate was 2.2%, so that by the end of 1984 would reach 161.6 million. Of this total, around 63% lived in Jawa and Bali, which constituted only 7% of Indonesia's land area.

In order to solve these problems, the Government continued to promote the expansion of employment opportunities, develop more efficient and skillful labor force, induce transmigration and enhance the family-planning program.

1. Labor force

The high population growth rate of population and the fact that 60% of the population was under 24 years old, were both responsible for the high growth rate of the labor force. The labor force grew by 2.7% or 1.8 million, so that at the end of 1984 would reach around 65.2 million people. With an economic growth of 5.8%, the number of employment opportunities during 1984 would rise by 2.1% or 1.2 million, bringing about 56.5 million employment opportuni-

TABLE 8.9
NUMBER OF REGISTERED WORK SEEKING PEOPLE BY
EDUCATIONAL LEVEL IN 1984

Educational attainment	January	February	March	April	May	June	July	August	September	October	November	December	Total	%
Illiterate and non-certificate primary school	1,851	2,324	2,666	2,382	1,793	1,480	1,925	2,758	865	2,130	2,921	1,529	24,624	3.54
Primary school	6,653	5,303	4,530	3,642	3,319	3,706	5,703	5,581	7,838	6,208	5,898	4,958	63,339	9.10
Junior high school	4,370	5,136	5,346	4,017	3,468	4,568	6,786	7,848	14,592	11,843	6,605	5,710	80,289	11.54
Senior high school	32,262	24,297	25,741	17,618	24,593	28,781	50,225	70,965	74,521	56,481	36,536	38,673	480,693	69.08
University	3,621	3,319	2,483	1,986	1,865	1,723	2,512	3,398	9,091	5,607	4,658	6,618	46,881	6.74
Total	48,757	40,379	40,766	29,645	35,038	40,258	67,151	90,550	106,907	82,269	56,618	57,488	695,826	100.00

Source : Department of Manpower Affairs.

TABLE 8.10
LABOR MARKET IN 1984

Particulars	January	February	March	April	May	June	July	August	September	October	November	December	Total
A. Registered work seeking manpower	48,757	40,379	40,766	29,645	35,038	40,258	67,151	90,550	106,907	82,269	56,618	57,488	695,826
B. Vacancies	8,155	8,221	12,439	9,937	6,886	6,396	8,692	9,162	9,926	12,203	10,474	9,783	112,274
C. Occupied vacancies	5,904	5,908	7,329	5,641	4,968	5,026	4,396	5,649	4,115	7,060	10,793	7,570	74,359
D. % B : A	16.73	20.36	30.51	33.52	19.65	15.89	12.94	10.12	9.28	14.83	18.50	17.02	16.14
E. % C : A	12.11	14.63	17.98	19.03	14.18	12.48	6.55	6.24	3.85	8.58	19.06	13.17	10.69
F. % C : B	72.40	71.86	58.92	56.77	72.15	78.58	50.58	61.66	41.46	57.85	103.05	77.38	66.23

Source : Department of Manpower Affairs.

TABLE 8.11
AVERAGE MONTHLY WAGE BY ECONOMIC SECTOR
(In units of rupiah)

Sector	Average minimum wage		Average maximum wage	
	1983 ^r	1984	1983 ^r	1984
Plantation	27,207	31,974	289,408	303,878
Mining	72,540	83,421	620,200	651,210
Manufacturing	65,570	75,405	712,165	747,773
Construction	36,718	42,225	524,395	550,614
Electricity	40,121	46,139	465,520	465,520
Trade, bank and insurance	67,283	77,735	656,676	689,510
Transportation	69,475	79,896	554,632	582,363
Services	56,491	64,965	393,912	413,082
Others	32,400	32,400	307,400	307,400

Source : Department of Manpower Affairs.

ties at end of 1984. It should be noted that these employment opportunities excluded those of the informal sector, such as vendors and free-lance craftsmen.

To counterbalance the higher growth rate of the labor force than that of employment opportunities, the Government paid special attention to promote the expansion of employment opportunities through sectoral and regional programs. In addition, to improve the productivity of the labor force, the Government carried out professional trainings, among others through work training programs (Balai Latihan Kerja or BLK). The policy in the placement of labor force had been executed in step with the program of transmigration as well as through the inter-local (Antar Kerja Lokal or AKL), interregional (Antar Kerja Antar Daerah or AKAD) and international (Antar Kerja Antar Negara or AKAN) work programs.

In order to improve data on employment opportunities and to channel labor force, the Department of Manpower Affairs intro-

duced a manpower exchange office at each of its district- offices. Data obtained from these offices indicated that from 696 thousand registered job seekers, 69% graduated from senior high schools, 12% from junior high schools, and 13% graduated/attended elementary schools and the remainder graduated from other levels of schools (Table 8.9). On the other hand, of the 112 thousand work vacancies, only 74 thousand met the necessary requirements or 11% from the registered job seekers (Table 8.10). Therefore, about 38 thousand employment opportunities were not filled in because the required skills were not met. This reflected need to improve skills.

The regulation on wages continued to be aimed at enabling the minimum wages to meet the subsistence level. In 1984 the average of the minimum and the maximum wages rose by 14.27% and 4.13%, respectively, while prices in terms of CPI increased by 8.76% (Table 8.11). Consequently, the real average maximum wage declined while that of the minimum wage recorded a significant improvement.

2. Transmigration

The policy on transmigration continued to be directed towards improving the welfare of the people through better dispersion of the population and thereby open and develop new production areas. Furthermore, programs on transmigration were designed to redraft the utilization, allotment and ownership of land in the transmigration areas as well as in the areas where the transmigrants originated. This policy was expected to support and stimulate development.

In the past the program on transmigration was emphasized on the development of food crops. However, starting with this reporting year the stress was more on the development of plantation crops. This policy was carried out through the so-called Plantation of Nucleus Smallholders' Estate (Perusahaan Inti Rakyat or PIRBun), especially to develop regions suitable for the cultivation of plantation crops in several provinces of Sumatra and Kalimantan. It is worth noting that this policy was mainly

linked to the execution of spontaneous transmigration.

During the reporting year the number of families targeted for transmigration was set at 125 thousand, while the actual stood only at 94,290 families or 75.4% of the target (Table 8.12). Although lower than targeted, it was still 24% higher than the actuals in the previous year. In addition, of the above actuals, 47,273 families were spontaneous transmigrants or indicating an increase of 218% from the previous year. This impressive improvement reflected the result of the efforts of the Government in guiding, informing and motivating the people in this program.

3. Family planning

The emphasis of the Government on family planning (Keluarga Berencana or KB) program had been expanding and improving the policies undertaken in the preceding years. This was carried out among others through encouraging the so-called Safari Senyum Terpadu program, taking into account the condition of areas, the anticipated goals and the preparedness of areas.

The implementation of this KB program was directed to decrease the levels of crude birth and fertility rates, from 33.8 and 4.7 to 29.1 - 32.4 and 3.7 - 4.2 in the reporting year. In 1984/85, the active

TABLE 8.12
REALIZATION OF TRANSMIGRATION
(families)

Year	General transmigration	Spontaneous transmigration	Total
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
1984/85	47,017	47,273	94,290
Total	390,520	179,472	569,992

Sources : — Supplement to the President's Report to Parliament, August 16, 1985.
— Department of Transmigration.

members of KB program rose by 9.0% to 15.7 million members. This was made possible by a 6.3% increase of family planning clinics reaching 7,509 clinics at end of the reporting year. The number of new KB members went down from 5.2 million to 4.1 million in the reporting year. This decline was due to the high percentage of fertile couples

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

Year	Number of health clinics	New members			Active members		
		Target	Realization	%	Target	Realization	%
1980/81	5,609	2,677,918	3,051,244	113.9	8,402,150	7,791,537	92.7
1981/82	6,129	2,018,109	2,966,897	147.0	8,882,137	8,950,206	100.8
1982/83	6,586	3,621,595	3,885,476	107.3	10,889,819	11,211,285	102.9
1983/84	7,064	4,002,860	5,246,184	131.1	12,719,000	14,422,551	113.4
1984/85	7,509	4,819,045	4,072,779	84.5	16,138,662	15,694,832	97.2

Source : National Family Planning Coordinating Board.

which were already active members of the KB program, namely reaching 62% (Table 8.13).

D. Agriculture

Agricultural production in 1984 performed quite well, especially food crops. This development reflected the success of efforts undertaken by the Government and the participation of farming community in enhancing the efficiency and expanding the planting areas.

With regard to food crops, output of rice surpassed the target. Production of soybeans, cassava and peanuts also registered significant increases.

The production of plantation crops, except tobacco, recorded increases. This favorable development was also recorded in forestry, fishery and livestock. As a result of this improvement, the volume and value of several agricultural exports recorded considerable advances.

1. Food crops

In order to encourage production of food crops, the implementation of the intensification, extensification and diversification programs was integrated in the overall development of the agricultural business, commodities as well as regions. The implementation of the efficiency of planting area in terms of acreage as well as average output showed considerable improvement. Expansion of planting areas was pursued through opening new rice fields, including tidal irrigated fields, incorporated into the transmigration and resettlement programs, especially in certain areas in Sumatra and Kalimantan. In the reporting year new rice fields expanded by 28 thousand ha and new tidal irrigated fields by 200 thousand ha.

Diversification program, especially for secondary crops, was implemented through cultivating suitable catch-crops together or alternatively. To maintain and enhance the soil fertility, planting areas were limed to reduce the acidity of soil and when necessary the calcium contents were raised.

TABLE 8.14
AGRICULTURAL PRODUCTION
(thousands of tons)

Products	1980	1981	1982	1983	1984*
1. Foodstuffs					
– Rice	20,163	22,286	22,837	24,006	25,825
– Corn	3,991	4,509	3,235	5,087	5,359
– Cassava	13,726	13,301	12,988	12,103	14,205
– Sweet potatoes	2,079	2,094	1,676	2,213	2,338
– Peanuts	470	475	437	460	522
– Soybeans	653	704	521	536	743
– Mung beans	141	148	123	161	179
2. Plantation crops					
– Rubber	1,002	1,046	900	1,007	1,012
– Smallholder	(705)	(740)	(586)	(673)	(680)
– Estate	(297)	(306)	(314)	(334)	(332)
– Copra	1,759	1,812	1,718	1,604	1,608
– Palm oil	701	748	884	979	1,044
– Palm kernels	126	135	157	165	275
– Granulated sugar	1,831	1,700	1,627	1,628	1,777
– Tea	106	110	94	110	119
– Smallholder	(21)	(22)	(17)	(23)	(25)
– Estate	(85)	(88)	(77)	(87)	(94)
– Coffee	285	295	281	305	315
– Smallholder	(266)	(276)	(262)	(287)	(296)
– Estate	(19)	(19)	(19)	(18)	(19)
– Tobacco	116	118	106	109	106
– Smallholder	(101)	(103)	(97)	(100)	(97)
– Estate	(15)	(15)	(9)	(9)	(9)
– Pepper	37	39	34	46	46
– Nutmeg	18	18	19	15	18
– Cloves	39	40	32	41	43
3. Forestry					
– Timber ¹⁾	21,740	15,954	9,340	23,462	26,950
4. Fishery					
– Sea	1,395	1,408	1,490	1,682	1,700
– Inland	455	506	524	533	559
5. Livestock					
– Meat	571	596	629	650	686
– Eggs	259	275	297	319	345
– Milk ²⁾	78	86	117	143	178

1) Thousands of cubic meters.

2) Millions of liters.

Source : Supplement to the President's Report to Parliament, August 16, 1985.

1.1. Rice

After experiencing an increase of 5.1%, during 1984 output of rice performed even better, namely up by 7.6% reaching 25.8 million tons. As a result, in 1984 Indonesia succeeded to achieve self-sufficiency in rice. This remarkable performance was contributed by efforts to increase the efficiency of planting areas and supported by favorable weather conditions. This improvement was shown by the increase of average production per ha, namely from 2.62 tons to 2.68 tons (Table 8.15).

To stimulate the activities of farmers, the Government raised the floor purchase prices of unhusked and husked rice, which became effective on February 1, 1985. The floor purchase price for unhusked rice was raised from Rp 165.00 to Rp 175.00 per kg for KUDs' purchases from farmers, while that for husked rice was raised from Rp 270.00 to Rp 285.00 per kg for Bulog's purchases from KUDs. Meanwhile, during the reporting year the number of rice milling units and milling capacity increased by 0.7% and 10.8%, respectively (Table 8.16).

TABLE 8.15
PADDY PRODUCTION, HARVESTED AREA
AND AVERAGE YIELD PER HA

Year	Output (thousands of tons) ¹⁾	Harvested area (thousands of ha)	Average yield (tons/ha) ¹⁾
1980	20,163	9,005	2.24
1981	22,286	9,382	2.38
1982	22,837	8,988	2.54
1983	24,006	9,162	2.62
1984*	25,825	9,636	2.68

1) Equivalent of rice.

Source: Supplement to the President's Report to Parliament, August 16, 1985.

TABLE 8.16
NUMBER AND CAPACITY OF
PRODUCTION OF RICE MILLS

Year	Number of rice mills (thousands of units)	Capacity of production (millions of tons) ¹⁾
1980	54.1	18.0
1981	55.1	18.3
1982	59.0	19.3
1983*	59.2	19.5
1984*	59.6	21.6

1) Equivalent of rice.

Source : Department of Agriculture.

1.2. Secondary crops

In 1984 the production of secondary crops increased by 13.6%. This favorable development was contributed by increased extension services, expanded harvested area and favorable weather conditions. The harvested area during the reporting year rose by 5.1% reaching 6,299 thousand ha.

Output of secondary crops recording significant increases were soybeans (38.6%), cassava (17.4%), peanuts (13.5%), and mung beans (11.2%), mainly attributable to the expansion of harvested area (Table 8.17). It should be added, as a result of the rapid increase in the production of soybeans, imports of soybeans were reduced by a considerable amount to only 275 thousand tons.

2. Plantation crops

The implementation of Plantation of Nucleus Smallholders' Estate (Perusahaan Inti Rakyat Perkebunan or PIR-Bun) and Project Management Unit (Unit Pelaksana Proyek or UPP) was enhanced with emphasis on development of plantation crops as well as other sub-sectors. These measures were implemented in order to improve farm-

TABLE 8.17
OUTPUT, HARVESTED AREA AND AVERAGE YIELD OF
SECONDARY CROPS

Particulars	1980	1981	1982	1983	1984*
Output (thousands of tons)					
— Corn	3,991	4,509	3,235	5,087	5,359
— Cassava	13,726	13,301	12,988	12,103	14,205
— Sweet potatoes	2,079	2,094	1,676	2,213	2,338
— Peanuts	470	475	437	460	522
— Soybeans	653	704	521	536	743
— Mung beans	141	148	123	161	179
Harvested area (thousands of ha)					
— Corn	2,735	2,955	2,061	3,002	3,025
— Cassava	1,412	1,388	1,324	1,324	1,339
— Sweet potatoes	276	275	220	280	284
— Peanuts	506	508	461	481	523
— Soybeans	732	810	608	640	838
— Mung beans	252	270	204	267	290
Average yield (quintal/ha)					
— Corn ¹⁾	14.6	15.3	15.7	16.9	17.7
— Cassava	97.2	95.8	98.1	99.0	106.0
— Sweet potatoes	75.3	76.2	76.2	79.0	82.0
— Peanuts	9.3	9.4	9.5	9.6	10.0
— Soybeans	8.9	8.7	8.6	8.4	8.9
— Mung beans	5.6	5.5	6.0	6.0	6.2

1) Equivalent of corn kernels.

