

CHRONICLE

AUGUST 1972

16 : President Soeharto's Address of State to the Nation.

On the occasion of the 27th anniversary of the Republic, President Soeharto delivered a speech addressing the nation before a special session of the Parliament. The speech is both a report to the nation of the progress made by the Government in the past years, particularly the implementation of the first Five-Year Plan started 3 years ago, and prospects for the economy in the future, especially with regard to the second Five-Year Plan.

The salient points treated in the speech deserve to be noted here, namely a review of past performance; the role of foreign investment and stress on certain aspects of equitable proportion of growth or social development.

With respect to past performance in stabilization and development activities impressive achievements have been recorded, in the sectors of production and in trade, monetary and finance. The main achievements have been:

1. curbing the rate of inflation from an extreme rate of 650 per cent in 1966 to 2.47 per cent in 1971,
2. an increase by an annual rate of 15 per cent in development expenditure through the budget (if we include government expenditure to the provincial governments and government projects financed by foreign loans, the figure is higher, up to 30 per cent annually),
3. an increase in export earnings by 15 per cent annually,
4. an increase in domestic savings in the forms of time deposits, and
5. an increase in the production of rice, textile, and some other manufactures.

On the whole, all these activities resulted in a GNP growth rate of 7 per cent annually (in real terms) for the past 4 years. Even though Indonesian statistics are to be accepted with some reservation, different estimates on the growth rates of the economy show similar figures. The World Bank mission to Indonesia has even estimated that the more likely growth rate for the period is 8 per cent per year.

Some estimates show that agriculture has increased by 4.1 per cent, while manufacturing shows a 10.9 per cent increase. Mining and construction activities have been increas-

ing at much higher rates than agriculture and manufacturing. A rate of growth of 7 per cent is relatively high for a developing country such as Indonesia. Even if we take into account the 2.5 per cent rate of population increase the rate increase of GNP per capita will still be 4.5 per cent. This achievement is indeed impressive considering the deterioration of the economic system in the early 1960's, when the GNP rate increase was less than 2 per cent annually.

THE ROLE OF FOREIGN CAPITAL

Concerning the role of foreign capital in the development process, the President touched upon the problems to be faced in our economy, namely, that on the one hand foreign capital is a must for economic development, while on the other hand the influx of foreign capital could create certain problems in the Indonesian economy. The fact that a developing economy needs a capital inflow is self-evident. The process of development will not reduce the need of foreign exchange and foreign capital. The need to raise the rate of investment in the process of development requires, at least to some extent, an influx of foreign capital into the economy. This could only be balanced by increasing the capacity of the economy to export and the flow of capital through official aid and private investments from abroad.

With respect to official aid the President explicitly stated that such aid must serve the interests of the society, which means that,

- foreign aid should be unconditional,
- it should fit the need of present development activities,
- it should be in the form of soft loans.

The last criteria basically means a condition of 3 per cent rate of interest per year at the most; 25 years duration with a 7-year grace period. The limit of official aid as far as the Indonesian economy is concerned would be an annual debt repayment of less than 20 per cent of our total export profits. With respect to foreign investments, the President said that they should operate in Indonesia under the following conditions:

- that foreign companies employ more Indonesians,
- that they give the opportunity to Indonesian personnel to participate in the management of their companies, and such investments should preferably be in the form of joint-ventures with Indonesian businessmen.

Some macro estimates show that the rate of investment last year (1971) was about 12 per cent of the total GNP, while

the domestic investment ran about 7 per cent respectively. This means that 5 per cent of all investment has been financed by foreign sources, both government and private. This indicates that the role of foreign capital has been substantial in past development. It seems very probable that in the near future at least, this tendency will remain significant. The Government's policy seems to be one of welcome for any foreign sources which are poured into the economy, but at the same time the Government has certain objectives concerning the structure and process of national development which must be honored by any party interested in doing business in Indonesia.

The last point of the President's speech to be reviewed here is the stress on certain aspects of a more equitable distribution in the process of development. At the beginning of his address President Soeharto explicitly stressed that the Indonesian economic development is the development of Indonesians in their integral persons and the development of the Indonesian society as a whole. It is not only concerned with material well-being but also with spiritual values and the development of these two factors in a harmonious and balanced way.

It is indeed timely that at this point we should keep in mind that economic development is not identical with economic growth, even though it is one of the most important aspects of development. At the present, there is a tendency for some to stress the meaning of "quality of life" as the single objective of the development process; we should, however, be careful not to restrict our view of development.

