

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

Committee on Balance-of-Payments
Restrictions

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1975 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH INDONESIA

Statement Submitted by Indonesia under the Simplified
Procedures for Consultation

Addendum

A. Balance of payments, 1974/1975

Preliminary balance-of-payments figures for 1974/1975 indicate a deficit on goods and services of US\$455 million, a decrease of US\$301 million over the 1973/1974 deficit, or 39.8 per cent; an increase in the balance of trade of US\$1,137 million or more than five times and a higher deficit in service account of US\$1,019 million or 128.9 per cent. Receipts from official transfers and capital increased to US\$672 million or 4.5 per cent. Debt service payments also increased by 11.1 per cent to US\$90 million. Net errors and omissions decreased by US\$69 million. No allocation of SDR.

The balance of payments for 1974/75 shows an overall surplus as measured by monetary movements of US\$829 million, an increase of 130.3 per cent as compared with a surplus of US\$360 million in 1973/74.

(i) Goods and services

Preliminary balance-of-payments figures for 1974/75 indicate a 106.5 per cent increase in total exports over 1973/74. Gross oil exports increased by 222.8 per cent to US\$5,514 million, instead of US\$1,708 million in 1973/74.

Imports of the oil sector increased to US\$1,450 million, while net oil sector service payments increased considerably to US\$1,316 million, representing an increase of 117.2 per cent over 1973/74.

Non-oil exports in 1974/75 was US\$1,947 million, showing an increase of 2.2 per cent over 1973/74. Timber and also oil are now in the forefront of Indonesia's exports, replacing the traditional export commodities, such as rubber, coffee, palm-oil, etc., in importance.

The value of rubber exports in 1974/1975 (up to August) was US\$222.3 million, while in 1973/1974 of the same period, was only US\$181.5 million. The average export price increased from US cent 33.43/lb. in 1973 to US cent 34.9/lb. in 1974, but the volume of export decreased from 386.7 thousand tons in 1973 to 344 thousand tons in 1974.

Since August 1973 copra was prohibited to be exported.

The value of coffee exports in 1974/1975 (up to August) was US\$55.1 million, while in 1973/1974 of the same period, was only US\$25 million, an increase of US\$29.1 million or 111.9 per cent. The average export price of coffee also increased by 67.3 per cent from Str. \$90.0/pikul in 1973 to Str. \$150.6/pikul in 1974.

The value of palm-oil exports in 1974/1975 (up to August) increased to US\$63.9 million as compared with US\$25 million in 1973/1974, an increase of US\$38.9 million or 155.6 per cent. The average price of palm-oil in 1974 increased to £664/long ton as compared with £400/long ton in 1973.

Non-oil sector imports increased by 58.5 per cent to US\$4,657 million in 1974/75.

(ii) Official transfers and capital

Official transfers and capital increased by 4.5 per cent to US\$672 million in 1974/1975 compared with US\$643 million in 1973/1974.

Programme aids decreased by 28.8 per cent to US\$200 million in 1974/1975, while project aids increased by 18.2 per cent to US\$325 million in 1973/74.

There was a considerable increase on other official transfers and capital in 1974/1975; it was 69 per cent above the 1973/1974 level of US\$87 million.

(iii) Other non-monetary capital and net errors and omissions

The surplus on miscellaneous capital increased by US\$227 million or 41.3 per cent in 1974/1975 compared with US\$549 million in 1973/1974.

Debt service payments increased by US\$9 million or 11.1 per cent in 1974/1975 compared with US\$81 million in 1973/1974.

Unidentified capital investments and net errors were minus US\$74 million in 1974/1975 compared with plus US\$5 million in 1973/1974.

B. 1975/1976, balance-of-payments projections

Transaction account estimate for 1975/1976 indicates a deficit of US\$1,023 million. This deficit is US\$568 million higher than that incurred in 1974/1975, an increase of 124.8 per cent. Balance of trade estimate for 1975/1976 indicates a surplus of US\$1,023 million. This surplus is US\$331 million lower than that incurred in 1974/1975, a decrease of 24.4 per cent. Miscellaneous capital receipts increase by 14.7 per cent to US\$890 million. Receipts from official transfer and capital decrease by 7 per cent to US\$625 million and debt service payments decrease by 1.1 per cent to US\$39 million. The balance of payments shows an overall surplus as measured by monetary movements of US\$403 million, or a decrease of 51.4 per cent as compared with a surplus of US\$829 million in 1974/1975.