Source : Supplement to the President's Report to Parliament, August 16, 1985.

ers' income more evenly. In 1984 the plantation area rose to 9,158.3 thousand ha, consisting of 7,958.2 thousand ha smallholders' estates, 709.5 thousand ha large estates and 490.6 thousand ha private large estates. All plantation crops production, except tobacco, registered increases. Smaller output of tobacco production was mainly caused by a decrease in acreage and unfavorable weather conditions.

2.1. Rubber

The acreage of rubber plantation increased by 1.2% reaching 2.6 million

ha, of which 82% were smallholders' estates and the remainder were government and private estates. Most of the rubber output were produced by smallholders' estates (67%) and the remainder by government estates (20%) and private estates (13%). In 1984 rubber production grew by only 0.5% to 1,012 thousand tons.

Production of smallholders' and private estates rose by 1.0% and 0.8%, respectively. However, rubber output of government estates declined by 1.5%, among others, due to the lower prices in the world market.

TABLE 8.18
SHARE OF CRUMB RUBBER
TO TOTAL OUTPUT
OF NATURAL RUBBER

Year	Crumb rubber (thousands of tons)	Share (percentage)
1980	611	61.0
1981	646	61.8
1982	657	73.0
1983	689	68.4
1984*	825	81.5

Source: Supplement to the President's Report to Parliament, August 16, 1985.

In 1984 output of crumb rubber was up 19.6%. This increase reflected that crumb rubber in Indonesia's international trade of rubber played a more important role (Table 8.18).

World production and consumption of rubber increased by 6.4% and 5.2%, respectively (Table 8.19). Furthermore, world production of natural rubber and synthetic rubber rose by 5.6% and 6.8%, and that of consumption by 5.5% and 5.1%, respectively.

2.2. Coconut

To increase copra production, the Government undertook various endeavors, such as rejuvenation using hybrid coconut. Its implementation was executed through the expansion of the UPP and PIP-Bun programs, including or excluding financial assistance.

In 1984 the planting area of coconut increased by 1.9% reaching 3,011 thousand ha, of which 2,954 thousand ha (98.1%) were owned by smallholders' and the balance by government and private undertakings. Production of copra only rose by 0.3% during 1984.

2.3. Oil palm

Most of oil palm plantations were undertaken by government and private enterprises (82.0%) and the remainder by smallholders'. In 1984 the planting area of oil palm increased by 8.4% to 440 thousand ha.

Over the years output of palm oil contin-

TABLE 8.19
WORLD PRODUCTION AND CONSUMPTION OF RUBBER
(thousands of tons)

Year	Production			Consumption		
	Natural	Synthetic	Total	Natural	Synthetic	Total
1980	3,485	8,690 ^r	12,535 ^r	3,760	8,780 ^r	12,540 ^r
1981	3,705 ^r	8,515 ^r	12,220 ^r	3,700	8,535 ^r	12,235 ^r
1982	3,755	7,830 ^r	11,585 ^r	3,680	7,990 ^r	11,670 ^r
1983	4,025	8,290	12,315	3,985	8,325	12,310
1984*	4,250	8,850	13,100	4,205	8,745	12,950

Source: International Rubber Study Group (IRSG), Rubber Statistical Bulletin Vol. 30 No. 5, February 1985.

ued to register increases. In 1984 output of palm oil went up by 6.2%. Although palm oil prices in the world market were quite favorable, exports of palm oil sharply declined by 37.3% to 175 thousand tons. This decline was closely linked to the government policy which gave priority to fulfilling domestic demand.

2.4. Sugarcane

To step up sugar production as well as farmers' income, smallholders' sugarcane intensification (Tebu Rakyat Intensifikasi or TRI) continued to be enhanced. Furthermore, sugarcane plantations outside Jawa were expanded. In addition, construction and renovation of sugar factories continued to be implemented.

In 1984 sugarcane plantation acreage decreased by 1.0% to 381 thousand ha, of which 163 thousand ha were under TRI program. Most of these sugarcane planting areas were cultivated by small farmers (82.0%). In line with these efforts, sugar production rose by 9.2% to 1,777 thousand tons during 1984.

2.5. Tea

Most of tea planting areas were cultivated by government and private enterprises (60.0%) and the rest by smallholders' undertakings. During the reporting year the planting area of tea increased by 4.6% to 116.8 thousand ha. Of this acreage, 15.0% was not yet in production and 6.0% no longer in production.

Production of tea, which were mostly black tea, increased by 8.2% in 1984. Since almost all of black tea production were des-

tinued for exports, its production was influenced by price development in the world market.

Tea prices in the overseas market during 1984 were relatively high, but in the first quarter of 1985 started to decline. Consequently, export of tea during the reporting year rose substantially by 5.9% to 90 thousand tons.

2.6. Coffee

In 1984 efforts to boost the production of coffee were implemented through rejuvenation and application of better techniques. During the reporting year the acreage of coffee planting rehabilitated and rejuvenated reached 17.0 thousand ha. The aggregate coffee planting area reached 830 ha, of which 26% was not yet in production and 8.0% no longer in production.

In 1984 coffee production grew by 3.3%, while its exports increased by 3.0% to 307 thousand tons which were closely associated with the use of defect system in determining the quality of coffee for export. Furthermore, almost half of these exports were purchased by nonquota countries. It should be added that ICO imposed a quota on coffee export of Indonesia at the quantity of 155.2 thousand tons or approximately 54% of Indonesia's coffee production.

2.7. Tobacco

Efforts to increase output of small tobacco farmers at central production areas, especially in Central and East Jawa, were conducted through intensification program. During the reporting year, the area of this program increased by 15% to 7.5 thousand ha.

Tobacco were mostly produced by smallholders' (93%) and the remainder by government estates. In 1984 the production of tobacco declined by 2.7% as a result of a reduction in planting area and unfavorable weather conditions. It should be noted that Indonesia continued to import certain kind of tobacco to meet the needs of cigarette industries, and in the reporting year such import reached 13.7 thousand tons.

2.8. Spices

Major spices, consisting of clove, pepper and nutmeg, were mostly cultivated by smallholders. The planting acreage of clove, pepper and nutmeg expanded by 4.5%, 3.6% and 4.6% to 598.5 thousand ha, 810 thousand ha and 66.2 thousand ha, respectively.

From these three major spices, the production of nutmeg experienced the highest increase at 20.0%, while clove rose by 4.9% and pepper remained unchanged. Almost all of clove production was consumed domestically, while that of nutmeg and pepper were mostly exported. It should be noted that during the reporting year Indonesia incurred no imports of clove.

3. Fishery

As a continuation of the previous programs, efforts to enhance fishery production during the reporting year were still directed to increase the role of fishery sub-sector in order to raise farmers' income, foreign exchange reserves and employment opportunities. These efforts were carried out through utilizing fishery resources, among others intensification of fishponds, including shrimp, which were implemented since the past several years.

During the reporting year these measures were further improved by introducing Nucleus Smallholders' Fishpond (Tambak Inti Rakyat) program.

The largest portion (73.3%) of fishery production originated from sea fishery. The production of sea and inland fisheries increased by 1.1% and 4.9%, respectively. It should be noted that exports of fisheries represented one of the major items of non-oil/LNG exports. In the reporting year, export of this commodity, mostly shrimp, stood at 44.0 thousand tons, or about the same as the previous year.

4. Livestock

Efforts to increase the production and quality of livestock and its produce were carried out through intensification and extensification programs, such as the so called "Panca Usaha Ternak" and "Bimas Ayam". Furthermore, in the reporting year, Nucleus Smallholders' Estates for fowl or "PIR unggas" was introduced and its implementation was linked to the development of breeding, fodder and processing industries.

As the results of these efforts, the output of milk, eggs and meat rose by 24.5%, 8.2% and 5.5%, respectively. In addition, the population of cultivated chickens recorded the highest increase (12.4%), followed by cows (7.3%) and ducks (6.6%), see Table 8.20.

5. Forestry

Policies on forestry continued to be directed towards increasing the utilization of forestry products, with maintaining the preservation of forestry resources. Therefore, the

TABLE 8.20
LIVESTOCK
(thousands of heads)

Breed	1980	1981	1982	1983	1984*
Cows	6,440	6,516	6,594	6,660	6,741
Buffaloes	2,457	2,488	2,513	2,538	2,724
Goats	7,691	7,790	7,891	8,049	8,210
Sheep	4,124	4,177	4,231	4,316	4,402
Horses	616	637	658	665	672
Pigs	3,155	3,364	3,587	3,677	3,854
Ducks	21,078	22,426	23,861	25,436	27,114
Cultivated chickens	22,940	24,568	26,312	28,436	31,947
Non-cultivated chickens	126,310	132,878	139,787	148,174	157,064

Source : Supplement to the President's Report to Parliament, August 16, 1985.

Government increased efforts in reforestation, afforestation and supervision on forest exploitation. In the reporting year, the acreage of reforestation sharply increased by 99.5% to 75.4 thousand ha, on the other hand, the acreage of afforestation decreased by 31.7% (Table 8.21).

Major forest outputs consisted of timber and rattan. These products besides utilized as raw materials for domestic industry, also represented important foreign exchange earners. In 1984 timber production rose by 14.9% to 26,958 thousand m³.

It should be noted that in order to encourage timber processing industry and thereby expand employment opportunities, the Government since the past several years limited exports of logs in stages and required Forestry Exploitation Rights (Hak Pengusahaan Hutan or HPH) holders to supply logs for domestic timber processing industries. Since January 1, 1985, export of logs was fully prohibited. Consequently, the method for the calculation of the Forestry Product Contribu-

tion (Iuran Hasil Hutan or IHH) for logs, formerly calculated on the basis of the prices of export, had to be calculated on the basis of the prices of the domestic market.

In line with these policies, in 1984 exports of logs decreased by- 34.9% to 1,745 thousand tons, while those of processed, timber, mainly plywood, increased by 31.2% to 2,103 thousand m³. Other forestry products such as rattan, resin and copal were also mostly for exports (Table 8.22).

TABLE 8.21
REFORESTATION AND GREENING
(thousands of ha)

Year	Reforestation	Greening
1980/81	179.7	558.1
1981/82	154.3	501.8
1982/83	119.6	378.6
1983/84	37.8	260.2
1984/85*	75.4	177.8

Source : Supplement to the President's Report to Parliament, August 16, 1985.

TABLE 8.22
EXPORT OF LOG, RATTAN, RESIN AND COPAL

Items	Volume (thousands of tons)			Value (millions of dollars)		
	1982	1983	1984*	1982	1983	1984*
Log	2,891	2,682	1,745	331.1	288.5	190.7
Rattan	87.9	86.7	91.3	84.7	81.2	85.8
Resin	2.6	2.0	1.7	0.9	0.9	0.8
Copal	5.4	5.3	6.1	1.5	2.9	2.9

E. Mining

Mining continued to constitute an important sector in the Indonesian economy, as a source of government revenues, foreign exchange earner, source of energy as well as contributor to capital formation in the GDP. To maintain the continuation and enhancement of production as well as diversification of mining products, the Government continued its efforts to improve the inventory of energy resources, exploration, exploitation and expansion of mining technology.

As the result of this efforts, production of earth gas and coal rose significantly. However, production of tin and nickel experienced decreases, which were mainly caused by the weak demand in the international market (Table 8.23).

1. Oil and earth gas

Due to the important and vital role of oil and earth gas in the Indonesian development, the policy of the Government continued to be directed to encourage exploration in order to open up new deposits and increase production. The exploration and production activities were implemented by Pertamina as well as foreign oil contractors. In 1984 two Production Sharing Contracts

were concluded, bringing the total contracts signed until the end of 1984 to 80 agreements, of which 24 reached the stage of production. During 1984 Pertamina and foreign oil contractors succeeded to drill 218 oil exploration wells.

Oil production in 1984/85 declined by 2.4% to 505.1 million barrels, consisting of 456.9 million barrels crude oil and 48.2 million barrels condensate. Of the 505.1 million barrels, 467.7 million barrels were produced under Production Sharing Contracts, 31.6 million barrels by Pertamina and 5.8 million barrels under Contract of Work.

In the reporting year the production of earth gas increased by 19.9% compared with 17.1% in the preceding year. According to its utilization, the percentage of earth gas used as raw material or energy showed an increase, from 87.9% to 91.8%, since more earth gas were utilized as raw material for the production of LNG and urea fertilizer, and also as fuel in oil refineries, cement, and steel industries.

2. Tin

In 1984 tin production decreased by 9.4% following a decrease of 23.0% in the previous year. This decline was caused by

TABLE 8.23
SELECTED MINING OUTPUT

Items	Units	1980/81	1981/82	1982/83	1983/84	1984/85*
1. Oil						
— Crude oil	million barrels	552.6	536.7	425.3	477.9	456.9
— Condensate	million barrels	28.5	33.8	33.7	39.7	48.2
2. Natural gas	million MSCF	1,042.2	1,136.2	1,099.9	1,288.2	1,544.5
3. Tin	thousand tons	33.6	35.9	33.0	25.4	23.0
4. Nickel						
— Nickel ore	thousand tons	1,339.3	1,598.1	1,591.2	1,353.3	946.3
— Ferro-nickel ¹⁾	thousand tons	4.5	4.8	4.9	4.9	4.7
— Nickel matte ¹⁾	thousand tons	17.8	19.2	13.9	21.0	22.2
5. Bauxite	thousand tons	1,269.9	1,015.1	721.0	841.9	1,009.6
6. Coal	thousand tons	329.3	367.2	456.5	614.7	1,200.7
7. Copper	thousand tons	178.7	196.9	225.4	199.7	200.2
8. Gold	kilograms	225.0	193.0	262.4	265.1	215.0
9. Silver	kilograms	2,283.0	1,940.0	3,134.0	1,684.0	2,171.3

1) Equivalent to nickel metal.

Source : Supplement to the President's Report to Parliament, August 16, 1985.

tin surplus in the world market, as a result of higher tin production of non-ITC members and a higher utilization of its substitutes, such as aluminum and plastic.

It should be noted, since the past several years, tin plate factories started to be constructed, and were expected to be in production by the third quarter of 1985. These factories were designed to process the output of the domestic tin smelting plant.