Economic development is aimed at the betterment of the social as well as the economic well-being of the whole society. Economic growth, measured by increase in the national income, has to be accompanied by a more equitable distribution of this increase. It has been wrongly assumed that the problems of distribution will be solved automatically as soon as the problems of economic growth have been solved. Contemporary history bears witness to the fact that successful economic growth not accompanied by a more equal distribution of income has been disastrous. So that a conscious policy has to be pursued to equalize the distribution of income alongside efforts for economic growth too. A conscious policy on this aspect of development will have some bearing on other policies such as those concerning population problems, employment, investment, taxation, introduction of technology, etc. Two other points related to social development were also mentioned by the President, namely family planning and the role of indigenous businessmen in the economy. With respect to family planning it was reported that the implementation

of the program for the fiscal year 1971/72 resulted in attaining double the number of participants than the figure aimed at. The total number of acceptors of the family planning program for the period was 0.5 million. And the target for the fiscal year 1972/73 is 1 million acceptors. Considering that family planning was almost a taboo in the past, and that as a national program it was only begun in the year 1971, its development has been very encouraging. The fact that 'planning your family small' has become a household word for many Indonesians, is in itself a very encouraging fact. For a nation of 120 million people with a high birth rate yet who aspire a better general living standard, there is indeed no other choice than family planning which aims at small families. Closely related to this program is the effort to correct a general nutrition deficiency among the people. In a previous speech the President had already stressed the importance of increasing the protein and vitamin content of meals. An extensive program of chicken farming, for example, has become a government sponsored activity to help achieve this objective. No doubt this is a very important aspect of social development being pursued by the government.

The President also mentioned the role of indigenous entrepreneurs or indigenous businessmen in the economy. His statement could be looked upon as a policy guide concerning the long standing issue on this matter. The President pointed out that we should take an honest look at this sensitive problem, leaving aside any prejudice or racial discrimination. It has been a fact that there is some social dislocation in a society where on the one hand a small group holds a very strong position in the economy and on the other a very large group is in a very weak position economically. The economically weak group in most cases happens to be indigenous Indonesians. It has been a fact that the economically weak group has not been able to fully participate in the process of development and therefore to benefit from the returns of development activities.

The Government policy has been and will be in the future, to enhance the role of the economically weak group to participate more in the process of development. The development program will be directed towards spreading the participation of the people in the process of development and hence the opportunity to benefit equitably from the results of economic growth. This policy, however, will not and must not be interpreted as deliberately eliminating the role of the economically strong group. The growth, however, should be more and more channelled to open opportunities for the other group to grow. Both parties should work together as "co-partners" in the process of development.

THE INDONESIAN QUARTERLY

- 16 : Meanwhile the House of Representatives started again for sessions. Some legislations are to be completed, among others Marriage Legislation, Continental Shelf Legislation and Legislation on Social Welfare; and the authorization of the State Budget for 1973 — 1974.
- 23 : Conference of all Provincial Governors was held in Jakarta, of which the main purpose is to set up harmonious plans of activities between the Central Government and the Provincial Administrations. President Soeharto addressed the Conference insisting that policies drawn up by the Central Government are to be accurately implemented by all local administrations. The local administrators must gain financial sources only through legal means and activities without imposing any burden to the population. Two main major problems were stressed by the President namely the MPR Plenary Session to be held in March 1973 and the Second Five-Year Development Plan.

SEPTEMBER 1972

- 23 : Resolution on the fostering of national enterprises was accepted by the House of Representatives, added with several recommendations for the Government to realize basic pre-requisites necessary for the development of national enterprises.
- 23 : A meeting was held between President Soeharto and the leaders of the Political Factions. They agreed on the necessity of reform in political structure to get a simpler and more effective political structure in Indonesia.

OCTOBER 1972

- 1 : The People's Consultative Assembly (Majelis Permusyawaratan Rakyat/MPR) was officially inaugurated. The Assembly is the political body exercising the People's sovereignty. The inauguration was soon followed by the preparatory sessions for the coming MPR Plenary Session in March 1973.
- 2 : The closing of the MPR preparatory sessions. Main important decrees have been issued, i.e.:
1. On the MPR Chairmanship.

Chairman and Vice-Chairmen of the DPR (the House of Representatives) are ex-officio Chairman and Vice-Chairmen of the MPR. One Vice-Chairman is to be added to represent the Regional Faction which is not existing

in the House. The present Chairman and Vice-Chairmen of the MPR are respectively Mr. Idham Chalid, Mr. Sumiskum, Mr. Domopranoto, Mr. Mh. Isnaeni, Mr. J. Naro and Mr. Kartijo. Mr. Kartijo is representing the Regional Faction and at the same time presided the preparatory committee.

