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GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Balance-of-Payments Restrictions

REPORT ON THE CONSULTATIONS UNDER ARTICLE XVIII:12(b) WITH INDONESIA

1. In accordance with its terms of reference, the Committee conducted the consultation with Indonesia under paragraph 12(b) of Article XVIII. The Committee had before it a basic document (BOP/73 and Addenda 1, 2, 2/Corr.1 and 3) and documents supplied by the International Monetary Fund as referred to in paragraph 3 below.

2. In conducting the consultation the Committee followed the plan for consultations recommended by the CONTRACTING PARTIES (BISD, Seventh Supplement, pages 97-98). The consultation was completed on 20 October 1967. This report summarizes the main points discussed.

Consultation with the International Monetary Fund

3. Pursuant to the provisions of Article XV of the General Agreement, the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with this consultation. In accordance with the agreed procedure, the representative of the Fund was invited to make a statement supplementing the Fund's documentation concerning the position of Indonesia. The statement made was as follows:

"The Fund invites the attention of the CONTRACTING PARTIES to the Executive Board decision of July 12, 1967[1] and particularly to paragraphs 4 and 5 which read as follows:

> 'The balance-of-payments position in 1967 has benefited from agreements to reschedule most of the debt falling due and from foreign aid commitments of about $200 million. The Indonesian balance-of-payments position is difficult, and substantial foreign assistance is a critical need.

[1] The full text of this decision is contained in Annex I.

'The Fund welcomes the progress made in simplifying the exchange system, in liberalizing import policies, and in the increasing reliance on market forces. However, there is scope for further simplification of the exchange régime. There is also a need to keep under review the effects of the spread in exchange rates on the foreign trade sector.'

"The general level of restrictions of Indonesia which are under reference does not go beyond the extent necessary at the present time to stop a serious decline in its monetary reserves."

Opening statement by the representative of Indonesia

4. The full statement of the representative of Indonesia is contained in Annex II to this report. It summarizes the history of the difficulties encountered by Indonesia in the past four years and the measures which have been taken since October 1966 to restrain inflation and restore equilibrium in Indonesia's external accounts. The representative of Indonesia emphasized that notwithstanding the bold and determined efforts which have been made, it could not be expected that the precarious economic condition in which Indonesia found itself could be cured quickly. He hoped that the Committee would recognize, through the principles and measures now guiding Indonesian policy, the seriousness and goodwill implied in Indonesia's effort.

Balance-of-payments position and prospects

5. Members of the Committee expressed their thanks and appreciation for the very perceptive and clear analysis of the extreme difficulties confronting Indonesia which had been presented and welcomed the determination with which the Government had now set out to overcome them. They welcomed alike the internal measures by which efforts were being made to combat inflation, the increased play which was being given to market forces in the allocation of resources, and the various measures taken to bring the fiscal sector into balance and to simplify and unify exchange rates. They also recognized fully the point that quick results could not be expected, but were favourably impressed with progress recently made in rehabilitating the economy and expressed interest in knowing how the Government of Indonesia proposed to continue its work of rehabilitation.

6. In reply the representative of Indonesia indicated that there was in effect a major question of priorities, since certain additional steps could not very well be taken until prior conditions had been fulfilled. In particular, the Government had made very considerable progress in unifying exchange rates, about which a specific question had been asked, but further progress really