3. Coal

Coal production rose by 95.3% compared with 34.7% in the previous year. This was made possible by higher domestic consumption as a result of the Government efforts to diversify the utilization of energy resources.

Coal were mainly produced by the Bukit Asam and Ombilin coal mines, an aggregate coal deposits of approximately 300 million tons. The coal mines in East and

South Kalimantan, managed by foreign contractors and private enterprises, up to the present were still in the stage of exploration.

4. Other mining products

Other important mining products constituted copper, nickel, bauxite, gold, and silver. Copper production in the reporting year rose only by 0.3%, because of the depletion of ore deposits at the surface mines, which thus far was managed by PT Freeport Indonesian Inc. in Irian Jaya. In addition, the copper mine at Gunung Bijih Timur with ore deposits of about 45 million tons of copper, were not yet in the stage of full production. In the reporting year exports of copper increased by 0.4% to 203.6 thousand tons, mainly caused by the better prices of copper in overseas markets.

Nickel, besides mined by a state enterprise, PT Aneka Tambang, was also mined

by a foreign enterprise, PT INCO. Most of nickel ore mined by PT Aneka Tambang in Pomalaa (South-East Sulawesi) and Gebe island (Halmahera) were exported, and the remainder processed into ferronickel for the overseas market. Nickel ore, mined and processed by PT INCO into nickel-matte in Soroako (South Sulawesi), also constituted a foreign exchange earner.

Output of nickel ore and ferro-nickel decreased by 30.1% and 4.1%, respectively. On the other hand, nickel-matte processing output experienced an increase of 5.7%.

Exports of nickel ore and nickel-matte rose by 17.5% and 1.3%, reaching 926.7 thousand tons and 22.7 thousand tons, respectively, which were closely related to better prices in the international market. By contrast, exports of ferro-nickel was down by 2.1% to 4.9 thousand tons, mainly because of sluggish demand in the world market.

The output of other important minerals recording improvements were bauxite and silver, respectively up by 19.9% and 28.9%. Gold production, which in the previous year

showed an increase of 1.0%, in 1984/85 decreased by 18.9% because of depletion of the gold content.

F. Electric Power

Electric power, both as means for production activities and as an important infrastructure to improve the welfare of the society, especially in villages, continued to be developed in step with the energy diversification policy of the Government. The result of these efforts was reflected in the increase of the installed capacity of electricity generating plants of the State Electric Company (Perusahaan Umum Listrik Negara or PLN) which in the reporting year rose by 16.7%. Increases were recorded in geothermal and water electric power generators, by 31.1% and 4.9%, respectively (Table 8.24).

During 1984 production of PLN rose by 12.2%. On the other hand, electric power produced by the private sector and channelled through PLN declined by 9.4%. However, total output of electric power distributed by PLN (both generated by PLN and non-PLN sources) in 1984 still recorded an increase of 10.1% (Table 8.25).

Accordingly, the number of villages ben-

TABLE 8.24
CAPACITY OF ELECTRIC POWER
(MW)

Year	Generator					Total
	PLTD	PLTU	PLTA	PLTG	PLTP	
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	879	30	3,343
1983	784	1,556	511	1,028	30	3,909
1984*	839	2,086	536	1,072	30	4,563

Source : State Electric Company.

TABLE 8.25
PRODUCTION OF ELECTRIC POWER
(millions of KWH)

Year	Generated by PLN	Generated by non-PLN ¹⁾	Total
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
1984	13,589	1,160	14,749

1) Only those distributed to the community through PLN.

Source : State Electric Company.

efiting electric power under the so called "Electrification Enters Villages program" rose to 6,275 compared with 5,771 villages in the previous year.

G. Manufacturing Industry

To encourage growth of manufacturing industry and increase its role in the economy, in the reporting year the Government promulgated Law No. 5/1984 on Industry¹⁾. Furthermore, all departments and government agencies were required to emphasize the use of domestic products²⁾.

The above legislation stipulated that the development of industries would be more stressed on increasing the capacity and tenacity of manufacturing. This policy would be implemented, among others, through a more even distribution of industries, higher utilization of domestic resources, creation of a better business climate and a more appropriate protection for the domestic industry. To increase the value-added contribution of manufacturing sector in the devel-

opment of the economy, the Government directed the appropriate linkage between the manufacturing sector and other sectors of the economy. It may be added that in order to create a healthier business climate, the Government would prevent the concentration and control of industries by a group or persons in the form of monopoly.

Output of manufacturing industry, except some products of basic metal industry and machinery, generally recorded a significant increase. Improvements were among others recorded in the output of liquefied natural gas (LNG), fertilizer and plywood. However, output of the basic metal and machinery industries, such as, cables, zinc plates, iron bars and two-wheel vehicles registered declines (Tabel 8.26).

1. Fuel oils

The policy of fuel oils continued to be emphasized on meeting domestic requirements and reducing dependence on imports. To meet the increasing domestic demand for fuel oils, since the past several years the Government developed the distribution means of fuel oils and expand oil refineries. During the reporting year, production of fuel oils rose by 58.8% reaching 157.4 million barrels, while domestic consumption rose by 1.4% to 163.6 million barrels, mainly due to higher use of fuel oils in the manufacturing and transportation sectors.

2. Liquefied Natural & Gas (LNG)

Production of LNG in 1984 rose by 32.4% to 14.3 million tons. This was made possible by the completion of the expansions in the Badak and Arun projects, which succeeded to raise the daily refining capacity

1) Law No. 5 of 1984, June 29, 1984

2) Presidential Decree No. 29/1984, April 21, 1984

to 1,060 million SCF and 1,200 million SCF of LNG, respectively.

The volume of LNG exports, solely destined to Japan, rose by 41.7% to 778 thousand tons. It should be noted that the longterm LNG sales contract with Korea would be started in early 1986.

3. Fertilizer

Production of urea and non-urea fertilizers, respectively increased by 29.1% and 31.8% reaching 2,910.0 thousand tons and 1,306.0 thousand tons. These substantial increases were due to the completion of the Kaltim I and Kaltim II fertilizer factories, each with a capacity of 570 thousand tons urea, and the expansion of stage I and stage II of PT Petro Kimia Gresik with a combined capacity of 750 thousand tons of non-urea fertilizer. It may be added that exports of urea fertilizer in the reporting year amounted to 208 thousand tons.

In March 1985, the Iskandar Muda fertilizer factory with a capacity of 570 thousand tons of urea was inaugurated. Accordingly, the aggregate production capacity of urea fertilizer rose by 62.0% reaching 4.4 million tons, while that of non-urea by 107.1% reaching 1.4 million tons at the end of the reporting year.

In the coming years the demand for urea and non-urea fertilizers would steadily increase. In this connection, in the reporting year the Government decided to develop the Kaltim III project with a capacity of 570 thousand tons of urea fertilizer.

4. Cement

To meet the growing demand for cement, the Government consistently encouraged production of cement, by establishing new plants as well as expanding the capacity of factories. The constructions of cement factories of PT Semen Kupang and PT Trijaya Manunggal Perkasa Semen Cirebon, respectively with a capacity of 120 thousand tons and 1,200 thousand tons, as well as the expansion of PT Semen Cibinong with an additional capacity of 300 thousand tons, were completed during the reporting year. With the completion of the three plants, overall production capacity of cement rose by 14.0% reaching 13,220 thousand tons.

In line with the above capacity increases, in the reporting year cement production increased by 9.1% reaching 8,813 thousand tons. Exports of cement, which commenced in 1978, reached 516.0 thousand tons. On the other hand, the domestic production of certain types of cement were still insufficient, therefore import of those types of cement were still needed. In 1984 imports of those types of cement amounted to 80.1 thousand tons.

5. Plywood and sawn timber

Since the past several years exports of logs were gradually limited and prohibited since January 1985. This measure was intended to induce production of processed timber. Furthermore, as mentioned in chapter VII, in order to create a smooth cooperation among producers of plywood, the Government established a coordinated marketing institution (Badan Pemasaran Bersama or BPB) for the marketing of plywood.

TABLE 8.26
SELECTED INDUSTRIAL PRODUCTION

Products	Units	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84*	1984/85**
1. Chemical industry								
— Urea fertilizer	thousand tons	1,437.2	1,827.0	1,985.1	2,006.7	1,961.0 ^r	2,255.0 ^r	2,910.0
— Non-urea fertilizer ¹⁾	thousand tons	141.0	270.0	649.0	773.7	787.0 ^r	991.0	1,306.0
2. Cement	thousand tons	3,629.0	4,705.1	5,851.8	6,844.2	7,650.0	8,078.1	8,813.3
3. Plywood and sawn timber								
— Plywood	thousand m ³	424.0	575.0	1,144.6	1,609.9	1,862.4 ^r	2,566.0	4,249.1
— Sawn timber	million m ³	1.8	5.7	7.4	7.8	8.0	8.2	8.8
4. Paper	thousand tons	155.2	214.2	232.0	246.6	296.9	369.2	342.3
5. Textile and weaving yarn								
— Textile	million meters	1,576.0	1,910.0	2,027.3	2,094.0	1,708.9	2,347.2 ^r	2,587.5
— Weaving yarn	thousand bales	837.3	998.0	1,184.0	1,233.0	1,370.0	1,662.0	1,810.0
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	3,944.0
— Motorcycle tires	thousand units	1,658.2	2,070.5	2,319.7	2,801.3	2,567.1	2,438.5	2,215.1
7. Salt	thousand tons	261.8	703.0	690.0	285.8	799.9	620.0	344.4
8. Basic metal industry								
— Sponge iron	thousand tons	—	99.5	281.8	384.5	391.0	540.7	738.0
— Steel ingot	thousand tons	80.0	122.4	397.1	436.1	693.5	882.6 ^r	901.3
— Reinforcing steel bar	thousand tons	300.0	500.0	640.5	671.0	743.8	724.0 ^r	644.7
— Wire rod	thousand tons	—	89.5	160.2	157.4	253.3	280.0	207.6
— Steel wire	thousand tons	100.0	108.0	143.2	159.7	128.3	110.0 ^r	102.4
— Steel pipe	thousand tons	118.3	129.5	153.8	243.0	282.5	246.7 ^r	239.6
— Galvanized iron sheet	thousand tons	185.0	250.0	294.2	301.6	316.7	323.1 ^r	245.9
— Aluminum plate	thousand tons	9.7	9.5	11.8	13.7	15.1	8.0	9.0
9. Transportation means industry								
— Automobiles	thousand units	108.7	102.6	170.1	209.9	188.4	155.8	153.7
— Motorcycles	thousand units	330.5	221.6	410.0	503.3	577.4	379.3	272.2
— Aeroplanes	units	16	16	12	17	21	7 ^r	10
— Helicopters	units	16	16	12	12	21	29 ^r	30
— Steel vessels	thousand BRT	11.5	24.0	27.5	28.9	21.1 ^r	7.9 ^r	21.3
10. Others								
— Clove cigarettes	million pieces	43,500.0	41,500.0	50,500.0	55,600.0	59,143.0	68,200.0	69,034.0
— White cigarettes	million pieces	25,700.0	28,600.0	33,400.0	28,400.0	27,125.0	28,065.0 ^r	26,600.0
— Coconut oil	thousand tons	319.1	452.0	610.0	480.8	442.1	381.7	240.0
— Cooking oil	thousand tons	37.8	266.2	278.9	326.4	326.2	342.0	605.1
— Laundry soap	thousand tons	218.5	202.9	213.0	207.8	213.0	199.0	160.0
— Detergents	thousand tons	44.2	46.5	54.4	63.9	66.8	75.5	118.0
— Toothpaste	million tubes	108.5	113.9	123.0	137.5	145.0	165.1	240.0
— Matches	million boxes	539.8	553.0	586.2	664.8	681.4	817.0	1,525.3
— Electric/telecommunication cords	thousand tons	15.7	17.4	19.1	18.7	20.1	21.0	38.9
— Light bulbs/TL bulbs	million units	30.4	29.9	33.8	36.5	30.4	45.4	60.3
— 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	1,427.9
— Car radio cassette recorders	thousand units	488.0	560.5	616.6	672.0	355.9	288.4	460.6
— Black & white television sets	thousand units	687.6	574.0	631.4	643.6	421.1	433.4	303.4
— Color television sets	thousand units	45.6	85.8	98.7	203.3	232.4	189.4	246.2
— Refrigerators	thousand units	90.0	99.6	134.5	138.5	152.4	139.2	118.4
— Sewing machines	thousand units	600.0	477.6	525.4	551.6	393.5	290.2	253.0
— Storage batteries	thousand units	690.0	1,747.2	3,319.7	3,651.6	3,521.0	4,080.0	3,787.8
— Dry batteries	million units	420.0	462.0	526.7	553.6	576.6	633.6	743.4
— Sprayers	thousand units	36.5	78.0	134.2	154.3	159.7	170.0	200.1
— Hand tractors	units	280	550	877	1,074	1,271	1,065	1,091
— Diesel engines	thousand units	30.4	25.0	34.1	69.4	64.6	58.6	55.3
— Hullers	units	2,200	2,500	1,868	1,078	1,687	467	1,185

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

Sources: — Supplement to the President's Report to Parliament, August 16, 1985.

— Ministry of Industry.

In the reporting year 10 plywood factories were inaugurated in Ambon with an aggregate installed capacity of 511 thousand m³ per year. Accordingly, the aggregate annual production capacity of plywood factories increased by 26.7% reaching 5,700 thousand m³ at the end of the reporting year. In the meantime, the annual capacity of sawn timber factories rose by 1.2% reaching 13,300 thousand m³. Following these expansions production of plywood rose by 65.6% reaching 4,249 thousand m³ and that of sawn timber rose by 7.3% reaching 8.8 thousand m³. Exports of plywood rose by 31.2% reaching 2,103 thousand tons and sawn timber by 5.6% to 1,788 thousand tons.

6. Paper

Production of paper experienced a decline of 7.3% to 342.3 thousand tons. This decline was closely related to the weakening domestic demand for the types of paper produced domestically. To meet the demand for specific paper, namely newsprint and cement bags, imports were still needed. In the reporting year imports of these items reached 270.3 thousand tons. However, certain types of writing and printing papers were exported, reaching 38.5 thousand tons in the year under report.

It should be noted that the construction of four paper factories were completed during this reporting year, namely Leces IV, PT Asper Paper Bogor, PT Kertas Kraft Cilacap and PT Kertas Kraft Aceh. With this completion the increasing domestic demand could be met.

7. Textile

The textile industry continued to face domestic as well as overseas marketing prob-

lems. To solve these problems the Government planned to undertake restructuring programs of the textile industries, among others, comprising modernization of machineries and reconditioned product design. Furthermore, several new policies were undertaken to expand the overseas market, among others, by concluding a bilateral agreement with the United States regarding quotas and by signing the GATT Code of Subsidies and Countervailing Duties.

