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THE ECONOMY OF INDONESIA

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Department of Operations
Asia and Middle East

CURRENCY
(Official Rates)

$1.00	=	11.40 Rupiahs
1 Rupiah	=	$0.08771
1,000,000 Rupiahs	=	$87,710

This report is based primarily on the findings of a Bank Mission, which visited Indonesia in June and July of 1955, and information on certain developments in Indonesia which took place between then and the end of 1955.

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BASIC DATA

Population and Area

Total Population (1954)	81 million
Area	577,000 sq. mi. (1,494,372 km^2)
Population Density	141 per sq. mi. (55 per km^2)
Population Density of Java	994 per sq. mi. (384 per km2)

National Income

Net National Product (1952)	Rp. 81,200 million
Per Capita Product (1952)	Rp. 1,033

Output of Principal Products (1954, in thousand metric tons)

Rice	4,664
Rubber	760
Petroleum	10,775
Tin	37
Copra (exports and official domestic sales)	513

Balance of Payments (1954, in millions of rupiahs)

Exports	8,807
Imports	-6,650
Invisibles	-2,598
Total Goods and Services	- 441

Government Budget (1954, in millions of rupiahs)

Gross Expenditure	15,141
Gross Revenue	11,539
Deficit	3,602
Cash Deficit	3,533
Deficit Financing	
Central Bank Borrowing	3,163
Other Inflationary Financing	180
Non-Inflationary Financing	190
Total	3,533

Money Supply, Credit and Prices (Indexes)

Money Supply (Sept. 1955, end 1953 = 100)	168
Commercial Bank Credit (Sept. 1955, end 1953 = 100)	157
Cost of Living (19 foodstuffs, Sept. 1955, 1953 average = 100)	151

Foreign Exchange Assets, Official (US $ equivalent)

September 1955	268 million

External Debt (June 30, 1955, equivalent in million US $)

Dutch guilders	255
U.S. dollars	195
Australian pounds	10
Canadian dollars	2
Total	462

THE ECONOMY OF INDONESIA

Summary and Conclusions

In December 1949 the Republic of Indonesia gained its independence. During a period of somewhat over six years since the termination of hostilities, public order has been re-established through most of the country. Damages to the productive facilities of the country have largely been repaired and a functioning economy has been restored. The Indonesian Government is in general rendering the services to be expected from a public administration. Viewed against the background of acute limitations of financial resources and trained personnel and the problems posed by the vast and scattered area of the country and its language and cultural differences, these must be recognized as very considerable accomplishments.

Despite the progress that has been made since the war and revolution, real national income remains probably not much larger than before the war and average per capita income is almost certainly lower. Rates of investment and growth are also low in relation to the needs of the growing population. Some lines of production have expanded beyond prewar levels including rice and various other foodstuffs, petroleum and tin. Rubber production and exports are also considerably higher although this is attributable to a severe restriction of prewar production by international agreement. Industrial activity may also be somewhat higher than in the Thirties. But there are other important lines of output, especially in the agricultural estate sector where production and output are far below prewar levels.

Indonesia is today handicapped by most of the obstacles to economic growth common to underdeveloped areas generally. Outside of primary agricultural production and handicrafts there is a severe shortage of administrative and technical skills. Domestic capital formation is very low and institutional mechanisms for mobilizing savings are not well established. Basic services, especially power and communications, are for the most part inadequate. Indonesia's geographic and political conditions and the continuing problem of insecurity in certain areas accentuate the difficulties.

The Government's attempts to cope with the more pressing problems have made severe inroads on its financial resources which have been overburdened by heavy security force expenditures and the cost of a rapid expansion of the number of government personnel coming on top of large requirements for economic development. Following the end of the Korean boom and the consequent decline in its receipts from export and import levies, the Government began to resort to inflationary financing of a substantial part of its expenditures. From 1952 through mid-1955 about 20-25 percent of public outlays were financed by

borrowings from the central bank. The attendant inflationary pressures provided a strong stimulus to import demand and as foreign exchange reserves declined to minimum levels it became necessary to impose tight import and exchange controls. At the same time resources in the private sector were diverted to speculative transactions and productive investment was adversely affected by a number of consequences of the inflationary situation, including severely limited and expansive supplies of imported equipment and materials, price distortions, labor unrest and a deterioration in the value of the rupiah. Though the inflationary pressures had for some time little effect on the price levels in the rural areas, by 1954 they were making themselves keenly felt as rice prices failed to keep pace with the rising cost of other consumer goods. In addition, resources have also been lost to the economy as a whole by smuggling, tax evasion, and violations of customs and exchange regulations which, in Indonesia's geographic and administrative circumstances, are difficult to prevent.

More recently there has been a marked improvement in the fiscal situation, mainly as a result of a large increase in import surcharges imposed in September 1955. Since about mid-1955 inflationary borrowing by the Government has not only ceased but there has in addition been a reduction in the government debt to the central bank. This marks a notable break with past fiscal practices. However, in view of the prospective heavy demand on the Government's financial resources, further and more basic fiscal reforms seem to be necessary in order to reach and maintain budgetary balance.

Indonesia's export earnings are as a rule higher than her import payments. However, the resulting surpluses have to be applied to meet consistently large net deficits on invisible account, consisting mainly of transfers of foreign investment income, external debt service, and payments for transport, insurance and foreign travel. In recent years, those deficits amounted to nearly 30 percent of exports and exceeded the surpluses on trade account. There were sizeable balance of payments deficits in 1952, 1953 and the first half of 1954 resulting in a heavy foreign exchange drain. Following the imposition of severe import and exchange controls and the utilization of monetary devices, the drain was checked and as a result of these measures, and some improvements in the terms of trade, official exchange reserves increased from an equivalent of $157 million in mid-1954 to $268 million (equivalent to about five months' imports) at the end of September 1955.

While in the short-run the current level of imports, which barely meets minimum requirements, or the amount of invisible payments would not allow noticeable reductions, there are some possibilities of increasing export revenue, should the trend toward financial stability continue and, in the process, more exports be shipped through legitimate channels. There is more scope for balance of payments improvements in the longer run if an increase in domestic food production would eliminate the need for substantial food imports, and measures are taken conducive to a high production volume of first-grade export commodities. This is of special importance in connection with the further rehabilitation of estates and smallholder cultivations producing for

export, particularly rubber plantings where investment in high-yielding rubber trees, needed to strengthen the long-term competitive position of Indonesian rubber, is lagging. It is also of importance for the petroleum industry whose production and exports are expected to begin to decline in a few years unless further prospecting is permitted and the prompt development of new discoveries can be financed and carried out.

Prompt full-scale economic development to produce a balanced economy and rising living standards is a declared goal of Indonesia. The resources upon which development could be based are available. The country is now near food self-sufficiency and is far from having exploited all possibilities of increasing her food production. Indonesia can produce large quantities of high-quality and basic agricultural exports. She is the largest petroleum producer in the Far East and has considerable unexploited water power. She may be expected to remain a major source of tin and to develop other minerals. The scope for further economic expansion is undoubtedly large,

In order to achieve a higher level of development, however, the rate of investment in Indonesia would have to be raised significantly. At present, however, domestic capital formation appears scarcely sufficient to maintain the economy at its current level and is, in view of the unabated population rise, clearly inadequate to sustain a level of economic activities necessary to maintain present per capita income. The situation is illustrated by estimates of the Indonesian National Planning Bureau which suggest that for the next few years the scope for net public investment within a stable fiscal program is not likely to be greater than in recent years or at an annual rate of only about 2.5 to 3 percent of national income. (There appears, however, to be scope for improvement in the fiscal system and its administration which should enable a higher rate of public investment in the longer run.)

In addition to the heavy requirements for new production, investments of considerable magnitude are urgently needed for the maintenance and reconstruction of existing installations, both public and private. These facilities including roads, irrigation systems, as well as factories and rubber trees are major assets vital to the economy. Investments to make possible their full utilization are likely to result in benefits to the economy at an early date. The capital requirements for export production are particularly urgent since for a long time to come Indonesia's ability to purchase abroad the equipment necessary for further independent economic development will depend to a very considerable extent upon her foreign trade earnings.

Since Indonesian capital formation appears insufficient to permit prompt utilization of Indonesia's local resources, the country faces the choice either of securing additional capital abroad or of leaving the demands of the people for a rising standard of living unsatisfied. The extent to which Indonesia could or might desire to meet her additional capital needs from foreign government sources is of course uncertain. On the other hand, it is highly probable that given appropriate conditions much of her need for capital in excess of that generated internally could be met from private sources abroadif

Indonesia so desired. It would be necessary, of course, to formulate government policy so as to create confidence in potential foreign investors and establish the necessary legal basis, such as an adequate foreign investment law, foreign exchange transfer facilities, leases, exploration rights, and so forth. Attitudes toward foreign capital have not been such as to attract new investment, nor even to encourage the retention of investments which have already been made. Partly this has been due to the still vivid emotions of the fight for independence and recollections of colonial times. In part they have reflected ideological doubts concerning the contribution which could be made by foreign capital and as to the necessity of any supplement to domestic capital. Whether or not these doubts can soon be resolved will have a major influence upon the pace of Indonesia's economic development.

Economic progress in Indonesia will not only depend on capital investments but also on the people and their determination to reach the development targets. It will involve laborious and time-consuming learning and application of organizational, managerial and technical skills. At present, the number of Indonesians with experience in these fields is woefully small in relation to the heavy development tasks which the Government and people of Indonesia have set themselves. There are now a considerable number of young Indonesians studying abroad and many more are attending institutions of higher learning in Indonesia than before the war. But training facilities in Indonesia would require substantial expansion and curricula would have to be adjusted to fill the needs for graduates in fields of importance to economic development at an early date. Further improvements in the situation are likely to be achieved by arrangements through which the experience of the foreign business community in modern production and management methods could in a greater measure be made available to Indonesians. However, an increase in the number of trained Indonesians will bear full fruit only after a longer period of time, as they apply their training and gain practical experience. Such experience is required to plan and carry out development projects. A decline in the level of economic activities is to be expected if full-scale development work were delayed until greater experience is gained by the Indonesians now in, or about to start, their training. On the other hand, the utilization of experience and skills available abroad, both in the private and public sector, until Indonesian personnel can gain the necessary training and experience, would give a strong impetus to the execution of Indonesia's development program.

It remains to be seen whether the Indonesian Government in formulating its fundamental approach to economic development will embark on a course that will permit the full mobilization of financial and personnel resources in Indonesia and in foreign countries which could be utilized to serve for the ultimate benefit of the country's economy and all Indonesians.

Should this view prevail in the Government, there are several presently feasible measures which would undoubtedly accelerate the pace of improvement in the shorter run. The most urgent measures would appear to be: (1) Further steps to stabilize the fiscal and monetary situations; (2) more judicious

planning of public investment with greater emphasis on management problems and with concentration of the limited financial and personnel resources on fields of highest priority including power and irrigation, communications and agriculture; (3) policies and administration calculated to inspire greater confidence in the private sector, including foreign enterprise, and to increase private investment in estates, in petroleum production and in industry; and (4) increased emphasis on improvement and expansion in the training of administrative and technical personnel; in this connection, particular stress needs to be placed on broadening the opportunities for training in public and business administration and, in regard to technical training, revising present programs, procedures and requirements so as to create conditions in which more students complete the curriculum and technical graduates becomeavailable at a sharply accelerated rate.

THE ECONOMY OF INDONESIA

I. Introduction

Indonesia with a land area of 575,000 square miles and a population of about 80 million is the third largest country in the Far East in area and fourth largest in population. The country consists of 2,000-3,000 islands lying along the equator just off the southeastern tip of continental Asia. The islands are spread over a distance about equal to the length of the United States and have a land area about one-fifth that of the United States.

Java is the most important island in the Archipelago and, with the nearby island of Madura, has a population of over 50 million or about two-thirds of the total. The land area of Java and Madura is, however, only about 6% of the whole of Indonesia and population densities here are among the highest in the world. The main "outer islands" are Sumatra, Borneo (Kalimantan), and Celebes (Sulawesi). Other important islands include the Lesser Sunda group (Bali, Lombok, Sumbawa, Sumba, Fores and Timor) stretching directly east from Java and the Ceram and Molucca groups further to the northeast. The outer islands are generally sparsely populated but there are wide variations in density ranging from 500-600 per square mile in Bali and Lombok to 75 or less in Celebes and Sumatra and only about 15 in Borneo.

Parts of the Archipelago are outside Indonesian jurisdiction including the British Borneo territories of North Borneo, Sarawak and Brunei and the Portuguese half of Timor. Sovereignty over Western New Guinea (Irian Barat) is in dispute between Indonesia and the Netherlands.

Indonesia has a tropical monsoon climate with stable temperatures and abundant and fairly evenly distributed rainfall. Topographically the most characteristic features are broad level coastal plains changing abruptly to high and sharply rising peaks and mountains. The main mountain range extends down the eastern side of Sumatra, across the length of Java and on into the Lesser Sundas. This range is volcanic, in some sections still active, and has been responsible for the rich volcanic soils of Java and parts of South Sumatra and the Sundas. The range also evens rainfall distribution by its influence on convectional winds during the period of the so-called dry monsoon from the east.

Land use in Indonesia differs considerably between Java and the other islands. Java is intensively farmed with cultivation covering nearly 70% of the total area (including Madura). Forest areas, mainly in the highlands beyond the reach of terraced cultivation, occupy about 23% of the area. In the outer islands only about 4-5% of the area is occupied by agricultural smallholdings and estates, with forest areas covering about 70% and remaining lands, including coastal mangrove swamps and low growing jungle, amounting to about 25%.

The population of Indonesia is predominantly of Malay origin and Moslem religion. Minor ethnic and cultural differentiation is, however, extensive according to geographic location, and language and dialect differences are distinct and numerous. Other important racial elements are the Chinese, other Asian groups (mainly Arab and Indian) and European. Together these latter groups make up only about 5% or less of the population, the Chinese being much more numerous and numbering perhaps close to 2 million.

The reported population figure of about 80 million is an estimate since Indonesia has not had a census since 1930; and vital statistics are not sufficiently comprehensive and reliable to permit an accurate estimate of population growth. The rate of growth is generally reported at about 1.5% for Indonesia as a whole although this figure may be low. Unofficial investigations suggest a rate of growth for Java at something just over 2% a year. The pressure of population on resources in Java is already severe and seems likely to be an increasingly serious and difficult problem.

Standards of literacy were quite low before the war but very marked improvement is reported in recent years as a result of the large and extensive programs of primary education fostered by the government.

The Indonesian Economy

Indonesia has most of the characteristics associated with an underdeveloped economy. Subsistence agriculture is by far the most important source of income and employment; and agriculture as a whole, including the extensive foreign-owned plantations as well as fishing and forestry, accounts for more than half of the national income and probably about three-quarters of total employment. Mineral production is also important, especially the output of petroleum and tin and to a lesser extent of bauxite and coal.

Development outside the primary sectors of the economy is relatively limited. In the non-primary sectors commercial activities, dominated by a few European commercial and banking firms and a large number of Chinese, are the most important sources of income and employment. Small industrial establishments are numerous and their output and employment are fairly large in the aggregate but industrial development is quite small relative to the size of the population and the national income.

Indicative of the importance of foreign capital and enterprise in the Indonesian economy are prewar estimates of the distribution of national income by nationality according to which 13% was to resident Europeans, 10% was to foreign Asians resident in the country and 7% was to non-residents. The total value of Western foreign investment (presumably book value) has been estimated at the equivalent of about $1,300 million of which about $1,000 million is Dutch capital and the remainder mainly British, American, Danish, French and Swiss. There is in addition the considerable interests of foreign Chinese for which no estimates are available.

Internal air service is good and the road system is reasonably satisfactory in Java but very limited in the outer islands. Inter-island shipping facilities are extensive but below prewar capacity and a careful scheduling of cargo movements is required but often not achieved. Port facilities and organization need considerable improvement. Railway capacity is inadequate and service is poor. Telecommunication services are also inadequate and electric power is in short supply.

Limitations of skills and of technical, administrative and organizational capacities are severe handicaps to ordinary governmental administration, to effective operation of government enterprises and to efficiency and growth in the private sector.

Organized institutional financing is confined almost entirely to commerce, especially the export-import trade. Other credit channels are limited and disorganized and involve high rates of interest. On the whole, the utilization of banking facilities by the Indonesian population is hardly developed and rates of saving appear to be relatively low and largely outside institutional channels.

The pattern of Indonesia's trade reflects the essentially primary producing character of the economy. Exports consist exclusively of agricultural foodstuffs and raw materials, produced in about equal shares by peasant smallholders and the foreign owned estates, and of mineral products. In internal requirements Indonesia is near self-sufficiency in foodstuffs but depends on imports for a large part of required raw materials and most manufactured consumer and capital goods. Usually there is a surplus in foreign trade but a large deficit in invisibles, running to around 30% of exports.

