National Day of Indonesia

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PRESIDENT SOEHARTO

Indonesian Economy Attains Robust Growth

A FACT-SHEET

Basic Facts

Geography: Largest archipelago in the world, over 17,000 islands with a land area of 1.9 million km² (733,590 sq. miles) stretched along the equator for some 3,200 miles.

Population: 197 million (1995), the fourth largest after China, India and the USA.

Natural Resources: A wealth of minerals including oil, natural gas, coal, tin, copper, nickel, gold, forests and fertile land.

Trade: 1995 exports US$ 45.5 billion, of which non-oil and gas exports US$ 34.9 billion. Main exports: oil, LNG, textiles, garments, plywood, shoes processed rubber, electrical and electronic goods, and fishery produce. Imports US$ 37.1 billion, of which raw and processed materials US$ 27.1 billion, capital goods US$ 7.9 billion, consumption goods US$ 2.1 billion.

GDP: US$ 190.3 billion in 1995. Annual growth 8.3% on average 1989-1993, 7.5% 1994 and 8.1% 1995. GDP per head US$ 1,023, GNP per head US$ 978.

Stock Market: Main exchange Jakarta: 239 listed firms, 45.8 billion listed shares capitalised at Rp. 152.2 trillion (US$ 67 billion) at end 1995.

Investment

Based on a revision of the national accounts to 1993 prices, GDP grew by an annual average 8.3 per cent over five years to 1993, by 7.5 per cent in 1994 and by nearly 8.1 per cent in 1995.

With the economy growing more rapidly than previously anticipated, the Government has revised upwards both the projected annual average growth rate and the investment requirements for the current five year development plan (Sixth Five Year Development Plan — Repelita VI) to FY 1998/99. Economic growth is projected at 7.1 per cent a year on average (up from 6.2 per cent previously) while total investment requirements are estimated at Rp. 815 trillion (US$ 370 billion) compared to the earlier estimate of R. 660 trillion.

Although some 180 state firms continue to operate alongside private enterprises, the focus today is on increased efficiency within state firms, including privatisation where feasible, coupled with an expanding role for the private sector. In recent years, central government investments have been increasingly focused on providing support to physical infrastructures and human resources development, with fiscal and monetary policies aimed at maintaining a stable macro-economic climate in which private investment can flourish.

Private sector participation has been long established in Indonesia's oil and gas industry. With production beginning more than a century ago, Indonesia is the third oldest oil producer in the world after the USA and Russia; and is the 14th largest oil producer with output of 457 million barrels of crude and condensate in 1995. Although the sector's contribution to the economy has declined from its peak in the early 1980's — when it accounted for 80 per cent of export earnings and two-thirds of Government revenues — crude mining and refinery processing still contribute some 11 per cent of GNP. In addition, exports of crude, condensate and other oil products earned a little over US$ 6 billion of foreign exchange earnings in 1995. Indonesia also exported a little under US$ 4 billion worth of liquified natural gas in 1995, enabling the country to retain its place as the world's biggest exporter of LNG.

Under Indonesian law, exploitation of petroleum and gas resources is reserved to the state. Nevertheless, and primarily under production sharing contracts (PSCs) with state oil firm Pertamina, private international oil companies have been the dominant force in the industry, accounting for 95 per cent of crude output with an estimated US$ 43 billion of exploration, development and production expenditures over the fourteen years to 1995 alone.

Although Pertamina believes current levels of crude production can be sustained at around 1.5 million barrels a day at least through to the end of the present decade, increased focus is being placed on natural gas which is seen as assuming the role of oil as a major contributor to export revenues and as a prime source for meeting domestic energy requirements. Development of the estimated 45 trillion cubic feet of recoverable natural gas reserves in the Natuna field off East Kalimantan will assure Indonesia's role as a major gas producer and exporter into the next century. Private investors are expected to provide the estimated US$ 351 to US$ 40 billion required to exploit the field, making it one of the largest and most expensive energy projects ever undertaken. Private investors are also expected to be the major players in the Government's longer term plans for a more than US$ 1 billion gas grid in Sumatra and Java.

The changed investment climate brought about by deregulation — which includes allowing 100 per cent foreign-owned projects throughout Indonesia and joint-ventures between foreign firms and state enterprises in strategic sectors of the economy — has stimulated rapid expansion of direct investment under the schemes administered by Indonesia's Investment Coordinating Board. Between 1967/68 — when the modern domestic and foreign investment laws were enacted — through April 1996, accumulated approvals for domestic investments totalled Rp. 422.4 trillion, while approved foreign

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Indonesia to Make 80-130 Seater Aircraft

President Soeharto said that the State Aircraft Industry (IPTN)'s plan to manufacture 80-130 seater aircrafts N-2130 was not meant to bring the country's prestige.