As a result of these efforts, production of textile increased by 10.2% reaching 2,587.5 million meters (equivalent to 699 thousand tons) or approaching almost full capacity (99.5%). Furthermore, in line with the government efforts to boost non-oil/LNG earnings, exports of textile rose by 16.4% to 78 thousand tons. By country of destination, most of the textile exports went to the United States and West European countries.

8. Motor vehicle tires

In the reporting year, production of four-wheel motor vehicle tires increased by 7.4% reaching 3,944 thousand. By contrast, tires for two-wheel motor vehicles declined by 9.2% to 2,215 thousand due to sluggish domestic demand. It may be pointed out that in 1984 export of four-wheel motor vehicle tires and two-wheel motor vehicle tires, respectively amounted to 103.3 thousand and 6.7 thousand tires. Several types of tires, such as, tires for aircrafts, off-road military vehicles and heavy equipment vehicles, were still imported.

9. Salt

Salt production amounted to 344.4 thousand tons, or indicating a decline of 44.4% due to unfavorable weather condition. How-

ever, the domestic demand for household and domestic industry which aggregated around 800 thousand tons, could still be met since the amount of stock stood at end of the preceding year was quite considerable, namely not less than 1,324 thousand tons. It may be added that floor purchase price of salt at end of the reporting year was maintained at the same level, ranging from Rp 17.50 to Rp 25.00 per kg.

10. Basic metal

The policy on basic metal industries was directed towards enhancing the capability of industries producing basic metal raw materials. In this connection, the construction of a steel plant in Cilegon with a production capacity of 850 thousand tons of thin steel plate continued to be implemented.

Output of important basic metals, such as, sponge iron and steel billet recorded an increase of 36.5% and 2.1% reaching 738.0 thousand tons and 901.3 thousand tons, respectively. By contrast, output of iron bars declined by 10.9% to 644.7 thousand tons, among others, caused by the sluggish domestic demand.

11. Transportation means

During the reporting year the Government issued a regulation stipulating that certain type of vessels, namely the so called Caraka type (1,000, 2,225 and 3,000 DWT) should be domestically constructed.³⁾ Furthermore, as a result of the policies undertaken in the previous years, the construction of 5 factories producing machineries for four-wheel

cars were completed during this reporting year. Output of assembled four-wheel motor vehicles decreased by 1.3% to 153.7 thousand units, while that of motorcycles declined by 28.8% to 272.2 thousand units. The production of airplanes and helicopters, however, recorded increases, namely reaching 10 airplanes and 30 helicopters.

12. Other industrial products

Policies on other industries, namely those producing machineries and equipments, and electrical appliances, were mainly directed to meet the domestic demand. Certain tools, such as lathe and drilling machines, which were imported, should be assembled domestically, using home produced components.⁴⁾

Output of hullers, hand tractors and pesticide sprayers rose by 153.8%, 2.4% and 17.7%, respectively, while diesel engines declined by 5.6%. It should be noted, production of electrical appliances recorded considerable increases, among others, car radio cassettes (59.7%), light bulbs/TL bulbs (32.8%) and colored TV (30.0%). However, black and white television sets, refrigerators, and sewing machines recorded declines.

H. Transportation

The policy on transportation sector was more emphasized on expediting the flows of passengers and cargo transportation. This was executed through improving efficiency and simplifying procedures. Furthermore, to encourage tourism, the rates of air transportation costs for foreign as well as domestic tourists were relaxed.

3) Presidential Instruction No. 10/1984, November 28, 1984

4) SK Men. Perindustrian No. 12/M/SK/1/1985 den No. 28/M/SK/1/1985, tanggal 11 Januari 1985

TABLE 8.27
NUMBER OF LAND TRANSPORTATION VEHICLES
(thousands of units)

Year	Buses	Truck/cargo vehicles	Passenger cars	Motor cycles
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	4,135.7
1984*	183.6	778.4	913.0	4,404.0

Source: Supplement to the President's Report to Parliament, August 16, 1985.

Following the price increase of fuel oils in early 1984, the rates of transportation costs were adjusted on a selected basis. However, output of transportation services generally recorded considerable increases, especially those produced by the air transportation and interinsular shipping lines.

1. Land transportation

To improve and develop the infrastructures of land transportation, during the reporting year the Government completed the construction of 135 km of roads and 75 m of bridges. In addition, 12,603 km of roads and 18,484 m of bridges were repaired. The number of transportation means also recorded increases, such as buses by 14.5%,

cargo vehicles by 8.4%, passenger cars by 5.0% and motorcycles by 6.5% (Table 8.27).

The development of railway transportation was directed towards improving its role in the activities of transporting passengers and cargoes. In line with this objective, 4,020 km railroad tracks and 423 bridges were repaired. Furthermore, the means of transportation was expanded by 16 passenger wagons and 330 freight cars, and completed the reparation of 320 passenger wagons and 2,422 freight cars. During the reporting year the number of passengers transported declined from 47,436 to 45,679 while that of cargoes registered an increase of 0.4% (Table 8.28).

TABLE 8.28
OUTPUT OF RAILWAY TRANSPORTATION SERVICES

Year	Passenger transportation		Cargo transportation	
	Passengers (thousands)	Passengers-km (millions)	Cargo (thousands of tons)	Cargo-ton-km (millions)
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
1984/85*	45,679	6,356	5,465	1,223

Source : Supplement to the President's Report to Parliament, August 16, 1985.

TABLE 8.29
OUTPUT OF RIVER, LAKE AND
FERRY TRANSPORTATION SERVICES

Year	Passengers transported (thousands)	Cargo transported (thousands of tons)
1980/81	17,662	3,683
1981/82	15,575	3,945
1982/83	14,796	3,979
1983/84	16,715	3,998
1984/85*	23,579	5,129

Source: Supplement to the President's Report to Parliament, August 16, 1985.

Efforts to expand river, lake and ferry transportation services were mainly implemented through improving the facilities of quays, terminals, and dredging channels. As a result of these efforts, during the re-

porting year the number of passengers and cargoes transported rose remarkably, by 41.1% and 28.6%, respectively (Table 8.29).

2. Sea transportation

Efforts to develop sea transportation were consistently directed towards improving security, efficiency and smooth flows of transportation. These efforts were among others implemented through scrapping vessels⁵⁾, namely for those with a life time of 30 years and above (since May 1984) and for those of 25 years and above (since Janu-

5) Minister of Communication Decree No. KM 57/HK.404/Phb—84, March 29, 1984

TABLE 8.30
NUMBER OF VESSELS AND THEIR SAILING SERVICES

Types of shipping	Units	1980/81	1981/82	1982/83	1983/84	1984/85*
1. Ocean-going transportation						
— Number of vessels	units	58	61	61	51	48
— Capacity	thousands of DWT	668	802	807	732	624
— Cargo	thousands of tons	7,353	17,637	18,465	18,964	18,964
2. Interinsular shipping						
— Number of vessels	units	390	361	397	397	275
— Capacity	thousands of DWT	406	425	503	503	440
— Cargo	thousands of tons	5,816	5,952	6,353	7,458	8,423
3. Local shipping						
— Number of vessels	units	987	997	1,144 [†]	1,049	992
— Capacity	thousands of DWT	117	120	172	129	122
— Cargo	thousands of tons	2,201	2,271	2,445	2,445	2,520
4. Traditional shipping						
— Number of vessels	units	2,563	3,346	3,486	3,511	3,490
— Capacity	thousands of DWT	122	179	180	181	198
— Cargo	thousands of tons	1,461	1,959	2,155	2,876	2,294
5. Pioneer sailing services						
— Number of vessels	units	33	35	36	30	25
— Capacity	thousands of DWT	22	23	20	16	13
— Cargo	thousands of tons	96	98	97	31	21

Source : Supplement to the President's Report to Parliament, August 16, 1985.

TABLE 8.31
AIR TRANSPORTATION FLEET

Year	Type of airplanes			Total
	Turbojet	Turboprop	Piston	
1980	69	92	8	169
1981	75	89	—	164
1982	82	82	—	164
1983	82	106	—	188
1984*	86	109	—	195

Source: Supplement to the President's Report to Parliament, August 16, 1985.

ary 1985). In addition, procedures regarding cargo flows were simplified and costs of harbors were relaxed.

Following the scrapping policy, the number of vessels of all types of fleets in the reporting year declined. The largest decline occurred in interinsular and pioneer fleets, by 30.7% and 16.7%, respectively. However, services rendered by interinsular and local transporting services still recorded increases, by 12.9% and 3.1%, respectively. On the other hand, the output of ocean-going services remained practically constant, while that of traditional and pioneer services recorded declines, by 20.2% and 32.3%, respectively (Table 8.30).

3. Air transportation

Efforts to increase air transportation services were executed through increasing the frequency, expanding the network and relaxing the rate of transportation. These efforts were intended to meet the increasing demand for this type of transportation and to boost the flow of tounsts.

The air transportation fleets of scheduled airlines during 1984 recorded increases. The number of turbojet airplanes increased by 4.9% and that of turboprops by 2.8% (Table 8.31).

The construction of an airport meeting the international standard, called the Soekarno—Hatta International Airport, was completed during the reporting year. This airport had an annual serving capacity of 9 million passengers and was provided with 2 parallel landing strips which could be utilized simultaneously. These 2 landing strips could handle 74 take off-landing activities per hour. Furthermore, to expand the pioneer air transportation services the construction of 50 landing strips was completed in 1984, of which 3 could handle F—27 airplanes.

TABLE 8.32
OUTPUT OF AIR TRANSPORTATION SERVICES

Year	Passengers carried (thousands of person)		Cargo carried (thousands of tons)	
	Domestic flights	International flights	Domestic flights	International flight
1980	4,449	923	44.5	17.8
1981	5,588	1,159	50.5	20.6
1982	5,551	1,083	56.0	22.7
1983	5,253	1,047	49.5	40.4
1984*	5,447	944	49.1	31.2

Source : Supplement to the President's Report to Parliament, August 16, 1985.

TABLE 8.33
NUMBER OF FOREIGN TOURISTS
VISITING INDONESIA

Year	Number of tourists	Tourists' spending (millions of dollars)
1979	501,430	188.0
1980	561,178	289.0
1981	600,151	309.1
1982	592,046	358.9
1983	639,000	439.5
1984*	700,910	519.7

Source : — Directorate General of Tourism.
— Central Bureau of Statistics.

Domestic passengers transported in 1984 rose by 3.7% while that of cargos declined by 0.8%. With regard to international services, the number of passengers and cargos transported decreased by 9.8% and 22.8%, respectively (Table 8.32).

I. Tourism, Postal Services and Telecommunication

The policy on tourism, postal services and telecommunication continued to emphasize on increasing foreign exchange earnings, expanding employment and business opportunities as well as improving communication. To achieve these objectives, efforts in expanding the marketing and production

of goods for tourist consumption as well as postal services were continued and enhanced. In the telecommunication services, the capacity and quality of services were expanded and improved.

1. Tourism

To boost tourism, the Government enhanced the promotion activities in the overseas market and smoothened the implementation of the free visa policy. As a result of those efforts, the number of foreign tourists during 1984 increased by 9.7% to 701 thousand tourists or reaching 99% of the target. Foreign exchange earnings from this sector rose by 18.2% to \$ 519.7 million.

The number of hotels rose by 16.0% to 1,247 hotels, of which 283 hotels with 20,090 rooms were classified as "starred hotels". Furthermore, the number of tourist bureaus rose by 2.0% to 449 bureaus.

By country of origin, the largest number of foreign tourists came from Singapore (19.0%), followed by Australia (15.3%), Japan (12.6%), Malaysia (8.5%) and the United States (7.2%). As regard to the purpose of visit, 69.0% came for holidays and 14.8% for business. It should be noted that

TABLE 8.34
NUMBER OF POST OFFICES

Types of post offices	1980	1981	1982	1983	1984*
Main post office	198	198	200	211	234
Subsidiary post office	208	232	253	284	328
Auxiliary post office	1,041	1,091	1,163	1,218	1,351
Total	1,447	1,521	1,616	1,713	1,913

Source : Directorate General of Post and Telecommunication.

TABLE 8.35
POSTAL AND GIRO SERVICES

Types of services	1980	1981	1982	1983	1984*
Postal letters (millions)	276 ^r	273 ^r	299	348	392
Postal parcels (thousands)	1,172	1,213	1,230	1,173	1,031
Postal drafts (billions of rupiah)	246.1	301.9 ^r	366.8 ^r	445.7 ^r	510.0
Postal giro and cheques (billions of rupiah)	1,558.7	1,997.9	2,208.4	2,569.4	3,398.4
Savings (billions of rupiah)	32.3	44.4	58.1	81.1	98.4

Source : Directorate General of Post and Telecommunication.

the average duration of stay of foreign tourists was 11 days with a daily spendings of \$ 67.5 per tourist.

2. Postal and giro services

During the reporting year the policy on postal and giro services was characterized by the enforcement of Law No. 6/1984 regulating Postal Services.⁶⁾ The basic matters covered under this law comprised 4 items, namely legal ground, supervision, operation of postal services and the regulation of criminal principles. In addition, a government regulation was issued regarding the provision of authority to the postal and giro services entity (Perum Pos den Giro) to execute postal and giro services for the public.⁷⁾

The number of post offices rose by 11.7% to 1,913 offices, consisting of 234 offices; 328 subsidiary offices and 1,351 auxiliary offices (Table 8.34). In line with this, the services rendered by "Perum Pos den Giro" generally recorded increases. The number of letters rose by 12.6%, postal drafts by 14.4%, postal and giro checks by 36.4%

and postal savings by 21.3%, while postal packages declined by 12.1% (Table 8.35). It should be added that to enhance the efficiency and effectiveness of postal services, in 1984 the Government started to implement the usage of postal codes in 27 provincial capitals, 32 municipalities and 15 administrative cities.

3. Telecommunication

In the reporting year the state telecommunication entity (Perusahaan Umum Telekomunikasi or Perumtel) was designated as the sole entity to provide telecommunication services to the public.⁸⁾ This measure was introduced in line with the enforcement of the Government Regulation No. 4/1984 regarding the supervision on government entities, such as, "Perusahaan Jawatan (Perjan)", Perusahaan Umum (Perum)" and "Perusahaan Persero (Persero)".

To enhance the domestic telecommunication services through the domestic satellite communication system (Sistem Komunikasi Satelit Domestik or SKSD), 122

6) Law No. 6/1984, July 21, 1984.

7) Government Regulation No. 24/1984, September 4, 1984. 8) Government Regulation No. 21/1984, September 18, 1984.

8) Government Regulation No. 21/1984, September 18, 1984.

