

INCOMING TELEGRAM

Approved For Release 2000/08/27 : CIA-RDP78-01634R000100070005-9

Department of State

DC/EC/N

9/26/54 11 p.m.
CORRECTED PAGE 1

23

Action
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Control: 10808
Rec'd: September 25, 1954
1:02 p.m.

FROM: Djakarta

Info
EUR
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REP

TO: Secretary of State

NO: 498, September 24, 3 p.m.

OCB DEPARTMENT POUCH HAGUE, PASS CINCFE (CINCFE PASS COMNAVFE)
USIA CGFEAF CINCPAC CGUSARPAC
CIA

OSD JOINT WEEKA NO. 39 (SECTION II)

ARMY UNCLASSIFIED

AIR
NAVY ECONOMIC

OCL
FOA

Price of gold: Price of gold on Djakarta market has increased from 43 rupiahs on September 1 to 50.5 rupiahs on September 23. Upswing reported to be result of rumors of shrinking gold coverage. Gold and foreign exchange holdings have decreased rupiahs 562.2 million since beginning 1954, and proportion reserve to current liabilities decreased from 25.1 to 20.7 percent over same period. Some sources attribute it also to manipulation of certain circles seeking to weaken Indo's economy.

Financial manipulation

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What source?

What circles?

What intent?

What did they do?

What state of effect did they cause?

Export of rubber: Government has announced that there will be no (repeat no) export duty on rubber for fourth quarter 1954. For payment of statistical tax and foreign exchange institute fees price of estate rubber for fourth quarter fixed at rupiahs 5.07 per kilo.

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Economic developments:

Bank of Indonesia report for first half 1954 shows that during period money supply increased rupiahs 1038.8 million; government floating debt rose rupiah 1,571 million, bringing total government debt June 30 to rupiah 14,871 million; foreign exchange deficit of rupiah 1,334 million, most of which financed by decrease in gold and foreign exchange reserves; retail price indices showed decline while cost of living for civil servants increased although that for unskilled labor decreased.

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APPENDIX I
Government Expenditures and Budget Amounts For First Five Months of 1954
 (in millions of rupiahs)

| | | <u>January-May 1954</u> | |
|-------|---|-------------------------|---------------|
| | | <u>Expenditures</u> | <u>Budget</u> |
| I | Supreme Government Bodies | 502.2 | 498.8 |
| II | Ministry of Foreign Affairs | 63.6 | 45.5 |
| III | Ministry of the Interior | 1,026.2 | 683.3 |
| IIIA | Ministry of Agrarian Affairs | -- | 10.2 |
| IV | Ministry of Finance | 412.1 | 436.5 |
| IVA | Financing Service (including Government Enterprises) | 593.0 | 962.2 |
| VA | Ministry of Agriculture | 163.6 | 221.3 |
| VB | Ministry of Economic Affairs | 683.8 | 323.1 |
| VI | Ministry of Defense | 1,468.8 | 1,250.0 |
| VII | Ministry of Justice | 95.5 | 107.3 |
| VIIIA | Ministry of Communications | 117.8 | 175.4 |
| VIIIB | (ditto), Department of Shipping | 56.0 | 41.6 |
| IX | Ministry of Information | 63.5 | 62.6 |
| X | Ministry of Education & Culture | 353.7 | 312.6 |
| XI | Ministry of Health | 112.7 | 136.9 |
| XII | Ministry of Social Affairs | 74.4 | 78.9 |
| XIII | Ministry of Labor | 28.6 | 28.2 |
| XIV | Ministry of Religious Affairs | 83.1 | 67.9 |
| XV | Ministry of Public Works & Power | <u>174.3</u> | <u>208.3</u> |
| | Total | 6,072.8 | 5,650.8 |

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APPENDIX IICost-Of-Living Index Numbers, Dutch Family in Djakarta

Base: Djakarta, January 1950 = 100

| <u>Expense Category</u> | 1950 | 1951 | 1952 | 1953 | 1954 | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | <u>Dec.</u> | <u>Dec.</u> | <u>Dec.</u> | <u>Dec.</u> | <u>Jan.</u> | <u>Feb.</u> | <u>March</u> |
| Food | 124.6 | 182.7 | 181.6 | 235.7 | 239.8 | 237.5 | 236.5 |
| Liquor/tobacco | 119.1 | 152.4 | 173.1 | 195.9 | 199.2 | 202.2 | 202.0 |
| Clothing | 182.9 | 227.4 | 268.4 | 302.6 | 303.5 | 303.5 | 303.5 |
| Fixed expenses | 135.0 | 152.8 | 165.2 | 192.4 | 192.4 | 192.4 | 192.4 |
| Miscellaneous | 147.0 | 170.3 | 173.0 | 187.9 | 190.2 | 190.8 | 191.6 |
| Weighted index | 147.5 | 187.9 | 198.2 | 238.3 | 240.8 | 240.1 | 239.6 |

