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8 February 1961

ECONOMIC INFORMATION ON INDONESIA

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FOREWORD

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JPRS: 4388

CSO: 1218-S/b

ECONOMIC INFORMATION ON INDONESIA

[Following are the translations of articles on the above subject, selected from various Indonesian sources. Source information accompanies each article]

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RELATIONSHIP BETWEEN NATIONAL INCOME AND DEVELOPMENT

[Following is a translation of an article by Doctoral Candidate
Noeljatno S. in Mimbar Indonesia (Pulpit of Indonesia),
1 October 1960, pages 9 and 11].

It is absolutely wrong to think that national income and income of the government are one and the same. The income of the government is derived from taxes, profits of the nation's industries, etc. and is only a small part of the national income. This is because national income is the sum total of all the energy and activity of a nation, usually added over a period of one year.

It must be clear that discussing the national income and the income of the government are two different things. A discussion of national income has a much wider scope than one of government income.

In general, the problem of national income may be considered the essential point of all the problems of economic planning. This is also stated in the old Five-Year Plan of the National Bureau of Planning. There it was first roughly ascertained how much, expressed in percentages, the national income will have to grow to enable us to ascertain the size of the investment necessary to increase production in every field in order to raise the standard of living. National income therefore appears to be the fundamental part of the mentioned Five-Year Plan. In addition to national income being the main target for estimating investment as mentioned above, it has many more uses when we connect it with problems of development.

It looks like a good idea to mention several uses of national income: to explain more clearly its connection with the present period of development of our nation.

1. Investment policy, the extent of which will be dependent on the desired increase in national income, has to be used as efficiently as possible in those economic areas where the production needs to be increased. When one knows the total size of the production factor of the national income and the results of every sector of industry, all that remains to be selected is the particular sector that needs an increase in production.

2. The national income can then be used to analyze the extent of the creation of new capital in the governmental, private and rural sectors. This enables us to compute the growth of new investments so important for an investment program.

3. The problem of national income can further be used to decide the direction the development (industrial, agrarian, etc.) is taking.

4. Finally (there are indeed many more uses) the national income is used to measure:

a. Level of wealth of the people, by means of the size of per capita income published in the annual estimate.

b. Level of productivity and marginal productivity of the factors of production.

c. Level of inflation, by comparing income expressed in currency with real income.

d. To discover the results, if any, of the original program.

e. Finally, to measure also private, government and foreign activity in the process of shaping production and income.

The above mentioned explanations are sufficient to show us that every development program (provincial as well as national) not based upon national or provincial income figures is like a program without direction, or guesswork that can be the cause of a wrong trend in development.

There are three stages in computing national income.

1. Gathering of statistical material

2. Preparing this material

3. Analyzing the prepared material

Activities under 1 and 2 are similar to statistical work for research, surveys and similar things, while activities under three can be compared with the measuring tool, deciding the wisdom in leading, shaping and computing programs of economic development.

It must be admitted that in Indonesia the necessary material is as yet far from complete. Many aspects of the development programs (national and provincial) are based only on guessing and trial and error. This is an altogether insufficient foundation for justifiable computations.

It is evident from the computations of Neumark (former expert of the National Bureau of Planning) that:

1. A huge percentage of our national income (between 50% and 60%) has its origin in the agrarian sector. In other words, we still depend to a great extent on agriculture. Its expansion depends on the available land and the state of our tools.

2. Our per capita income is still low. If the figures of Neumark are right it is still lower than in 1938 (1938: 39 florins; 1951: 35.5 florins or 905 rupiahs; 1952: 34.4 florins or 1,033 rupiahs annually).

3. There is an inflationary tendency, which means a distinct decline in the value of the rupiah, or that it is by no means certain that what appears to be our income at first glance is increasing, although expressed in currency it appears to be increasing.

We have to analyze the three-way evidence resulting from the figures of national income to decide upon a method of getting a clearer understanding of economic development.

Re 1: It is clear that our economy is badly balanced; it is of agrarian nature. The following can be said of an agricultural nation:

a. Its economy is susceptible to foreign influences. We have to import many essentials from foreign countries. We are therefore forced into a very weak position. Our export is on the other hand dependent upon the economic outlook abroad, and as vendors of raw materials our position is also not strong.

b. For its expansion, agriculture depends upon two conditions that can hardly be changed: the soil and the world situation. This causes the increase in agriculture not to match the great growth in population.

c. Such a structure of agriculture is the cause of the undynamic attitude of the people. This is also the reason that the population as a source of energy is piled up in one place or island. Manpower resources are therefore badly balanced.