TABLE 8.36
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)
1980	117	525,360 ^r	457	86,576 ^r	574	598,622
1981	150	545,500	569	74,130	619	619,630
1982	164	557,966 ^r	500	73,262 ^r	664	644,542
1983	170	576,797	509	89,336	679	666,133
1984*	175	601,390	508	96,426	683	697,816

Source : Directorate General of Post and Telecommunication.

earth stations (large, medium and small) started to be operated to support the terrestrial microwave communication system (Sistem Komunikasi Gelombang Mikro Terrestrial or SKGM). This SKGM consisted of three connection systems, namely for Sumatra with 693 channels, for Jawa-Bali with 2,209 channels and for East Indonesia with 196 channels. In March 1985 the Government also inaugurated a sea cable communication system (Sistem Komunikasi Kabel Laut or SKKL), linking the cities of Medan in Indonesia and Penang in Malaysia (Menang) with a capacity of 480 channels. This system represented the second SKKL after the ASLAN SKKL (inaugurated in August 1980, linking Indonesia and Singapore).

In accordance with the improvement of telecommunication infrastructures, the capacity of telecommunication during 1984 recorded remarkable increases (Table 8.36). The number and capacity of central automatic telephone exchanges (Sentral Telepon Otomat or STO) rose by 2.9% and 4.3%, respectively. The long distance direct dialing network (Sambungan Langsung Jarak Jauh or SLJJ) and international direct dialing network (Sambungan Langsung

Internasional or SLI) rose by 1.0% and 32.1% covering 106 cities throughout Indonesia and 74 countries, respectively. Central telex means (Sarana Sentral Telex or STX) rose by 7.4% to 29 STXs, while its capacity went up by 4.7% to 12,790 line units. General Telex (Gentex) network covered 172 cities, indicating an increase of 8.9%, while the number of telegraphic offices rose to 641 offices.

To further expand the international communication network, since November 1982 the Government started the construction of the Medan — Singapore SKKL representing unit "A" of South East Asian — Middle East — West European countries (SEA — ME — WE SKKL). This SKKL, with the capacity of 1,260 channels was expected to be finished in March 1986. In addition, the construction of unit "B", namely the Medan—Colombo SKKL with a capacity of 1,260 channels, started to be constructed in February 1984.

J. Domestic and Foreign Capital Investments

The policy of the Government to encourage investments under domestic capital in-

TABLE 8.37
APPROVED DOMESTIC INVESTMENT PROJECTS BY SECTOR¹⁾
(millions of rupiah)

Sector	1968 - 1979	1980	1981	1982	1983	1984*	Total	
							Value	Project
Agriculture	158,345	126,942	165,142	511,452	477,363	297,022	1,736,266	262
Forestry	89,982	260,832	225,344	182,523	105,719	-104,730	759,670	481
Mining	108,810	37,092	13,462	453,606	565,352	13,411	1,191,733	52
Manufacturing	3,414,570	998,250	2,335,350	3,679,835	5,452,862	1,535,809	17,416,676	2,889
Construction	1,052	1,531	15,076	16,222	197,749	71,816	303,446	34
Hotel and tourism	161,472	1,032	52,620	70,246	288,914	221,916	801,200	158
Housing and offices	203,023	12,541	- 12,489	70,860	168,709	75,538	518,182	47
Other services	514,454	65,343	71,712	41,665	171,529	44,978	909,681	236
Total	4,656,708	1,503,563	2,866,217	5,026,409	7,428,197	2,155,760	23,636,854	4,159

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

Source : Capital Investment Coordinating Board.

vestment (Penanaman Modal Dalam Negeri or PMDN) and foreign capital investment (Penanaman Modal Asing or PMA) was focused primarily on efforts to simplify procedures and improve services. According to the new procedures on obtaining approvals, various requirements were abolished, among others identification of citizenship for those of foreign origins, guarantee for a secured export market and a financial report audited by the public accountant. Furthermore, to provide a more complete information on investment opportunities in Indonesia, the Government made more effective promotion activities domestically as well as overseas.

As a result of these efforts, the investment opportunities were expanded thereby enabling all levels of the community to participate in investment activities. During the reporting year the opportunities that could be benefited by the PMDN facilities, besides eligible to companies in the form of a lim-

ited company (Perseroan Terbatas or PT), were also eligible to other companies of different legal status, such as firms and cooperatives as well as individuals.⁹⁾

In the reporting year the Investment Coordinating Board (Badan Koordinasi Penanaman Modal or BKPM) issued a new investment priority list (Daftar Skala Prioritas or DSP).¹⁰⁾ Under this DSP, the fields of activities opened both to PMDNs and PMAs were expanded. However, larger opportunities were granted to PMDNs. The DSP which formerly incorporated 2,227 fields of activities, in the reporting year was extended to cover 2,497 fields of activities, consisting of 2,366 fields of activities opened and 131 fields of activities closed for new undertakings. Of the 2,366 fields of activities, 996 were opened to PMDNs

9) Implementation Direction of Chairman of Investment Coordinating Board No. 15, October 1, 1984.

10) Presidential Decree No. 51/1984, September 5, 1984.

(478 of which were also opened to PMAs) while the remainder (1,370 fields of activities) were open to entities not regulated by the PMDN and PMA laws.

Although the Government made increased efforts to encourage PMDNs and PMAs, as a result of the world economy which had not yet fully recovered, the intended capital investments approved during 1984 showed a decline of 66.8%.

1. Domestic capital investments

In 1984 the approved intended capital investments under PMDNs totalled 152 projects at a value of Rp 2,155.8 billion compared with 407 projects at a value of Rp 7,428.2 billion in the previous year. Declines of intended investments were recorded in all fields of activities. The largest decline occurred in the industrial and mining sectors, reaching only Rp 1,535.8 billion and Rp 13.4 billion compared with Rp 5,452.9 billion and Rp 565.4 billion, respectively, in the previous year.

Since the enactment of the PMDN law in July 1968 until the end of 1984, the number of PMDN projects approved by the Government reached 4,159 projects with an intended investment of Rp 23,636.9 billion. The largest number of projects were in the industrial sector, followed by forestry and agriculture. Of the intended investment, the largest amount was invested in the industrial sector, followed by the agriculture and mining (Table 8.37).

By regional distribution, both in number and value of projects, the largest portion were invested in West Jawa, Jakarta and East Jawa. Regions in which the projects and the intended PMDN investments were consid-

ered large included Central Jawa, North Sumatra and East Kalimantan (Table 8.38).

Since July 1968 until March 1985 the amount realized under PMDNs totalled Rp 6,397.8 billion ¹¹⁾ or 27.1% of the total intended investment, covering 2,842 projects. Of this amount, the industrial sector represented the largest, at a value of Rp 4,437.3 billion, followed by agriculture Rp 727.2 billion and forestry Rp 491.9 billion.

2. Foreign capital investment

During 1984 the Government approved 25 new projects with an intended capital investment of \$ 1,146.6 million compared to 52 projects at a value of \$ 2,875.2 million, respectively, in the previous year. Declines in capital investments occurred in all fields of activities. The largest decline was recorded by the industrial sector, especially paper and metal industries, which only reached \$ 27.2 million and \$ 151.4 million compared with \$ 696.8 million and \$ 591.0 million, respectively, in the previous year.

Since the enactment of the 1967 PMA law until the end of 1984 the aggregate intended investments under PMA approved by the Government covered 787 projects to the amount of \$ 14,887.1 million. The highest amount was invested in the industrial sector at a total value of \$ 11,094.7 million, followed by mining (\$ 1,657.6 million) and agriculture (\$ 753.4 million), see Table 8.39.

From the regional point of view, the largest number of intended projects were located in Jakarta (280 projects), West Jawa

11) Supplement to the President's Report to Parliament, August 16, 1985.

TABLE 8.38
DOMESTIC CAPITAL INVESTMENT PLANT BY PROVINCE
(millions of rupiah)

Provinces	1968- 1979	1980	1981	1982	1983	1984*	Total	
							Value	Project
1. DKI Jakarta	320,740	102,705	724,462	712,142	974,854	631,478	3,466,381	819
2. West Jawa	1,675,378	466,260	1,018,852	1,602,526	1,977,010	828,559	7,368,585	972
3. Central Jawa	366,701	35,752	75,416	174,212	1,217,985	167,426	2,037,492	356
4. D.I. Yogyakarta	32,646	3,196	13,266	3,751	27,306	6,600	86,765	57
5. East Jawa	548,943	117,902	263,602	742,227	940,595	351,736	2,965,005	507
Jawa and Madura	2,944,408	725,815	2,095,598	3,234,858	5,137,750	1,785,799	15,924,228	2,711
6. D.I. Aceh	35,348	1,561	46,118	2,703	300,482	28,503	409,309	49
7. North Sumatra	280,643	83,722	34,106	227,120	331,728	116,538	1,123,857	209
8. West Sumatra	26,556	51,732	8,051	261,295	33,793	26,370	407,797	70
9. Riau	47,984	50,873	108,982	82,383	520,252	95,111	905,585	97
10. Jambi	36,123	18,141	3,893	10,655	19,292	15,681	103,785	49
11. South Sumatra	306,648	15,214	16,373	530,976	78,424	60,594	1,008,229	63
12. Bengkulu	12,453	3,723	— 242	21,269	48,814	9,694	53,073	19
13. Lampung	128,482	14,311	13,466	3,624	129,303	10,303	299,489	74
Sumatra	874,237	239,277	230,747	1,141,981	1,462,088	362,794	4,311,124	630
14. West Kalimantan	49,324	58,318	9,171	133,903	152,509	27,330	370,404	112
15. Central Kalimantan	93,670	27,518	28,573	42,434	8,550	709	249,285	106
16. South Kalimantan	33,499	59,383	87,996	33,494	16,210	5,531	267,769	65
17. East Kalimantan	292,907	266,446	172,722	224,439	173,933	— 52,419	1,058,692	219
Kalimantan	469,400	411,665	298,462	434,270	351,202	— 18,849	1,946,150	502
18. North Sulawesi	39,913	— 1	3,321	21,064	140,819	2,673	207,789	39
19. Central Sulawesi	24,579	20,130	18,162	184	62,014	1,190	126,259	28
20. South Sulawesi	108,345	53,923	— 32,713	140,107	46,025	57,489	373,176	100
21. Southeast Sulawesi	39,549	1,157	7,580	— 25,916	8,919	— 2,352	28,937	14
Sulawesi	212,386	75,209	— 3,650	135,439	257,777	59,000	736,161	181
22. Bali	41,196	1,435	37,108	— 6,181	78,303	11,590	163,451	38
23. West Nusa Tenggara	46,445	— 125	666	4,771	3,661	5,064	60,482	12
24. East Nusa Tenggara	4,720	3,471	1,719	23,591	3,736	3,642	40,879	10
25. East Timor	—	—	—	—	—	—	—	—
26. Maluku	42,954	10,243	71,517	37,351	80,520	2,133	244,718	55
27. Irian Jaya	20,962	36,573	134,050	20,329	53,160	— 55,413	209,661	20
Total	4,656,708	1,503,563	2,866,217	5,026,409	7,428,197	2,155,760	23,636,854	4,159

Source : Capital Investment Coordinating Board.

TABLE 8.39
APPROVED FOREIGN INVESTMENT PROJECTS BY SECTOR ¹⁾
(millions of dollars)

Sector	1967- 1978	1979	1980	1981	1982	1983	1984	Total	
								Value	Project
Agriculture, forestry and fishery	<u>331.7</u>	<u>96.9</u>	<u>64.7</u>	<u>131.2</u>	<u>79.3</u>	<u>34.2</u>	<u>15.4</u>	<u>753.4</u>	<u>118</u>
— Agriculture	101.1	22.2	54.0	18.2	15.9	2.9	0.5	214.8	50
— Forestry	182.0	39.3	7.8	91.4	57.2	8.7	0.6	387.0	46
— Fishery	48.6	35.4	2.9	21.6	6.2	22.6	14.3	151.6	22
Mining	<u>1,009.4</u>	<u>350.0</u>	<u>3.0</u>	<u>39.8</u>	<u>227.4</u>	<u>19.0</u>	<u>9.0</u>	<u>1,657.6</u>	<u>20</u>
— Metal	805.6	350.0	—	39.0	214.4	14.0	—	1,423.0	5
— Others	203.8	—	3.0	0.8	13.0	5.0	9.0	234.6	15
Manufacturing	<u>3,250.7</u>	<u>1,497.6</u>	<u>761.9</u>	<u>831.5</u>	<u>1,195.5</u>	<u>2,560.9</u>	<u>996.6</u>	<u>11,094.7</u>	<u>489</u>
— Food	187.6	63.4	14.2	40.4	6.1	25.9	80.5	418.1	42
— Textile and leather	1,009.3	86.3	76.3	138.6	34.3	112.4	32.7	1,489.9	68
— Wood and wood products	14.9	—	10.8	123.6	5.7	12.9	—	167.9	20
— Paper and paper products	94.9	10.5	2.4	48.5	0.1	696.8	27.2	880.4	14
— Chemicals and rubber	362.8	377.2	282.0	234.0	337.0	199.7	97.2	1,889.9	136
— Non-metal minerals	341.7	76.7	222.1	20.2	60.5	44.0	13.1	778.3	27
— Basic metal	842.3	843.5	—	84.8	3.6	878.2	594.5	3,246.9	25
— Metal products	385.2	40.0	153.4	141.4	748.2	591.0	151.4	2,210.6	152
— Others	12.0	—	0.7	—	—	—	—	12.7	5
Construction	<u>66.9</u>	<u>0.5</u>	<u>7.7</u>	<u>48.8</u>	<u>39.3</u>	<u>74.2</u>	<u>22.2</u>	<u>259.6</u>	<u>73</u>
Trade and hotels	<u>183.5</u>	<u>3.0</u>	<u>38.6</u>	<u>—</u>	<u>19.2</u>	<u>78.0</u>	<u>96.1</u>	<u>418.4</u>	<u>20</u>
— Trade	11.6	—	—	—	2.2	—	—	13.8	3
— Hotels	171.9	3.0	38.6	—	17.0	78.0	96.1	404.6	17
Transportation and communication	<u>34.6</u>	<u>0.2</u>	<u>25.0</u>	<u>—</u>	<u>17.9</u>	<u>0.3</u>	<u>4.2</u>	<u>82.2</u>	<u>13</u>
— Transportation	34.6	0.2	25.0	—	17.9	0.3	4.2	82.2	13
— Communication	—	—	—	—	—	—	—	—	—
Services	<u>251.1</u>	<u>45.3</u>	<u>—</u>	<u>8.2</u>	<u>204.9</u>	<u>108.6</u>	<u>3.1</u>	<u>621.2</u>	<u>54</u>
— Trade services	235.6	45.3	—	8.2	204.9	108.6	3.1	605.7	44
— Personal services	15.5	—	—	—	—	—	—	15.5	10
Total	<u>5,127.9</u>	<u>1,993.5</u>	<u>900.9</u>	<u>1,059.5</u>	<u>1,783.5</u>	<u>2,875.2</u>	<u>1,146.6</u>	<u>14,887.1</u>	<u>787</u>

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

TABLE 8.40
DISTRIBUTION OF FOREIGN CAPITAL INVESTMENT PLAN BY PROVINCE¹⁾
(millions of dollars)