Most recent national income estimates are for 1951 and 1952. They show per capita income at about Rp. 1,000. At the official rate of exchange this would be equivalent to US $90 but this is undoubtedly too high because of overvaluation of the rupiah at the official rate. Probably a statistical figure of per capita income in dollars at a more realistic rate would be in a range of $50-65 or roughly comparable to such other South Asian countries as Burma, India and Thailand. The estimate of net national product in 1952 was about Rp. 81 billion, the proportionate sector contributions to which were estimated as follows:

Table 1

Percentage Contributions to Estimated National Income, 1952

Agriculture	
Peasant food crops	38
Export crops	13
Other agriculture, forestry and fisheries	6
Total Agriculture	57
Mining	2
Industry	8
Transport and Communications	3
Trade, banking and insurance	13
Central and local government	7
All others	10
Total:	100

Comparisons with prewar national income estimates are of limited value because of differences in the bases and classifications of the estimates. The structure of the economy remains much the same as prewar but one change of significance is an apparent relative increase in the share of the rural peasantry in the national income. Several factors have contributed to this change including: (1) an increase in peasant food production, especially rice, much of it as a result of shifts in land use from export to food crops; (2) an improvement in the terms of trade of peasant food crops, particularly rice (excluding the period since mid-1954 when textiles and other imports increased relative to foodstuffs); (3) a much larger increase in peasant rubber production than estate rubber production in the postwar period; (4) virtual elimination of rural land and peasant income taxes and an increase in direct taxation on income from urban activities and agricultural estates and mining enterprises, and (5) curtailed income of the foreign estates and other foreign activities. These developments explain the consensus of most qualified observers who were in Indonesia before the war that the economic situation of the majority of the peasantry has been at least as good in recent years as prewar and possibly somewhat better. It is difficult to say the extent to which this has been altered during the past year or so by inflation and import restrictions and their adverse affects on the terms of trade of the peasant cultivators.

Obstacles to Development

The fact remains, however, that real national income as a whole is not very much larger now than before the war and that average per capita income is almost certainly lower. Parts of the peasant population have undoubtedly participated in the sagging per capita income levels but the brunt of the failure of economic growth to keep pace with population growth appears to have fallen largely on the urban and agricultural estate sectors.

The explanation for the low rates of economic growth appears to be in a number of factors including:

1. Structural weaknesses and bottlenecks important among which are: (a) a low level of domestic availability of saving and very limited use of institutional saving facilities among the indigenous population; (b) shortages of electric power, poor transport and telecommunication services, deterioration in irrigation conditions and facilities and other bottlenecks in social overhead services; (c) limitations among the indigenous population of skills, enterprise and experience in fields outside small-scale primary production and handicrafts; (d) intense pressures of population on resources in Java and major administrative and physical obstacles to development of the more sparsely populated outer islands; and (e) a severe shortage of qualified administrative and technical personnel at all levels which is especially acute in relation to the task of administering a large and only loosely integrated insular territory. This handicap of shortages of qualified personnel is one of Indonesia's most difficult problems. Very few Indonesians received training and experience for substantial administrative and technical

responsibility during the colonial period; and they carry an excessive load of responsibilities and work. It has thus far been impossible to fill adequately the positions vacated by Dutch officials and the gap in this respect is still very large despite considerable technical assistance from United Nations agencies, projects under the Colombo Plan and the Point Four Program, including the training of Indonesians within the country and abroad.

2. Limitations on the role of foreign enterprise, not only Dutch but other Western and Chinese elements as well, due to the continued bitterness carried over from the colonial and revolutionary periods and expressed in strongly nationalist attitudes and policies. The resulting atmosphere is hardly conducive to long-term confidence among the Western and Chinese communities. Thus far, political considerations have combined with administrative difficulties in delaying or preventing decisions clarifying the position of foreign enterprise generally and settling particular issues of vital interest to foreign concerns. To some extent the uncertainties of foreign enterprise arise from issues which are real and difficult of mutually satisfactory solution, for example in the allocation of foreign exchange, and the determination of land-use in particular areas as between estates and smallholders. But they can also be attributed in a number of cases to the conviction, based on ideological considerations, of many Indonesians who question the further contribution that foreign capital and experience can make to the development of Indonesia's economy. In these circumstances numbers of trained foreign personnel are leaving Indonesia, some disinvestment is probably occurring, and needed re-investment programs of many foreign concerns are being held in abeyance.

3. The adverse effects of heavy fiscal deficits and serious monetary instability are widespread throughout the economy. The export position has been affected by the usual unfavorable impact of inflation in the form of rising costs, labor unrest, speculative holding of stocks, smuggling and underdeclaration, and diversion of output in some cases to domestic consumption. Much of the effect of inflation on the export sector has, however, been mitigated by the limited domestic use of many export products and because of the opportunities for widespread smuggling and other forms of evasion of the poorly enforced export and exchange regulations, but at the expense to the economy of losses of foreign exchange and fiscal income. Some private capital formation has undoubtedly been stimulated by inflation but this appears to have been small except in building and construction, probably because of the structural rigidities, overhead bottlenecks and curbs on foreign enterprise previously mentioned. Instead, there is almost general complaint among established productive enterprises about the unfavorable effects of inflation and concommitant controls and restrictions on labor relations, operating costs as a whole, cost-price relationships, shortages of required imports and variations in the administration of import and exchange restrictions. As noted, inflation and import restrictions have also adversely affected the terms of trade of the food cultivators with signs of growing difficulties of internal food distribution as a consequence. Meanwhile, as a result of fiscal imbalance

the windfall of foreign exchange from the boom period of 1951 and 1952 has been drawn down and reserves reduced to bare minimum levels.

4. Finally, internal insecurity combined with administrative difficulties and lax enforcement of authority is a serious handicap to economic advancement. Although the government has successfully reduced the extent of disturbances there are still certain important economic areas of West Java, Northern Sumatra, and Celebes which have been suffering from continuous unrest ever since the transfer of sovereignty. In other areas disregard and weakness of authority is reflected in many ways affecting the economic situation; widespread evasion of tax obligations and trade and exchange regulations, pilferage particularly affecting the transport system, non-compliance with business and labor regulations, theft of estate production including illicit and destructive tapping of rubber trees, and occupation by squatters of both reserve and cultivated areas of estates. The unsatisfactory fiscal situation, limitations in the planning and execution of public investment, lack of administrative and fiscal responsibility at state and local levels, inefficiencies and organizational difficulties of public utilities and other government commercial enterprises and other shortcomings of public administration all reflect in greater or less degree the inadequacy of qualified and experienced administrative personnel. This problem is aggravated by the pervasive and detailed efforts at regulation and control of the economy partly as a matter of policy and partly as a matter of necessity due to monetary difficulties. Even an ably staffed and experienced administration would find difficulty in close regulation and control of an economy with the geographic characteristics of Indonesia. It is hardly to be expected that the very small group of qualified personnel who are available could do the job effectively and this further emphasizes the need for internal financial stability to reduce the magnitude of the administrative task.

These in broad outline are probably now the main obstacles to more rapid economic growth in Indonesia. Considering these handicaps and the unsettled postwar history of the country, the improvement from the chaotic conditions of the revolutionary period has been impressive.

Particular problems of individual sectors of the economy are discussed below in greater detail.

Public Investment Activities

An evaluation of the resource potentialities of Indonesia is not possible in view of the need for more extensive surveys than have so far been conducted. Undoubtedly the potential is large but probably not unusually favorable in relation to the size and rate of growth of population and considering especially the large and congested population of Java. Higher rates of investment and more effective use of funds will be necessary if per capita income is to be increased or even maintained.

The recent annual gross investment of the government can be estimated in the order of Rp. 2,000 million, excluding defense capital outlays. Private

level at about the same order as public investment or possibly somewhat less. Total investment then appears to be running at only about 5% of the national product. Some indication of low levels of investment is the fact that imports of capital goods in relation to total imports have dropped from about 25% prewar to 15-20% in recent years.

At present the National Planning Bureau of the government is working on a comprehensive 5-year plan of public investment but this is not scheduled for completion until the end of 1955 and a detailed plan may be delayed somewhat beyond that time. Meanwhile various ministries have prepared separate proposed plans for individual sectors of the economy and projects are being carried out although not as part of a coordinated plan.

A classification of investment expenditures in the 1954 budget indicates the main lines of current public development programs.1/The largest field of investment expenditures is in transport and communications including major items for railway equipment and construction, government shipping services and harbor equipment and improvement, road construction, air transport and port and telecommunications. These are undoubtedly high priority investment requirements although it is the opinion of some experts that organizational difficulties are the most serious limitation to improved transport service, that existing equipment and facilities are consequently ineffectively utilized, and that organizational improvement is necessary before large further investment in railway and shipping is justified.

The second largest single item of government investment is in the industrial field if investments of the state-owned industrial bank (Bank Industri Negara) and the caustic soda project of the state salt monopoly are included. It is the consensus of most observers, including Indonesians, that the government has not fared well with its ventures in industry, as subsequently discussed and that the justification of the size and priority of government industrial enterprises, as presently planned, executed and managed, would require urgent review. This is also the conclusion in various official circles and it is probable that the National Planning Bureau will reconsider the whole question of government industrial investment in recognition of the necessity for foreign assistance through satisfactory joint ventures or management contract arrangements with experienced firms to cope with the limitations of available trained and experienced labor.

The third largest category of public investment is in the social services, the largest item being for school buildings and equipment in line with the government emphasis on expansion of education facilities.

Next in importance are power projects. The item is relatively small considering power shortages in Java but in 1954 represented only final expenditures on thermal projects substantially completed by that time and preparatory expenditures for further hydroelectric developments in West Java. Power development is recognized as of high priority and increased financing for power will be required as projects are ready for execution.

1/See Statistical Appendix C, Table 3.

Investment expenditures in agriculture are fairly close to those of power. The largest items are for various minor irrigation projects, programs for resettlement of cultivators from Java mainly in South Sumatra involving recently an annual movement of 8,000-9,000 families, establishment of tractor pools and improvement of government estates. The scale of agricultural investment appears small in relation to the importance of the agricultural sector. However, substantial outlays, to be classified as current expenditures, have been made on extension and research activities, which have achieved a high standard. The scope for investment in agriculture is undoubtedly restricted by administrative and organizational difficulties as well as by availability of funds.

Investment in government mining ventures, reforestation activities, fishing facilities and miscellaneous works and equipment make up the balance of investment outlays.

The distribution of investment outlays by the central government as budgeted in 1954 may be roughly summarized as follows:

Transport and Communications	41%
Commerce and Industry	18%
Social Services	13%
Agriculture, Forestry & Fisheries	13%
Power	8%
Mining	4%
Other	2%
	100%

This distribution excludes state and local investments financed from government grants and other resources. The distribution is also only approximate since it is based on budget rather than actual figures and some categories are overstated, especially in transport due to inclusion of deferred payments on previously delivered equipment and also in some cases of operating losses met by the government.

II. Problems of Particular Sectors

Agriculture--Food Crops

Production of food crops by Indonesian smallholders has with considerable government assistance increased steadily in recent years and output of most major foodstuffs in 1954 was as high or higher than prewar levels. Rice, the backbone of smallholder agriculture and the staple of the Indonesian diet, is estimated at about 15% above prewar production levels. Despite population growth Indonesia has been steadily reducing its rice and wheat flour imports since 1952, although 1956 imports may be larger than in 1955 due to flood damage to this year's crop and difficulties of distribution. Assuming satisfactory harvests and effective distribution of internal supplies, however, Indonesia is now very near rice self-sufficiency.

Table 2

Imports and Exports of Principal Agricultural Products

(thousand metric tons)

	1938	1952	1953	1954
Imports				
Rice	334	766	372	259
Wheat flour	85	145	138	108
Exports				
Rubber	304	745	667	710
Copra	659	429	414	433
Sugar	1,175	1	92	210
Palm oil	268	157	174	182
Tea	72	32	29	40
Coffee	68	19	32	38
Tobacco	49	10	14	20

Official statistics indicate some improvement in rice yields per acre although in view of statistical limitations it is difficult to tell how significant this has been in contributing to the increase in output. An important factor in increasing production has undoubtedly been the expansion of the area under rice and other staples due mainly, as previously noted, to the diversion during and since the war of estate lands to smallholder cultivation and also to shifts in the use of peasant holdings to the cultivation of rice and other food crops rather than leasing of lands to the sugar refineries or cultivating commercial crops such as tobacco. Another factor has apparently been further encroachment of smallholder cultivation into formerly protected

forest areas. There has also been some postwar development and settlement of new lands, mainly in Sumatra, for food production involving about 100,000 acres.

It seems reasonable to conclude that expansion in food production according to the pattern of recent years cannot be expected to continue unless it is to be at the further expense of export production. At the same time, in the main food producing island of Java there is very little additional new land to be opened for food production. Rather it is the consensus that the cultivated area of Java is already extended beyond the limits of sound conservation practices.

Nevertheless, Indonesians and foreign experts agree that there are still large potentialities for further expansion of food production through improved yields in the already congested cultivated areas of Java, Madura, and the Lesser Sundas and through the development of unsettled areas in the outer islands.

Practicable possibilities for increased rice production from the presently cultivated area have been assessed at at least 30% by means of heavier and more extensive use of fertilizer, better seed, further improvements in irrigation and other advances in farming techniques. Possibilities for extending the area of cultivation in the outer islands are generally agreed to be large. According to one authoritative view 1/ it should be possible gradually to increase the cultivated area of the outer island to an extent something like the equivalent of Indonesia's present total cultivated areas. The nature of cultivation in such new areas would, however, be less intensive than on present cultivated areas and yields would be expected to be lower.

It was beyond the possibilities of the Bank mission to make an evaluation of Indonesia's further food production potentialities nor does the basis of information appear as yet to be adequate for such an assessment beyond the conclusion that the scope for increasing food production is large. Clearly, however, there are difficult obstacles to be overcome along the way.

In improving the efficiency of utilization of the present cultivated area Indonesia has some advantages compared with most other Asian countries in that there is not a significant landlord-tenant problem and research and extension services have been relatively effectively developed and maintained. On the other hand the size of individual holdings is small even by Asian standards (averaging in Java only about 2 acres in 1938). This, together with very inadequate credit on satisfactory terms, limits the scope for smallholder investment or adoption of higher cost techniques. It also limits the scope for using livestock in peasant cultivation on a more extensive scale. The limited financial resources and conservative habits of the

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1/ John E. Metcalf, The Agricultural Economy of Indonesia, U.S. Department of Agriculture, 1952.

peasantry, together with lack of foreign exchange, tend to prevent the heavier use of fertilizer. Fortunately Indonesia has prospects for reasonably cheap production of fertilizers on the basis of oil and natural gas resources even though phosphate rock and probably also sulphur would have to be imported. (Natural gas though available in Sumatra is now unused.) Irrigation control and improvement will also be necessary, not only in extending the area under irrigation but also in checking the deterioration of existing facilities which, because of poor maintenance, arrears of reforestation and further deforestation, has adversely affected soil conditions and yields in many areas in recent years, especially in East Java. In addition to these measures for increasing yields, it will also be necessary to expand and improve the facilities and organization for the milling, transport, storage and marketing of rice and other foodstuffs.

Major problems and difficulties also arise in connection with the development and settlement of new lands in the outer islands. Present proposals are for the development of over 2.5 million acres, mainly in Sumatra, for settlement of about 400,000 families during 1955-1959. The financial, technical and organizational requirements of this program are, however, very heavy and it is unlikely that these targets will be approached. All-inclusive costs for a program of the proposed size have been estimated, probably liberally, at Rp. 4,000 million which would entail an annual investment about 40% of recent rates of total government investment. Prewar rates of resettlement never reached more than about 15,000 families per year, or less than 20% of proposed rates, and were usually much smaller. Recent actual rates of resettlement have only been about 8,000 or 9,000 families per year. Reluctance of potential settlers to leave village and kinship ties in Java is a further limitation (in addition to finance and administration). The efficiency and pace of the resettlement program can, however, undoubtedly be increased through greater emphasis on surveys and land-use planning as well as better coordination in the planning and execution of land clearance and preparation, provision for settlement and communication facilities and the recruitment and movement of settlers.

It would seem reasonable to assume that the physical possibilities for increasing food production through higher yields and through extension of cultivation in the outer islands are sufficient to increase food production at a rate comparable to growth in population. Realization of this will, however, depend on development of the necessary organizational and administrative capacities and on availability of sufficient private and public finance.

Agriculture--Export Crops

Agricultural exports are produced by both smallholders and estates. Both contribute to rubber and coffee shipments while of the other main exports tea, palm oil and fibers are primarily estate products and copra and spices are largely produced by smallholders. Sugar can also be considered as mainly an estate product since most of the cane is produced under the control of the refining companies although usually on land leased from smallholders for one crop cycle rather than under long-term leases.