| <u>Expense Category</u> | 1954 | | | | | |
|-------------------------|--------------|------------|-------------|-------------|-------------|--------------|
| | <u>April</u> | <u>May</u> | <u>June</u> | <u>July</u> | <u>Aug.</u> | <u>Sept.</u> |
| Food | 239.2 | 245.1 | 245.3 | 244.1 | 244.0 | 247.9 |
| Liquor/tobacco | 201.3 | 200.9 | 203.6 | 202.7 | 207.1 | 216.8 |
| Clothing | 304.8 | 305.6 | 305.8 | 314.3 | 317.4 | 347.5 |
| Fixed expenses | 192.4 | 192.4 | 192.4 | 192.4 | 193.1 | 198.4 |
| Miscellaneous | 192.2 | 192.4 | 192.4 | 193.7 | 193.7 | 199.0 |
| Weighted index | 241.0 | 243.9 | 244.2 | 244.9 | 245.8 | 254.7 |

This series is prepared for a schedule of expenses in rupiahs of a moderate-income Dutch family consisting of husband, wife, and two children, one of whom attends elementary school. The "Fixed Expenses" category includes *inter alia*, medical expenses and insurance as well as such government-controlled costs as rent, utilities, and tuition.

For detailed information on this series, see "Cost-of-living indices--European Family in Indonesia", Embassy Despatch 390, November 6, 1952. Index figures for months prior to 1954 may be obtained from Table III of the Retail Price Schedule of March 15, 1954, submitted with Despatch 646 of that date.

Source: Office of the High Commissioner of the Netherlands, Djakarta (limited distribution).

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APPENDIX III

Cost-Of-Living Index Numbers, Government Official in Djakarta

Base: Djakarta, November 15, 1949 = 100

| <u>Expense Category</u> | 1952 | 1953 | 1954 | | |
|---------------------------------|-------------|-------------|-------------|-------------|--------------|
| | <u>Dec.</u> | <u>Dec.</u> | <u>Jan.</u> | <u>Feb.</u> | <u>March</u> |
| Food | 182.5 | 218.3 | 219.6 | 216.3 | 212.8 |
| Fire/light/water | 138.7 | 150.0 | 150.9 | 150.9 | 150.9 |
| Clothing/footwear | 123.8 | 136.0 | 136.3 | 136.3 | 136.7 |
| House ¹ /furnishings | 130.4 | 153.7 | 154.7 | 155.4 | 155.9 |
| Servants | 290.9 | 300.0 | 300.0 | 300.0 | 300.0 |
| Other expenditures | 167.9 | 210.6 | 210.6 | 210.5 | 209.4 |
| Weighted index | 169.7 | 198.2 | 196.8 | 195.1 | 195.5 |

1/ Exclusive of rent

Expense Category

| | | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|-------|
| Food | 216.4 | 218.6 | 225.3 | 221.7 | 222.3 | 223.0 |
| Fire/light/water | 151.3 | 151.4 | 151.7 | 151.9 | 154.3 | 154.8 |
| Clothing/footwear | 137.0 | 137.0 | 137.6 | 139.8 | 140.4 | 141.4 |
| House ¹ /furnishings | 160.8 | 164.4 | 165.3 | 165.5 | 167.4 | 169.4 |
| Servants | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 |
| Other expenditures | 209.0 | 209.4 | 208.0 | 213.3 | 214.9 | 218.0 |
| Weighted index | 197.7 | 199.2 | 202.7 | 201.9 | 202.7 | 203.8 |

1/ Exclusive of rent.

This series is prepared for the Standard Budget 1st Class schedule of expenses in rupiahs for a "European" family consisting of husband, wife, and two children, one of whom attends elementary school. The budget for this family Group III is based on a monthly income of a European official with the Indonesian Government amounting to f.250.00 - f.400.00 in 1932. This series has been recalculated on a November 1949 base, which had a 720.9 weighted index number in terms of the July 1938 base. (In reality, this income group--once made up of intermediate and senior Dutch and Eurasian functionaries, now refers to a depressed class of Eurasians--persons trying to live according to lowest European standards and facing austerity by receiving only subsistence wages--comparable to those of many messengers).

Source: Kantor Pusat Statistik (Central Statistics Office), Djakarta.

For detailed information on this series, see "Cost-of-living indices--European official with Indonesian Government", Embassy Despatch 624, January 28, 1953. Index figures for months prior to 1954 may be obtained from Table II-b of the Retail Price Schedule of March 15, 1954, submitted with Despatch 646 of that date.