Province	1967 78	1979	1980	1981	1982	1983	1984	Intended investment	
								Value	Project
1. DKI Jakarta	1,025.2	195.6	160.2	196.2	852.3	456.0	220.1	3,105.6	280
2. West Jawa	1,346.0	127.9	220.0	253.4	421.7	1,420.8	729.1	4,518.9	180
3. Central Jawa	195.2	1.3	45.0	—	6.9	24.5	10.3	283.2	23
4. D.I. Yogyakarta	1.6	—	6.6	—	0.1	—	—	8.3	3
5. East Jawa	279.2	39.1	14.5	78.7	15.3	115.1	75.1	617.0	66
Jawa and Madura	2,847.2	363.9	446.3	528.3	1,296.3	2,016.4	1,034.6	8,533.0	552
6. D.I. Aceh	2.5	313.0	—	106.5	—	424.0	—	846.0	6
7. North Sumatra	683.2	839.5	54.9	14.8	9.9	—	23.5	1,625.8	39
8. West Sumatra	25.2	—	14.2	2.3	7.1	—	—	48.8	4
9. Riau	87.4	—	50.3	58.1	13.8	75.1	30.8	315.5	21
10. Jambi	5.5	—	6.5	8.0	—	—	—	20.0	4
11. South Sumatra	35.6	2.5	8.1	10.9	3.4	35.3	—	95.8	13
12. Bengkulu	—	—	—	—	—	—	—	—	—
13. Lampung	64.0	0.5	—	1.5	—	2.2	0.3	68.5	4
Sumatra	903.4	1,155.5	134.0	202.1	34.2	536.6	54.6	3,020.4	91
14. West Kalimantan	9.8	0.2	—	—	1.0	2.0	—	13.0	6
15. Central Kalimantan	47.4	12.8	5.6	4.5	26.0	0.4	0.6	97.3	14
16. South Kalimantan	12.5	—	—	77.3	7.0	—	—	96.8	10
17. East Kalimantan	74.6	20.1	7.0	60.0	2.2	7.5	1.0	172.4	15
Kalimantan	144.3	33.1	12.6	141.8	36.2	9.9	1.6	379.5	45
18. North Sulawesi	76.3	—	1.4	—	—	—	—	77.7	3
19. Central Sulawesi	16.0	—	—	14.2	—	—	—	30.2	3
20. South Sulawesi	14.3	1.2	—	2.7	0.3	—	—	18.5	6
21. Southeast Sulawesi	19.2	10.5	—	—	—	—	—	29.7	3
Sulawesi	125.8	11.7	1.4	16.9	0.3	—	—	156.1	15
22. Bali	30.4	—	—	—	17.0	25.0	8.0	80.4	6
23. West Nusa Tenggara	—	—	—	—	—	—	—	—	—
24. East Nusa Tenggara	3.9	—	—	—	17.9	1.7	—	23.5	3
25. East Timor	—	—	—	—	—	—	—	—	—
26. Maluku	4.0	23.9	—	—	—	—	0.2	28.1	5
27. Irian Jaya	177.6	8.8	2.9	44.5	35.3	22.8	14.1	306.0	16
28. Miscellaneous	891.3	396.6	303.7	125.9	346.3	262.8	33.5	2,360.1	54
Total	5,127.9	1,993.5	900.9	1,059.5	1,783.5	2,875.2	1,146.6	14,887.1	787

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

TABLE 8.41
APPROVED FOREIGN INVESTMENT PROJECTS BY COUNTRY OF ORIGIN¹⁾
(millions of dollars)

Country of origin	1967- 1978	1979	1980	1981	1982	1983	1984	Total	
								Value	Project
1. Europe	<u>573.8</u>	<u>92.7</u>	<u>227.6</u>	<u>132.7</u>	<u>365.8</u>	<u>1,100.4</u>	<u>196.1</u>	<u>2,689.1</u>	<u>177</u>
— Belgium	45.4	8.0	54.9	46.2	—	803.1	—	957.6	16
— France	21.9	—	0.4	—	0.3	3.8	7.4	33.8	7
— Germany, Fed. Rep. of	184.6	4.0	15.2	15.3	77.6	135.4	6.1	438.2	27
— Netherlands	208.2	1.9	141.0	49.2	30.7	34.9	43.0	508.9	49
— Switzerland	37.1	9.1	1.4	0.3	90.0	4.4	137.5	279.8	17
— United Kingdom	56.1	45.3	4.8	14.9	163.7	47.7	1.7	334.1	45
— Others	20.6	24.4	9.9	6.8	3.5	71.1	0.4	136.7	16
2. America	<u>197.5</u>	<u>42.2</u>	<u>110.0</u>	<u>39.8</u>	<u>74.6</u>	<u>610.2</u>	<u>690.2</u>	<u>1,764.5</u>	<u>89</u>
— Canada	9.4	—	—	—	—	—	—	9.4	2
— United States of America	172.4	42.0	110.0	37.1	74.6	547.2	689.2	1,672.5	78
— Others	15.7	0.2	0.4	2.7	—	63.0	1.0	82.6	9
3. Asia	<u>2,737.0</u>	<u>1,164.9</u>	<u>210.5</u>	<u>631.6</u>	<u>931.8</u>	<u>636.5</u>	<u>230.2</u>	<u>6,542.5</u>	<u>400</u>
— Brunei Darussalam	5.0	9.3	—	—	—	—	—	14.3	1
— Hongkong	532.2	110.4	23.8	235.9	244.2	131.3	98.1	1,376.9	120
— Japan	2,015.3	1,024.0	144.0	199.0	594.4	459.7	121.8	4,558.2	207
— Malaysia	16.8	2.8	—	0.7	—	1.9	—	22.2	11
— Philippines	15.3	—	—	—	12.9	—	—	28.2	6
— Singapore	36.7	4.2	31.6	15.0	44.1	31.6	6.6	169.8	28
— Thailand	2.0	—	1.8	3.1	—	—	—	6.9	3
— Others	112.7	14.2	9.3	177.9	36.2	12.0	3.7	366.0	24
4. Africa	<u>16.0</u>	<u>—</u>	<u>4.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20.2</u>	<u>2</u>
— Liberia	16.0	—	4.2	—	—	—	—	20.2	2
5. Australia	<u>239.2</u>	<u>8.3</u>	<u>1.8</u>	<u>19.4</u>	<u>13.3</u>	<u>15.7</u>	<u>3.1</u>	<u>300.8</u>	<u>36</u>
6. Group of country	<u>1,364.4</u>	<u>685.4</u>	<u>346.8</u>	<u>236.0</u>	<u>398.0</u>	<u>512.4</u>	<u>27.0</u>	<u>3,570.0</u>	<u>83</u>
Total	<u>5,127.9</u>	<u>1,993.5</u>	<u>900.9</u>	<u>1,059.5</u>	<u>1,783.5</u>	<u>2,875.2</u>	<u>1,146.6</u>	<u>14,887.1</u>	<u>787</u>

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

TABLE 8.42
IMPLEMENTATION OF FOREIGN INVESTMENT BY SECTOR
JUNE 1967 THROUGH DECEMBER 1984
(millions of dollars)

Sector	Project ¹⁾	1967-1978	1979	1980	1981	1982	1983	1984	Total
Agriculture, forestry and fishery	<u>111</u>	<u>444.3</u>	<u>34.0</u>	<u>48.6</u>	<u>48.3</u>	<u>25.8</u>	<u>28.4</u>	<u>21.1</u>	<u>650.5</u>
— Agriculture	52	62.8	4.3	14.5	13.0	5.8	6.7	4.1	111.2
— Forestry	47	297.4	19.2	26.2	34.9	11.0	15.9	16.3	420.9
— Fishery	12	84.1	10.5	7.9	0.4	9.0	5.8	0.7	118.4
Mining	<u>14</u>	<u>376.6</u>	<u>47.5</u>	<u>49.4</u>	<u>70.0</u>	<u>32.2</u>	<u>110.0</u>	<u>46.1</u>	<u>731.8</u>
Manufacturing	<u>393</u>	<u>2,179.8</u>	<u>192.0</u>	<u>235.4</u>	<u>243.5</u>	<u>388.3</u>	<u>358.0</u>	<u>233.7</u>	<u>3,830.7</u>
— Food	36	163.2	7.1	7.4	15.8	7.1	4.5	17.7	222.8
— Textile and leather	58	776.2	41.7	78.7	102.5	69.7	25.5	8.6	1,102.9
— Wood and wood products	13	22.5	0.1	3.3	2.2	29.7	13.7	13.2	84.7
— Paper and paper products	10	39.3	1.4	6.1	2.5	1.6	5.8	2.8	59.5
— Chemicals and rubber	118	337.6	44.8	32.0	44.5	164.9	177.5	67.2	868.5
— Non metal minerals	23	262.7	3.2	30.0	30.9	53.0	36.7	25.1	441.6
— Basic metal	19	177.4	47.5	23.9	7.9	28.5	57.4	26.5	369.1
— Metal product	111	388.7	36.0	52.0	35.3	33.8	34.5	66.9	647.2
— Others	5	12.2	10.2	2.0	1.9	—	2.4	5.7	34.4
Construction	<u>56</u>	<u>38.9</u>	<u>12.0</u>	<u>0.8</u>	<u>0.6</u>	<u>6.9</u>	<u>0.5</u>	<u>0.5</u>	<u>60.2</u>
Trade and hotels	<u>13</u>	<u>103.2</u>	<u>4.3</u>	<u>0.4</u>	<u>2.9</u>	<u>—</u>	<u>2.1</u>	<u>7.2</u>	<u>120.1</u>
— Trade	3	10.8	—	—	2.5	—	0.4	—	13.7
— Hotels	10	92.4	4.3	0.4	0.4	—	1.7	7.2	106.4
Transportation and communication	<u>14</u>	<u>23.0</u>	<u>21.9</u>	<u>4.8</u>	<u>1.3</u>	<u>—</u>	<u>—</u>	<u>2.4</u>	<u>53.4</u>
— Transportation	14	12.8	0.1	2.1	0.2	—	—	0.2	15.4
— Communication	—	10.2	21.8	2.7	1.1	—	—	2.2	38.0
Services	<u>38</u>	<u>94.3</u>	<u>6.9</u>	<u>7.2</u>	<u>12.4</u>	<u>6.1</u>	<u>17.9</u>	<u>77.0</u>	<u>221.8</u>
— Trade services	36	76.3	6.9	7.2	12.0	6.1	17.9	77.0	203.4
— Personal services	2	18.0	—	—	0.4	—	—	—	18.4
Others	<u>—</u>	<u>114.6</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>114.6</u>
Total	<u>639</u>	<u>3,374.7</u>	<u>318.6</u>	<u>346.6</u>	<u>379.0</u>	<u>459.3</u>	<u>516.9</u>	<u>388.0</u>	<u>5,783.1</u>

1) Through December 1983.

Sources : — BKPM and Bea Cukai (Import).

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

(1980 projects) and East Jawa (66 projects), see Table 8.40.

By country of origin, the largest amount originated from Japan with a total investment of \$ 4,558.2 million, followed by the United States \$ 1,672.5 million, and Hongkong \$ 1,376.9 million (Table 8.41).

From June 1967 until the end of 1984 the amount of PMA realized reached \$ 5,783.1 million or 38.9% of total intended investments, covering 639 projects. Of the realized amount, 66.2% was invested in the industrial sector, 12.7% in mining and 7.3% in forestry (Table 8.42).

K. Cooperatives

To enhance the activities of cooperatives, especially village cooperative units (Koperasi Unit Desa or KUD), the Government stimulated the participation of capable cooperatives to implement Government's work orders on procurements of commodities.¹²⁾ This policy was designed to enable KUDs to become an independent centrum of the rural economic activities. In addition, in the reporting year the Government issued Presidential Instruction No. 4/1984 regarding the establishment of a patron board of KUDs (Badan Pembimbing dan Pelindung KUD or BPP—KUD).¹³⁾ The functions of this board were to provide guidance, assistance, suggestion and advice to KUDs' management and to protect KUDs' against matters which might damage the image and existence of KUDs. As a follow up of this presidential instruction, in the efforts to strengthen the capital of KUDs, the Gov-

ernment issued a joint decree of the Minister of Cooperatives, Minister of Finance and Governor of Bank Indonesia regarding the supervision and capital assistance of KUDs through the provision of bank credits¹⁴⁾.

As the result of the above efforts, during 1984 the number of cooperatives increased by 5.6% to 26,179 units, consisting of 6,579 KUDs (up by 4.0%) and 19,600 non-KUDs (up by 6.2%). The number of cooperative members rose by 20.5% to 16.4 million, consisting of 12 million KUD members and 4.4 million non-KUD members or indicating an increase of 25.9% and 7.9%, respectively. Accordingly, the amount of savings of cooperative members grew by 5.6% to Rp 132.0 billion. This increase indicated that cooperatives succeeded to penetrate to all levels of the community.

At the initial stage the operations of KUDs were emphasized more on rural economic activities. Those activities among others included rice purchases for the procurement of national stock, distribution of agricultural production means, trade of smallholders' estate products, smallholders' cattle breeding, handicrafts, electricity and credits.

The number of KUDs engaged in the procurement of rice for the national stock went up by 2% to 2,291 units, the total purchase of which amounted to 2,046.4 thousand tons of equivalent rice. The number of KUDs distributing the production means of agriculture consisted of 3,699 units, which channelled 490.4 thousand tons of fertilizers and about 3,420 thousand kg of pesticides.

12) Presidential Decree No. 29/1984, April 21, 1984.

13) Presidential Instruction No. 4/1984, March 27, 1984.

14) Minister of Cooperative, Minister of Finance and Governor of Bank Indonesia Joint Decree Nos. 120A/M/Kept/VIII/1984, 899A/KMK.01/1984 and 17/12/Kep/GBI, August 28, 1984.

To enhance smallholders' estates, KUDs were also engaged in trading smallholders' products, such as copra, clove and sugarcane. In 1984 the number of cooperatives participating in marketing copra, clove and sugarcane were 202 units, 228 units and 716 units which traded 55.5 thousand tons of copra, 7.9 thousand tons of clove and 568.1 thousand tons of sugarcane, respectively.

The KUDs were also actively engaged in assisting livestock farmers, namely providing means of production, fodder and medicaments, animal medicare as well as marketing their products. The number of cooperatives participating in these business activities rose by 4.7% to 514 units. It should be added that the number of cows owned by KUDs rose by 37.0% to 161 thousand, and the volume of milk marketed by KUDs rose by 50% to 195 thousand liters.

To assist the distribution of essential commodities to the low income community, KUDs were engaged in the trade of these commodities, such as, granulated sugar and flour. The quantity of these two commodities distributed by KUDs reached 425 thousand tons and 100.9 thousand tons, respectively.

It should be noted, the number of KUDs engaged in trading handicrafts produced by the economically-weak groups rose remarkably, by 25.9% to 850 units. The number of cooperative members increased by 22.3% to 79,745.