Production of export crops suffered badly during and after the war. With the important exception of rubber the export of agricultural products lags far behind that of prewar days. Rubber exports have been running at double or more prewar levels because prewar rubber exports were severely restricted by international agreement.

The reduction in agricultural export capacity has been concentrated for the most part in estate production. Smallholder rubber capacity is probably now of the same order or perhaps somewhat larger than prewar and exports of smallhold rubber are running about three times the restricted prewar level. Copra production is also estimated at around prewar levels. While recorded exports are down by about a third this is to be explained largely by increased domestic consumption, transportation difficulties, and smuggling. Output of some minor smallholder exports such as spices is greatly reduced but this is attributable mainly to market conditions and a shift to more attractive crops.

Estate capacity is, however, well below prewar levels in the case of every estate crop. Many of the reasons for this are common to the estate sector as a whole. In the first place, large areas of estate plantings were destroyed during the war in order to increase food production. Then in the revolutionary period the estates, which are almost all foreign-owned, were a particular target for further damage and destruction of crops and processing facilities. Some estimates place estate damage at more than half the prewar value of total estate investment. Considerable rehabilitation has taken place but large sections of estate lands continue to be occupied by squatters and in some areas resumption of estate operations is entirely precluded by insecurity. The present area cultivated by estates is estimated at a quarter or more below prewar.

In addition to the problems of squatters and insecurity, estate operations and investment in further estate rehabilitation and expansion are hampered by other difficulties such as theft of produce from estate trees, damage to the trees in the process, labor difficulties, restrictions on employment of foreign personnel, restrictions on imports of materials and equipment (shortage of transport equipment is reported to be a particular handicap), unfavorable exchange rates, and changing restrictions on the transfer of profits and personal remittances.

There are also unsettled issues of major interest to the estates which add to uncertainty and discourage investment. Among these the most basic are the terms for renewal of estate leases and the particular lands which are to be allocated to the estates as reserve areas for expansion. Estate concern over the renewal of leases arises from the fact that a great many leases are expiring or about to expire and the government has not indicated a willingness to extend the period of renewal beyond 30 years. 1/ The estates contend that this is not a sufficient period to justify investment for such purposes as the replanting or new planting of rubber trees which take about 7 years to begin bearing, a further period to reach maximum yields and for

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1/ Recent press reports indicate that the Government may now be willing to extend leases for a 40-year period.

which a continuing program of planting is desirable in order that new trees will be coming into bearing age as yields of old trees decline. In the estates' view a minimum period of 50 years is necessary to which the government has as yet been unwilling to accede.

The second issue over particular lands to be included in estate concession areas has arisen so far mainly in eastern Sumatra (the so-called East Coast) where about half of the prewar estate concession areas were located. There is general agreement on the need for release of part of the former concession areas for cultivation by smallholders, and estate and government views do not appear to differ greatly on the amount of land to be so released. The issue is over the particular lands to be released. Among government officials it is contended that about two-thirds of the areas in question are unsuited for smallholder cultivation and therefore that the part released should include the remaining third which is more favorable from the standpoint of accessibility, terrain, clearance, etc. These of course are also major considerations of the estates in their preference for reserve areas. Undoubtedly, there are valid economic considerations on both sides but the problem of squatters and other political considerations are also involved, which may limit the scope for compromise and a mutually satisfactory settlement.

The possibilities for improvement in estate circumstances and in conditions conducive to investment vary depending on the nature of the problem and on the particular crop. Part of the problem is attributable to difficulties of governmental administration and the exercise of authority and will require time to correct as administrative experience is gained and authority strengthened. And in the case of some crops such as tobacco and possibly sugar there may be some question on basic economic grounds of possibilities for major expansion, even with monetary stability and realistic exchange rates, in view of world market conditions and the competition of alternative uses for suitable lands. Many of the estate problems are, however, attributable directly or indirectly to the unsatisfactory fiscal and monetary situation with its adverse effects on the export sector and could be expected to improve with financial stability. And there are other measures within the powers of the government which, in conjunction with a more congenial attitude generally toward the problems of the estates, would undoubtedly contribute to a more favorable atmosphere for estate investment and expansion. Among these would be a more liberal approach to the issue of renewal of leases and allocation of land for estate reserves and greater consideration of estate needs in the employment of foreign personnel, in the allocation of imports, in foreign exchange transfers, in efforts to control squatters and in protection against theft and damage.

The need for conditions more conducive to estate investment is particularly acute in rubber because of its position as Indonesia's leading export and because of the danger under present conditions of deterioration of the rubber industry. Estimates are that more than 40% of the estate rubber area is in low yielding trees of 35 years of age or more which are on the downgrade of their producing life. Average estate yields are around 600-700

lbs. per acre which is only a half or less the potential of high-yielding varieties. An active program of planting with these improved varieties is urgently needed if Indonesia's competitive position is not to be weakened in comparison with synthetic rubber and with natural rubber areas such as Malaya where replanting is going forward. Estate planting has, however, been small in Indonesia with new plantings since the war estimated at only about 4% of the total estate rubber area. Some estates are going ahead with planting programs but others, including some of the best managed, contend that investment in new trees is not warranted under present circumstances.

Nor are estate deficiencies in new planting and replanting being offset by smallholder planting of the high yielding varieties. Rather, postwar planting by smallholders has been reportedly low except for replacement of war-damaged areas which are estimated at only about 5% of the total smallholder area and only part of which has been planted with high yielding varieties. Targets have been set for about 600,000 acres of new plantings by smallholders over ten years but definite plans to achieve such targets remain to be worked out and little actual progress is being made. A program of smallholder planting presents major difficulties. Without assistance, most smallholders are limited in their ability to plant new varieties either because of the sacrifice of income if old trees are to be replaced by immature new trees or because of the distances which are usually involved if the new varieties are to be introduced on suitable unused land. A subsidized and properly supervised smallholder planting program is also a large and complex administrative task. And the supplies of high-yielding rubber seeds and grafts are as yet inadequate for a program of substantial size.

Despite these difficulties it is important that planting be fostered for smallholders as well as estates and it is possible, assuming scope for government financial assistance, that this can be accelerated over the next few years. It seems unlikely, however, that smallholder planting will move forward at a pace which would compensate for the weakening of Indonesia's competitive position if conditions unfavorable to estate investment in high-yielding trees continue.

Sugar is another crop about which prospects for recovery and expansion involve a number of uncertainties. In the past it was a major export with production in the late Twenties reaching 3 million tons and exports over 2.5 million tons. The industry was, however, badly hit in the depression of the Thirties when production was cut almost in half and exports reduced to a little over a million tons under international agreement. Now production is down to 720,000 tons in 1954 and an expected 840,000 tons in 1955. Exports were only 210,000 tons in 1954.

Present low production levels are the result of heavy damage to growing and processing facilities during the war and revolutionary periods, shifts of former sugar lands to other crops, and slow and limited rehabilitation of capacity since independence. At present there are 52 sugar factories, compared with 90 in operation in the late Thirties and over 150 in the Twenties. Sugar production requires a substantial capital investment and

this has been forthcoming on only a very limited scale in the past several years.

Production of refined sugar has been mainly a foreign enterprise and the lack of capital for the industry is partly the result of factors of a political and policy character which are unconducive to foreign investment generally. There are in addition a number of special problems of the sugar industry of an economic and technical nature which adversely affect incentives for investment. In the first place costs of production have risen far in excess of world prices at the official rate of exchange. Costs have probably also risen more than proportionately to prices generally for a number of reasons including: (1) the effect on lease terms for sugar land of the attractions of alternative land use, especially for rice; (2) a decline in sugar yields per acre estimated on the average to be about 25% below prewar; and (3) increases in labor costs.
The currently lower yields are attributed to several factors including poorer average qualities of land planted to sugar; deterioration in irrigation facilities and unsatisfactory water control for the sugar crop; less effective supervision of field operations because of shortages of supervisory personnel and a trend, fostered by the government, toward cane cultivation by the smallholders themselves rather than leasing their lands to the sugar companies; and reduced technical standards in the industry because again of inadequate personnel and funds with the result that cane varities and soil treatment are not as well maintained as before the war.

In reflection of this cost situation, the prices paid to the factories by the government agency which has a monopoly of refined sugar distribution are nearly twice export prices at the official rate of exchange. The resulting loss to the government sugar monopoly on exports is made up in the price charged for domestic sugar consumption. Sugar producers contend that the prices paid them by the government leave little or no margin for improvement of operations or expansion of capacity nor for paying lease rates which would attract additional land for sugar production. The government on the other hand is unable to assume larger financial losses on its export sales and is not prepared to raise further the price paid by domestic consumers.

A realistic exchange rate for sugar exports would of course be a substantial step in improving this situation. How high a rate would be necessary for profitable operations, including larger expenditures on land rents, supervision and technical standards, and a satisfactory return on new investment is difficult to say. Informed opinion is that it would be considerably more than double the present official rate. And the possibility of profitable operations may in itself be insufficient to attract the considerable capital required for a program of modernization and substantial expansion of the industry in view of domestic shortages of capital and the more general political and other obstacles to new foreign investment. Whether a basis for substantial sugar expansion could be provided by monetary stabilization and appropriate exchange rate adjustments and by policies to assist the industry in such matters as employment of additional foreign personnel and more liberal import allocations is difficult to say and would require a more thorough examination than has yet been made.

Assuming this to be the case it might be possible to solve, in considerable part at least, the capital requirements problems of the industry under a reparations settlement with Japan which is Indonesia's major market for sugar exports.

Forestry and Fisheries

These industries contributed about 5% of the estimated national product in 1952. Production is almost entirely for domestic use although some timber (including teak) and forest gums and resins are exported. Recorded timber production in 1954 was about 75% of prewar. The output of fish products has, however, increased substantially in the postwar period. Production of sea fisheries was about 25% above prewar levels in 1954 and of inland fisheries, almost 60% higher.

Forest rehabilitation and protection is a major problem in Java as a result of excessive cutting during the war and to a lesser extent of illegal cutting since the war. As noted, the result has been serious erosion, aggravation of floods and water shortages and damage to irrigation facilities in some areas especially in East Java. About half of the backlog of reforestation requirements has been made up but the task is hampered by insecurity in some damaged areas, by illegal cutting and by some encroachment of squatters. In the outer islands reforestation is about in step with requirements and, unlike in Java, there are undoubtedly large possibilities for further forest development, including the production of wood pulp from pine or bamboo or both. The possibilities for a pulping industry are now being surveyed and planting of fir and pine forests in North Sumatra is under way with a view to eventual industrial use.

Fish production has reached a volume that is far in excess of the prewar level. Government measures have been particularly successful in this field through the stocking of inland lakes and ponds, development of fishing in coastal low lands, and fish breeding in the wet paddy fields and encouragement of motorized sea fishing. Potentialities for further expansion of the fishing industry along these lines are believed large but will involve problems of preservation and distribution as well as improvement in fishing techniques and facilities.

Mining

Petroleum accounts for over a quarter and tin nearly 10% of total Indonesian exports. Of the other main mineral products bauxite is exported while coal, which is of low quality, is produced for domestic consumption. A number of other minerals, including manganese, nickel, salt, iodine, limestone, sulphur, and gold and silver are also produced but in small quantities. There are also large unworked deposits of iron ore in Sumatra and the Celebes. The commercial possibilities of the Sumatran deposits, which have a reported Fe content of 52%, are now being examined. There are also encouraging signs of sizeable copper deposits. Indications of numerous and varied mineral deposits in Indonesia are extensive but for

most of these the economic potential remains to be evaluated and further geologic and mineral surveys are needed.

Prewar and recent production and export of mineral products are as follows:

Table 3

Mineral Production and Exports

(thousand metric tons)

	1938	1952	1953	1954
Production				
Crude oil	7,398	8,523	10,225	10,775
Tin metal	30	35	34	36
Bauxite	245	344	150	173
Coal	1,456	959	897	900
Exports				
Petroleum products (net)	5,909	5,577	7,221	7,668
Tin metal	21	35	33	35
Bauxite	274	220	162	247

Petroleum. The main oil fields, located in Sumatra, Borneo, and to lesser extent in Java and Ceram, are operated by three foreign companies: Bataafsche Petroleum Maatschappij (B.P.M.), a subsidiary of Royal Dutch Shell; Standard Vacuum and Caltex. Another field in Southern Sumatra is operated by the Netherlands-Indonesian Oil Company, jointly owned by the government and B.P.M. B.P.M. and Standard Vacuum have refineries in Indonesia but the crude oil produced by Caltex is exported for refining elsewhere.

The oil fields and refineries were badly damaged during the war but, with one exception, have been rehabilitated by the operating companies through postwar investment estimated at about $150 million. The exception is the B.P.M. field near Medan in North Sumatra which produced about a million tons of crude annually before the war. If the output of this field were available and exported it could earn $15-20 million per year at present prices. The field has since the war been occupied by local oil workers and its production is negligible. The government has so far been reluctant to make a decision on the politically controversial issue of whether to restore this field to B.P.M. or nationalize it.

Crude oil production was above prewar levels by 1951 and in 1954 was almost 50% higher. The rise in net exports over prewar has, however, been proportionately less (about 30%) because of a large increase in domestic consumption of petroleum products.

Indonesia's untapped oil resources are believed to be far larger than those from which oil is now produced. but possibilities for increasing or even maintaining present production levels are at present uncertain.

The oil companies maintain that production from present concessions will begin to decline after 1960 and possibly earlier, and that unless prompt steps are taken to permit the discovery and development of new fields, Indonesia will cease to be an oil exporter. (Present oil exports bring in about $200 million annually.) This prospect of a declining output applies particularly to B.P.M. and Standard Vacuum. The former is importing oil on a large scale for processing in its only partially used refineries. The position of Caltex is more favorable as a result of only partly developed concessions dating from prewar.

Solution of the problem of finding and developing new oil fields to replace the inevitably declining production of old ones so as to provide the increased supplies needed for an expanding economy and to maintain a high level of export earnings will be a major task for the newly elected government. This task will be complicated by the urgency of prompt action in view of the substantial time required for exploration and development, the lack of sufficient Indonesian capital and an adequate number of trained Indonesian personnel to cope with the large scope of the work, and by the strong ideological and emotional prejudices which exist against the further expansion of foreign enterprise in this industry.

Tin. Production in recent years has been around 35,000 tons annually or about 20% more than in 1938. Present output accounts for over 20% of world output. It is mined on the islands of Bangka, Billiton and Singkep off the east coast of Sumatra. The government owns the Bangka mines and has a majority interest in association with private Dutch capital, in the company which owns the mines on Billiton and Singkep. This company operates all three mining areas under apparently satisfactory arrangements.

Nearly all of the tin produced in Indonesia is exported. About two-thirds of tin exports are destined for the United States either directly in the form of concentrates or indirectly after smelting in the Netherlands. Direct sales to the U.S. have been for stockpiling and for the three years ending in March 1955 amounted to 18,000 tons a year. Recent contracts with the U.S. have been for three month periods and at a reduced annual rate of 8,000 tons. Indonesia has ratified the International Tin Agreement which is due to become effective in the near future.

Tin production in Indonesia is unlikely to increase in view of world production in excess of consumption which has been decisively influenced by U.S. policy regarding continued operations of the U.S. smelter in Texas and further additions to the stockpile. Under the International Tin Agreement, Indonesia would, on the basis of present consumption levels, have a quota of 30,000 tons or about 15% less than present production.

Bauxite and Coal. Bauxite deposits are on the island of Bintan near Singapore and are operated as a joint venture with minority participation by the government and majority participation by private Dutch capital. The deposits are large and proven reserves are sufficient for about 30 years of production at present rates. During the Korean boom annual output jumped to almost 650,000 tons or more than double the prewar rate but since have fallen to less than prewar levels. The problem of expanding production is primarily one of cost in competition with other bauxite suppliers. Costs have been rising with increases in wages and with added expenses for transportation and ore treatment as the best and most accessible deposits have been reduced.

The bulk of coal production is from two government owned and operated mines at Bukit Assam and Umbilin in South Sumatra and one privately owned mine in East Borneo. Production is around 900,000 tons, of which about 2/3 are from Bukit Assam and around 10% from Umbilin. Over half of the coal is consumed by the railways. The coal is of poor quality, poorly located from the standpoint of transportation, and expensive to deliver. The government has set a target for restoring coal production to 1.5 million tons, which is about the prewar level, mainly through expansion of the two government mines. Both mines require investment in transportation and the Umbilin mine is in need of rehabilitation and modernization generally. There appears to be a real question of whether the required investment would be justified considering the quality of the coal and its competitive position in relation to petroleum and imported coal.

