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THROUGH: Chief, St/FR

THROUGH: Chief, D/MS

FROM: Chief, MS/COM 25X1C

SUBJECT: Transmittal of MS/COM Contribution to 25X1C  
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Telecommunications Facilities in Sumatra

25X1C

ORR Project 46.4283

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## G. Telecommunications

### 1. General

The telecommunications system of Sumatra is owned and operated by the government and provides all civil telephone, telegraph, and radiobroadcasting services. Telephone and/or telegraph service is available in all inhabited areas of Sumatra as is radiobroadcasting service.

### 2. Telephone and Telegraph Services and Facilities

#### (a) Domestic

The Administration of Posts, Telegraphs, and Telephones (PTT) for Indonesia, subordinate to the Ministry of Communications, operates the telephone and telegraph systems. The services provided by the PTT are restricted by antiquated facilities and adverse climatic and topographical conditions. There are 20,000 telephones in use in Sumatra, one third of which are automatic. More than forty per cent of the total number of telephones are located in Medan, Padang, and Palembang. Conventional telegraph service is provided throughout Sumatra. The larger cities have automatic subscriber telegraph (TELEX) exchange facilities, used principally by business and government, which afford direct connections with Djakarta. Interurban telephone and telegraph connections are made by open wireline and high frequency (HF) and very high frequency (VHF) radio facilities.

(See map, Figure 1.)

#### (b) International

The only direct international circuit -- a HF radiotelegraph connection between Medan and Singapore -- currently is not in operation. All international

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connections are made through Djakarta.

### 3. Broadcasting Facilities and Services

The Radio Republic Indonesia (RRI) broadcasting system, which is controlled by the Ministry of Information, provides service to approximately 220,000 radiobroadcast receivers in Sumatra. Regional and local broadcasting service is furnished by transmitters located at Medan (20 kilowatts  $\sqrt{kw}$ , 7.5 kw, and 1 kw), Padang (10 kw, 10 kw, and 1 kw), and Palembang (10 kw and 1 kw). Transmitters at Sibolga (1 kw) and Tandjungpinang (5 kw and 1 kw) provide local service and relay regional programs that originate in Medan. In addition, local service is provided by transmitters located at Bukittingi (.3 kw and .3 kw), Kutaradja (1 kw and .1 kw), and Pekanbaru (.1 kw). All stations broadcast in Indonesian with the exception of Kutaradja which regularly broadcasts programs in Atjehnese.

### 4. Specialized Networks

#### (a) Army

The Army uses facilities of the PTT for long-distance service and operates its own HF and VHF radio equipment for tactical purposes. A modern tropospheric scatter network that is to provide service throughout Sumatra and Java is under construction for the Army. The scatter circuit between Palembang and Djakarta is to be completed early in 1965, the remainder of the network in Sumatra most likely will be operational in 1966 or 1967.

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(b) Aeronautical

The Department of Civil Aviation (DCA) and the Air Force operate HF point-to-point and VHF ground-to-air radio facilities at most airports in Sumatra. (See map, Figure 1.)

(c) Maritime

Maritime radiotelegraph and radiotelephone service is provided by the PTT, the Navy, the Caltex Pacific Oil Company (CALTEX), and the Betaafse Petroleum Maatschappij (BPM). (See map, Figure 1.)

(d) Police

The State Police operate HF radiotelegraph facilities that connect major towns in Sumatra. VHF radiotelephone facilities are used for city, mobile, and marine service. (See map, Figure 1.)

(e) Other

The Standard-Vacuum Petroleum Company (STANVAC) and BPM have radio-telephone connections between their refineries at Sungaigerong and Pladju respectively, and oilfields in South and Central Sumatra. CALTEX has radio-telephone facilities in its Central Sumatra oilfields.

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Figure 1

Sumatra: Main Telecommunication Facilities, 1964.