required as a prerequisite that the Government first find other sources of revenue that the tax on exports which is currently levied through the pre-emption of 25 per cent of the proceeds of major Indonesian exports. Those directing Indonesia's policy were well aware that they could not continue indefinitely to burden exports in this way without an adverse effect on Indonesia's competitive position vis-à-vis neighbouring countries which also export the same range of goods, but it had been a great step forward to have allowed the local currency to find a realistic rate of exchange, and the intention was to complete the process by removing the present tax burden as rapidly as might be possible in the light of progress in other forms of tax collection. On the import side, the problem was somewhat less difficult; it represented much progress that the BE rate had become the major effective rate for external payments for goods, and recently for some services also. The widening of the range of goods for which BE exchange could be used for payment of imports, as mentioned in the opening statement, had definitely narrowed the premium which traders were willing to pay for supplementary exchange in the DP market, and making BE exchange valid for service claims had had a further effect in the same direction. It was true that a lower rate was applied to petroleum companies, but these companies also enjoyed certain special privileges which to some extent compensated for that disadvantage. For instance they were allowed to keep all of their export proceeds abroad, and deduct their depreciation and foreign exchange costs of necessary imports and services, so that the (lower) exchange rate applied only to their purchases of local currency to meet their domestic expenditures. In other words, the 25 per cent tax on export proceeds was not applicable to them. The only tax they had to pay was the 40 per cent Government share of the net profit. Nevertheless, the Indonesian Government was seriously contemplating making the free BE exchange rate applicable to these companies also. It was a measure of Indonesia's progress, that even now there were only three major operative import exchange rates: BE, DP and the oil rate.

7. On a related question, successive increases in the proportion of export proceeds made available to exporters for their declared exports had brought significant lessening of the revenue loss which the Government experienced through smuggling, as it had made the profits of such practices less attractive. It was obvious that the problem would disappear completely whenever the Government could provide for its revenue needs by means other than the export levy, e.g. by an income tax or company taxes; but as already explained this levy could not be foregone at once or in its entirety, and until that happened there was bound to be a continuing loss to the Government, when free markets were close at hand, from smuggling, which enabled exporters to obtain the full foreign exchange equivalent of goods sold.

8. The discussion then turned to ways in which the Government proposed to build up more adequate reserves of foreign exchange for working capital purposes. In reply to questions, the representative of Indonesia pointed out that it would necessarily be a long process for Indonesia to begin accumulating reserves. Export proceeds were not expected to equal amounts required to pay for current goods and services for several years to come, not to mention any servicing of past debt, so that for several years to come foreign aid would be required even to make ends meet. Beyond that time, there might be hope that exports, especially of petroleum, might grow enough so that there might be a small overall surplus on current account after 1972, provided nothing had to be paid on service and reduction of debt. If allowance had to be made on those accounts, then even a modest surplus would be farther away.

9. Members of the Committee noted that nothing had been said of increased returns from other exports and that recent estimates of Indonesian exports also looked toward a declining trend in Indonesia's exports of products other than oil; they inquired whether this was to be attributed exclusively to lower world prices of some of Indonesia's major exports or whether there might be some reflection here of a shortage of working capital or of growing infra-structure difficulties, e.g. in transport and shortage of spare parts. The representative of Indonesia acknowledged that world prices were a part but not all of the explanation. Spare parts shortages had been largely overcome by enlarging the list of products importable with BE exchange and by financing essential imports through foreign aid. But the extension of road, harbour and railway facilities was not so easy to bring about, in spite of obvious needs, for those called for large expenditures by the Government just when it was important to keep down public expenditures both on budgetary and on anti-inflationary grounds. Thus, no budget provision whatever had been made for such work in 1967; but in some cases, it had already become evident that the cost of bringing exports to ports and of loading them on vessels was so excessive, due to lack of proper facilities, that the poor transport organization was entailing disproportionate losses of exports and of foreign exchange. Consequently, in one way or another, possibly through use of some project aid, something would certainly have to be done about this problem in 1968. On that basis, it was hoped that there may be some possibility of increasing certain exports other than oil.

10. In other cases the high cost of financing trade might have operated as an additional obstacle to expansion of exports, the representative of Indonesia added, with special reference to the case of estate rubber. Curbing the rate of inflation had necessitated raising interest rates to very high levels, but this had made it harder for export enterprises to keep costs competitive, and some easing of credit facilities was contemplated where higher exports would be the result. In the case of rubber plantations, some further spreading of ownership to private hands might be useful, and more foreign experts were being sought. The former owners of estates taken over by the Government had in some cases been helpful by making their skills available as buyers of the products of the estates.