(i) Goods and services

Non-oil export value estimate for 1975/1976 indicates an increase of US\$21 million or 1.1 per cent higher than that incurred in 1974/1975. This increase is expected from the increase of export of tin, copper and other mining products which is expected to be more than the decrease in revenue of export from rubber, wood, tobacco and pepper. The estimate of oil export value for 1975/1976 indicates an increase of 11.7 per cent to US\$3,069 million compared with that incurred in 1974/1975. This increase is expected from the increase of oil production in 1975/1976.

The deficit on non-oil sector services is estimated to increase by 35.9 per cent from US\$493 million in 1974/1975 to US\$670 million in 1975/1976; higher payments on freight for imports and investment income account for a large part of this increase.

(ii) Officials transfer and capital

In the meeting of the IGGI held in Amsterdam in April 1974, it was agreed that Indonesia will receipt US\$754.2 million foreign aids (commitments for 1974/1975), out of which US\$209.3 million programme aids and US\$544.9 million project aids.

It is intended that for 1975/1976 Indonesia will request more aids than for the previous year.

(iii) Other non-monetary capital and net errors and omissions

The surplus on miscellaneous capital is expected to be US\$890 million, an increase by 14.7 per cent as compared with the estimate of US\$776 million for 1974/1975, resulting from the increase of private direct investments.

Debt service payments is estimated to decrease by 1.1 per cent to US\$89 million in 1975/1976.

(iv) Net official international reserves

The balance-of-payments estimate for 1975/1976 provides for a decrease of US\$426 million in net official international reserves. This projected decrease depends on the realization of the forecast for substantial increase in both oil and non-oil exports.

(v) Exchange and trade system

Foreign exchange is available freely for all exchange transactions at the prevailing exchange rate. Most non-oil export are subject to a 10 per cent tax; only finished goods and handicrafts are exempted from export tax.

Since February 1975 import under letters of credit and merchant letters of credit are exempted from deposit requirement.

No par value has been established with the Fund. But, since December 1971 the exchange rate of the Rupiah was Rp 415 per US\$1. This rate is maintained in terms of the United States dollar in the context of the recent exchange rate adjustments.

ANNEXBalance of-Payments Summary

(In US\$ million)

	1973/1974 Actuals	1974/1975 Preliminary	Increased/ decreased	1975/1976 Estimates	Increased/ decreased
<u>I. Goods and services</u>					
1. Export, f.o.b.	+ 3,613	+ 7,461	+ 106.5	+ 8,016	+ 7.4
Oil	+ 1,708	+ 5,514	+ 222.8	+ 6,048	+ 9.7
non-oil	+ 1,905	+ 1,947	+ 2.2	+ 1,968	+ 1.1
2. Import	- 3,396	- 6,107	- 79.8	- 6,993	+ 14.5
Oil	- 461	- 1,450	+ 214.5	- 1,603	+ 10.6
non-oil, c. & f.	- 2,938	- 4,657	+ 58.5	- 5,390	+ 15.7
3. Services	- 790	- 1,809	- 86.5	- 2,046	+ 13.1
Oil	- 606	- 1,316	+ 117.2	- 1,376	+ 4.6
non-oil, excluded freight	- 364	- 493	+ 35.4	- 670	+ 35.9
4. Current account	- 756	- 455	- 39.8	- 1,023	+ 124.8
Oil	+ 641	+ 2,748	+ 328.7	+ 3,069	+ 11.7
non-oil	- 1,397	- 3,203	+ 129.3	- 4,092	+ 27.8
<u>II. Official transfer and capital</u>	+ 643	+ 672	+ 4.5	+ 625	- 7.0
1. Programme aid	+ 281	+ 200	- 28.8	+ 100	- 50.0
2. Project aid	+ 275	+ 325	+ 18.2	+ 375	+ 15.4
3. Others	+ 87	+ 147	+ 69.0	+ 150	+ 2.0
<u>III. Miscellaneous capital</u>	+ 549	+ 776	+ 41.3	+ 890	+ 14.7
<u>IV. Debt service payments</u>	- 81	- 90	+ 11.1	- 89	- 1.1
<u>V. Total (I through IV)</u>	+ 355	+ 903	+ 154.4	+ 403	- 55.4
<u>VI. Net errors and omissions</u>	+ 6	- 74			
<u>VII. Monetary movements</u>	- 360	- 829	+ 130.3	403	- 51.4

Source: Monetary Statement and Budget for 1975/1976.