The aircraft is needed by the Indonesian people in the years to come, Soeharto said at the Merdeka Palace after witnessing the signing of a Memorandum of Understanding (MOU) between PT IPTN and PT Dua Satu Tiga Puluh (DSTP) recently.

The MOU was signed by State Minister for Research and Technology, B J Habibie representing PT IPTN and State Minister/Cabinet Secretary, Saadillah Mursjid on behalf of PT DSTP.

PT DSTP was established by its Directors Haji Muhammad Soeharto, Umar Wirahadikusumah and Sudharmono with an authorized capital of US$ 400 million and a paid-up capital of US$ 100 million.

The company was set up to raise private funds worth US$ 2 billion to finance the design, production and certification of the aircraft.

Towards that end, the company plans to float a total of 100,000 shares, each with an initial value of US$1,000.

The President said it would take five to eight years for IPTN to produce the N-2130 aircrafts.

State Minister for Research and Technology and President Director of IPTN, while presenting models of the N-2130 to President Soeharto, said that three types of aircraft would be made with different seating configurations. The first type would have 80 seats, the second 100 seats and the third 130 seats, he added.

Minister Habibie further said that the N-2130 jetliner would have a cruising speed of 232 kms per hour with maximum flying altitude of 39,000 feet (11,890 metre). The new aircraft is expected to be certified between April 2004 and May 2006 while the first delivery is slated in June 2006.

Jakarta Offers Model for Foreign Investment

ADMINISTERED by the Agency for Investment Coordination (Badan Koordinasi Penanaman Modal - BKPM), Indonesia's domestic and foreign investment laws have provided one of the main frameworks enabling the country to enjoy a steady performance over the past two decades in private sector capital formation from domestic sources while, at the same time, consistently ranking as one of the world's leading targets for foreign investment.

Indonesia is fortunate to possess an abundance of natural advantages which has provided the basic foundation for development. Among the country's many strengths drawing investors over the past 25 years have been:

- political stability;
- broad consistency of economic policies which has facilitated and underpinned macroeconomic stability;
- a rich endowment of natural resources;
- a regulatory environment increasingly supportive of business generally and export activities in particular;
- an expanding and increasingly strong domestic market;
- a large work force that is growing in educational achievement and possessed of a widening range of management, business and industrial skills;
- a strategic location in Asia and within the Asia-Pacific rim, placing Indonesia within the world's most economically dynamic region.

With these basic economic strengths behind it, deregulation of the country's investment regime has fundamentally changed the investment climate, providing, in the process, perhaps the most vivid illustration of the Government's policy to encourage increased economic participation by the private sector.

Since the mid 1980s, the Government has moved aggressively to meet Indonesia's need for increased levels of investment and capital formation. Steps taken include streamlining approval procedures, reducing initial capital requirements and opening more sectors of the economy to private domestic and foreign investment.

In the year 1989, the Investment Coordinating Board scrapped a cumbersome list of areas open to foreign investment and replaced it with the Negative Investment List(DNI), which simply itemizes the relatively few areas completely closed to domestic and foreign investment and other areas where foreign investment is permitted subject to certain restrictions and limitations.

In May 1994, the Government implemented the most sweeping liberalization of investment requirements to date. Key measures introduced include the following:

- permitting 100 per cent foreign ownership of projects throughout Indonesia and not, as previously, simply for those with $50 million initial capital investment or located in less developed regions;
- reducing the minimum equity holding for Indonesian partners in joint venture projects from 20 per cent to five per cent;
- abolishing the previous compulsory requirement on foreign investors to gradually divest 51 per cent of quite to Indonesian partners;
- freeing foreign investors and their Indonesian partners to determine between them changes in the composition of quite ownership;
- abolishing previous minimum paid-in capital requirements, with investors now permitted to determine capital outlay based on the commercial viability of projects;
- clearly setting the validity of foreign investment licences at 30 years initially with provision for extension for a further 30 years;
- opening-up to foreign participation and operation a number of strategic sectors previously closed to foreign private investors, including telecommunications, traditional power generation and distribution, nuclear power, sea-ports, railways and civil aviation.