As a result of the government policy on

"electricity enters villages", the activities of KUDs in distributing electricity to the village community recorded considerable increases. Until the end of the reporting year the number of electricity subscribers managed by KUDs reached 309,266 dwellings of 1,578 villages. The number of KUDs engaged in the distribution of electricity to villages rose by 5% to 447 KUDs.

With regard to credits channelled through KUDs, primarily in the form of small-scale credit to petty traders under the so-called Kredit Candak Kulak program (KCK) also recorded improvements. The number of KUDs channelling KCK credits rose to 4,969 units. The number of customers benefiting KCKs rose by 8.3% to 13,903 thousand while the amount of credits rose by 14.5% to Rp 166.9 billion.

It should be noted that at end of the reporting year the financial assistance provided by banks to strengthen the capital of cooperatives aggregated to Rp 271.1 billion, consisting of Rp 78.3 billion investment credits and Rp 192.8 billion working capital credits. Of this financial

assistance, the largest portion went to KUDs, namely to the amount of Rp 223.2 billion and the balance to non-KUDs. By economic sector, the largest share of these credits were extended to the agricultural sector, namely with a share of 77.6%, while the balance went to the sectors of trade (7.9%), industry (5.1%), transportation (5.0%) and electricity, purified water and gas supply (4.4%).

APPENDICES

- 1) As submitted to the Government.
- 2) Regarded as a component in international reserves.
- 3) Banks and non-banks.

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
as per March 30, 1985¹⁾
(billions of rupiah)

EXPENDITURES		REVENUES
EXPENSES		
— Personnel, material, operational	86	— Interest 1,319
— Currency issues	40	— Commission 8
— Miscellaneous	160	— Miscellaneous 10
— Depreciation	512	
	<u>798</u>	
PROFIT		
— Profit before tax	539	
TOTAL	<u>1,337</u>	<u>1,337</u>
		TOTAL

1) As submitted to the Government.

APPENDIX B

MANAGEMENT OF BANK INDONESIA as per March 31, 1985.

Government Commissioner : A.J. Witono S.

BOARD OF MANAGEMENT DIRECTORS

Governor : Dr. Arifin Mohamad Siregar
Managing Director : Teuku Mohamad Zahirshah, S.H.
Managing Director : Marjanto Danoesapetro, 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	: Dr. Heru Soeprapto, S.E.
Budget Department	: Masri Saleh
Foreign Exchange Department	: A. Sulaiman Gandabrata, S.E.
Economics and Statistics	
Department	: Dr. Syahril Sabirin
Legal Department	: Mrs. Indrawati Soewarso, S.H.
International Department	: Achmad Effendie, S.H.
General Services Department	: Husnie Azhurie
Money and Capital Markets	
Department	: Sjahrizal, S.H.
General Credit Department	: Ir. Mansjurdin Nurdin
Cooperative and Small Credits	
Department	: Bistok Hutasoit, Drs.
Bank Supervision Department	: Soengkowo Prijoredjo
Internal Control Department	: R. Soegiono
Currency Circulation Department	: Djoko Soetargo
Credit Planning and Credit	
Supervision Department	: Sukamil, S.E.
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	: Dadang Soerman, S.E.

BRANCH MANAGERS

Ambon	: Soekisman
Balikpapan	: Oerip Setiawan, S.H.
Banda Aceh	: Mahmud Arsin
Bandar Lampung	: M. Rasjid Izada
Bandung	: Tom Hartono, S.H.
Banjarmasin	: A. Bakry Pangoriseng, Drs.
Bengkulu	: Bachtaruddin, BBA.
Cirebon	: Abdul Syukur
Denpasar	: Aibar Durin, S.H.
Jambi	: Suparko
Jayapura	: VF. Soewadji, Drs.
Jember	: Soesantoro, S.E.
Kediri	: Soediarso
Kendari	: Djedi
Kupang	: Ibrahim Saad
Lhokseumawe	: Abdul Muis Hamid, S.E.
Malang	: R. Saptadi Baroto
Mataram	: Suryono Joyoprayitno, S.E.
Medan	: Thamrin Soerawisastra, S.H.
Menado	: A.F. Tumiwa
Padang	: Koesen, S.E.
Palembang	: Kamaloeddin Chatab, Drs.
Palu	: Basuki Sumadibrata, BBA.
Pekanbaru	: C. Korompis, S.E.
Pematang Siantar	: Soediono, S.E.
Pontianak	: Judjono Gandasubrata, S.E.
Purwokerto	: Muhadjir
Samarinda	: Darwis Idroes, S.E.
Sampit	: Syahriar Lathief
Semarang	: Dadang Soerman, S.E.
Sibolga	: M.T. Naibaho, S.E.
Solo	: Sri Hastjarja Poerwasoeparta, S.E.
Surabaya	: Dewa Made Gunawan
Tasikmalaya	: Moh. Idroes Koedoes, BBA.
Tegal	: Djumiran Indrojatmoko, Drs.
Ternate	: Nur Sudibyo, S.E.
Ujung Pandang	: Soedharnindhito, S.H.
Yogyakarta	: Mohamad Kurdi, S.E.

TABLE 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	55	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 ⁵⁾
8. Kupedes	18	0	100	3 ⁵⁾
9. Working Capital Credit through Rp 75 million	15	10	70	3
10. Keppres 29/1984	15	10	70	3
11. Credits to farmers through KUDs for the intensification of paddy/secondary crops	12	0	100	3
II. Investment credits				
1. Small Investment Credits (KIK)	12	0	55	3
2. 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
3. New rice fields ²⁾	12	0	100	3
4. Investment credits through Rp 75 million	12	10	80	3
5. Credits to cooperatives (for members and for the purchase of essential commodities)	12	0	90	3
6. Kupedes	12	0	100	3
7. Mini credits	12	0	100	3
8. Midi credits	12	0	100	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.

5) Excludes reserve for risk.

TABLE II
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>57,938,184</u>		<u>131,804</u>
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)
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)
PT BAT Indonesia	11.19.1979	6,600,000	2,500	16,500
PT Tificorp	12.29.1979	1,100,000	7,250	7,975
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)
PT Goodyear Indonesia	11.10.1980	6,150,000	1,250	7,688
PT Merck Indonesia	06.23.1981	1,680,000	1,900	3,192
PT Multi Bintang Indonesia	10.27.1981	3,520,012	1,570	5,526
PT Unilever Indonesia	11.16.1981	9,200,000	3,175	29,210
PT Sepatu Bata		1,488,000		1,897
– Emission I	02.06.1982	(1,200,000)	1,275	(1,530)
– Emission II	01.09.1985	(288,000)	1,275	(367)
PT Unitex	05.12.1982	733,500	1,475	1,082
PT Sucaco	06.05.1982	4,800,000	1,000	5,280
PT Bayer Indonesia	06.16.1982	2,342,100	1,325	3,079
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)
PT Squibb Indonesia	02.12.1983	972,000	1,050	1,021
PT A.J. Panin Putra	04.30.1983	1,020,000	2,950	3,009
PT Sari Husada		1,192,000		2,205
– Emission I	06.04.1983	(1,000,000)	1,850	(1,850)
– Emission II	07.16.1984	(192,000)	1,850	(355)
PT Pan Union Insurance	08.13.1983	765,000	1,050	880
PT Regnis Indonesia	11.21.1983	523,500	1,540	806
PT Pfizer Indonesia	12.21.1983	600,000	1,425	855
PT Delta Djakarta	12.23.1983	347,400	2,950	1,025
PT Hotel Prapatan	12.29.1983	1,665,976	1,050	1,749
PT Jakarta International	12.30.1983	6,618,600	1,500	9,928
PT Prodentia Indonesia	10.09.1984	221,000	1,450	320
II. Bond		<u>269,730</u>		<u>224,718</u>
PT Jasa Marga		230,800		193,718
– 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)
VI	12.12.1984	(3,600)		(40,000)
VII	12.12.1984	(2,900)		(30,000)
Bank Pembangunan Indonesia	01.29.1983	32,650		25,000
PT Papan Sejahtera	04.16.1983	6,280		6,000
Total (I + II)		<u>58,207,914</u>		<u>356,522</u>

TABLE III
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	<u>4,266</u>	<u>6,697</u>	<u>10,227</u>	<u>12,213</u>	<u>13,756</u>	<u>12,418</u>	<u>13,823</u>	<u>14,433</u>
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	390
— 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
— Excise 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 receipt	192	188	316	337	392	435	502	519
II. Development receipt	<u>1,035</u>	<u>1,381</u>	<u>1,494</u>	<u>1,709</u>	<u>1,851</u>	<u>1,940</u>	<u>2,742</u>	<u>3,882</u>
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	<u>5,301</u>	<u>8,078</u>	<u>11,721</u>	<u>13,922</u>	<u>15,607</u>	<u>14,358</u>	<u>16,565</u>	<u>18,315</u>

Source : Department of Finance.

TABLE IV
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	
Domestic revenues	228	244	276	344	324	428	374	590	428	968	1,680
Routine expenditures	204	217	243	288	281	349	319	438	357	713	1,404
Government savings	24	27	33	56	43	79	55	152	71	255	226
Foreign aid	99	91	120	120	180	136	209	158	225	203	833
a. Project aid	(36)	(25)	(45)	(41)	(95)	(45)	(124)	(62)	(140)	(114)	(440)
b. Program aid	(63)	(66)	(75)	(79)	(85)	(91)	(85)	(96)	(85)	(89)	(393)
Development funds	123	118	153	176	223	215	264	310	296	458	1,059
Development expenditures	123	118	153	169	223	196	264	298	296	451	1,059
a. Rupiah	(87)	(93)	(108)	(128)	(128)	(151)	(140)	(236)	(156)	(337)	(619)
b. Project aid	(36)	(25)	(45)	(41)	(95)	(45)	(124)	(62)	(140)	(114)	(440)
Surplus (+)/Deficit (—)	—	—	—	+ 7	—	+19	—	+12	—	+ 7	—
											+45

Source : Department of Finance.

TABLE V
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
a. Project aid	(—)	(196)	(—)	(472)	(—)	(774)	(—)	(737)	(—)	(988)	(—)	(3,166)
b. 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
a. Rupiah	(—)	(766)	(—)	(926)	(—)	(1,280)	(—)	(1,419)	(—)	(1,568)	(—)	(5,960)
b. Project aid	(—)	(196)	(—)	(472)	(—)	(774)	(—)	(737)	(—)	(988)	(—)	(3,166)
Surplus (+) / Deficit (—)	—	+8	—	+ 3	—	+6	—	+ 3	—	+2	—	+22

Source : Department of Finance.

TABLE VI
PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA III, 1979/80 – 1983/84
(billions of rupiah)

Particulars	1979/80		1980/81		1981/82		1982/83		1983/84		Total
	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	
Domestic revenues	5,440	6,697	6,090	10,227-	6,804	12,213	7,526	12,418	8,412	14,433	55,968
Routine expenditures	3,446	4,062	3,845	5,800	4,294	6,978	4,767	6,996	5,308	8,412	32,248
Government savings	1,994	2,635	2,245	4,427	2,510	5,235	2,759	5,422	3,104	6,021	23,740
Foreign aid	1,494	1,381	1,647	1,494	1,840	1,709	2,019	1,940	2,237	3,882	10,406
a. Project aid	(--)	(1,316)	(--)	(1,430)	(--)	(1,664)	(--)	(1,925)	(--)	(3,867)	(10,202)
b. Program aid	(--)	(65)	(--)	(64)	(--)	(45)	(--)	(15)	(--)	(15)	(204)
Development funds	3,488	4,016	3,892	5,921	4,350	6,944	4,778	7,362	5,341	9,903	34,146
Development expenditures	3,488	4,014	3,892	5,916	4,350	6,940	4,778	7,360	5,341	9,899	34,129
a. Rupiah	(--)	(2,698)	(--)	(4,486)	(--)	(5,276)	(--)	(5,435)	(--)	(6,032)	(23,927)
b. Project aid	(--)	(1,316)	(--)	(1,430)	(--)	(1,664)	(--)	(1,925)	(--)	(3,867)	(10,202)
Surplus (+) / deficit (-)	--	+2	--	+5	--	+4	--	+2	--	+4	+17

Source : Department of Finance.

TABLE VII
PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA IV, 1984/85 – 1988/89
(billions of rupiah)

Particulars	1984/85		1985/86		1986/87		1987/88		1988/89		Total
	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	
Domestic revenues	16,149	15,905	19,794	18,678	23,681	--	28,319	--	33,542	--	121,662
Routine expenditures	10,101	9,429	12,043	12,399	13,924	--	16,891	--	20,494	--	73,308
Government savings	6,048	6,476	7,751	6,279	9,757	--	11,428	--	13,048	--	48,354
Foreign aid	4,411	3,478	5,098	4,368	5,715	--	6,687	--	7,476	--	29,387
a. Project aid	(4,371)	(3,049)	(--)	(4,297)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
b. Program aid	(40)	(69)	(--)	(71)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Development funds	10,459	9,954	12,849	10,647	15,472	--	18,115	--	20,524	--	77,741
Development expenditures	10,459	9,952	12,849	10,647	15,472	--	18,115	--	20,524	--	77,741
a. Rupiah	(6,088)	(6,654)	(--)	(6,350)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
b. Project aid	(4,371)	(3,409)	(--)	(4,297)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Surplus (+) / deficit (-)	--	+2	--	--	--	--	--	--	--	--	--

Source : Departement of Finance.

TABLE VIII
DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Sector	1980/81	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Actuals	Budget
Agriculture and irrigation	929	953	931	913	1,402	1,699	1,430
Industry	415	528	506	512	650	603	656
Mining and energy	507	828	1,165	2,299	1,301	1,148	1,301
Transportation and tourism	780	806	876	1,528	1,392	1,428	1,425
Trade and cooperatives	103	58	132	199	127	342	128
Manpower and transmigration	325	417	436	457	675	422	677
Regional, rural and urban development	482	616	711	749	810	791	868
Religion	32	40	50	54	63	60	64
Education, youth, culture and belief in the Almighty God	575	726	704	1,032	1,502	1,231	1,511
Health, social welfare, role of women, population and family planning	218	286	259	279	408	320	414
Housing and resettlement	191	166	151	221	433	224	438
Law	53	54	66	56	80	60	81
National defence and security	479	566	477	526	697	702	714
Information, press and social communication	34	44	51	27	67	46	68
Science, technology and research	88	95	129	303	206	190	208
State apparatus	168	181	242	317	162	164	176
Development of business enterprises	389	390	281	234	227	292	229
National resources and environment	148	186	193	193	257	230	259
Total	5,916	6,940	7,360	9,899	10,459	9,952	10,647

Source : Department of Finance.