11. With respect to agricultural improvement programmes, about which questions were asked, the representative of Indonesia said that the BIMAS programme was definitely continuing in its effort to improve foodstuff production through introduction of better seed, use of fertilizer and pest control. An irrigation scheme in the Northern part of West Java should soon bring much unused land into rice production in an area where there was otherwise too long a dry season. A new fertilizer plant would be helpful, as domestic production was currently not over a third of total needs. A plant started, but not completed, in 1965, should be in operation by the middle of 1969.

12. Because of the importance of rice in the diet of all the population, Indonesia's whole economy was much affected by the price of this staple, the representative of Indonesia added. One might think that with 70 per cent of the population engaged in food production, the balance of advantage might lie with maintaining relatively high prices for the output. But the opposite was the case, as was seen not long ago, when both rubber and tin output were adversely affected by sudden increases in rice prices at a time when there was shortage in the whole area and Public Law 480 shipments arrived too late. Consequently, greater efficiency and increased production of rice were of key importance and would continue to have high priority.

Alternative measures of restoring equilibrium

13. Members of the Committee congratulated the Government of Indonesia on the courage and determination to control hyper-inflation which had made it possible to greatly reduce the progress of inflation in the second quarter of 1967, not so very long after a time when Government deficits had at one point exceeded total revenues. They believed the Government's recent budgetary performance had been creditable, and they expressed the hope that the Government would be able to resist pressures for increased expenditures, which might tend to cancel out the other elements of its stabilization programme. The representative of Indonesia confirmed that in May 1967 the price index had registered no increase over the preceding month, and that the expenditures of the Government were still well controlled. He acknowledged however, that it had since been necessary to resume the granting of some credit to industry to avoid the closing down of enterprises which would otherwise have been unable to keep production going. As a result, the money supply might show an increase of some 65 per cent for the whole year, but that would still represent a very great improvement over 1966, when the increase was something like 650 per cent.

14. With respect to Government borrowing from the Central Bank, a continued effort was being made to avoid increased resort to this expedient. The State enterprises had in principle been cut off from access to this resource, but there remained the expenses of the Government itself, especially for maintenance

of civil and military employees. Finding alternative productive employment for this labour force would undoubtedly be much facilitated by bringing additional investment into the country, and private organizations in other countries had shown much interest in trying to bring potential investors into touch with enterprises in Indonesia, but this would be a long process.

15. In answer to a question whether interest in new foreign investment could be taken as evidence that there would be less direct control of the economy in Indonesia, the representative of Indonesia replied in the affirmative. In response to questions regarding the outlook for increasing and diversifying revenues, he also referred to an effort to make taxation more largely a matter for individual responsibility and initiative. Among other efforts to improve tax collection, Indonesia was just now beginning a system of expecting individuals and enterprises to prepare their own tax returns and to pay income tax in advance. Heretofore, taxes had been paid only after assessment, but beginning now, in order to leave nothing undone, the obligation was to be placed on taxpayers in the first instance to calculate their expected earnings and to pay. Not much result was expected in the villages, but it was hoped to stimulate some sense of collective effort and responsibility by this measure, at least in urban centres.

16. With reference to the mention that State enterprises had been cut off from access to Government finance, the question was asked how these enterprises could be expected to carry on if denied credit facilities. Further, would they not inevitably raise their prices and so continue the inflationary pressure? The representative of Indonesia replied that the cutting off of credit was intended to stimulate the enterprises to liquidate unproductive assets and to find other ways of financing their own commercial activities. Those producing for export could in many cases obtain pre-financing from their customers, others could exercise ingenuity in other directions. As for the danger of their increasing prices as a way out, to some extent this might not be undesirable, but it was a difficult problem to find the right balance. Inflation was probably irreversible, even if further general price rises could be avoided, and those prices which up to now have remained at or near old uninflated levels might perhaps as well be gradually adjusted upward along with the adjustment in the exchange rate. The only alternative would be massive Government subsidization. Actually, with respect to financing the enterprises, the Government would not go so far as to forego possible export increases by denying borrowing facilities. To a further question, the representative of Indonesia stated that about 30 per cent of production for export was by State enterprises, mainly former Dutch plantations and a tin enterprise which had always been Government-owned. Rice was all privately produced. Industry was mainly of the small craft type, privately operated, or was carried on by large foreign privately-owned enterprises. The few State import and trading enterprises conducted perhaps 35 per cent of all import trade. Utilities were largely public, but recently private foreign airlines had entered Indonesia to help provide internal service. Five large commercial banks were State-owned, but there were also some 140 private banks.