Industry, Transport and Power

Industrial production, exclusive of handicrafts and of primary agricultural processing, such as the milling of rice, sugar, rubber, etc., is relatively small in Indonesia and probably accounts for not more than about 5% of the national product. Available statistics suggest that employment in secondary industrial establishments with 10 or more workers is only about 3% of the gainfully employed population.

But while small in relation to employment and output as a whole, there is nevertheless a considerable number and range of industrial establishments, mostly of small scale but including some medium scale plants as well. Chinese establishments predominate but some of the larger factories are western-owned and there are also a number of Indonesian plants. Official but probably incomplete tabulations list almost 700 industrial establishments with 50 workers or more. The range of industrial activity of these establishments includes canned and processed foods, beverages, cigarettes and cigars, textiles and clothing, shoes and other leather and rubber goods, soaps and oils, drugs and toilet articles, paint, stationery, matches, glassware, light bulbs and batteries, radios, automobile and bicycle assembling, tires and tubes, furniture and woodworking, ship and boat building, and various metal working and light engineering establishments.

Data are lacking on rates of industrial growth but such information as is available suggests further expansion of industrial output, mostly small-scale, in the post-war period and especially during 1950-1953.

In general, there would appear to be a basis for continuing industrial growth in Indonesia in view of the size of the market, the number of industries which have already been established and the existence of some nucleus of industrial enterprise.

Industrial growth is, however, confronted by a number of obstacles. In the immediate circumstances even established industries have difficulty in securing adequate materials and equipment in view of the tight import and foreign exchange restrictions. This has undoubtedly been a factor in the closing down or sale to Indonesian interests of some foreign establishments

and several shut-downs of Indonesian establishments in the last two years. Existing industries report that they are handicapped by difficult labor problems and government regulations such as those governing the use of labor saving equipment, hours of employment and licensing of particular lines of industrial activity. (The licensing regulations were actually issued during the depression of the Thirties to reduce the effects of competition on existing enterprises in certain designated fields of industry.)

Lack of technical and managerial experience, shortages of capital and limited institutional saving and institutional arrangements for private industrial financing are further chronic handicaps. Capital shortages have, however, undoubtedly been aggravated by monetary instability and a consequent outflow of capital especially to Singapore and Malaya. Movements of mainly Chinese capital and enterprise, in either direction between Indonesia and Malaya, depending on conditions, is long standing and it would seem reasonable to expect some inflow of industrial funds from Malaya under stable exchanges and a favorable investment atmosphere in Indonesia.

Industrial growth is also limited by the inadequacy of overhead services previously referred to. Railway freight service suffers from organizational problems, inadequate equipment and maintenance, heavy passenger traffic requirements and insecurity and pilferage. Inter-island shipping space is inadequate and port operations are slow and inefficient. Road transport service is satisfactory in many areas. Telecommunication services are poor and for this and other reasons financial arrangements for transaction of inter-regional business are slow and cumbersome. And among the most important bottlenecks is the severe shortage of power.

Prewar power facilities have been for the most part rehabilitated and some new capacity added. Total capacity for public supply is now, however, only about 185,000 KW, compared with 171,000 KW prewar, and is reported far short of demand. Much of the total power is self-supplied and private capacity is estimated to be roughly equivalent to the total of public power. In the predominantly small-scale pattern of industrial growth this need for industry to supply its own power is a particular burden.

Shortages of power are especially acute in West Java and programs are under way to develop the considerable hydro potential of this area. Several small projects under construction are expected to add about 51,000 KW, and preliminary investigations have been completed for further development of the Tjitarum River where the capacity of the prospective site at Djatiluhur in West Java is estimated at about 156,000 KW (and with a year around irrigation potential for about 500,000 acres).

Consideration is also being given to the longer run development of the large power potential of the Asahan River in North Sumatra. Prospects are believed favorable for production of cheap power with an eventual capacity estimated at about 700,000 KW. The location, however, is in an area where power demand is now small and justification of the Asahan development would

depend on the concurrent establishment of industries with substantial power requirements. Definite plans for such industrial development have not yet been formulated but industrial possibilities being considered for the area include aluminum, fertilizers, pulp and paper, cement and iron and steel.

In addition to power development the government has been taking other measures to foster industrial growth directly under the Economic Urgency Program adopted in 1951. This program included action in the industrial field along three lines: (1) Industrial research and training; (2) Promotion of rural industry through credit, assistance in mechanizing handicraft operations, and establishment of central units (induks) to assist small rural industry through centralized purchasing and marketing and in some cases centralization of part of the manufacturing processes; and (3) Direct establishment by the government of certain larger-scale industrial enterprises.

By and large the results of this program so far have not been satisfactory. Industrial training and research has as yet been quite limited in scale and quality although a number of vocational training centers have been established and some of the bases provided for accelerated progress in training in the future.

Measures to promote and improve rural industry appear to have had very limited success for a number of reasons including cumbersome and inefficient administrative procedures, shortages of technical personnel, lack of organization and experience necessary for efficient purchasing and marketing, shortages of capital among rural producers and inadequate arrangements for extension and supervision of credit by the government, and a number of other major difficulties which are probably inherent in an attempt to introduce mechanical methods, standardization, scheduled performance, etc. into operations which have been based on traditional methods and are to a large extent part time adjuncts of agricultural employment.

The initial program for direct establishment of larger-scale industries by the government included about 20 "short range" and "longer range" projects. Those which have been actually undertaken by the Department of Industries, the state-owned Bank Industri Negara 1/, or other government agencies have

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1/ The Bank Industri Negara was established in 1951 to finance manufacturing, mining and agricultural processing industries. Its activities have included loans and equity participations in both public and private ventures, mainly of medium and larger-scale. Among the industrial projects included in the so-called Economic Urgency Program, it has been the main source of finance for the gunny bag, soda, cement, and spinning mills. It has also provided loan and equity capital for wholly or mainly private industrial ventures, including purchase by Indonesians of foreign-owned plants. Capital for rehabilitation of the sugar industry has been important among its activities. Credits and participations at the end of 1954 amounted to Rp. 516 million. Capital has come entirely from the paid-in subscription of the government, from government deposits, and from bonds sold to non-resident holders of blocked rupiah balances who are authorized to transfer abroad the service payments on the bonds.

included several printing establishments, two rubber remilling plants, a coconut flour plant, a gunny bag factory, a cotton spinning mill, a caustic soda factory and a cement plant. The last two are under construction.

Except for the printing plants and the cement plant, on which construction has only recently started, the record of these industrial projects has been generally unsatisfactory. It has been characterized by inadequate planning, delays, and lack of coordination in construction, shortages of technicians and in some cases of labor, inexperienced management or failure to provide in advance for any management at all. Production in the case of completed plants has so far been well below capacity and at substantial loss.

The subject of government industrial ventures is now under review by the National Planning Bureau. It is probable that further industrial projects will be included in the Bureau's five year plan, including industries proposed in conjunction with the Asahan development. Managerial and technical limitations are now,however, more generally recognized and there is strong support for undertaking further industrial projects of the government either as joint ventures with foreign concerns or on the basis of management contracts.

III. Public Finance

Recent Fiscal and Monetary Developments

Except for the brief respite provided by the post-Korean boom, the Indonesian economy since independence has been plagued by a badly lop-sided fiscal position. In 1952, 1953 and 1954 deficits of the government were between Rp. 3,000 and Rp. 3,600 million annually as a result of expenditures 25% to 30% in excess of revenues. And with negligible opportunities for internal non-inflationary borrowing, the government followed the path of financing deficits through the central bank, with serious inflationary consequences. In summary, the fiscal position in 1953 and 1954 was as follows (in millions of rupiahs):

	1953	1954
Gross Expenditures	14,916	15,141
Gross Revenues	11,856	11,539
Deficit	3,060	3,602
Cash Deficit	3,047	3,533
Cash Deficit Financing		
Central bank borrowing	579	3,163
Devaluation Profits	1,734	-
Other Inflationary Financing	280	180
Non-Inflationary Financing	454	190
	3,047	3,533

Note: For budgetary and other public finance details, see Appendix C.

The initial budget for 1955 promised another repetition of this situation. The deficit was estimated at Rp. 2,500 million and prospects were that it would again reach Rp. 3,000 million or more. And in the first half of 1955 the steady demands of the government on central bank credit continued.

But in recent months there has been a sharp and sudden reversal of past fiscal trends. Since about mid-1955 borrowing from the Bank of Indonesia has not only ceased but the government reduced its indebtedness to the Bank by about Rp. 1,900 million by the end of 1955. In fact, this trend resulted in a reduction of total government borrowing in 1955 by Rp. 400 million compared to the position at the end of 1954 during which year the government had added Rp. 3,044 million to its indebtedness to the central bank.

Most of the improvement is due to monetary and fiscal stabilization measures taken by the government in the second half of the year. Whether they will have lasting effect can at this time not yet be ascertained. The most important of these measures was a large increase, effective September 1, in the special surcharges which have been levied on imports

since 1953. Under the new regulations most essential imports formerly exempt from the special levies are now taxed at 50%. On other imports, depending on the categories, the levies have been raised to 100%, 200% and 400%, compared with previous rates of 33-1/3%, 100% and 200%.

It is reported that the resulting additional revenue for the last four months of 1955 is estimated at over Rp. 1,500 million. With this, together with some spending restrictions and some excess of other revenues over initial estimates, it now appears probable that the budget deficit for 1955 will be cut to about Rp. 1,600 million.

The importance of these recent fiscal developments is heightened when compared with the serious drift of fiscal affairs and the monetary consequences during the preceding three and a half years.

During 1952, 1953 and the first half of 1954 much of the inflationary potential of the fiscal situation was absorbed through heavy balance of payments deficits and also, apparently, through increased idle cash holdings of the public. The total money supply rose steadily over this period but not on anything like the scale of the government's cash deficits. Prices in most cases increased only moderately or remained relatively stable. This semblance of internal stability was maintained, however, at the cost of the foreign exchange assets accumulated during the boom period of 1950 and 1951. Total net foreign exchange assets dropped from the equivalent of $546 million at the end of 1951 to $84 million by mid-1954.

Efforts of fiscal authorities to hold down the budget deficit of 1953 proved fruitless in the face of loose budgetary controls, adverse security conditions and political pressures. Efforts to stem the drain of foreign exchange and to counteract the effects of monetary instability have, rather than trying to remedy the fiscal causes, been concentrated on a variety of import and exchange restrictions and other monetary and exchange devices. Import quotas and exchange allocations have been progressively tightened; the official exchange rate was devalued from Rp. 3.8 to Rp. 11.4 to the dollar in 1952 and subsequently there has been further selective devaluation under a multiple exchange system which involves a schedule of penalty rates for imports depending on their degree of essentiality, imposes special surcharges on a large share of invisible payments, and has provided from time to time for premium rates on particular minor exports; and advance deposits of 75-100% are required in the local currency equivalent of exchange allocated for imports. Transfers of capital and reserves have been largely prohibited and a percentage of business profits is required to be held for reinvestment in the country before profit transfers are authorized. 1/ In addition, the

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1/ For a brief description of present exchange regulations and of the special position of the foreign oil companies in the exchange system see Appendix A.

government has attempted to maintain ceiling prices for a variety of products and some of the more important staples including rice, sugar, copra and coconut oil as well as some essential imports are purchased and distributed by official monopolies.

As a result of severe import cuts and tight foreign exchange controls, along with an improvement in terms of trade with rising rubber prices, the foreign exchange situation has improved since about mid-1954. But this success in bringing the loss of exchange to a halt meant that the full inflationary impact of the Government's deficits was thrown on the internal economy. Internal symptoms of excessive government spending became more pronounced and widespread and by mid-1955 the collection of measures to suppress the effects of monetary instability were increasingly difficult to enforce and there were signs of the inflation entering a new and more serious stage.

For the twelve months ending in June 1955 the total money supply increased by 45%. At the same time the value of the rupiah dropped rapidly in unofficial transactions with curb quotations, which had risen from about 16 to 23 per U.S. dollar between 1951 and mid-1954, jumping to about 46 and even higher around the middle of 1955. Many prices followed suit, especially prices of imported goods. In the important case of imported textiles prices more than doubled. Labor unrest was aggravated, especially in the urban areas. Speculation was widespread and exports were being adversely affected. Domestic prices of important exports, including rubber, jumped well above world prices at the official exchange rate in reflection of speculative hoarding, smuggling, underdeclaration and other forms of exchange control evasion. And on the import side there was little doubt of extensive misuse of exchange allocations in the feverish and often devious competition for import permits. Economic activities dependent on imported equipment and materials were finding increasing difficulty in obtaining required import allocations except through special favors and arrangements.

The one stabilizing element in the picture was the relative steadiness of domestic food prices and especially rice. This meant, however, a deterioration in the terms of trade of the cultivators. And by mid-1955 there was considerable dissatisfaction with this situation in the countryside which was beginning to be reflected in higher food prices and in withholding of rice or illicit sales outside official channels.

Over this period from 1952 to mid-1955 commercial bank credit was a neutral or fairly modest inflationary factor compared with the fiscal situation. Private credits and investments of the seven private foreign banks (five Dutch and two British) and of the three main state-owned credit institutions[1] increased by just under Rp. 300 million in 1952, dropped slightly

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1/ Including the Bank of Indonesia which acts as a commercial as well as central bank. Also included is the Bank Industri Negara which specializes in long-and-medium-term loans and participations in industry rather than in commercial banking.

in 1953 and again rose by Rp. 435 million in 1954. Private Indonesian banks, while increasing in number, are not yet a substantial factor in the money and credit situation.

Budget Problems and Prospects

This condition of mounting inflation and its consequences was the situation in Indonesia at the time of the Bank mission's visit to Indonesia in June 1955. Only fragmentary information is available on the impact of the subsequent fiscal improvements and the effects of the measures by which this has been brought about. Although the period of a balanced Treasury cash position and its stabilizing monetary effects has been brief it is reported to have had visible benefits in leveling off effective demand with the result that the incidence of the increased levies on imported goods has fallen mainly on the large profits of importers rather than being shifted to consumers.

Monetary and general price stabilization with the existing high price level for imported goods may, however, be difficult to maintain. Prices of rice and other domestic foodstuffs have, as noted, lagged far behind imported prices and they are now reported to be moving up rather sharply, probably due in part to the damage to the 1955 rice crop and to distribution difficulties. This may to some extent be checked by increased rice imports which the government is reportedly planning. Nevertheless, it seems unlikely that the past disparity between food and import prices can be maintained and higher food prices along with high import prices would undoubtedly affect wage rates and costs generally for domestic producers, for the export industries and for the government sector.

There is also the burden on the export sector of an overvalued exchange rate. The government has, however, included in its stabilization measures assistance to the export sector. Effective October 24, 1955, export duties have been reduced generally and for minor exports a system of premiums or subsidies ranging from 5% to 10% has been adopted. It remains to be seen whether these inducements will be sufficient to encourage production, foster investment and diminish evasion of export and exchange regulations despite the attempt to stabilize at price-cost levels and with an exchange rate system which are disadvantageous to the export sector. The situation may be satisfactory for export goods with high world prices, as in the important case of rubber, but less so for other exports. Further export inducements and adjustments in the export rate may become necessary, especially if rubber prices decline and if wages and other costs are increased by the high level of import prices and rising prices of foodstuffs. To the extent that such additional incentives are required they will offset part of the fiscal advantage of the heavy import levies which have been imposed.

The government may also find difficulty in holding down expenditures, particularly in view of the possible need to raise the official purchase price of rice and to offset the impact of rising food prices on the already very low government pay scale.

For these reasons more basic reforms in curtailing government expenditure and developing additional revenue sources will probably be necessary for continuing fiscal and monetary stability. Such reforms are, however, difficult for financial and administrative as well as political reasons. Prospects for basic budgetary improvement can only be assessed after the policies of the new government, which is to take office following assembly of Indonesia's first elected parliament, become clear.

Even in a favorable political atmosphere the financial and administrative problems involved in Indonesia's budgetary difficulties are not likely to be solved overnight. Recent levels of government expenditure, after deduction of intra-governmental transfers and inclusion of commercial operations on a net rather than gross basis, may be taken at about Rp. 12,500 million. Of this, about 35% (Rp. 4,400 million in 1954) represents the heavy burden of military and police expenditures, reflecting the problem of internal insecurity. Fixed obligations for public debt service and pensions require about Rp. 1,100 million. Central subventions for current expenditures of state and local governments take about Rp. 1,500 million. Programs of education and public health, which any government would find difficult to curtail significantly, cost close to Rp. 1,200 million. And public investment expenditures which are met from the central budget, excluding the social services, may be estimated at something over Rp. 1,500 million which is a modest figure considering Indonesia's investment requirements. These figures come to Rp. 9,700 million or nearly 80% of the total. The remainder of just over 20% of expenditures is mainly for general administration and the various other services of the government and government enterprises. Undoubtedly there is considerable scope for economies among these items. Possibly military and police and health expenditures and local subventions could be pared without loss of effectiveness. Certainly, the scale of activities of some government department could be curtailed, particularly if there were less effort at extensive regulation of economic activity and if the need for exchange, trade and price controls were reduced through greater fiscal and monetary stability. And it is generally conceded that for the present functions performed by the government the number of government personnel is much larger than necessary.