The Foreign Capital Investment Law provides a broad statutory framework for the encouragement, protection and regulation of foreign direct investment. Foreign investors are given a number of investment guarantees and protections. The law guarantees that after tax profits, depreciation of capital assets and proceeds from the sales of shares to Indonesian persons may be repatriated in the original investment currency at the rate of exchange prevailing at the time of repatriation.

The law prohibits nationalisation or revocation of ownership rights except by statute in the national interest. Investment guarantees have been concluded with a number of countries, which generally provide for compensation in the event of nationalisation or expropriation, losses due to war, revolution or insurrection, and losses resulting from the inconvertibility of the rupiah.

Foreign capital companies may obtain the benefit of land under certain types of title. The two principal titles are the right of building, meant for industrial and real estate pro-

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Indonesia Continues to be a Tourist Haven

SOME 90 activities are being held on the international level throughout 1996 to promote world tourism. Indonesia will be a part of this in its continuing efforts to boost the country's tourism. A variety of tourism-related events are being included to highlight Indonesia's theme for tourist promotion in 1996. In the sphere of tourism promotion, Indonesia will introduce incentive travelling products to the Asia region (Taiwan and Korea), South Africa (Capetown) and Europe (Geneva).

Records at the Directorate-General of Tourism show that in 1995, tourism brought in an estimated US$5,232.62 million for Indonesia. This represents a 9.3 per cent increase in foreign-exchange earnings from the previous year, while arrivals increased by 7.8 per cent.

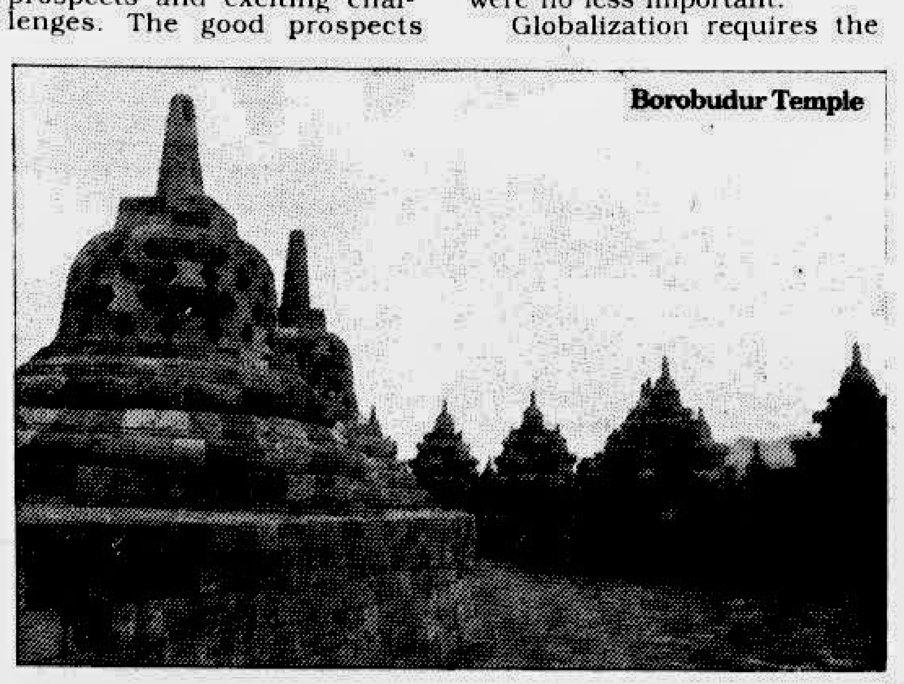
The government's 1996 target for foreign tourist arrivals was set at between 4,780,000 to 5,050,000 and receipts at between US$6,572 and US$6,944 million. In January 1996 alone, 290,839 foreign visitors were welcomed and accounted for an estimated US$ 352.44 million in foreign-exchange earnings. Arrivals increased over the same month in the previous year by 2 per cent, and foreign-exchange earnings by 2.3 per cent.

During the year 1994, total arrivals by country/area were as follows : the United States 235,544, Europe 917,490, Africa 25,544, the Middle East 24,152, ASEAN 1,342,749, and the Asia Pacific 1,459,833.

Indonesia's tourist industry in the years to come will be characterized by good prospects and exciting challenges. The good prospects mean great opportunities for Indonesia, because of its rich assets. In addition, the development of other sectors has made a significant contribution to the growth of the tourist industry. One sector undergoing continuous refinement is infrastructure, namely roads and highways harbours, clean water, energy, telecommunications; the political scene and stability, and a much improved rate of economic development were no less important.

