

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Balance-of-Payments Restrictions

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## 1967 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH INDONESIA

### Basic Document for the Consultation

#### Addendum<sup>1</sup>

#### Brief Summary of Recent Balance-of-Payments Developments

Indonesia's balance of payments had a large deficit amounting to \$235 million in 1965 while provisional figures indicate a deficit of \$41 million in 1966. The reduction in the 1966 deficit was attributable mainly to the increase of exports \$51 million and a decrease of \$76 million in service payments, while net official transfer payments and capital rose from \$30 million in 1965 to \$111 million in 1966.

The improvement on the goods and services account was partly offset by a decline in private non-monetary capital from a net inflow of \$18 million to a net outflow of \$16 million.

The balance-of-payments deficit in 1966 had been financed, as had been the case in 1965, mainly by an increase in short-term liabilities amounting to \$30 million and by a decrease in foreign assets of the banking system.

The balance of trade improved as a result of the increase in exports from \$634 million in 1965 to \$685 million in 1966, while the rise of imports was relatively lower. Imports rose from \$610 million in 1965 to \$623 million in 1966. The surplus on the balance of trade increased from \$24 million to \$62 million.

The value of rubber exports rose slightly from \$200 million in 1965 to \$214 million in 1966; the decrease in estate rubber exports was compensated by a larger increase of smallholders rubber exports. The production of estate rubber in 1966 showed a decrease to about 8 per cent, while the production of smallholders rubber increased only slightly.

Tin ore export decreased by an amount of \$28 million in 1966 as compared with \$38 million in 1965. This drop in tin export proceeds was caused by the low production of tin, affected by obsolete equipment, a shortage of spare parts, transportation difficulties and insufficient working capital.

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<sup>1</sup>This addendum comprises the most important portion of a submission received from the Government of Indonesia too late for reproduction in its entirety in time for use by the Committee on Balance-of-Payments Restrictions in its consultation with Indonesia.

The export proceeds of copra and copra products decreased to about \$18 million in 1966 as compared with 1965 (\$22 million). Rising domestic consumption was one of the main causes of the decline in the volume of copra available for export.

Export of crude oil and products in 1966 amounted to \$195 million which was lower than the export in 1965 (\$210 million). An increase of crude oil production in the coming years is expected, so that the export of crude oil could be increased to an estimated \$240 million in 1967. Difficulties were encountered in the export sector, the solution of which should be found in eliminating bottlenecks in the infra-structure (transportation, communication, harbour facilities).

The simplification of export procedures could also contribute towards export promotion.

In 1966, the principal markets for Indonesian non-oil exports, were the United States (24 per cent), the Federal Republic of Germany (16 per cent), the Netherlands (14 per cent) the United Kingdom (12 per cent), Japan (11 per cent), Australia (8 per cent), Mainland China (6 per cent) and the USSR (5 per cent).

Imports in 1966 were mainly financed from exchange allocations from the Foreign Exchange Fund (\$237 million), while imports financed with Bonus Export deposits (BE) amounted to \$105 million. Goods to the value of \$75 million were also imported with complementary foreign exchange (DP) and "free" foreign exchange. The principal suppliers of non-oil imports to Indonesia in 1966 were: Japan (27 per cent), the United States (15 per cent), the Federal Republic of Germany (9 per cent), Mainland China (8 per cent), the USSR (7 per cent), the Netherlands (7 per cent) and the United Kingdom (5 per cent).

The deficit on the services account was \$196 million in 1966, which is substantially lower than the deficit of 1965 (\$272 million). Net payments for freight, insurance, other transportation (including charter hire, ship repairs) and net government services (including expenditures for embassies and foreign travel) were reduced in 1966.

Capital and transfer receipts, consisting of foreign credits and grants, amounted to \$85 million (net) in 1966 against \$29 million (net) in 1965. Payment of \$24 million to the Shell Oil Company in 1966 represented the first instalment of the five-year debt.

Based on preliminary data, exports (including oil exports) amounted to \$379 million in the first half of 1967. BE exports accounted for \$120 million, while export proceeds surrendered to the Foreign Exchange Fund (including ADO)

were recorded at \$98 million. Export proceeds retained in the form of DP as a result of overprices were estimated at \$47 million.

The f.o.b. value of imports was around \$350 million (imports of oil companies were \$30 million), of which export BE imports represented \$130 million and imports financed from Foreign Exchange Fund resources amounted to \$84 million comprising a.o. rice imports, government imports and ADO and BNI-BE imports. Imports effected with Aid-BE loans (\$28 million), grants (\$3 million) and under PL-480 agreement (\$6 million) totalled \$37 million. Project aid imports (based on old contracts) amounted to \$27 million. Also included in the \$350 million above, were DP and "free" imports to the amount of \$43 million.

A comparison (see table below) between the value of imports (excluding oil, project aid imports) in 1966 and the first half of 1967, shows that the portion of non-licensed imports, which comprises:

- (a) Export-BE imports
- (b) BE without cover imports
- (c) Aid-BE imports
- (d) DP and "free" imports

has become larger in 1967, while that of Foreign Exchange Fund imports declined considerably. It should be noted that in the \$84 million of Foreign Exchange Fund imports in the first half of 1967 is included an amount of ADO and BNI-BE imports of \$17 million.