A realistic estimate of possible economies would require a more careful investigation than was feasible for the Bank mission. Informed opinion on the scope for reductions in non-investment expenditures without serious curtailment of government functions ranged from Rp. 500 to Rp. 1,000 million at salaries and prices prevailing in mid-1955.

Greater scope for fiscal improvement appears to exist on the revenue side. Until the recent increase in import surcharges, total revenues had remained static since 1952 despite the rise in the money supply and price level. This is partly explained by the fact that increases in income tax and excise revenues have been counterbalanced by reduced revenues from customs and special import levies because of some decline in export prices, reductions in export duty rates and curtailed imports. Clearly, however, revenues have not kept pace with the rise in money incomes and total tax revenue remains at less than 10% of the gross national product which is low by comparison with most other countries of the Far East.

This low level of revenues is partly the result of widespread evasion of income, customs and excise taxes. It is also the result of neglect of or inadequate taxation of potential revenue sources. This is especially the case at the state and local levels where virtual freedom from land taxation and the absence or low levels of taxes on other property and other revenue sources throws the burden of about 80% of state and local expenditures on the central budget. Major additions to revenue through more effective income tax and customs administration and through development of state and local revenue sources should be possible although time will be required to achieve the necessary improvements in administrative practice and responsibility. Rates in some government enterprises, e.g. railway passenger fares, could well be raised and a careful re-examination of the whole range of government enterprises and commercial operations would undoubtedly show room for substantial financial improvement.

Public Investment Resources

On the basis of estimates of possible increases in revenue and savings in expenditure, fiscal experts of the National Planning Bureau believe it practicable to achieve and maintain fiscal stability with annual public investment rates rising from the present level of about Rp. 2,000 million[1/] to about Rp. 2,500 million over a five year period.

This is based on estimated possibilities for an annual surplus of revenues over non-investment expenditures of Rp. 1,500 million, on public borrowing possibilities of about Rp. 350 million and increasing to about Rp. 550 million during five years, and on an assumed level of foreign assistance of about Rp. 240 million (about $21 million) a year.

The estimate of a surplus from the current budget of Rp. 1,500 million would appear a reasonable possibility assuming real efforts to develop potential additional revenue and some effective controls in ordinary and security spending. Actual prospects for realizing such a surplus are of course uncertain and difficult to assess in present financial circumstances and political uncertainties. The assumption on annual foreign assistance may not be unreasonable although it is much larger than has recently been the case, excluding the use of IMF resources in 1954.

The estimates of borrowing possibilities by the government would, however, appear overly optimistic. They assume that with monetary stabilization it will be possible for the government to borrow about Rp. 360 million

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1/ Including investment in social services. See Statistical Appendix C, Table 3 and notes.

from annual increases in savings deposits in financial institutions, and that an additional market for government securities can be developed in two or three years to the extent of Rp. 100-200 million a year. For the present there is no interest in domestic long-term fixed-return securities except at a heavy discount, nor has Indonesia had a developed market for government issues in the past. The only official borrowing from the public since independence was the forced loan under the currency reform of 1950 and the more recent so-called Rurni Account loans of the Bank Industri Negara amounting to Rp. 150 million. The latter do not, however, represent current savings and as previously noted were subscribed from frozen private deposits of foreigners.

There is apparently a widespread inclination to hoard which seems to have continued despite the inflation and the depreciation of the rupiah. The accumulation of savings in financial institutions has been, however, quite small with recent annual increases in savings and time deposits in commercial banks and in postal and other savings banks amounting only to about Rp. 100 million. The total level of saving and time deposits is also unusually low, running for several years at only around 3% in comparison with the total money supply. A considerable increase in the institutional channeling of private savings would appear necessary before the Planning Bureau's estimates of borrowing possibilities could be realized.

On the other hand, the Bureau has made no allowance for probable reparations from Japan which could well offset shortfalls in the estimates of government borrowing. As yet a mutually acceptable basis for Japanese reparations has not been found. Any eventual reparation agreement may well take into account the $155 million in liabilities of Indonesia to Japan incurred in the last few years under the bilateral trade agreement. There seems little question, however, that any settlement will be considerably larger than Indonesia's present debt to Japan. With this allowance and assuming that real efforts will be made to reduce non-essential expenditure and develop government revenues, the figure of Rp. 2,000 to Rp. 2,500 million a year for possible public investment resources would seem a reasonable estimate.

This, however, remains a very low figure in comparison with the national product (probably only around 3%) and with Indonesia's investment needs. With improvement in administrative efficiency, prudent spending policies, and progress toward the elimination of internal insecurity it should be possible in the longer run to reach a considerably higher figure.

IV. Trade and the Balance of Payments

The Trade Pattern

Rubber and net exports of petroleum products account for about a third and a quarter respectively of the value of Indonesia's exports; tin and copra contribute about 7% each and most of the balance is made up in order of present importance of tea and coffee, tobacco, palm oil, sugar and pepper.

Imports, excluding crude petroleum for refining in Indonesia, have consisted usually of from 45% to 50% consumer goods of which cotton textiles are by far the most important with rice and wheat also large but in recent years decreasing items due to rising domestic rice production. Raw materials, of which metals, chemicals and non-metallic minerals are the largest categories, have usually been around 30% of imports. Manufactured capital goods have accounted generally for 15% to 20% of imports in recent years. This pattern of imports was changed somewhat in 1954 under the sharply restrictive import policy which fell most heavily on consumer goods. These dropped to 42% of the total (excluding crude oil) while there was an increase in the relative importance of raw materials and capital goods to 38% and 20% respectively.

Indonesia has long had almost consistently an export surplus. An exception was in the early postwar years when the export sector was suffering from the damage and dislocation of the war and the postwar revolution. There was also a trade deficit in 1952 when exports dropped sharply from the post-Korean peaks while imports continued to climb on the basis of income carried over from the boom and of new money income generated by the budget.

Table 4

Summary of Indonesian Trade

(in $ US 000,000 equivalents)

	Exports	Imports	Balance
1938	381	275	+ 106
1939	415	262	+ 153
1949	527	579	- 52
1950	800	440	+ 360
1951	1,292	873	+ 419
1952	934	948	- 14
1953	840	765	+ 75
1954	856	629	+ 227

The largest share of Indonesian exports are to Europe and Asia, each taking 35% to 40% of the total. Goods exported directly to America represent usually around 20% of the total. Of the exports to Asia, however, between a

half and two-thirds are to Singapore most of which are transshipped to Europe and America. By agreement with Singapore, Indonesia receives dollars for that part of its exports to Singapore which are transshipped to the dollar area.

Asia is the largest source of imports, running usually to 40-45% of the total, of which the largest items are textiles and other manufactured goods from Japan and to a lesser extent Hongkong, rice from Burma and Thailand and various items from India the most important of which is jute bags. Europe, mainly the Netherlands, supplies about 35% of imports, and America about 15% to 20%.

Substantial trade surpluses are usually maintained with both Europe and America and these are larger than indicated by customs figures if transshipments through Singapore are added to the European and American trade. With Asia there is usually a trade deficit if transshipments through Singapore are excluded due chiefly to the large import surplus with Japan.

Present Exports and Short Run Prospects

The volume of Indonesia's exports has increased steadily from the low levels of the immediate postwar and revolutionary periods. The volume index of production of exports reached the prewar level by 1951 and was about 12% to 15% higher by 1954. Recovery, however, has been very uneven and a composite index of export volume hides the lagging output and difficulties in important segments of the export sector. The rise in export volume as a whole above prewar has been due entirely to a very large increase in postwar rubber exports and to substantial increases over prewar in exports of petroleum products and tin. All the other main exports remain at much lower levels than before the war as seen below.

Table 5

Volume of Principal Exports in 1954
Compared with 1939 and 1953

	% of 1939	% of 1953
Rubber	234	106
(of which Estates)	(152)	(83)
(of which Smallholders)	(321)	(125)
Petroleum	163	103
Tin	182	102
Copra	66	105
Coffee	56	119
Tea	56	138
Tobacco	41	143
Palm Oil	68	105
Sugar	18	228
Pepper	18	150

The very large increase in rubber exports over prewar levels shown in the above figures is misleading as a comparison of present and prewar rubber export capacity. During the Thirties the production and shipment of rubber was curtailed to around 50% of capacity (probably to less in the case of smallholder rubber) under international restriction agreements. Recent levels of estate rubber exports are probably only equivalent to about two-thirds of prewar capacity. The present export volume of smallholder rubber on the other hand probably represents something close to the prewar potential or perhaps more although the export capacity of small producers is rather indefinite since production varies widely with variations in the relative prices of rubber and other smallholder crops.

Except, then, for smallholder rubber, petroleum products and tin, Indonesia's capacity for export remains considerably below prewar levels. In the last two years there have been further significant gains in several of the agricultural export commodities but among the four major exports only the shipments of petroleum have continued to advance. Total exports of rubber and tin have fallen slightly from the 1952 level and copra has been about stable in volume but this has been offset by a decline in price. Increases in the volume of minor exports and of petroleum were not sufficient to offset a decline in the average unit value of exports by about 15% between 1952 and 1954, and consequently total export earnings fell by almost 10%.

In the short run, further substantial gains in export volume seem unlikely although export earnings may be somewhat higher in 1955 and 1956 than 1954 due primarily to higher world rubber prices which, however, witnessed a pronounced decline in the early part of 1956. Some additional volume may be realized among various agricultural exports but not on a substantial scale in the short run in view, as previously discussed, of the many difficulties of the estate sector and the shifts which have taken place on both estate lands and smallholdings from export to food crops. Other factors are also limiting agricultural exports including insecurity in important areas, transport and distribution difficulties, and larger internal consumption which in several cases, such as sugar, palm oil and undoubtedly copra, is considerably above prewar and rising. Internal consumption of petroleum products is also far higher than prewar and increasing. Rising petroleum production may offset this somewhat in the short run as some further development of existing concessions of Standard Vacuum and the Caltex companies takes place. A rising trend of petroleum production will, however, be short lived unless additional exploration can be authorized and undertaken in the near future and the prompt development of new discoveries can be financed and carried out. An increase in tin exports seems improbable in view of world market conditions and some decline may take place depending largely on US purchase policies and possible restrictions under the International Tin Agreement.

The export sector as a whole is also adversely affected by the prevailing monetary instability and accompanying domestic cost and price increases which have moved out of line with world prices at official exchange rates. As a result the chronic problems of smuggling and underdeclaration of exports have been aggravated in the past year as evidenced by internal wholesale quotations for exports reaching levels well above world quotations at the official rate; in some cases nearly double in mid-1955.

Rather than an increase, there may be some decline in export earnings in the next two years or so especially because of the importance of rubber in Indonesia's export trade and the rapid advance during the past year in natural rubber prices which may not be maintained in view of their wide margin above synthetic rubber prices.

Present Imports and Short Run Prospects

As noted, around half of recent Indonesian imports have been consumer goods consisting mostly of rice, wheat and other foodstuffs; cotton piece goods and clothing and sundry household articles. The total of various other categories of consumer goods increased substantially with the spurt in incomes in 1951 and 1952 but subsequently dropped by about two-thirds. In 1954 foodstuffs, cottons and household requirements made up more than two-thirds of all consumer goods imports.

A crude comparison of gross tonnages suggests that the availability of consumer imports has been less than before the war and much less in per capita terms. This has partly been compensated for by the fact that domestic production now provides for a greater share of rice requirements, a much greater share of kerosene consumption and probably a larger part of various other requirements.

But by and large it would appear that recent rates of consumer imports, and especially the curtailed rates in the last half of 1954 and early 1955 have been not much more than necessary for essential requirements. The only major item that may have been somewhat larger than actual requirements in 1954 was rice in view of an increase in government rice stocks to the extent of possibly 100,000 tons at a value of about Rp. 200 million. Rice imports were originally budgeted at only about 30,000 tons in 1955 as compared with 258,000 in 1954 and 372,000 in 1953. It appears now, however, that actual imports in 1955 will be considerably larger reaching perhaps over 100,000 tons as a result of some crop damage, difficulties in the distribution of domestic rice, and shortfalls in the government's local rice collection targets. There was also apparently a reduction in government stocks in 1955 and recent reports indicate that it may be necessary in 1956 to return to something like the 1954 or possibly a higher level of rice imports in order to replenish stocks as well as meet consumption needs.

Recent levels of imports of raw and semi-processed materials and capital goods also appear quite small considering the size and nature of Indonesia's economy. As mentioned earlier many items in these import categories are running at only about the same or lower levels than prewar. Complaints of shortages in these categories under the government's restrictive import and exchange policies were widespread at the time of the Bank mission's visit. To some extent this undoubtedly reflected inflated demand arising from the present monetary situation and also some inequities in the allocation of permits and exchange for such purposes.

On the whole, however, it would appear that the recent structure and scale of Indonesia's imports does not allow any large margin in the short run for reduction, even under stable monetary conditions, without imposing real consumption hardships and curtailment of production and investment activities.

Further, it is difficult to foresee an easing of the import picture in the short run arising from improvements in the terms of trade. The average unit value of imports by the end of 1954 was more than 20% below that in 1952 and about 15% less than in 1953. With this and with rising rubber prices Indonesia's terms of trade in the latter half of 1954 were more favorable than at any time since the boom period of 1950. Further improvement has undoubtedly taken place in 1955 with recent rubber prices. But speculation on additional terms of trade advantage through, for example, lower rice prices must on the other hand take account of the likelihood that rubber prices will decline from their present high levels.

Balance of Payments

Indonesia has a consistently large net deficit on invisibles accounts running in the past two years to the equivalent of nearly 30% of total export receipts. The invisibles deficit on current account was far larger than the surplus receipts on trade account in 1953 and somewhat higher in 1954 despite the cut in imports and the increase in the trade surplus. The overall deficit on current account amounted to Rp. 1,334 million ($117 million) in 1953 and Rp. 441 million (almost $40 million) in 1954.

More than half of the large invisibles deficit is for transfers of dividends, profits, and other income from foreign investments (including all non-trade transactions of the foreign owned oil companies). Other large invisibles payments items are for pensions, remittances of foreign personnel and head office expenditures; external debt service; transportation and insurance; foreign travel including pilgrimages to Mecca; and miscellaneous government payments abroad.

A summary of Indonesia's balance of payments in 1953 and 1954 is as follows:

Table 6

Balance of Payments of Indonesia, 1953-1954[a]

(Rp. 000,000)

	1953	1954
Current Account		
Merchandise	+ 1,137	+ 2,157
Investment Income[b]	- 1,248	- 1,460
Other Current Invisibles	- 1,223	- 1,138
Balance on Current Account	- 1,334	- 441
Capital Account		
Net Private transactions	+ 16	- 52
Repayment of official long-term debt	- 234	- 273
Official long-term borrowing	+ 157	+ 227
IMF and IBRD (net)[c]	-	- 31
Total	- 61	- 129
Balance Financed through Changes in Gold and Foreign Exchange Assets and Liabilities		
Short-term liabilities to Japan	+ 469	+ 687
Other short-term assets, liabilities, and monetary gold	+ 995	- 122
Total	+ 1,464	+ 565
Errors and Omissions	- 69	+ 5

a/ For further details and notes, see Appendix D, Tables 1-5.
b/ Including all non-trade transactions of the foreign owned oil companies.
c/ Subscriptions of $17.7 million (Rp. 202 million) and drawings on the IMF of $15 million (Rp. 171 million).

Since some private capital transfers have probably not been reported the above table seems to understate transactions on that account. Current invisible payments would also probably be larger if allowance could be made for other sub-rosa transfers. On the other hand exports are understated in view, as noted, of the extensive smuggling and underdeclaration of exports. Past estimates have placed the value of smuggled goods to Singapore in the rough order of $50 million a year and the figure was probably a good deal higher in 1954. There is in addition extensive smuggling from the eastern outer islands to the Philippines. And underdeclaration and other devices to avoid export exchange regulations have apparently been commonplace. The scale of these practices is indicated by informed opinion that possibly as much as half of the rubber exports are shipped under some form of major or minor evasion of regulations. While there is no basis for estimation of the extent of under-recording of exports a figure of Rp. 1,000 million would undoubtedly be on the conservative side in 1954.