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

Sector	1980/81	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Actuals	Budget
Agriculture and irrigation	706	818	830	757	872	1,227	958
Industry	224	193	160	266	123	133	112
Mining and energy	207	275	271	313	329	294	258
Transportation and tourism	472	543	544	639	631	827	635
Trade and cooperatives	90	48	132	180	77	340	76
Manpower and transmigration	295	386	421	411	525	346	540
Regional, rural and urban development	458	599	709	742	768	790	842
Religion	32	40	50	54	62	60	64
Education, youth, culture and belief in the Almighty God	525	689	679	1,004	1,217	1,051	1,273
Health, social welfare, role of women, population and family planning	182	252	236	242	286	242	304
Housing and resettlement	158	144	130	170	234	140	274
Law	53	54	66	56	79	60	80
National defence and security	342	388	418	506	380	452	395
Information, press and social communication	28	42	51	27	48	33	49
Science, technology and research	78	91	102	120	117	110	139
State apparatus	151	179	218	184	157	160	174
Development of business enterprises	353	362	234	189	26	132	11
National resources and environment	132	173	184	171	157	146	166
Total	4,486	5,276	5,435	6,031	6,088	6,543	6,350

Source : Department of Finance.

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

Sector	1980/81	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Actuals	Budget
Agriculture and irrigation	223	135	101	156	530	472	472
Industry	191	335	346	246	527	470	544
Mining and energy	300	553	894	1,986	972	854	1,043
Transportation and tourism	308	263	332	889	761	601	790
Trade and cooperatives	13	10	—	19	50	2	52
Manpower and transmigration	30	31	15	46	150	76	137
Regional, rural and urban development	24	17	2	7	42	1	26
Religion	—	—	—	—	—	—	—
Education, youth, culture and belief in the Almighty God	50	37	25	28	285	180	238
Health, social welfare, role of women, population and family planning	36	34	23	37	122	78	110
Housing and resettlement	33	22	21	51	199	84	164
Law	—	—	—	—	11	—	1
National defence and security	137	178	59	20	317	250	319
Information, press and social communication	6	2	—	—	19	13	19
Science, technology and research	10	4	27	183	89	80	69
State apparatus	17	2	24	133	5	4	2
Development of business enterprises	36	28	47	45	201	160	218
National resources and environment	16	13	9	22	100	84	93
Total	1,430	1,664	1,925	3,868	4,371	3,409	4,297

Source : Department of Finance.

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

Items	1980/81	1981/82	1982/83 ^r	1983/84 ^r	1984/85
A. Goods and services	<u>2,131</u>	<u>- 2,790</u>	<u>- 7,039</u>	<u>- 4,151</u>	<u>- 1,968</u>
1. Merchandise goods, exports f.o.b.	22,885	22,994	18,672	19,816	19,901
imports f.o.b.	-14,242	-17,911	-18,496	-16,304	-14,427
2. Freight and insurance on imports	- 1,645	- 2,058	- 2,129	- 1,880	- 1,571
3. Other transportation	- 360	- 414	- 250	- 285	- 293
4. Travel	- 252	- 386	- 248	- 93	- 72
5. Investment income	- 2,943	- 2,996	- 3,130	- 3,934	- 3,731
5.1. Oil and LNG sector	(- 1,945)	(- 2,483)	(- 2,097)	(- 2,439)	(- 2,009)
5.2. Direct investment and others	(- 998)	- 513	(- 1,033)	(- 1,495)	(- 1,722)
6. Government, not included elsewhere	- 106	- 165	- 114	- 62	- 69
7. Other services	- 1,206	- 1,854	- 1,344	- 1,409	- 1,706
Balance of goods and services (1 through 7)	2,131	- 2,790	- 7,039	- 4,151	- 1,968
Balance of goods (1)	8,643	5,083	176	3,512	5,474
Balance of services (2 through 7)	- 6,512	- 7,873	- 7,215	- 7,663	- 7,442
B. Grants	<u>195</u>	<u>185</u>	<u>108</u>	<u>113</u>	<u>69</u>
8. Private	---	---	---	---	---
9. Government	195	185	108	113	69
C. Special Drawing Rights (SDRs)	<u>62</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
D. Total (A + B + C)	<u>2,388</u>	<u>- 2,605</u>	<u>- 6,931</u>	<u>- 4,038</u>	<u>- 1,899</u>
E. Capital movements	<u>- 1,223</u>	<u>4,655</u>	<u>9,052</u>	<u>3,791</u>	<u>1,990</u>
E.1. Other than reserves	1,513	3,667	5,772	5,861	2,657
10. Direct investment and other long-term capital movements	1,932	3,263	5,138	5,502	2,419
10.1. Direct investment	140	142	311	193	245
10.2. Bonds	46	47	315	368	---
a. Government	46	47	315	368	---
b. Private	---	---	---	---	---
10.3. Other long-term capital movements	1,746	3,074	4,512	4,941	2,174
a. Government	1,828	2,480	3,662	4,302	2,158
b. Private	- 82	594	850	639	16
11. Short-term capital movements	- 419	404	634	359	238
11.1. Government	---	---	---	---	---
11.2. Private	- 419	404	634	359	238
E.2. Reserves	- 2,736	988	3,280	- 2,070	- 667
12. Monetary gold	- 789	113	- 102	95	228
13. Special Drawing Rights	- 97	56	48	226	- 10
14. Reserve position in the Fund	- 26	- 104	- 5	162	9
15. Foreign exchange	- 1,820	923	3,339	- 2,553	- 893
16. Others	- 4	---	---	---	1
F. Errors and omissions (between D and E)	<u>- 1,165</u>	<u>- 2,050</u>	<u>- 2,121</u>	<u>247</u>	<u>- 91</u>

- 1) — The presentation basically follows the Fund.
— Positive is for credit and negative is for debit.

TABLE XII
EXPORTS BY COUNTRY OF DESTINATION
(millions of dollars)

Country	1980/81	1981/82	1982/83	1983/84	1984/85
Europe					
Belgium and Luxemburg	27	15	21	33	57
Denmark	38	13	9	4	5
France	105	51	46	48	56
Germany, Federal Rep. of	364	220	250	267	236
Italy	237	194	113	134	169
Netherlands	441	308	263	281	379
Norway	5	3	2	2	2
Sweden	9	7	5	7	8
United Kingdom and Rep. of Ireland	135	140	129	217	153
Others	282	275	134	192	293
Total	1,643	1,226	972	1,185	1,358
Share	7.2%	5.6%	4.5%	5.4%	6.3%
America					
Canada	32	18	19	37	44
United States of America	4,461	3,804	3,287	4,733	4,342
Others	1,178	1,887	683	1,186	965
Total	5,671	5,709	3,989	5,956	5,351
Share	24.8%	25.9%	18.6%	27.0%	24.9%
Africa	56	42	59	98	139
Share	0.2%	0.2%	0.3%	0.4%	0.6%
Asia					
Hongkong	163	123	148	198	306
India	44	17	9	69	34
Iraq	34	5	4	6	2
Japan	11,282	10,496	10,954	9,768	10,135
Malaysia	123	60	60	68	96
Pakistan	30	20	26	26	45
Philippines	233	389	243	253	155
Singapore	2,425	2,252	3,265	3,068	1,972
Thailand	38	34	26	58	100
Others	612	835	808	812	1,324
Total	14,984	14,231	15,543	14,326	14,169
Share	65.6%	64.7%	72.6%	65.0%	66.0%
Australasia					
Australia	367	543	590	208	299
New Zealand and Oceania	137	220	264	276	168
Total	504	763	854	484	467
Share	2.2%	3.5%	4.0%	2.2%	2.2%
Others	---	41	---	---	---
Share	---	0.1%	---	---	---
Grand total	22,858	22,012	21,417	22,049	21,484

Source: Central Bureau of Statistics.

TABLE XIII
IMPORTS BY COUNTRY OF ORIGIN
(millions of dollars)

Country	1980/81	1981/82	1982/83	1983/84	1984/85
Europe					
Belgium and Luxemburg	64	87	112	116	102
Czechoslovakia	8	9	7	6	10
France	278	359	608	588	367
Germany, Democratic Rep. of	4	7	7	7	3
Germany, Federal Rep. of	708	1,014	1,114	680	919
Italy	76	105	120	106	114
Netherlands	130	199	206	262	282
Spain	17	77	153	161	78
Sweden	58	82	90	111	105
Switzerland	69	158	265	83	88
United Kingdom and Rep. of Ireland	339	582	477	349	281
Others	174	209	229	216	230
Total	1,925	2,888	3,388	2,685	2,579
Share	16.2%	20.3%	18.8%	18.7%	19.1%
America					
Canada	100	98	163	184	330
United States of America	1,520	1,868	2,656	2,451	2,433
Others	102	306	124	145	139
Total	1,722	2,272	2,943	2,780	2,902
Share	14.5%	16.0%	16.3%	19.3%	21.5%
Africa	124	247	206	135	151
Share	1.0%	1.7%	1.1%	0.9%	1.1%
Asia					
Burma	47	9	30	52	18
China, Rep. of	232	421	242	189	214
Hongkong	141	86	68	86	64
India	55	140	180	31	49
Japan	3,652	4,023	4,418	3,486	3,162
Malaysia	38	63	65	50	102
Pakistan	14	33	14	51	11
Philippines	179	247	217	106	15
Singapore	1,059	1,751	3,114	2,913	1,624
Thailand	295	197	222	130	66
Others	1,902	1,390	2,497	1,275	2,068
Total	7,614	8,360	11,067	8,369	7,393
Share	64.2%	58.7%	61.2%	58.0%	54.7%
Australasia					
Australia	397	371	381	382	408
New Zealand and Oceania	85	98	94	72	74
Total	482	469	475	454	482
Share	4.1%	3.3%	2.6%	3.1%	3.6%
Grand total	11,867	14,236	18,079	14,423	13,507

Source : Central Bureau of Statistics.

GLOSSARY

APE (Angka Pengenal Eksportir) or exporter's identification number, is a number given to an exporter by the Department of Trade or its representative office as a license to execute export activities.

APES (Angka Pengenal Eksportir Sementara) or a temporary exporter's identification number, is an exporter's identification number which is valid for a certain period and may be extended only once.

API (Angka Pengenal Importir) or importer's identification number, is a number given to an importer by the Department of Trade or its representative office as a license to execute import activities.

APIS (Angka Pengenal Importir Sementara) or a temporary importer's identification number, is an importer's identification number which is temporarily valid.

BPR (Bank Perkreditan Rakyat) or rural credit bank, 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 villages. The operation of this type of bank is limited to regencies (kota-praja)/villages.

Catch — crop is a crop grown between two crops in ordinary sequence, between the rows of a main crop, or as a substitute for a staple crop that has failed.

Compensatory Financing Facility (CFF) is a facility or loan provided by IMF to member countries encountering serious balance of payments problems.

Domestic liquidity ($= M_2$) consists of money supply (M_1) and quasi money constituting the liability of the monetary system to the community.

Earth gas is combustible gaseous mixtures issuing from the earth's crust through natural openings or bored wells, associated with petroleum and contain largely butanes and prophanes.

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.

Inter-Governmental Group on Indonesia (IGGI) is a group of aid donors on Indonesia comprising governments and international institutions. The group, established in 1967, conducts regular meetings to assess Indonesia's need for credits. The members are 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.

Ipeda (Iuran Pembangunan Daerah) is land tax charged on individual/group/legal organization taking advantages from land and building on it.

KCK (Kredit Candak Kulak) 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 this credit is entirely provided by the

State Budget and its distribution is entrusted to KUD, under the supervision of the Ministry of Cooperatives.

KIK (Kredit Investasi Kecil) or small-scale investment credit, is a smallscale investment credit (medium- or long-term), designed to assist indigenous smallscale entrepreneurs/enterprises on special terms and conditions for financing their investment on rehabilitating, modernizing, enlarging, or founding new projects.

KMKP (Kredit Modal Kerja Permanen) or permanent working capital credit, is a credit on special terms and conditions with simple procedures, especially designed to assist indigenous smallscale entrepreneurs/enterprises for financing their working capital needs.

KPR (Kredit Pemilikan Rumah) or house-ownership credit, is a soft-term credit available to employees (government or 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).

KUD (Koperasi Unit Desa) or village unit cooperative, is entrusted with distributing farm inputs, channeling credits to farmers, and marketing farm products.

LKBB (Lembaga Keuangan Bukan-Bank) or Non-Bank Financial Institution (NBFI), is a non-bank and non-insurance financial institution. 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 the 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 institutions originate mainly from the issuance of medium- and long-term obligations, especially housing bonds, in addition to accepting savings especially from 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 or other type* is in fact PT Sarana Pembiayaan Bersama Indonesia (PT SPBI) which provides a channel for shareholders of ASEAN Finance Corporation Ltd. (AFC) in Indonesia to mobilize and utilize the domestic and overseas funds for the financing of regional projects of ASEAN countries.

Midi credit is a type of credit extended to smallscale 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.

Mini credit is a smallscale credit extended to smallscale 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.

Money supply ($= M_1$) comprises currency and demand deposits constituting the cash liabilities of the monetary system to the community.

Natural gas is combustible gaseous mixtures issuing from the earth's crust through natural openings or bored wells, associated with petroleum and contain largely methanes and ethanes, and that are used chiefly as fuels.

PIR (*Perusahaan Inti Rakyat*) or smallholders' nucleus estate, is a scheme for developing smallholders' business by assigning agricultural estates as nucleus to provide guidance in cultivating, managing, processing, and marketing their products. This scheme is carried out in plantations (PIR—Bun), poultry husbandries (PIR—Unggas), and fisheries (Tambak Inti Rakyat).

Program import is imports of certain basic materials or consumer goods under the government program, financed either by foreign exchange or foreign aids.

Quasi money comprises time deposits, savings, and individual foreign currency accounts which are known as liabilities of monetary system.

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.

Securities house is a non-bank financial institution that is appointed to execute the trading of its own or its customers'

money market securities (SBPU). It is also permitted to rediscount these SBPUs to Bank Indonesia.

SKGM (*Sistim Komunikasi Gelombang Mikro Terrestrial*) or terrestrial microwave communication system, is a communication system through electromagnetic waves at the frequency of 2 GHz — 20 GHz (Gega Hertz) which is installed inshore.

SKSD (*Sistim Komunikasi Satelit Domestik*) or domestic satellite communication system, is a communication system connecting regions in Indonesia through domestic satellite.

Stamp duties is a direct tax on a legal proceedings note at the amount stated in "Bea Meterai" regulation.

Surety bond is a guarantee required by a project manager to a project contractor on the execution and finishing time of the project. It is usually issued by insurance company.

TRI (*Tebu Rakyat Intensifikasi*) or smallholders' sugarcane intensification program, is a program aimed at improving smallholders' productivity (beyond estates and sugar mills) by providing guidance and production facilities in addition to bank credits.

UPP (*Unit Pelaksana Proyek*) or project executing unit, is a unit set up to assist smallholders in developing, cultivating and managing their plantations, and processing as well as marketing their products, in addition to incorporating them into a cooperative body.