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Figure 2

1. Open wirelines along Kisaran - Medan highway and railroad route,  
23 km south of Medan.

2. Open wirelines along Bengkulu - Palembang highway, 188 km from Palembang.

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Figure 2-4

3. PTT radio transmitting station near the Medan airport.

4. PTT radio receiving station near the Medan airport.

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Figure 2

5. RRI transmitting antennas at Medan, along the highway to Bindjai.

6. RRI station buildings at Medan, along the highway to Bindjai.

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SUMATRA

Chapter V - Economy

Project No. 46.4283

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CHAPTER V. ECONOMY OF SUMATRAA. General

Sumatra is economically the most important island of the Indonesian archipelago. The yields of its mineral resources, chiefly petroleum and tin, and agricultural estates contribute almost 70 percent of total Indonesian foreign exchange earnings. Although the island is not as fully developed as the main Indonesian island of Java, its export earnings contribute significantly to the welfare of Java.

The Sumatran economy is characterized by two distinct sectors -- the capital intensive market sector based largely on foreign capital and the labor intensive non-monetized peasant sector. Northern Sumatra has extensive agricultural estates, which were initially established with European capital. These estates continue to produce cash crops for export, such as rubber, tobacco, tea, coffee, palm oil, and cinchona bark (used for quinine). Although foreign interests remain on the island, the Indonesian government is gradually lessening the influence of foreign enterprise throughout all of Indonesia. In 1958, a government decree was issued forbidding foreign interest from exploiting the bauxite and tin deposits of the islands. British and US investment continues in the petroleum industry, but this will gradually be taken over under an agreement signed between the government and the foreign oil companies which provides for the compensated nationalization of these holdings. Dutch agricultural estates were taken over during 1957-58 at the

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same time other Dutch interests in the islands were seized. Currently, British estates are being subjected to threats of similar takeover actions. The peasant economy is dominated by labor intensive enterprise, primarily subsistence farming. Some of the peasants, however, have set aside small plots on which to grow cash crops. There is some cottage industry in the villages. Basically, however, the peasant economy is limited to agricultural pursuits. Although smallholder production is increasing in importance throughout the island and the rest of Indonesia, the estates continue to be the most efficient agricultural producers, and their products continue to be of better quality than those produced by smallholders.

The economic development of the island has been hindered by inept government policies. Little progress has been made in the industrialization of the island or in the improvement of production techniques to exploit the island's natural resources. Under an 8-year plan of development, now largely abandoned, an effort was made to provide for some development of the outer islands. The economic situation on Sumatra has been aggravated by the current confrontation of the newly formed federation of Malaysia. This confrontation has cut off the Malaysian ports to which almost all of Sumatra's exports were formerly shipped. This has caused severe problems because new markets and processing facilities must be sought to substitute for those in Singapore and Malaya and there has been a consequent disruption in the normal flow of trade.

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**SECRET****B. Natural Resources**

Petroleum is Sumatra's most important natural resource. Total Indonesian reserves are the largest in the Far East, and Sumatran reserves account for about 90 percent of all Indonesian reserves. Although most of the \$250 million annual export production is controlled by foreign dominated companies -- Caltex, Stanvac, and Shell -- Indonesian government firms are becoming more important in the industry. Three small government firms -- Permina, Pertamina and Permigan -- conduct operations in Sumatra. Indonesia is expected to continue to expand its activities in the oil industry as it continues a process of gradual compensated nationalization.

Tin is mined on the islands of Bangka, Billiton and Singkep, off the southeast coast of Sumatra. Although tin accounts for less than 5 percent of total Indonesian exports, Indonesia ranks as the third largest free world tin producer. Nationalization of the industry in 1958 led to great inefficiencies in production because of inept management and other consequences of the government's failure to establish a positive economic policy.

Bauxite mines have shown increasing production during recent years. Confined to the island of Bintan, Indonesian bauxite deposits are relatively insignificant as a world source.

There are two coal mining regions, one southeast of Palembang and the other at Ombilin, north of Bukittinggi, in central Sumatra. These mines do not fulfill Indonesia's requirements, and further rehabilitation is not likely to increase production greatly.