Certainly recorded current invisible payments would have been still higher than in 1953 and 1954 but for restrictive policies which limit personal remittances, prohibit transfers of depreciation reserves (except for the oil companies which operate under special exchange agreements), and impose heavy taxation on transfers of company income authorized at the official rate (again exluding the oil companies). Such transfer taxes amount to two-thirds on authorized transfers and a recent regulation provides in addition that transfers of company income are permitted only if 40% of profits after taxes are held in the country for re-investment.1/

However, profits and the effective demand for transfer privileges which they generate have certainly been swollen by the inflationary conditions of the country. This has been especially true of companies engaged in the export-import trade. Evasion practices on the export side have already been noted. Licenses to import have also ensured a large profit at prevailing internal prices of imported goods in spite of required prepayment for imports and special import taxes, although profit margins may now be considerably reduced by the recent increase in import surcharges.

The fact that the government has in theory greatly curtailed the participation of foreign trading firms in the import business has apparently not significantly affected their business or, reportedly, their ability to transfer profits. This so-called "indonesianisation" of trade has meant, as described by the Bank of Indonesia, "that the vast majority of these 'importers' (about 4,000) never comes to doing real import business, but transfers the import licenses obtained to real, mostly foreign importers. The creation of this group, typically labeled as brief-case importers, resulted in both an increase of cost of distribution and of prices, and an impediment to the development of

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1/ The restriction was imposed in June 1955 and so is not reflected in the 1953 and 1954 figures of investment income transfers.

the bonafide Indonesian import houses." To some extent this policy may have actually been of advantage to foreign trade houses operating through "brief-case importers" who are in a position to obtain favorable consideration in the issue of licenses, in the required declaration of export and import values, etc.

For foreign producers of export goods the effect of transfer taxes and other restrictions may be more of a burden. This has of course not been the case for the oil companies in view of their special arrangements that were in effect until the beginning of 1956. And the oil companies accounted for almost half of the annual average of investment income transfers in 1953 and 1954 shown in Table 6. For foreign estates whose products are ostensibly exported at the official rate the transfer taxes and other invisibles transfer restrictions would appear to be severe. As previously pointed out, however, much of the estate export produce is sold first to local intermediaries at prices which are high out of all proportion to world prices at the official rate, reflecting the extensive evasion of export and exchange regulations. For example, the government distributing agency for sugar buys sugar from the refineries at something around twice the official rupee equivalent of world prices, making up the loss on domestic sales of sugar. Internal wholesale prices of rubber were also in about the same relationship to world prices in mid-1955, reflecting the scope for evasion of regulations. Part of the benefit of such prices to estates has been offset by higher cash wages, although much of the total estate wages are paid in commodities such as rice and textiles which the estates obtain from the government at officially controlled prices.

Thus, while recent recorded invisible payments would certainly have been higher but for transfer taxes and restrictions and evasion of regulations it seems probable that most of the unsatisfied demand for transfer privileges as well as much of the evasion could be attributed to the inflation and the price levels and irregularities it is fostering. Under stabilized monetary conditions, realistic exchange rates and government policies more conducive to re-investment of foreign company profits, there seems no reason to conclude that transfers of investment income would be larger in relation to exports. They might indeed be smaller relative to exports, especially if greater financial stability and improvements in trade and exchange administration removed the exporters' incentive to undervalue their reported exports to the foreign exchange control authorities.

Some categories of invisibles will rise further, especially debt service which, on present official debt obligations and commitments, may be estimated to increase from an equivalent of $34 million to $55 million, or by about Rp. 240 million, by 1957. This increase is, however, about 10% of current invisible payments as a whole and after 1957 the service on present obligations will drop off steadily.

Personal remittances would also be higher under more liberal regulations concerning employment and transfer privileges of foreign personnel although this would probably not be a large increase and would undoubtedly be more than offset by reduced government payments abroad and other miscellaneous payments under more prudent fiscal policies and internal stabilization.

Despite the present restrictive exchange system it would seem, then, a reasonable longer run assumption that stabilized monetary conditions and improved administration would permit a considerable relaxation of exchange and other policies affecting foreign enterprise without increasing, and possibly with some reduction in the proportion of export earnings required for invisibles payments.

The Dollar Position

As previously noted, Indonesia maintains a surplus in its trade with the dollar area. Customs figures of trade with the U.S. and other Western Hemisphere countries in the last three years show surpluses of about $50 million in 1952 and 1953 and $63 million in 1954. There were in addition dollar trade receipts from transshipments through Singapore to the dollar area with dollar conversions in favor of Indonesia amounting to $24 million in 1952, $30 million in 1953 and $23 million in 1954.

Against this, there are substantial net dollar invisible payments for transfers of income from dollar investments, government expenditures abroad, dollar debt service and other miscellaneous items. Detailed information on dollar invisibles is not available. Figures published by the Bank of Indonesia indicate a substantial overall dollar surplus in 1953 but a very large dollar invisibles deficit relative to the dollar trade surplus in 1954. According to the Bank the dollar invisible payments in 1954 were swollen by arrears of investment income transfers carried over from previous years. It is not possible, however, on this basis alone to explain the size of the dollar invisibles deficit in 1954 reported by the Bank of Indonesia. It is possible that the published figures include part of the dollars used for settlement of deficits in trade and other transactions with non-dollar areas.

In general, dollar trade earnings mainly from rubber and tin and dollar surrenders by the American oil companies in payment of taxes and local currency expenditures seem likely to continue to give Indonesia a comfortable current dollar position. An estimate of future net dollar earnings would require more information on the size and nature of present and prospective dollar invisibles than is at present available. It seems clear, however, that Indonesia's payments problem is an overall one and does not present a particular dollar problem as well.

Foreign Exchange Assets

The substantial accumulation of foreign exchange which Indonesia built up during the boom period of 1950 and 1951 was rapidly drawn down in the succeeding two years. Official gross foreign assets (excluding short term foreign liabilities) fell from an equivalent of $439 million at the end of 1951 to $135 million by mid-1954. At that point they amounted to less than three months imports at the 1954 import rate. 1/

1/ For figures of official and private foreign exchange holdings, see Appendix D, Table 6.

The position improved in the latter half of 1954 and the first half of 1955 under severe import and exchange restrictions and with mounting rubber prices. In the year ending in June 1955, official foreign assets rose from $135 to $229 million equivalent. At this point reserves still represented only four to five months imports at recent rates.

The severity of the foreign exchange crisis of 1954 was delayed and ameliorated by an increase in unsettled trade liabilities to Japan and by drawings on the International Monetary Fund. Indonesia's unsettled trade liabilities under the bilateral agreement with Japan increased by about $40 million in 1953 and by $60 million in 1954. As a result Japan cut back the rate of exports to Indonesia in the latter half of 1954. Since the beginning of 1955 the account with Japan has been approximately balanced. Drawings on the IMF in 1954 amounted to $15 million.

While Indonesia's foreign reserves have improved considerably from the critical position in June 1954, they still remain at a level which allows little room to relieve the inflated internal demand for imports.

External Debt

Indonesia's outstanding external public debt amounted on June 30, 1955, to the equivalent of US $462 million. The largest element in this (equivalent to $255 million) was to the Netherlands most of which represented prewar and pre-independence obligations of the former Netherlands-Indies assumed by Indonesia under the financial terms of the independence agreement. Obligations to the United States amounted to US $135 million of which $54 million was a surplus property credit repayable in local currency at the option of the United States. The balance of dollar obligations included $64 million disbursed under the $100 million credit from the Export-Import Bank (of which all but $17 million has now been disbursed or committed), and a $17 million Mutual Security loan extended in 1948 prior to independence. In addition to these obligations, there is an outstanding interest-free dollar debt to Japan of $60 million representing a consolidation of trade deficit arrears agreed to in 1952. (Further current trade arrears due Japan since 1952 and up to mid-1955 amounting to about $95 million are not included in the above figures.) Other external indebtedness of the Government includes pre-independence debts of about $10 million (interest free) to Australia and about $2 million to Canada. As of the date of the preparation of this report service on all of the above obligations,1/ including those of the former Netherlands-Indies assumed by Indonesia upon independence, has been maintained regularly. An exception is the debt to Japan on which annual payments, due since the consolidation of trade arrears agreed with Japan in 1952, are in default. However, this debt to Japan and subsequent trade arrears are generally looked upon in Indonesia as obligations which will be offset by reparations claims when a reparations settlement is reached with Japan.

1/ In addition to these there are some municipal and provincial bonds payable in guilders for which little information is available. Among these are three issues of the former Municipality of Batavia on which interest for 1942-50 and since 1952 is in arrears. Annual external payments are also made in compensation for formerly private railways which have been nationalized and there are other external claims arising out of nationalization for which information on the current status is lacking.

Longer-run Balance of Payments Prospects

The Bank mission has not attempted to work out projections of Indonesia's balance of payments which, in any case, would be difficult in the present uncertain political and financial atmosphere which pervades the economy. The following comments are, therefore, limited to general observations on Indonesia's balance of payments prospects.

Basically, Indonesia's potential for economic growth and balance of payments stability would appear to compare favorably with that of most underdeveloped countries. The country is not far from self-sufficiency in foodstuffs, the economic situation of the rural population appears generally satisfactory by Asian standards, and possibilities for further expansion of food output and of fishery and forestry production are large. The export sector is extensive and varied and has favorable supply potentials and market prospects for further expansion, especially in the two leading exports, rubber and petroleum, as well as in vegetable oils, tea, sugar, fibers and probably in a number of other agricultural and mineral products. A considerable range of small and medium scale industry already exists and from this nucleus steady industrial growth should be expected if incentives are adequate and overhead services satisfactory.

In terms of possibilities, it would seem a reasonable assessment that with these potentialities the scope for export expansion and growth in output of foodstuffs and domestic manufactures is more than sufficient to keep pace with the longer run essential needs of Indonesia's population and with the country's invisible payments requirements. This assumes, however, that the economy can move up from its present low levels of investment and growth. Progress in this direction may for a time necessarily be slow because of the severe limitations of financial, administrative and technical resources and of the size and complexities of the task of efficient administration and of development of resource potentialities, especially in the outer islands. Many of the impediments to development of an administrative, geographic and political as well as economic character, previously discussed, are likely to be overcome only gradually. Nevertheless, the pace of improvement could undoubtedly be accelerated by measures presently within the power of the government.

Measures which appear possible and most urgent in the short run are further steps to stabilize the fiscal and monetary situation; as to public investment, concentration of the limited financial and administrative resources of the government on fields of highest priority such as communications, power and irrigation, and agricultural expansion including the planting of high yielding rubber; and policies and administration conducive to greater confidence in the private sector and to increased private investments in estates, in petroleum production and in industry.

For the immediate future such measures are probably incompatible with any substantial increase in public investment nor are they likely to produce a large and rapid expansion in output. They should, however, increase the

benefits to be realized from more effective use of available public investment resources. They should also stimulate a substantial expansion of private investment in the export sector, and probably in domestic industry, especially if monetary stabilization allows for some relaxation of restrictions on industrial import requirements and if government financial and administrative resources were concentrated on breaking some of the power and transport bottlenecks to private industrial development. There should also be fairly immediate balance of payments gains, if monetary stabilization were accompanied by an exchange situation which would reduce incentives for smuggling and other illicit export and exchange practices. In these circumstances the heavy administrative demands of enforcing trade and exchange control should also be reduced so that the available administrative capacity could be devoted to a greater extent to such major problems as the strengthening of the fiscal system, the improvement of local administration, better organization of government enterprises in transport and other utilities, and the execution of programs for improvement of overhead services and agricultural expansion including resettlement in the outer islands and smallholder planting of high yielding rubber. At the same time emphasis would also have to be increased on the training of administrative and technical personnel.

With an emphasis of government economic and development policy along these lines and with, meanwhile, an improvement in the conditions and atmosphere of private foreign and domestic investment it should be possible to eliminate in the next few years the present uncertainty regarding future export levels, including rubber and petroleum exports, and to establish the basis for subsequent expansion of exports and more rapid growth in total investment and output.

Whether economic and financial policies and development plans can be expected to follow such a course remains uncertain at the moment. More definite indications must await a clarification of the economic policies and investment plans of Indonesia's first elected government formed only in 1956.

APPENDIX A

FOREIGN EXCHANGE REGULATIONS

All foreign exchange transactions are subject to license and controls established by the Foreign Exchange Institute of the Government of Indonesia on whose behald combined import and exchange licenses as well as export licenses are issued by the Bureau of Foreign Exchange & Trade. The actual machinery through which controls are carried out consists of the Bank of Indonesia, the commercial banks which are authorized to deal in foreign exchange, and the customs authorities.

The official exchange rate of Indonesia is Rp. 11.4 per U.S. dollar. An initial par value has not been established with the IMF. Actually there is a multiple rate system. The official rate applies generally to exports and current invisible and capital receipts except that minor exports are given small premiums ranging from 5 to 10% of the f.o.b. price.

Imports are at the official rate plus special surcharges depending on the category of imports. Until September 1, 1955 essential industrial materials and some staple consumer goods were exempt from the surcharge. For other essentials the surcharge was 33-1/3% and for remaining imports the additional rates were 100% and 200% depending on whether the goods were of a semi-essential or semi-luxury character. No exchange was allocated for luxury items. Since September 1 the surcharges have been applied to nearly all imports including essentials and the rates have been raised to 50% on the most essential categories and to 100%, 200% and 400% on other categories. (Among the import commodities, which are exempt from surcharges are rice, raw cotton and cotton weaving yarn). Effective import rates now range therefore from the official rate on a few items to Rp. 57 per U.S. dollar on the least essential categories of authorized imports. In addition importers must deposit the equivalent of 75-100% of the foreign exchange required at the time of application for import exchange.

With regard to invisibles, transfers of capital, including depreciation allowances of foreign enterprises, have been generally suspended since 1954. Transfers authorized by the Government on behalf of foreign employees in Indonesia (for example leave salaries, alimony, tuition, current savings, insurance premiums, etc.) are permitted at the official rate. The official rate is also applicable to Government payments and to profits of foreign industries established since 1954. Other authorized invisible transfers, including profits of enterprises established prior to 1954, are at the official rate plus a tax of 66-2/3% of the amount transferred. In addition under a recent regulation (June 1955) transfers of company income are permitted only after assurance to the central bank that 40% of net profits after taxes are held in the country for reinvestment. In effect, then, of 100% of company profits after taxes 40% must be held in the country for reinvestment while the remaining 60% can be transferred at the official rate plus the special tax of

66-2/3 percent or an effective rate of Rp. 19 per U.S. dollar.

Foreign exchange transactions of the Bataafsche Petroleum Maatschappij (BPM, a Shell subsidiary) were until recently conducted under special arrangements in accordance with a "let alone agreement" that expired at the end of 1955. Under this, BPM was exempt from the requirement to surrender export proceeds and was not subject to restrictions on the use of proceeds but at the same time was not permitted to purchase exchange from the foreign exchange authorities for any purpose.

The two other foreign oil companies, Standard Vacuum and Caltex, also operated under similar "let alone" arrangements until 1954. They are now subject in principle to the exchange control regulations but in practice operate under a general license which permits them to retain foreign exchange earnings from exports and other sources and to use the exchange for necessary imports and for invisibles obligations (including transfers of profits and depreciation allowances) necessary for the development and maintenance of their enterprises in Indonesia. On their side, Stanvac and Caltex have undertaken to maintain certain minimum rates of new investment in Indonesia. They must also acquire local currency in excess of receipts from local sales through surrender of foreign exchange at the official rate and are not permitted to contract loans in Indonesian currency. They are required in addition to submit an annual foreign exchange budget and a monthly report on foreign exchange earnings retained and foreign exchange expended.