Globalization requires the enhancement of professionalism on the part of the government as well as the private sector in dealing with tourism, so as to improve the competitive edge. This would, in a broad sense, allow Indonesia to become a comfortable, attractive and competitive tourist destination.

The government, in its efforts to attract more arrivals, initiated a new policy in 1993 that exempted citizens of 45 countries from short-visit visas. By Decree of the Minister for Justice No M 02-IZ.10.021/1993, citizens of the following countries can visit Indonesia for a maximum of two months without having to obtain visas: Argentina, Australia, Belgium, Brazil, Brunei Darussalam, Canada, Chili, Denmark, Egypt, Finland, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Italy, Japan, Kuwait, Liechtenstein, Luxembourg, Malta, Malaysia, the Maldives, Mexico, Monaco, Morocco, the Netherlands, New Zealand, Norway, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, the Philippines, the United Arab Emirates, the United States of America, Venezuela, Yugoslavia, and Taiwanese holders of code MFS/M.



Borobudur Temple

MESSAGE

Assalamualaikum Warohmatullahi Wabarokatuh.

Today is the 51st Anniversary of Proclamation of Indonesian Independence. On behalf of the Government of the Republic of Indonesia and the entire Indonesian nation, I would like to extend warmest greetings to the Government and the people of Bangladesh on this happy occasion.

This year, we celebrate the Indonesian Independence day, both in Indonesia and in Bangladesh with a striking difference. Indonesia has entered the new phase of development taking the Republic to the 21st century under the dynamic leadership of His Excellency President Soeharto. The new century is expected to have in its fold many new developments for greater interest of the Indonesian nation. Here in Bangladesh, we celebrate the Indonesian Independence in a new democratic environment. A representative Government has assumed office in Bangladesh with Her Excellency Sheikh Hasina as the Prime Minister. Indonesia has acclaimed her election and hopes that Bangladesh has entered a new phase of political stability and economic development under her dynamic leadership. On this august occasion of the 51st Anniversary of Indonesian Independence, I would like to take this opportunity to felicitate Her Excellency Prime Minister Sheikh Hasina for her election victory.

Indonesia has reasons to be joyous in commemorating the 51st Independence day. Just after having celebrated the 50th Anniversary of Independence day, Indonesia is now engaged in commencing the Second 25-year Long Term Development Plan which begins with the Sixth Five Year Development Plan from 1st April 1994. Today, Indonesia is being cited by international agencies as a model for developing countries to follow. This is because Indonesia's approach to economic management illustrates the need for a country to initiate the policy steps required for desired restructuring and reforms. By pursuing its own deliberate-strategies, Indonesia has demonstrated its ability to retain control over the pace and the manner of change. I am happy to note that Bangladesh Finance Minister S A M S Kibria has also reflected the priorities of Bangladesh economy in a similar fashion, when he said recently that Bangladesh will listen to the advice of donors but will choose its strategies as per needs of the people.

Today, as the world's fourth most populous country, Indonesia has successfully diversified its economy. During the first stage of the Long Term Development Plan, the Gross Domestic Produce has grown at a rate of 8.3 per cent a year. This has been made possible because of an average annual growth rate of 12.4 per cent in the non-oil industrial sector, while a 3.6 per cent annual growth rate experienced in the agricultural sector and a 6 per cent in the services sector.

In 1969, precisely at the beginning of the First Five Year Development Plan which is known as REPELITA-I with population of 150 million Indonesia's per capita income was only US$70. At that time, Indonesia was classified as one of the world's poorest country. Exactly 25 years later, thanks to the success of the national development achieved during the New Order Government under the wise leadership of President Soeharto, with population of 193 million Indonesia's per capita income has gone up to US$1060 which brings Indonesia to be regarded as a middle income country.

Indonesia also offers precious experience for developing countries in bringing the inflation under control due to a high growth of the Indonesian economy followed by an increasingly solid economic stability. The average inflation rate between 1961 and 1965 reached over 250 per cent. The highest inflation rate was in 1966 when it reached around 650 per cent. Entering the decades of the Eighties and the Nineties, the inflation rate was brought down significantly to only under 10 per cent.