17. In answer to questions about areas in which foreign investment was welcomed, the representative of Indonesia stated that it was welcomed in all but a few fields and these excepted would be mainly in the area of national defence. Even as to public utilities, though in theory this area was reserved for State investment, in fact the Government was flexible and would accept offers of foreign investment in certain circumstances. As to the system known as "production-sharing", the representative of Indonesia said that this system as practised before the new economic policy began had been abandoned in favour of straight investment. This system, he said, was in fact one whereby foreign credits were extended to Indonesian companies and repaid out of future export proceeds. This kind of arrangement would of course only be suitable for enterprises producing for export and had been used successfully in logging and sea fisheries. However, it was not considered suitable in other fields, and besides it contained many features less favourable than straight investment whereby no pledging of future export proceeds was required for repayment and interest.

System and methods of restrictions

18. Members of the Committee appreciated the considerable efforts which the Government of Indonesia had recently made to simplify its complex restrictive system, to re-establish the authority of the Central Bank over foreign exchange, and to establish more realistic exchange rates. Acknowledging that considerable progress had been achieved they expressed, however, regret that Indonesia had not been able to establish a fixed realistic value for the currency, they felt that the export exchange rate, in particular, was still rather unrealistic.

19. It was asked whether the Government of Indonesia was prepared to proceed to further liberalization and greater reliance on market forces and whether action would be taken by merging the BE and DP rates to introduce a unitary exchange rate.

20. In reply the representative of Indonesia stated that it was his Government's long-run policy to eliminate all artificial barriers to the natural development of rates, thus to obtain realistic exchange rates, and once this objective had been achieved, to establish a unitary exchange rate. He said further that at present no fixed rate could be established since Indonesia would not be able to support it adequately for lack of foreign exchange reserves. As to the present export exchange rate system the representative of Indonesia recalled that for revenue reasons the export tax could not yet be abandoned. But it was his Government's intention to adjust the tax in such a way as to avoid overburdening Indonesia's export trade and to gradually do away with it as the revenue situation improved.

21. On the import side there were still in existence two different exchange rates which it was hoped would gradually converge. The BE exchange, by far the most important, had its source exclusively in that part of export proceeds tained by the exporters and was intended for financing the largest part of imports. Additional exchange was provided for by the so-called DP exchange, the supply of which was mainly from invisibles, but also from repatriation of capital and from overprices. The latter, comprising the excess gained by exporters over weekly minimum export prices fixed by the Government, would necessarily continue to form a source of DP exchange so long as minimum prices needed to be fixed. For even though the Government was trying to fix prices at realistic levels, it would be impossible to adjust the fixed prices as rapidly as market quotations fluctuated. He did not consider that complete elimination of a slight differential between BE and DP rates would necessarily be of advantage just yet, incidentally, for as matters now stood the higher DP rate offered some bonus to repatriation of capital; as such, it helped a little to replenish Indonesia's foreign exchange resources.

22. Several members of the Committee inquired concerning the import régime for passenger vehicles. The representative of Indonesia answered that the import of passenger cars was prohibited unless it was financed with privately-owned exchange, that is, with exchange held in foreign banks. Under this régime a private importer was allowed to import one passenger car per year. Unassembled jeeps, trucks and buses could be imported on BE exchange. Under certain conditions a special licence was issued for the import of assembled vehicles of this kind. The representative of Indonesia added that apart from passenger cars only ceramic tiles were banned from import if DP exchange was used.

23. To another question on the restrictions resulting from the exchange rate régime the representative of Indonesia replied that the former classification of goods into five categories had been abandoned. Today, with BE exchange, one could import any item on the BE list (sub-divided into goods for consumption and other goods), whilst with DP exchange one could import any goods except the two items just mentioned. There were no general prohibitions other than those mentioned above.

24. In answer to a further question the representative of Indonesia said that the retribution tax on goods which were imported subject to tariff rates bound under GATT had been abolished.