Re 2: This appears indeed to be the consequence of what we mentioned under lb. The unemployed inhabitants of Java must therefore be moved to agro-cultural areas on other islands that can still be opened up, or new industries will have to be founded. Thus, the prosperity we are looking forward to is yet in the far future. When we start figuring, we find that the per capita income is only about 3.00 rupiahs per day, which appears to be only the bare minimum necessary for proper living in our free country.

Re 3: Inflation of prices or the slipping value of the rupiah show that the increase in the circulation of currency does not balance the increase in the flow of products. There are four situations that cause inflation:

- a) Flow of products is steady--with money circulation increasing
- b) Flow of products decreases--with money circulation increasing
- c) Flow of products decreases--with money circulation steady
- d) Flow of products increases--with money circulation increasing

It is clear that as long as we experience one of these situations (a, b, c and d) we will notice a declining value of the rupiah.

This inflation of course stimulates investment, but this stimulated investment will not be able to produce new industries to match the increase of currency in circulation. Consequently the problem of investment remains difficult, a condition generally found in underdeveloped nations. This inflation results in increased pressure on the living conditions of the people of Indonesia, the great majority of whom have only their own energy to invest. The more their real income decreases, the more their purchasing power declines until the desire to invest in the country disappears. The increase in money finally piles up and circulates in the financial centers, resulting in:

- a) The spiral of inflation in the cities
- b) Deflation in the villages and rural areas

In other words, we now face a disturbing influence in the financial, credit and expense situation that saddens us.

Final observations and conclusions:

The national income figures and the above described thoughts must be used to good advantage in the following methods that will lead us to prosperity:

1. Clear and honest planning and development looking to concrete results. The amount of our planning based on guesses has to be diminished because it results in loss of capital and energy. A clear basis is therefore essential.

2. We will have to change the structure of our economy fast. Industrialization on a great scale looks like one of the methods of changing the economic structure and improving the standard of living.

3. The inflationary tendency has to be used as a compass to guide our investment policy; it should be directed toward those areas where the increase of production must be greater than the increase of the money circulation needed for these investments.

THE DJATILUHUR HYDROELECTRIC PROJECT

[Following is a translation of an article in Pedoman (Compass) 11 October 1960, p 1.]

The various projects for Djatiluhur, close to Purwakarta, will be completed, according to the timetable, in 1964. These projects include water supply, electricity, flood control, fisheries and, when finished, tourism. That is what Antara [a newsagency] learned from the Department of Construction and Energy during yesterday's tour of the project.

The main intention of this project is to dam the Tarum river with a dam about 100 meters high, which will create an artificial lake of 8,000 hectares, having a capacity of 3 billion cubic meters. This lake is for water storage. The surplus of water in the rainy season will not be wasted, but stored to be used in the dry season.

When the lake of Djatiluhur is completed and the irrigation system installed, 240,000 hectares in the plains of Bekasi Tjikampek and Tjipunegara will yield two harvests per year.

In comparison with the present situation, this will result in an increase of the rice harvest of 300,000 tons annually, and this means savings of foreign assets used to buy rice abroad of \$37,000,000.

Downstream from the Djatiluhur dam on the Tarum is located the Walahar dam. It can irrigate during the rainy season 80,000 hectares and in the dry season 10,000 hectares.

As an extra result, without additional water works and expansion of the irrigation system, the Walahar dam will irrigate in the dry season also 80,000 hectares. This means 70,000 tons more rice per year (foreign assets savings of \$8,000,000 annually).

The construction of a river dam causes an increased difference between the water level inside and outside the artificial lake. This will be used to generate electricity.

Six turbines will be installed, each of 25,000 kw capacity; the amount of electricity generated per year will be 700 million kw hr.

Lake Djatiluhur will look like an enormous fish pond. According to the Department of Fresh Water Fisheries, 800 tons per year of fresh water fish may be taken from this lake.

Total development expenses, including high voltage wiring from Djatiluhur to Jakarta and Bandung and the expansion of the electrical connections in those cities, were originally estimated to be \$70 million but have increased to 100 millions.