VALUE OF NON-OIL IMPORTS F.O.B.

(in millions of US dollars)

| Source                                | 1966 | %  | First half<br>of 1967 | %  |
|---------------------------------------|------|----|-----------------------|----|
| (a) Export-BE <sup>1</sup>            | 105  | 25 | 130                   | 44 |
| (b) Aid-BE                            | -    |    | 37                    | 13 |
| (c) DP and "free"<br>foreign exchange | 75   | 18 | 43                    | 14 |
| (d) Foreign Exchange Fund             | 237  | 51 | 84                    | 29 |
|                                       | 417  |    | 294                   |    |

<sup>1</sup>Includes BE without cover.

Source: Bank Negara Indonesia Unit I.

For the first half of 1967, net non-oil service payments were \$70 million, of which freight for imports and other transportation (charter hire, repair and docking) accounted for \$37 million and \$16 million respectively. Payment of IMF charges of \$2 million was included in investment income.

Loans received amounted to \$57 million net comprising new BE loans US\$12 million BE loans from the pipeline \$19 million and project aid loans from the pipeline \$30 million. Debt repayment was \$4 million. Further, a debt instalment payment of \$13 million was effected to the Shell Oil Company. In other capital an amount of \$43 million represented repatriation of capital in the form of "free" and DP imports.

A payment of \$8 million was made to the IMF when Indonesia rejoined the Fund in February 1967. This amount covered a debt instalment of \$6 million and gold subscription payment of \$2 million. The increase of other short-term liabilities of \$14 million was due to acceptance credits received for rice imports.

## APPENDIX

Indonesia: Balance of Payments  
(in millions of US dollars)

|   | 1964   | 1965   | 1966 <sup>1</sup> | 1967 <sup>2</sup><br>first half |
|---|--------|--------|-------------------|---------------------------------|
| <b>A. <u>Goods and services</u></b>                                   |        |        |                   |                                 |
| 1. Exports f.o.b.   | 632    | 634    | 685               | 379                             |
| (of which exports of foreign-owned oil companies)                     | (206)  | (210)  | (195)             | (102)                           |
| 2. Imports f.o.b.   | - 590  | - 610  | - 623             | - 350                           |
| (of which imports of foreign-owned oil companies)                     | (- 59) | (- 60) | (- 58)            | (- 23)                          |
|   | 42     | 24     | 62                | 29                              |
| 3. Freight and insurance on international shipments (net)             | - 35   | - 30   | - 25              | - 37                            |
| 4. Other transportation (net)   | - 10   | - 11   | - 7               | - 16                            |
| 5. Investment income (net)  | - 93   | - 95   | - 47              | - 30                            |
| (of which investment income of foreign-owned oil companies)           | (- 53) | (- 66) | (- 40)            | (- 27)                          |
| 6. Government n.i.e. (net)  | - 52   | - 62   | - 35              | - 12                            |
| 7. Foreign workers' earnings (net)                                    | - 82   | - 74   | - 82              | - 17                            |
| 8. Other services (net)   |        |        |                   |                                 |
| Total   | -230   | -248   | -134              | - 83                            |
| <b>B. <u>Private non-monetary sector capital</u> (net)</b>            | 25     | 18     | - 16              | - 5                             |
| (of which private capital of foreign-owned oil companies)             | ( 25)  | ( 18)  | (- 16)            | (- 8)                           |
| <b>C. <u>Net errors and omissions</u></b>                             | 14     | - 35   | - 2               | - 27                            |
| Total (A through C)   | -191   | -265   | -152              | -115                            |
| <b>D. <u>Official transfer payments and miscellaneous capital</u></b> |        |        |                   |                                 |
| 1. US grants  | 2      | --     | --                | 3                               |
| 2. Reparations  | 22     | 24     | 15                | --                              |
| 3. Loans received (net)   | 57     | 5      | 70                | 57                              |
| 4. Public Law 480 liabilities   | 22     | 1      | --                | 8                               |
| 5. Payments to former PT Shell  | --     | --     | - 24              | - 13                            |
| 6. Other  | --     | --     | 50 <sup>3</sup>   | 47 <sup>3</sup>                 |
| Total   | 103    | 30     | 111               | 102                             |
| <b>E. <u>Monetary movement</u></b>                                    |        |        |                   |                                 |
| 1. IMF position   | --     | --     | --                | - 8                             |
| 2. Other short-term liabilities                                       | 50     | 223    | 30                | 14                              |
| 3. Short-term assets (- = increase)                                   | 5      | 12     | 11                | 7                               |
| 4. Monetary gold (- = increase)                                       | 33     | --     | --                | --                              |
| Total   | 88     | 235    | 41                | 13                              |

<sup>1</sup>Provisional figures.<sup>2</sup>Preliminary figures.<sup>3</sup>Including repatriation of capital in the form of Free and DP imports and trade credits under BE tanpa cover regulation.

Source: Bank Negara Indonesia Unit I.