25. With regard to the recent development of Indonesia's bilateral payments arrangements he stated that the bilateral agreements with East Germany and Poland were terminated officially on 30 June 1965 and on 20 June 1967 respectively. The payments agreements with Pakistan, the Philippines, Czechoslovakia, and North Korea were still in force but had been inactive for lack of trade as was the case with Mainland China.

Conclusion

26. The Committee again expressed its appreciation of the courageous and effective measures being taken by Indonesia and wished Indonesia well in its continuing efforts to restore external equilibrium. They complimented the representative of Indonesia for his very expert presentation of the situation. The representative of Indonesia in turn thanked the Committee and promised to convey to his Government the views which had been expressed.

Annex I

INTERNATIONAL MONETARY FUND EXECUTIVE BOARD DECISION TAKEN AT THE CONCLUSION OF THE FUND'S CONSULTATION WITH INDONESIA ON 12 JULY 1967

1. This decision is taken by the Executive Directors in concluding the 1967 consultation with Indonesia, pursuant to Article XIV, Section 4 of the Articles of Agreement.

2. For several years Indonesia has suffered from severe inflation. By 1965, the tempo of inflation had increased dramatically, and the cost of living index rose in 1965-66 at an average annual rate of more than 600 per cent, with a peak rate of over 1,500 per cent during the 12-month period ended June 1966. Production and exports suffered from the effects of inflation, balance of payments deficits mounted, and were increasingly financed by short- and medium-term borrowing. By June 1966, Indonesia's external debt stood at $2.1 billion, of which about one half had been incurred to finance military imports.

3. To cope with this situation, the Indonesian authorities in the latter part of 1966 adopted a broad-based stabilization program, and also requested its creditors to reschedule its external debt. The results to date provide some basis for encouragement. The Fund welcomes the stabilization efforts being made by Indonesia. However, there was a sizable fiscal deficit financed by the banking system in the first quarter of 1967, and it is evident that greater efforts are required during the remainder of the year to minimize the deficit. The policy of credit restraint should also be continued, with due preference for exports and essential production.

4. The balance of payments position in 1967 has benefited from agreements to reschedule most of the debt falling due and from foreign aid commitments of about $200 million. The Indonesian balance-of-payments position is difficult, and substantial foreign assistance is a critical need.

5. The Fund welcomes the progress made in simplifying the exchange system, in liberalizing import policies, and in the increasing reliance on market forces. However, there is scope for further simplification of the exchange regime. There is also a need to keep under review the effects of the spread in exchange rates on the foreign trade sector.

Annex II

OPENING STATEMENT
OF THE REPRESENTATIVE OF INDONESIA

1. First of all, the Indonesian delegation wishes to convey its deepest regret for the repeated postponement, as of 1965, with regard to the consultation on the Indonesian balance-of-payments restrictions which, as a rule, should be conducted once every other year. This delay is surely due to enormous and insurmountable difficulties.

2. Since its latest consultation, that is to say in 1963, the Indonesian balance of payments has further deteriorated owing to a serious decline of exports, whereas the import needs increased. The constraint of foreign debts, repayment on the liabilities as well as on its interests, forms a heavy pressure indeed. Besides, the Indonesian budget has continuously shown considerable deficits. The economic difficulties of Indonesia had reached an apex, in the years 1965/66, resulting in a hideous inflation, as is clearly shown in the figures appended to my statement. The Indonesian Government took the view that the remedy for these difficulties is to overhaul its economic principles and policy and adopt a new attitude in restoring its economy.

3. A new and fundamental aspect of this economic reform lies in the recognition that free market forces play a vital rôle in the rehabilitation and growth of our economy. Based on this principle, the numerous State enterprises, which previously enjoyed privileges in matters relating to capital, credit, import and export, as well as the fixing of prices, are now put on a footing of equality with private enterprises. The State enterprises, deprived of their special privileges, should be in a position to compete freely with private enterprises.