APPENDIX B

OUTPUT

B. Table 1

National Product, 1951-1952

(Rp. 000,000)

	1951	1952	Percent Distribution of Net Income by Economic Sectors 1951	1952
Agriculture				
Peasant Food Crops	23,497	30,054		
Peasant Export Crops	8,714	7,650		
Estate Crops	3,367	2,823		
Livestock	2,019	3,132		
Fisheries	1,951	2,688		
Forestry	884	1,245		
Total Agriculture	40,432	47,592		
Less Export Duties and Statistical Tax	1,204	1,507		
Net Agriculture	39,228	46,085	55.7	56.5
Mining	1,548	1,846	2.2	2.3
Industry	6,120	6,700	8.7	8.2
Transport and Communications	1,999	2,492	2.8	3.0
Trade, Banking and Insurance	10,754	10,943	15.2	13.4
Hotels, Restaurants and Catering	182	224	0.3	0.3
Entertainment Industries	118	168	0.2	0.2
Private Building and Construction	865	945	1.2	1.2
Rent	4,600	5,300	6.5	6.5
Free Professions	400	500	0.6	0.6
Domestic Service	500	550	0.7	0.7
Central Government, incl. Defense	3,111	4,055	4.4	4.9
Local Government	828	1,250	1.2	1.5
Government Income from Property, excluding estates	246	581	0.3	0.7
Net Domestic Product at Factor Cost	70,499	81,639	100.0	100.0
Less net income payment abroad	483	435		
Net National Product at Factor Cost	70,015	81,204		

Source: Neumark, Daniel, The National Income of Indonesia

B. Table 2

Agricultural Production

(000 metric tons)

	Pre-War[a]	1951	1952	1953	1954
Food Crops, Java and Madura					
Rice	3,905	3,780	4,000	4,261	4,664
Maize	2,037	1,550	1,204	1,303	2,084
Cassava	7,637	7,200	5,088	6,468	6,400
Sweet Potatoes	1,182	950	1,260	1,231	1,053
Ground Nuts	181	162	128	164	202
Soya Beans	269	254	266	275	361
Food Crops, Outer Islands					
Rice	n.a.	n.a.	2,387	2,769	2,897
Maize	n.a.	n.a.	433	512	584
Cassava	n.a.	n.a.	2,448	2,100	3,043
Sweet Potatoes	n.a.	n.a.	1,031	945	885
Ground Nuts	n.a.	n.a.	47	59	71
Soya Beans	n.a.	n.a.	20	32	40
Agricultural Export Products					
Estate Rubber (exports)	157	205	293	288	238
Smallholder Rubber (exports)	147	550	452	379	472
Total Rubber	304	755	745	667	710
Copra (exports)	554	542	342	304	295
Copra sales for domestic use				197	218
Palm Oil	227	121	146	161	169
Sugar	1,400	428	458	619	718
Coffee	114	39	53	62	57
Tea	80	46	37	36	47
Tobacco	35	8	8	10	11
Pepper	55	3	7	7	13
Other Spices (exports)	7	7	6	9	11

a/ Pre-war refers to 1937 in the case of food crops and 1938 for export crops.

Source: Bank of Indonesia

B. Table 3

Fishing, Forestry and Mineral Production

(000 metric tons)

	Pre-War a/	1951	1952	1953	1954
Fishing					
Sea	315	324	365	375	401
Inland	147	185	208	242	227
Forestry (Timber Felling)					
Lumber	2,010	1,332	1,706	1,644	1,452
Firewood	1,667	1,271	1,526	1,652	1,359
Charcoal	357	362	283	262	306
Minerals					
Petroleum	7,398	8,093	8,523	10,225	10,775
Tin	30	31	35	34	36
Bauxite	245	644	344	150	173
Coal	1,456	868	959	897	900

a/ Pre-war - 1941 for fishing, 1939 for forestry, 1938 for minerals.

Source : Bank of Indonesia

B. Table 4

Transportation

	Pre-War	1953	1954
Roads			
Asphalt (km)	12,566	n.a.	14,357
Other (km)	40,533	n.a.	35,073
Motor Vehicles	90,254	164,328	n.a.
Shipping			
Vessels (gr. tons)	321,000	190,000	202,500
Transport (goods, 000 tons)	2,671	3,879	n.a.
Air Traffic (G.I.A.)			
Passengers	21,659	310,817	308,000
Railroads			
Freight (000 tons)	7,759	4,810	4,740

Source : Bank of Indonesia

B. Table 5

Power, Installed Capacity, June 1955
(000 KW)

	Hydro	Diesel	Steam	Total
Total	163	99	30	292
Java	156	58	24	238

APPENDIX C

PUBLIC FINANCE

C. Table 1

Government Accounts, Summary

(Rs. 000,000)

	1951	1952	1953	1954	Budget 1955
Gross Receipts	11,811	12,240	11,856	11,539	11,493
Gross Expenditures	10,534	15,873	14,916	15,141	13,991
Balance	+1,277	-3,633	-3,060	-3,602	-2,498

Note: These are figures referred to as "gross" receipts and expenditures and are inflated by intra-governmental transfers which are included on both sides of the accounts. On the basis of information contained in the Annual Report of the Bank of Indonesia the size of these transfers appears to have amounted to about Rs. 2,250 million in 1953 and about Rs 3,000 million in 1954. Since these are on both sides of the accounts they would not affect the over-all deficit. There is, however, a small unexplained difference in the size of the 1953 deficit shown above from that shown in the Annual Report of the Bank of Indonesia which, on a comparable basis with the above figures is Rs. 2,940 million instead of Rs. 3,060 million.

Expenditures in the above figures include both capital and recurrent expenditures. The receipts side includes not only ordinary revenue but also a variety of miscellaneous capital and other receipts. The only resources available to the government not included in the above receipts figures are borrowings from the Bank of Indonesia and other banks, small notes and coins issued by the government, profits on the revaluation of gold holdings in 1953 which amounted to Rs. 1,734 million, and prepayments required under import regulations. It should also be noted that expenditures in 1953 are Rs. 700 million larger than expenditures made under the 1953 budget, the increase being the result of expenditures authorized under the 1952 budget but carried forward to 1953.

Source: Ministry of Finance

C. Table 2

Breakdown of Provisional Actual Gross Receipts and Expenditures in 1953 and 1954, and Budgeted Gross Receipts and Expenditures in 1955.

(Rs. 000,000)

Receipts	1953	1954	1955 budget
Personal Inc.Tax	874	1,049	850
Corporations Taxes	1,184	1,330	950
Other Direct Taxes	49	46	38
Import Duties	1,295	995	1,050
Export Duties	1,095	584	709
Special Import Tax (TPI)	1,914	1,179	1,100
Excise Taxes	1,366	1,593	1,294
Sales Taxes	620	611	550
Other Miscell. Taxes	173	188	4 d/
Govt. Enterprise Receipts	458	492	628
Misc. Receipts e/	2,829	3,472	4,324
Total	11,856	11,539	11,493

Expenditures	1953 a/	1954	1955 budget
Police & Defense	4,708	4,410	3,951
General Admin.	300	167	119
Foreign Aff.	204	172	93
Interior b/	2,178	2,912	2,331
Finance	885	1,028	1,210
Agriculture	461	499	502
Economic Aff. c/	1,143	1,345	1,206
Justice	190	243	217
Communications	371	425	284
Information	153	173	139
Education	858	856	900
Public Health	225	314	253
Social Aff.	154	193	196
Labor	51	73	55
Religious Aff.	178	209	155
Publ.Utilities & Energy	581	571	477
Navigation	156	138	88
Financial Serc. f/	1,424	1,413	1,816
	14,216	15,141	13,991

a/ Excluding Rs. 700 million of expenditures carried over from the 1952 budget.

b/ Mainly grants and advances to local authorities.

c/ Including gross purchases of rice by the Government.

d/ Included in Miscellaneous Receipts.

e/ A catch-all category which includes intra-governmental transfers, which are also included among the various expenditure items, as well as such other receipts as surcharges on invisible balance of payments transfers, repayment of advances, Export-Import Bank credits, profits on foreign exchange transactions, gross receipts from government rice sales (gross expenditures for rice purchases being included on the expenditure side under Economic Affairs), and various other items of a capital or book-keeping nature.

f/ Consists mainly of public debt service; loans, equities and other capital participation of the government; and grants to state enterprises. The 1955 budget figure also includes Rs. 500 million of utilization of U.S. counterpart funds which are unlikely to be authorized.

(Cont'd--p.51)

C. Table 2
(Cont'd)

General Note:

These are fiscal figures obtained by the IBRD mission while in Indonesia. The expenditure figures agree with those published in the Annual Report of the Bank of Indonesia for 1954/1955. However, as noted in the Annual Report, "the Ministry of Finance has again not been in a position to prepare a specification of actual net revenues" and the revenue figures differ from those published by the Bank of Indonesia in that the figures published by the Bank of Indonesia have apparently eliminated book-keeping items and are presented as net rather than gross receipts. There are also some minor differences in individual items of tax revenue, especially in 1953, in the above figures as compared with those published by the Bank of Indonesia. However, the over-all deficit in 1954 is the same as reported by the Bank of Indonesia while the deficit for 1953 shown here is only slightly higher than that shown by the Bank.

C. Table 3

Budgeted Development Expenditures of the Government, 1954, As Presented in Answer to I.B.R.D. Questionnaire

(Rs. 000,000)

Agriculture	
General	3.2
Assistance to private agriculture (mechanization, etc. but excluding research and extension)	33.1
Government Estates	31.5
Irrigation	52.5
Livestock	4.6
Total	124.9
Forestry (Equipment, housing, etc.)	37.5
Fisheries (Boats, repair stations, storage, etc.)	18.0
Transport and Communications	
General	1.7
Road Construction	72.3
Busses	16.5
Other road and road transport	1.0
Railway equipment and construction	269.7
Shipping	
Harbor Improvement	47.9
Equipment, Dredges, etc.	77.5
Government Participation, National Shipping Company (PELNI)	51.0
Government Shipping Services	17.0
Other Shipping	23.6
Air Transport	
Aerodromes	32.0
Aircraft	70.0
Posts and Telecommunications	67.8
Total Transport and Communication	748.7
Commerce and Industry	
Banking (contributions to capital of state banking institutions)	132.1
Industrial Program of Dept. of Industries	96.5
Other Industry	7.0
Mining	
tin mining	39.5
coal mining	23.0
others	8.7

(Cont'd--p.53)

C. Table 3
(Cont'd.)

Power	
Ministry of Public Works	77.8
Government enterprises	71.0
Salt Monopoly (Mainly Caustic Soda Works)	114.3
Others	13.9
Total Commerce and Industry	583.8
Social Services	
Education (buildings and equipment)	145.3
Health	59.9
Housing	37.8
Other	4.1
Total	247.1
Other	
Mainly for heavy equipment pools for public works	23.0
TOTAL	1,783.0

Notes and Comments: These figures represent a more systematic attempt to separate from the Central Government Budget the outlays representing public investment than the tables presented at the Colombo Plan Conference in 1954. A similar compilation has not been made for 1953 and preceding years nor for the 1955 budget. The total magnitude of investment has probably not, however, differed markedly from that in 1954.

The above figures are also not an entirely accurate indication of the actual level of public investment in 1954, In the first place, they are budgeted rather than actual figures although it is probable that actual investment outlays as a whole did not differ substantially from the budget estimates. In the second place, the above figures over-state expenditures of an actual investment nature in some cases and understate them in others.

Over-statements include: (a) the items "Banking" which consists largely of government funds contributed to the Bank Rakjat, credits for which have been predominantly for consumption or commercial purposes; (b) the largest part of the item "Railways" is payment for equipment delivered in previous periods; and (c) perhaps nearly half of the item "Government Shipping, National Shipping Company" was to cover operating losses sustained by PELNI. In total these over-statements probably amount to something in the order of Rs. 300 million.

Under-statements arise mainly from the facts: (a) that the above figures do not include state and local investment expenditures, met largely from Central Government grants, which were probably in the order of Rs 400

C. Table 3
(Cont'd)

million concentrated largely on roads and road transport, irrigation, buildings and other works and health and education; (b) that industrial loans and participations of the state-owned Bank Industri Negara, amounting to Rs 81 million, are not included; (c) that forestry expenditures are probably understated; and (d) that village (desa) improvements other than those subsidized from state and central funds are not allowed for.

On balance it would appear that the total public investment in 1954 was almost Rs. 2,000 million and possibly somewhat more. This would represent about 16% of total government expenditures (exclusive of intra-governmental transfers).

C. Table 4

Cash Deficit of the Government and its Financing, 1953-1954

(Rs. 000,000)

	1953	1954
Total Cash Deficit	3,047	3,533
Deficit Financing:		
Borrowing, Bank of Indonesia*	579	3,163
Notes and Coins issued by Government	84	141
Treasury bills	67	85
Prepayments by Importers	440	144
Decrease in Various Government balances	143	—
Profit on Gold Revaluation	1,734	—
Total	3,047	3,533

Source : Bank of Indonesia

C. Table 5

Government Debt, Summary

(Rs. 000,000)

End of	Consolidated Debt		Floating Debt	Total
	External	Internal		
1950	3,792	1,540	3,302	8,634
1951	4,463	1,511	1,672	7,646
1952	5,330	1,439	5,107	11,876
1953	5,248	5,134	3,003	13,385
1954	5,237	5,027	6,570	16,834

Source : Bank of Indonesia

C. Table 6

External Debt

(Rs. 000,000)

	1952	1953	1954
Pre-war Netherlands Loan	2,293	2,191	2,086
Post-war Loans			
Australia	203	174	146
Canada	106	70	35
U.S. Surplus Credit	658	635	616
U.S. E.C.A.	196	196	196
U.S. Export-Import Bank	350	500	718
Japan a/	684	684	684
Netherlands	840	798	756
Total Postwar Loans	3,037	3,057	3,151
Total External Debt	5,330	5,248	5,237

a/ Includes only the debt consolidated in the financial settlement with Japan of 1952 but excludes unsettled liabilities subsequently incurred under the open account with Japan. The total obligations to Japan amounted at the end of 1954 to $ 155 million or about Rs. 1,770 million.

Source : Bank of Indonesia

C. Table 7

Internal Debt

(Rs. 000,000)

End of	Consolidated			Floating				
	Public Loans 1950	Bank of Indonesia	Total	Bank of Indonesia	Government Notes, Coins & Treasury Bills	Prepayments by Importers	Claims on Foreign Exchange Funds	Total
1952	1,439	--	1,439	4,730	386	588	- 597	5,107
1953	1,296	3,838	5,134	1,471	537	1,028	- 33	3,033
1954	1,189	3,838	5,027	4,634	763	1,173	--	6,570

Source: Bank of Indonesia

APPENDIX D

TRADE, BALANCE OF PAYMENTS AND FOREIGN EXCHANGE

D. Table 1

External Trade, Summary

	In millions of Rupiahs a/			In millions of US $		
	Exports	Imports	Balance	Exports	Imports	Balance
1949	2,003	2,200	- 197	527	579	- 52
1950	3,038	1,673	+ 1,365	800	440	+ 360
1951	14,724	9,954	+ 4,770	1,292	873	+ 419
1952	10,652	10,806	- 154	934	948	- 14
1953	9,343	8,584	+ 759	840	765	+ 75
1954	9,759	7,172	+2,587	856	629	+ 227
1955 b/	9,330	6,151	+3,179	819	540	+ 279

	Volume of Trade 1950 = 100		Terms of Trade e/ 1950 = 100
	Exports c/	Imports d/	
1951	119	144	104
1952	116	156	77
1953	111	146	76
1954	117	133	80

a/ At exchange rate of Rs. 3.80 per US dollar in 1949 and 1950 and at Rs. 11.4 per US dollar in 1951-1954 inclusive.

b/ Annual rate during first 6 months.

c/ Source: International Financial Statistics.

d/ Rough figures calculated on basis of total value of imports at official rate and index of unit values of imports of the Bank of Indonesia based on customs figures and converted into dollars at the official rate.

e/ Source: Bank of Indonesia

D. Table 2

Value and Volume of Main Exports

(Value in Rs. 000,000; Volume in 000 tons)

		1939	1951	1952	1953	1954	First Half 1955
Rubber, Estate	Value		2,451	2,258	1,561	1,156	673
	Volume	157	205	293	288	238	94
Smallholder	Value		4,998	2,520	1,519	1,857	1,280
	Volume	147	550	452	379	472	228
Petroleum, Prod.	Value		2,109	2,181	2,292	2,579	1,189
	Volume	6,067	6,725	7,883	9,599	9,887	?
Tin and tin concentrates	Value		924	981	926	700	325
	Volume	27	45	51	48	49	22
Copra,	Value		1,509	641	728	657	192
	Volume	659	590	429	414	433	109
Coffee,	Value		243	206	343	455	46
	Volume	68	23	19	32	38	5
Tea,	Value		417	267	267	454	178
	Volume	72	40	32	29	40	14
Tobacco,	Value		261	265	278	372	244
	Volume	49	13	10	14	20	10
Palm Oil a/	Value		432	346	380	345	76
	Volume	268	122	157	174	182	36
Sugar,	Value		12	2	111	255	20
	Volume	1,175	6	1	92	210	16
Pepper b/	Value		171	243	206	183	52
	Volume	131	10	13	16	24	5
Tapioca,	Value		72	3	27	68	6
	Volume	250	99	1	30	146	7
Other -	Value		1,125	739	706	678	384
	Total Value		14,724	10,652	9,344	9,759	4,665

a/ Including Palm kernels

b/ Including other spices

D. Table 3

Broad Classes of Imports

	Value (Rs. 000,000)			Percent of Total		
	Consumer Goods	Raw Materials	Capital Goods	Consumer Goods	Raw Materials	Capital Goods
1938	207	154	117	43	32	25
1951	5,103	3,444	1,407	51	35	14
1952	5,377	3,440	1,989	50	32	18
1953	3,740	3,232	1,612	44	38	19
1954	2,699	3,048	1,425	38	42	20