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There are other mineral deposits which are not currently exploited commercially. Among these are gold, silver, lead, copper, iron, antimony, cobalt, naphtha, sulfur, alum, and saltpeter. Iron deposits may be commercially exploited in the future when the Soviet-financed steel project at Tjilegon, Java, is completed.

C. Industry and Electric Power

There is little industrial activity in Sumatra. Industry is restricted to the processing of primary commodities and to the manufacture of cement, fertilizer, textiles, and various other consumer goods. Two important foreign owned petroleum refineries are the island's only heavy industry. Shell operates a refinery at Pladju, and Starvac operates a refinery at Sungai Gerong, both located in the Palembang area. There are several saw milling centers and rubber processing facilities. A hydroelectric power plant and aluminum project financed by the USSR is to be constructed on the upper Asahan River southeast of Lake Toba. In general, however, the central government has made little provision for the expansion of industrial activity in Sumatra.

Electric power facilities are limited on the island of Sumatra. Total electrical generating capacity on the island is about 1/10th of the total capacity for all of Indonesia. Power facilities are found primarily in the Medan, Padang, and Palembang areas. Most of the electrical supply is generated by small thermal plants. Hydroelectric power generating potential exists in the uplands region of Sumatra especially in the Lake Toba region. This potential may be developed under the 1960 Soviet credit described above. To



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date preliminary surveys have been made, but actual construction work on the Asahan project has been delayed until 1967.

D. Agriculture

Agriculture in Sumatra consists of three types -- peasant (subsistence), smallholder and estate. The peasants' main crop is rice, the staple food of the island. In spite of the peasant rice production, large quantities of rice must be imported annually to fulfill the needs of the population. Both wet land and dry land methods of cultivation are practiced. Maize is also grown for home consumption. Smallholder crops include copra, spices (pepper, cloves, and nutmegs), coffee, tobacco, betelnuts, peanuts, coconuts and cotton. Estate agriculture, primarily European, is concentrated on the production of rubber, tobacco, tea, palm oil, and fibers and to a lesser extent cinchona bark, coffee, gambier, and coca.

The most extensively cultivated area is in northern Sumatra around Medan. Although grown throughout Sumatra and on Bangka, most of Sumatra's rubber yield comes from the large estates situated in the eastern parts of Atjeh and Sumatra Utara provinces. Tobacco, oil palm, tea, and hard fibers are also grown on north Sumatran estates. Cinchona bark is grown by smallholders in Lampung province and on the west coast as far north as the Tapanuli region. Pepper is grown in the Lampung area, around Palembang, and in Atjeh province. Minor smallholder crops grown throughout the island include betelnuts, copra, nutmegs and cloves.

E. Fishing and Forestry

Fishing is important to the economy of Sumatra and provides the main source of animal protein in the Sumatran diet. Most fishing is done in coastal waters, although inland fishing is gaining in importance, especially in the large rivers of northern Sumatra and in Lake Toba. The largest coastal fishing port is Bagansiapiapi. Other fishing centers are Sungsang, Lampung, Bangka, and Bentakula. Shell fish, trepangs (sea slugs) and prawns are caught and dried fish are exported.

Sumatra contains the finest timber producing forests in the Indonesian archipelago. About 60 percent of the island is covered with forests, containing hard wood and soft wood in great variety. Oak, chestnut, ebony, ironwood, camphorwood, and sandalwood as well as many species of resin and wild rubber producing trees are found. Much of the timber, however, is difficult to obtain because of inaccessibility.

F. Employment and Labor

About 70 percent of the Sumatran labor force is engaged in agriculture. Although most peasants carry on only subsistence agriculture, some --- particularly in the northeastern and southern parts of the island --- reserve small plots to grow cash crops. In addition to the peasants who devote small plots to cash crops, there are many smallholders who devote all their acreage to cash crops. Estate agriculture is also an important employer of Sumatran labor.