In political arena, both Indonesia and Bangladesh follow the Charter of the Non-Aligned Movement which was born in Bandung, Indonesia in 1955. The Indonesian Government is delighted to know that Her Excellency Sheikh Hasina, immediately after assuming her office as Prime Minister of Bangladesh, reaffirmed her government's adherence to the principles enunciated by the Non-Aligned Movement. Bangladesh is also on record as having lauded Indonesia's leadership and role in espousing the cause of non-alignment. It is worth mentioning that Bangladesh Foreign Minister, His Excellency Mr Abdus Samad Azad still fondly remembers his close association with His Excellency Ali Alatas, Foreign Minister of Indonesia during the United Nations General Assembly (UNGA), when His Excellency Mr Adam Malik, the then Foreign Minister of Indonesia was the President of the UNGA. I am happy to learn, in his statement recently His Excellency Mr Abdus Samad Azad reiterated his government's political determination to forge closer relations with Indonesia.

I am pleased to note, on the occasion of the 51st Anniversary of the Indonesian Independence today, bilateral relations between Indonesia and Bangladesh are coming more closer with the passage of time. Today, thanks to the initiatives of private sectors of the two friendly countries, various Indonesian commodities such as steel products, textiles, chemicals and many more items are available in Bangladesh market, in Dhaka and other cities as well. Besides, furniture, glasswares, toiletries, instant noodles and canned food from Indonesia have found their way into the homes of Bangladesh people. This in effect brings to the fore, people-to-people contacts which both the Governments of Indonesia and Bangladesh are striving to achieve. The Indonesian Embassy in Dhaka has, over the years worked hard to remove information gap that was long existing between the two friendly countries. High level visits to and from Indonesia by political leaders and high officials have further narrowed down the gap. While His Excellency President Soeharto visited Bangladesh in 1979, a number of political leaders and high officials from Bangladesh paid visits to Indonesia to beef-up the bonds of amity between the two countries.

Most striking feature of Indonesia-Bangladesh relations is the fact that Indonesian experts and officials continuously share their rich expertise and experience with their Bangladesh counterparts under the ambit of the Technical Cooperation among Developing Countries (TCDC), sponsored by the Government of Indonesia. Hundreds of Bangladesh experts and officials including senior bureaucrats went to Indonesia to gather experience through participation in various training programmes organised by the Government of Indonesia and subsequently to apply those appropriate technologies of different core fields in Bangladesh.

The TCDC Programme, which results in enhancing south-south cooperation, began after the signing of its Agreement on 21 November 1979 in Dhaka during the visit of His Excellency President Soeharto to Bangladesh. Since then, an average of 17 training programmes are being offered by the Indonesian Government to the Government of Bangladesh annually. The average number of experts and officials from Bangladesh participating in those TCDC training programmes is 22 annually, while in fiscal year 1995-1996 a total of 27 was participated. The training programmes being offered by Indonesia to Bangladesh under the TCDC cover various fields such as integrated urban development; rice production technique; earthquake disaster management; agricultural extension; oil refinery operation; community participation in family planning; rehabilitation of the handicapped persons; community health development enhancement; irrigation and drainage engineering; pest surveillance; veterinary drug improvement; development of self-help organisation in rural development undertaking; erosion and sediment control engineering; integrated technology for housing strategies; value added tax; housing for low income community and many more. All those training programmes go a long way complementing efforts towards alleviation of poverty of millions, being actively undertaken by the Government of Bangladesh.

Indonesia also feels proud of being associated with Bangladesh in its struggle to control population growth as a pre-condition to a successful national development. About 800 family planning officials from Bangladesh have so far participated in training-cum-study tour in Indonesia to gather expertise and experience in controlling its population growth.

I am looking forward for burgeoning Indonesia-Bangladesh relations under the democratic government of Her Excellency Prime Minister Sheikh Hasina. I am happy to learn the political commitment made by Foreign Minister, His Excellency Mr Abdus Samad Azad to forge closer relations between our two friendly countries. Let the 51st Anniversary of Indonesian Independence be a turning-point in further enhancing bilateral relations between Indonesia and Bangladesh. Indonesia greatly values the people's will displayed through the June 12 Parliamentary Election in Bangladesh. I sincerely hope that a politically stable Bangladesh will emerge as one of the tigers in Asia.

Long live Indonesia-Bangladesh friendship.
Dirgahayu persahabatan Indonesia-Bangladesh.
Wassalamualaikum Warohmatullahi Wabarokatuh.

Hadi Wayarabi Alhadar
Ambassador of the Republic
of Indonesia to Bangladesh