As a matter of fact a number of State enterprises has been converted into private enterprises. Moreover the management of foreign enterprises, which for political reason had been put under State control, has been returned to their owners; such was the case with several oil companies. Other companies which had been taken over by the Government were put at the free disposal of their original owners, for example: the Unilever factories, the Goodyear tyre factory, Bata shoe factory, etc.

4. A powerful factor which marks the importance attached by the Government to the play of free market forces, especially those affecting Indonesian international economic relations, resides in the broad free market of the so-called BE system, comprising a large part of the exchange transactions.

5. The private sector has been encouraged to work towards a better utilization of productive capacities by means of the removal of import licensing restrictions on raw materials, maintenance and other essential commodities. It has also been stimulated to invest in a wide variety of fields, by lowering taxes and providing other incentives to both domestic and foreign capital. Reverting to the problem of investment, it is worthwhile to note that the Indonesian Parliament and Government have passed a Bill on Foreign Investment on 10 January 1967. This Act, among others, specifies that tax privileges are accorded to foreign investment, and profits of foreign capital are assured repatriation in the original currency of investment. Guarantees are given with regard to nationalization and to employment of foreign management personnel and experts.

6. Another facet of the Indonesian economic reform which deserves attention lies in the de-control of trade and payments and in the establishment of a simple and realistic exchange rate system which lays the basis for a unitary rate. These principles are also stipulated in the BE system, which works as follows: importers are free to use their BE for importing goods as listed in the BE-list. This system is in principle a system of Open General Licensing. Since the BE rate is determined freely by supply and demand, it is bound to reflect the realistic exchange for a sound link between the Indonesian economy and the external world. The BE being a system of Open General Licensing, no licensing is needed anymore for each import. Thus a great bureaucratic burden and sources of irregularities have been eliminated. With the adoption of the BE system the Indonesian Government has abandoned the system of direct control and direct allocation. Under the BE system the direction and timing of the use of foreign exchange are in principle entrusted to each economic unit based on their respective needs and preferences. The attainment of a realistic and simple exchange rate at this time requires a smoothly operated floating exchange market on as wide a basis as possible. T this end the homogeneity of supply is a prerequisite that could only be achieved by integrating foreign aid funds into the existing supply of foreign exchange earned through export.

Another market exists for transactions in the complementary foreign exchange, the so-called "devisa pelengkap (DP)", which exporters receive in excess of the f.o.b. net prices. Since the use of the DP exchange has no time-limit as it is with the BE and the importation with the DP exchange has more possibilities than is afforded by the BE list, its rate is a little higher (± 7 per cent) than the BE rate.

As the BE system improves, however, there is a tendency for the rates in the BE and the DP markets to converge.

7. The BE system, which came into force as of 28 February 1966, has been amended twice: on 3 October 1966 and on 28 July 1967 respectively, both changes aimed at further improvements of the system, effected in two ways:

First the BE list was expanded so as to cover a larger number of items importable through BE exchange. With the exception of five tariff items which were deleted, the latest modification amplified the BE list by another forty-eight tariff items. The total number of tariff items importable through the BE has now reached 447, covering approximately one half of the entire tariff of Indonesia.

Secondly the volume of export BE's available for import was enlarged by increasing the percentages of foreign exchange turned over to exporters. The latest modification in the percentage gives them:

for export commodities, category A = 75 per cent
for export commodities, category B = 90 per cent

This alteration signifies that 88 per cent of export proceeds are made available for free non-governmental imports, whereas previously it amounted only to 30 to 50 per cent.

This illustrates the real desire of the Indonesian Government to give incentives for export and augment the facilities for import.

8. As stated earlier, the exchange rate is determined by supply and demand and in accordance with the present BE system tge BE rate is now operative for almost all transactions. The obsolete rates, that is to say the transaction rate of US$1 = Rp 0.25 and the effective transaction rate of US$1 = Rp 10 are therefore, by virtue of the latest modification of 28 July 1967, no longer valid.

9. Another aspect of the economic reform concerns the principle of a balanced budget and the restriction of bank credits. The enormous annual budget deficits of 1959 to 1966 and the excessive volume of credit extended by the banking system have created a terrifying inflation. To stem this inflation, a tight money policy had been followed by the Government since October 1966.