Less than 10 percent of the labor force is engaged in industrial activities. Although industrial enterprises are very limited, Javanese laborers have

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been recruited to supplement the local labor force. The industrial labor force consists primarily of workers in oil refineries, textile mills and other light consumer goods industries.

As in other parts of Indonesia, Sumatra has a severe shortage of capable managers, administrators and technicians. During the colonial era, foreigners supplied these talents. With the Indonesian desire to eliminate foreign influence, people with managerial skills have also been eliminated. The Chinese retain their place in small business ventures, but the government has imposed rigid controls over their activities. Lacking capable native managers and entrepreneurs, many Sumatran enterprises formerly managed by foreigners have deteriorated.

There is an active, politically oriented labor movement in Sumatra. The unions have, in fact, mainly political functions, because strict government controls have limited their economic bargaining powers. SOBSI is the most influential labor federation, not only in Sumatra but in all of Indonesia. Sponsored by the Communist party, SOBSI affiliates, including Sarbupri, the plantation workers union, have been active in the recent takeovers of British estates on Sumatra.

#### G. Foreign Trade

The island of Sumatra contributes a major share to total Indonesian foreign exchange earnings. During 1961, Sumatra's exports were valued at \$560 million, more than 70 percent of total Indonesian exports. Important exports include rubber, petroleum, tin, bauxite, copra, tea, coffee, oil palm

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and tobacco. Sumatran imports, on the other hand, were \$140 million, less than 20 percent of total Indonesian imports. These imports consisted primarily of consumer goods and foodstuffs, mostly rice.

The Indonesian economic confrontation with Malaysia, which began when the latter was formed in September 1963, has had important consequences for the island of Sumatra and associated islands. Prior to confrontation a large share of the island's exports were transhipped through Singapore or other Malaysian ports. Now, new markets and processing facilities, which could substitute for those formerly provided by Malaysia, are being sought. Small-holder rubber producers have been seriously affected by confrontation because the low quality of this rubber has made marketing --- except to the processors in Singapore --- difficult. High quality estate rubber has always been shipped direct to consumers, and thus confrontation has posed little problem for the estate rubber producers. Petroleum exports have been rerouted, but there has been a decline in the normal flow of exports. Tin ore exports have been shifted from Penang to the Netherlands for smelting and re-export to Western European markets. Even if new markets can be found for Sumatran exports, the problem of adequate port and shipping facilities remains.

The United States and Great Britain remain among the most important consumers of Sumatran exports. The communist countries' share of trade, although increasing, is only about 10 percent --- consisting primarily of rubber and other tropical commodity exports in exchange for machinery and textiles.

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#### H. Foreign Loans and Aid

Little foreign aid has been contributed for the economic development of the island of Sumatra. The limited amounts of aid that have been granted are for the most part unused, and prospects for the early completion of any major aid projects are faint. The most significant loans to the island are those of the Soviet Bloc, primarily the USSR. The USSR agreed to build a large hydroelectric power facility and aluminum project in the Lake Toba region of Northern Sumatra. This project has been surveyed, but further progress has been delayed until 1967. Other Bloc projects scheduled on the island include the rehabilitation of the Ombilin coal mine and the construction of a cement plant in North Sumatra, a sugar refinery in Atjeh, and a soda ash plant in Palembang. Aid from western nations includes construction of a blast furnace at Lampung and a new tin smelter at Muntok, Bangka, both financed by West Germany. Japan has cooperated in a production sharing venture with the Indonesian oil industry. United States aid projects include diesel electrification projects, a fertilizer plant at Palembang, harbor development and rehabilitation, malaria control programs and agricultural extension services. As with welfare programs in Indonesia, the aid programs of Western and Bloc nations have been largely centered on Java. The same is true for the government development plans, which consider the outer islands as producers of primary goods to provide the capital for the industrialization of Java. This aspect of the plans has tended to alienate many of the peoples in the outer islands and especially those on Sumatra.

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