GOVERNMENT CREDITS FOR NEW RAYON FACTORY

[Following is a translation of an article in Pedoman (Compass) of 10 October 1960, page 2.]

The head of the Bureau of KDH [abbreviation unknown], M. A. Nawawi M. A., explains that the Central Government has made a definite decision regarding the construction of a rayon factory at Semarang and regarding its location, starting date and available capital.

From the start the provincial government decided that this development project was not to be handled on a small scale, and it has therefore undertaken to make it as good as possible.

He explained that the people of the province where it will be built have received it enthusiastically. In this connection, according to M. A. Manawi, the people have already prepared a location of 10,000 hectares which will be presented for this purpose free of charge to the government.

It is the intention that Professor Engineer Kosasih and Sapar Bey of the Department of Basic Industries will arrive in Palembang on 10 October to finish the problem of the land that has already been made available by the people of this province.

Finally we learned that the Central Government has already made available 10 million rupiahs as starting capital. The construction of the plant will start next year, close to the station Hudjan Mas.

DECISIONS OF THE INTER-SERVICES CONFERENCE OF THE BANK OF INDONESIA

[Following is a translation of an article in Pantjawarda (Many Reports) 10 October 1960, page 1.]

The management of the Bank Negara Indonesia conducted its sixth inter-services conference 3-7 October 1960 in the presence of all heads of districts, branch managers of offices in Indonesia, Singapore and Tokyo. On the basis of discussion, a better understanding was reached between top management and branch management in regards to the policy to be followed in managing the Bank Negara Indonesia. The conference also formulated in the rough the outlines for the work program for 1961.

Personnel policy

The conference realized the personnel policy to be the most important factor in carrying out the work of the bank.

Proper and conscientious attention was paid to the problem of capital. Its policy was worded in a document of expenses of the Bank Negara Indonesia.

Decisions were written down regarding rights and duties of the personnel of the bank that has as its most important function carrying out its mandate regarding the sufferings of the people.

Bank business

The agenda of the conference regarding banking activities was divided into:

- (1) Activities inside the country
- (2) Activities abroad

Of the internal activities the problem of credit was most urgent.

The credit policy is in accordance with the decision of the Government and the flow of credit is directed toward the sectors of import and export.

A great portion of the expenses for import and export have been allocated to government and other licensed enterprises.

Other sectors, such as distribution, received as much attention as possible from the point of view of political and economic monetary development as well as regarding the financial strength of the Bank.

In 1960 loans amounted to about four billion rupiahs.

Mutual understanding as well as good relationships between the Bank and its customers are very necessary in the interest of both sides.

Giving service

In addition to extending credit, the Bank provides the community with the following services: remittances of money, checking account services, deposits and savings accounts, collections of letters of credit within the country, sale and purchase of stock, etc.

Progress was also made in these sectors; which means that the people's trust in the Bank Negara Indonesia has increased.

In August, savings operations were started in Djakarta as a pilot project, the intention being in the first place to mobilize the funds the people are hoarding.

The result was very satisfactory, so that very soon the savings passbooks were even in short supply.

Service to and relations with the people

In accordance with the expanding activities of the Bank, constant efforts are made to provide the best possible service to customers and to the public in general. To reach this goal the following methods are used, among others: education of the personnel and improvement of operations.

In addition, the Bank Negara Indonesia is itself obligated to be a special institute that has to intensify its contacts with society to make the people be acquainted with and use its good services.

TRANSISTOR RADIOS FOR HINTERLAND GOVERNMENT OFFICIALS

[Following is a translation of an article in Pedoman (Compass)
11 October 1960, page 2.]

The Department of Industry of the People is actively engaged in distributing inexpensive radios for the remotest village governments that have no electricity.

Those entrusted with the execution of Manipol/Usdek feel the great necessity of giving information to the people in all outlying places. Many transistor radios that operate on batteries are therefore needed.

The general price for such a radio made by Transistor Radio Co. in Tjawang, Djakarta of 6300.00 rupiahs is considered too high for the financial strength of the village population. The Department of Industry announces that it has made this year 17,500,000.00 rupiahs in foreign assets available to buy these radios. The remotest village governments will thus be able to buy them for 3,450.00 rupiahs.

These transistor radios use six batteries sufficient for 1,000 hours. When they are exhausted it will not be too difficult for the people to buy new batteries, since the price is not high.