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APPENDIX IV

Retail Price Index Numbers - 19 Food Items On The Free Market
Indonesian Family In Djakarta

| | Base: Batavia, July 1938 | Djakarta, December, 1949 ^{1/} |
|------|--------------------------|--|
| 1949 | December 1,314 | 100 |
| | (annual average) 1,265 | 96 |
| 1950 | (annual average) 1,482 | 113 |
| 1951 | (annual average) 2,470 | 188 |
| 1952 | (annual average) 2,608 | 198 |
| 1953 | (annual average) 2,771 | 211 |
| 1954 | January 2,927 | 223 |
| | February 2,898 | 221 |
| | March 2,865 | 218 |
| | April 2,868 | 218 |
| | May 2,879 | 219 |
| | June 2,887 | 220 |
| | July 2,873 | 219 |
| | August 2,917 | 222 |
| | September 2,929 | 223 |

^{1/} December, 1949, was the month of the transfer of sovereignty from the Netherlands to the Indonesian Republic.

Articles and weights are taken from a standard budget resulting from an inquiry into the cost of living in 1932 of an Indonesian Government employee at Batavia with a 1932 monthly salary of f.25.00 - f.50.00 and a family including a wife and two children, a baby and a child in elementary school.

The 19 selected food items: beef, corned beef, buffalo meat, salted fish, salted duck eggs, fresh duck eggs, milk, red peppers, red onions, rice, potatoes, vermicelli, Marie biscuits (an unsalted cracker), bread, coconut oil, white sugar, jam, tea, and salt.

Source: Kantor Pusat Statistik (Central Statistics Office), Djakarta.

Index figures for months prior to 1954 may be obtained from Table I of the Retail Price Schedule of March 15, 1954, submitted with Despatch 646 of that date.

APPENDIX VFree Market Gold Prices and Black Market Dollar Rates
(in rupiahs at Djakarta)

| <u>Date</u> | <u>Gold #1</u> <u>Rp. per Gram</u> | <u>US notes</u> <u>Rp. per \$</u> |
|------------------|---------------------------------------|--------------------------------------|
| <u>1951</u> | | |
| December average | 29.63 | 14.50 |
| <u>1952</u> | | |
| December average | 34.75 | 21.75 |
| <u>1953</u> | | |
| Dec. 31 | 39.50 | 27.00 |
| <u>1954</u> | | |
| Jan. 15 | 40.00 | 27.25 |
| 30 | 39.50 | 27.25 |
| Feb. 15 | 39.50 | 27.50 |
| 27 | 39.00 | 27.25 |
| Mar. 15 | 38.50 | 28.00 |
| 31 | 38.25 | 29.00 |
| Apr. 15 | 38.75 | 28.50 |
| 30 | 39.00 | 28.00 |
| May 15 | 39.25 | 28.25 |
| 31 | 41.00 | 29.00 |
| June 15 | 41.50 | 26.50 |
| 30 | 41.25 | 26.00 |
| July 15 | 41.25 | 26.00 |
| 31 | 42.00 | 26.50 |
| Aug. 14 | 43.00 | 28.50 |
| 31 | 43.00 | 28.50 |
| Sept. 15 | 45.50 | 30.00 |
| 21 | 48.25 | 31.00 |
| 22 | 50.50 | 31.50 |
| 23 | 50.50 | 31.50 |
| 24 | 49.50 | 31.50 |
| 25 | 50.50 | 31.50 |
| 27 | 47.00 | 31.50 |
| 30 | 47.00 | 31.50 |

Sources: Gold quotations for 1951 and 1952, Ichtisar Bulanan Statistik; 1953 and 1954, Antara news agency. Dollar quotations for 1951 and 1952, Ichtisar Bulanan Statistik; 1953 and until mid-February 1954, Thien Sung Yit Po, a Djakarta daily; subsequently, an Embassy investigator.

Semi-monthly quotations for 1953 may be obtained in Despatch 559 of March 2, 1954.

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JOINT WEEKA NO. 39 (Section II)

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-2- 498, September 24, 3 p.m., from Djakarta

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Rubber industry: Trade circles in Palembang report that due shortage slabs, almost entire rubber remilling Sumatra shut down, with 3500 workers unemployed and on 35 percent pay. Rumors of special export license of 6000 tons blamed. Price bids per 100 kgs. rose from rupiah 250 to rupiah 300 wet slabs, and rupiah 290 to rupiah 330 dry slabs, with none offered.

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Czech offer: Press reports that Czechoslovakia has offered to build and equip sugar factories in Indonesia. Report ties in with statement Sultan Buwono that Jogja administration considering offer of machinery and experts for construction sugar factory in Jogja. Construction expected to start 1955, and operations 1956. Approximately 10,000 workers to be employed.

STEEVES

AB:MS/1

*As received. Correction will follow.

Note: Passed CINCFE, CGFEAF, CINCPAC, CGUSARPAC 9/25/54 2:45 p.m.
Pouched to THE HAGUE by OCT, 9/25/54. MT

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