D. Table 4

Direction of Trade

	Value of Trade (Rs. 000,000)				Percentage of Trade			
	1938	1952	1953	1954	1938	1952	1953	1954
Europe								
Exports	255	3,498	3,307	3,346	37	33	35	34
Imports	240	3,881	2,985	2,524	50	36	35	35
Balance	+ 15	- 383	+ 322	+ 822				
America								
Exports	108	2,835	2,069	1,762	16	27	22	18
Imports	64	2,261	1,591	1,049	13	21	19	15
Balance	+ 44	+ 574	+ 478	+ 713				
Africa								
Exports	38	102	116	82	6	1	1	1
Imports	4	149	98	115	1	1	1	2
Balance	+ 34	- 47	+ 18	- 33				
Asia								
Exports	201	3,559	3,251	3,909	29	33	35	40
Imports	154	4,361	3,699	3,325	32	40	43	46
Balance	+ 47	- 802	- 448	+ 584				
Australasia								
Exports	37	334	275	390	5	3	3	4
Imports	13	150	200	147	2	1	2	2
Balance	+ 24	+ 184	+ 75	+ 243				
Other a/								
Exports	48	323	326	269	7	3	4	3
Imports	2	3	12	11	1	-	-	-
Balance	+ 46	+ 320	+ 314	+ 258				

a/ Including unknown and unclassified

D. Table 5

Balance of Payments of Indonesia, 1953-1954

(Rs. 000,000)

	1953	1954
Current Account		
Merchandise		
Exports	8,620	8,807
Imports	7,483	6,650
Balance	+ 1,137	+ 2,157
Invisibles		
Non-Monetary gold	+ 24	+ 5
Foreign Travel	+ 91	- 78
Transportation and Insurance	- 298	- 199
Investment Income	- 620	- 804
Oil companies, non-trade transactions	- 628	- 656
Pensions, Foreign Technicians and other personnel and head office expenditures	- 526	- 555
Government (not included elsewhere)	- 184	- 86
Other	- 185	- 251
Total Goods and Services	- 1,371	- 471
Donations		
Private	+ 6	+ 7
Official	+ 31	+ 23
Balance on Current Account	- 1,334	- 441
Capital Account		
Net Private Capital Transactions	+ 16	- 52
Official and Banking Institutions		
Long Term Loans Received	+ 150	+ 227
Repayments on Long-Term Loans	- 234	- 273
Other Long-Term Capital	+ 7	--
Subscriptions to IMF and IBRD	--	- 202
Use of IMF Resources	--	+ 171
Short-Term liabilities to Japan	+ 469	+ 687
Other Short-term liabilities and assets	- 95	- 786
Monetary gold	+ 1,090	+ 664
Balance on Capital Account	+ 1,403	+ 436
Errors and Omissions	- 69	+ 5

Note : Based on data of the International Monetary Fund except that trade transactions of the foreign owned oil companies have been eliminated from the invisibles transactions and included in the merchandise account on the basis of estimates made by the Bank of Indonesia. Also the item "Pensions, foreign technicians, etc." which is here shown separately is apparently

D. Table 5

Note (cont'd)

included in the Fund figures under "Other" in the invisible accounts. Except for some apparent differences in classification in the capital account these figures correspond closely with data obtained by the IBRD mission to Indonesia. There are, however, some unexplained differences from data recently published in the Annual Report, 1954-1955, of the Bank of Indonesia, especially in the capital accounts. The differences are not substantial except in the net changes in short term assets, liabilities and monetary gold which come in the above table to a net change of + Rs. 1,464 million in 1953 and of +Rs. 565 million in 1954. In the data of the Bank of Indonesia the corresponding figures are + Rs. 1,385 million and + Rs. 429 million. There are, consequently, also comparable differences in errors and omissions.

D. Table 6

Gold and Foreign Exchange Holdings

(Rs. 000,000)

End of:	Bank of Indonesia & Foreign Exchange Fund: Gold and Foreign Exchange Assets	Foreign Exchange Liabilities	Net Assets	Bills and Balances of Banks	Other Foreign Exchange Assets & Liabilities	Net Total
1950	1,182	289	893	620	-	1,513
1951	1,666	251	1,415	659	-	2,074
1952	2,900	874	2,026	1,557	- 26	3,557
1953	1,861	1,097	764	1,261	147	2,172
June 1954	1,572	1,592	- 20	1,008	- 35	953
Dec. 1954	2,515	1,738	777	980	- 14	1,743
June 1955	2,613	1,764 a/	849			

a/ Of which about Rs. 1,250,000,000 were unsettled trade liabilities to Japan. These and previously funded trade liabilities to Japan may be affected by an ultimate agreement to settle Japanese reparation obligations to Indonesia.

Note: 1950 and 1951 converted at exchange rate of Rs. 3.8 per U.S. dollar. Thereafter at Rs. 11.4 per U.S. dollar. U.S. dollar equivalents as follows:

	1950	1951	1952	1953	June 1954	Dec. 1954	June 1955
Net Assets of Bank of Indonesia and Foreign Exchange Fund	235	372	178	67	- 2	68	74
Net Total	398	546	312	191	84	153	-

The difference in the decline in the net total from that indicated in the balance of payments for 1953 and 1954 has been noted in Table 5. In connection with this discrepancy it was reported to the IBRD mission that the figures as indicated in the balance of payments are as compiled by the Ministry of Finance and may differ from the above figures of the Bank of Indonesia due to time differences in the recording of transactions by the two sources. It was also stated that the Ministry of Finance figures may be somewhat more complete through inclusion of transactions by some authorized holders of foreign exchange who are not included in the Bank of Indonesia figures.

APPENDIX E

MONEY, CREDIT AND PRICES

E. Table 1

Total Money Supply

(Rs. 000,000)

End of	Currency	Deposits	Total	Increase
1950	2,582	1,726	4,308	--
1951	3,328	1,706	5,034	726
1952	4,349	2,255	6,604	1,570
1953	5,218	2,269	7,487	883
1954	7,542	3,419	10,961	3,474
June 1955	8,462	4,088	12,550	1,589
December 1955	8,831	3,947	12,778	228

E. Table 2

Causes of Changes in Money Supply, 1953-1954

(Rs. 000,000)

	1953	1954
Government Borrowing, Bank of Indonesia	+ 580	+ 3,162
Treasury Bills with Banks	+ 53	+ 39
Notes and Coins Issued by Government	+ 85	+ 141
Profit on Gold Revaluation	+ 1,734	---
Total Fiscal Causes	+ 2,452	+ 3,342
Loans, Discounts, and Participations of Banks	- 50	+ 433
Gold and Foreign Exchange of Bank of Indonesia and Foreign Exchange Fund	- 1,262	+ 12
Foreign Bills and Balances of Banks	- 298	- 281
Miscellaneous causes (net)	+ 40	- 32
Total	+ 882	+ 3,474

E. Table 3

Main Accounts of Bank of Indonesia (Banking Department), and Nine Other Principal Government and Private Foreign Banks

(Rs. 000,000)

	ASSETS			LIABILITIES		
	1952	1953	1954	1952	1953	1954
Cash	115	152	208			
Treasury Notes & Bills	63	114	153			
Securities	30	51	58			
Loans, Discounts and Participations (Private and Semi-Government)	2,445	2,394	2,826			
Foreign Bills and balances	1,557	1,261	980			
Capital and Reserves				662	984	1,059
Current Deposits				2,255	2,269	3,419
Time Deposits				85	119	130
Non-Resident Accounts				115	155	122

E. Table 4

Price Indexes

End of :	1951	1952	1953	June 1954	Dec. 1954	Latest Available 1955
Export products, (18) f.o.b. 1938 = 100	1,694 a/	1,605	1,208	1,318	1,532	1,792 (Feb)
Import products, (44) wholesale 1938 = 100	2,440 a/	2,245	2,402	2,665	2,956	n.a.
Cost of Living, European middle class Djakarta, Jul-Dec. 1950 = 100	138	143	171	173	221	240 (May)
Foodstuffs, (19) Retail, Djakarta 1938 = 100	2,936	2,644	2,934	2,887	3,256	4,162 (Sept)
Foodstuffs, (12) Java countryside 1938 = 100	4,335	3,611	3,511	2,690	3,334	3,588 (May)
Textiles, (Shirtings) Java countryside, 1938 = 100	4,114 a/	3,890	4,805	4,324	6,876	10,990 (May)
Rice (Free Market), Djakarta 1938 = 100	4,320	3,493	3,393	3,125	3,459	3,604 (Apr)

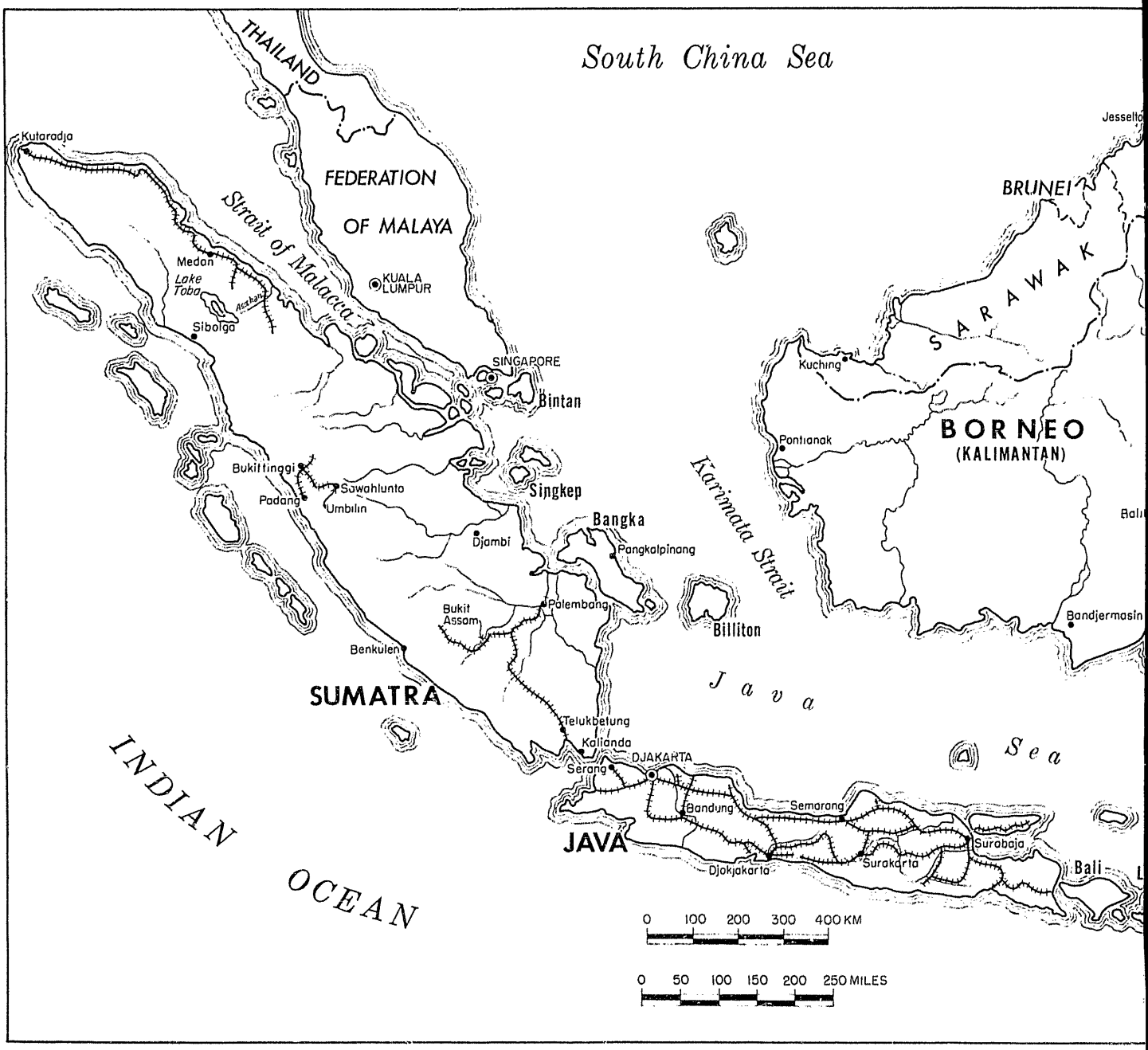
a/ Average of monthly figures

E. Table 5

Curb Rates of Exchange

End of	Gold (Rs. per gram)	US Dollars (Rs. per dollar)
1949	44.50	24.25
1950	29.63	14.50
1951	31.73	16.50
1952	34.75	21.75
1953	39.50	25.25
1954	51.50	34.25
June 1955	64.25	46.00

Source ; Bank of Indonesia


South China Sea
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OF MALAYA
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Strait of Malacca
Kutaradja
Medan
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Sibolga
SINGAPORE
Bintan
Bukittinggi
Sawahlunto
Padang
Umbilin
Singkep
Bangka
Pangkalpinang
Djambi
Palembang
Bukit
Assam
Benkulen
SUMATRA
Karimata Strait
Billiton
Kuching
Pontianak
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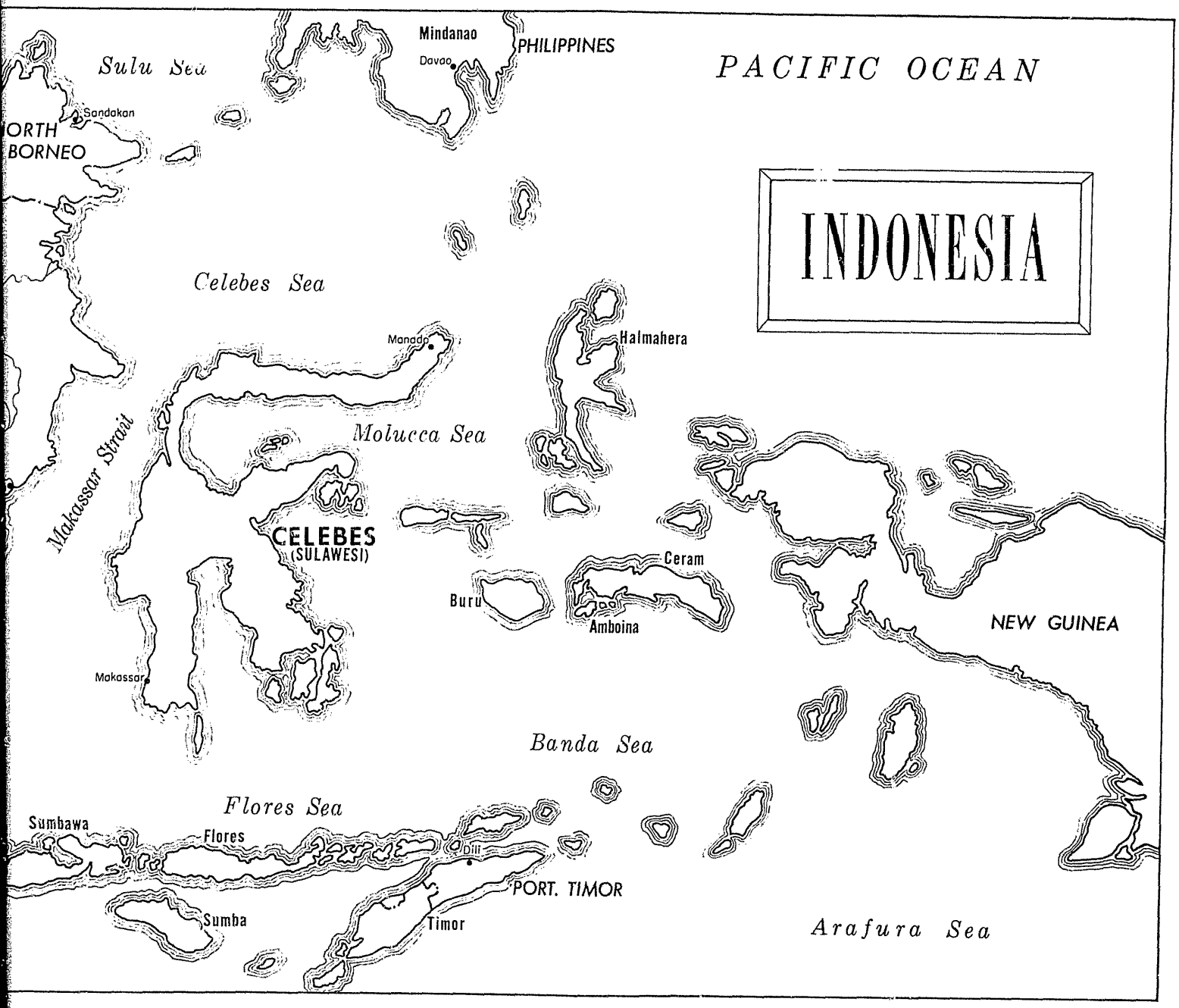
INDONESIA
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Sandakan
NORTH BORNEO
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