2. On the Composition of Factions.

There are five factions existing in the present MPR, namely :

— the Armed Forces Faction	230 members
— the Regional Faction	130 members
— the Democratic Development Faction	42 members
— the Functional Development Faction	392 members
— the Unified Development Faction	126 members

3. On the MPR Working Committee.

A Working Committee is established to make due preparation for the MPR Plenary Session. The Committee consists of 45 permanent members which is proportionally to the alternate members.

4. On the programmes of the coming MPR Plenary Session.

Basic programmes must be prepared by the Working Committee, i.e.:

- the MPR Ordinances
- the Outlines of State Policy
- Regulation on election of the President and the Vice-President
- Revision of previous MPR decrees.

On Politics

Economic development has its importance for the political stabilization and reform. President Soeharto stressed that political reform is to be fostered. Further explanation was given that political was by no means to be understood as stagnizing any political aspiration or activities.

On Education and Cultural Affairs

President Soeharto explained that development in the sector of education will hasten the realization of equal opportunities

for the whole people to obtain education. Meanwhile the President touched upon the efforts to standardize the Indonesian language, starting with declaring the Improved New Spelling to be officially effective.

On REPELITA II (The Second Five-Year Development Plan)

"The time has come", said President Soeharto, "to start thinking about the Second Five-Year Development Plan; draw a general picture of what we desire and the scope of our capabilities to achieve it". "In this Second Five-Year Development Plan, another matter that immediately comes to the fore is the expansion of the field of employment".

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Young journalist, poet and essayist, interested in social and cultural
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POPULATION BY PROVINCE, SEX AND DENSITY*)

Ser. No.	Province	Population			Area (Km ²)	Density per km ²
		Male	Female	Both sexes		
1	2	3	4	5	6	7
1	D.I. Aceh	1 010 192	998 726	2 008 918	59,814	34
2	Sumatera Utara	3 339 865	3 282 828	6 622 693	70 804	94
3	Sumatera Barat	1 355 732	1 437 464	2 793 196	66 080	42
4	R i a u	844 028	797 563	1 641 591	124 084	13
5	J a m b i	518 628	487 456	1 006 084	62 150	16
6	Sumatera Selatan	1 732 504	1 711 245	3 443 749	103 268	33
7	Bengkulu	260 918	258 366	519 366	21 082	25
8	Lampung	1 420 756	1 356 329	2 777 085	33 892	82
	S u m a t e r a	10 482 623	10 330 059	20 812 682	541 174	38
9	DKI Jakarta	2 336 601	2 239 408	4 576 009	576	7 944
10	Jawa Barat	10 707 523	10 925 161	21 632 684	49 118	440
11	Jawa Tengah	10 717 803	11 159 278	21 877 081	34 503	634
12	DI Yogyakarta	1 218 201	1 271 797	2 489 998	3 140	793
13	Jawa Timur	12 457 993	13 068 721	25 526 714	47 366	539
	Jawa + Madura	37 438 121	38 664 365	76 102 486	134 703	565

Ser. No.	Province	Population			Area (Km ²)	Density per km ²
		Male	Female	Both sexes		
1	2	3	4	5	6	7
14	Kalimantan Barat	1 030 806	989 130	2 019 936	157 066	13
15	Kalimantan Tengah	355 682	343 907	699 589	156 552	4
16	Kalimantan Selatan	841 370	857 735	1 699 105	34 611	49
17	Kalimantan Timur	391 126	342 410	733 536	202 619	4
	Kalimantan	2 618 984	2 533 182	5 152 166	550 848	9
18	Sulawesi Utara	867 641	850 514	1 718 155	24 289	71
19	Sulawesi Tengah	470 010	443 652	913 662	88 561	10
20	Sulawesi Selatan	2 540 179	2 649 048	5 189 227	82 768	63
21	Sulawesi Tenggara	346 179	367 941	714 120	32 036	22
	Sulawesi	4 224 009	4 311 155	8 535 164	227 654	37
22	B a l i	1 051 329	1 069 009	2 120 338	5 623	377
23	Nusa Tenggara Barat	1 095 912	1 106 421	2 202 333	21 740	101
24	Nusa Tenggara Timur	1 152 302	1 142 643	2 294 945	48 889	47
25	M a l u k u	556 954	531 991	1 088 945	83 675	13
26	Irian Barat	483 130	440 310	923 440	412 781	2
	Pulau-Pulau Lain	4 339 627	4 290 374	8 630 001	572 708	15
	I N D O N E S I A	59 103 364	60 129 135	119 232 499	2 027 087	59

* Source : 1971 Population Census: Population by Province and Regency/Municipality - Preliminary Figures, Central Bureau of Statistics, Jakarta 1972.