10. However, it goes without saying that domestic production had to be accelerated and expanded, which the Government promoted, among other means, by some relaxation in the credit policy, although a system of selectivity had to be adopted.

11. In addition to what has been said, the Indonesian delegation would like also to take this opportunity to call the attention of the meeting to the creation of a regional association in South-East Asia in August this year called ASEAN, comprising Indonesia, Malaysia, the Philippines, Singapore and Thailand. The aim of this association is first and foremost the advancement and elevation of the economy of the member nations. Indonesia attaches great importance to this regional co-operation for her economic improvement.

12. The Indonesian delegation has herewith traced in an exceedingly brief fashion the most important measures on the economic reform of Indonesia, which - although begun in an experimental way in February 1966 - was basically initiated as a complete and comprehensive system in October 1966 and further improved in July 1967.

The distinguished delegates are surely aware that the precarious economic condition of Indonesia cannot be cured altogether within a year or two. Nonethe less, imbued by good-will and earnest desire, guided by realistic economic principles now operating in Indonesia, a ray of hope is becoming visible for a better future.

13. The Indonesian delegation is very pleased today to have the opportunity to exchange views with the distinguished members of the Balance-of-Payments Committee.

For this occasion, the Indonesian Government has sent its representatives from Djakarta, Mr. R.A. Kartadjoemena, Director of the Central Bank of Indonesia and Chairman of the Foreign Exchange Board, and Mr. E.A. Sie Dhian Ho, Chief of the Research Division of the Central Bank of Indonesia.

We are sure that this deliberation will bring forth suggestions and fruitful views, beneficial to Indonesia in its endeavour to improve her economic situation.

14. In conclusion, Mr. Chairman, permit us, through your kind intermediary, to thank the members of the secretariat for their splendid work of producing the basic documents, and the representative of the International Monetary Fund for the comprehensive background material.

ANNEX

To the Opening Statement of the Indonesian Representative

TABLE I

Cost of Living Indexes in Djakarta, 1959-1966
(1957=100)

End of year	Index	% increase[1]
1959	166.0	19.4
1960	215.0	29.5
1961	380.0	76.7
1962	976.0	156.8
1963	2,226.0	128.1
1964	5,234.0	135.1
1965	36,347.0	594.4
1966	267,279.0	635.4

[1] Compared with the end of the previous year.

Source: Central Bureau of Statistics, Djakarta.

TABLE II

Money Supply 1959-1966
(in millions of new rupiah)

End of year	Currency	Deposits	Total	% increase of money supply
1959	26.4	8.5	34.9	18.6
1960	34.0	13.8	47.8	37.1
1961	48.5	19.1	67.6	41.4
1962	102.9	33.0	135.9	101.0
1963	175.5	87.9	263.4	93.8
1964	452.7	22.4	675.1	194.2
1965	1,966.6	615.4	2,582.0	282.4
1966	15,720.1	5,304.3	21,024.4	714.2

Source: BNI Unit I, Djakarta.

TABLE III

Government Revenues and Expenditures 1959-1966

(in millions of new rupiah)

Year	Revenues	Expenditures	Deficit
1959	30.58	44.35	13.77
1960	53.64	60.54	6.90
1961	62.22	88.52	26.30
1962	74.02	122.08	48.06
1963	162.13	329.80	167.67
1964	283.38	681.33	397.95
1965	960.77	2,526.32	1,565.55
1966	13,142.4	29,433.0	16,290.6

Sources: 1. Central Bureau of Statistics, Djakarta.
2. Department of Finance, Djakarta.
3. BNI Unit I, Djakarta.

TABLE IV

Exports and Imports, 1959-1966[1]

(in millions of US dollars)

Year	Exports	Imports
1959	645.3	481.9
1960	620.0	577.7
1961	527.3	796.2
1962	447.9	647.0
1963	426.9	502.5
1964	456.8	690.7
1965	436.0	718.2
1966	492.7	688.6

[1]Excluding oil.

Sources: 1. Central Bureau of Statistics, Djakarta.
2. Department of Trade, Djakarta.