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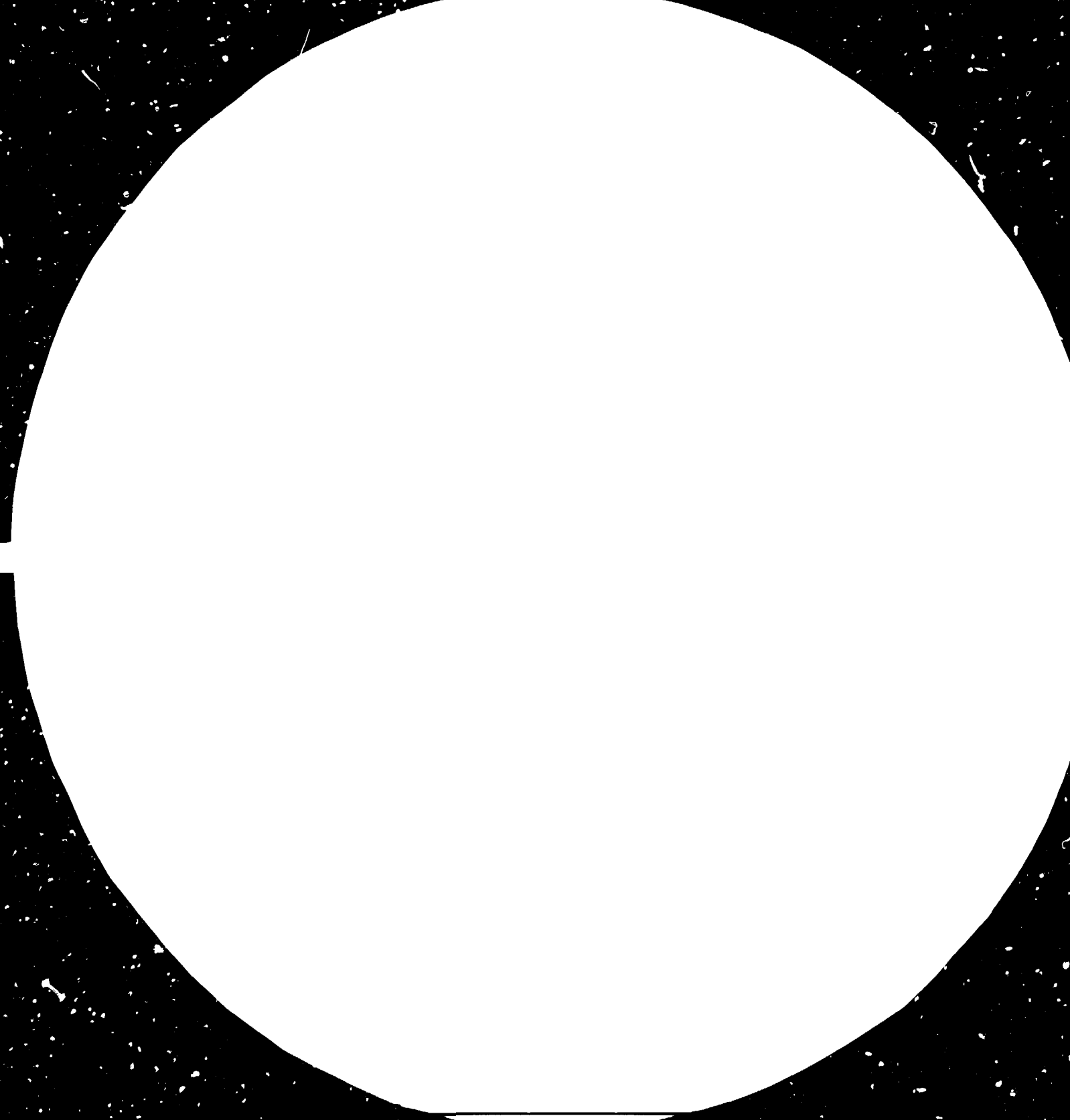
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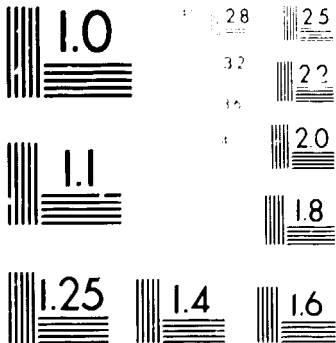
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MODES AND WAYS OF CO-OPERATION AT REGIONAL LEVEL*

prepared by

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i. Introduction

1.1. General

Indonesia is in the last year of the third Five year Development Plan and intensively preparing the fourth Five Year Development Plan that will be started next month.

It is worth noting that the development plan will emphasize industrial development to stimulate the balance of the economy.

It had been shown that considerable economic progress was achieved during the last 3 periods of the Five Year Development Plan with economic growth at a level of 7.5 annually.

It is to be expected that in the next decade economy will also achieve quite considerable growth.

1.2. Aim of the development.

The development in Indonesia is not only directed to achieve a quite high increase in its economy, but also directed to realize the equal distribution of the national development throughout the entire area of the country.

As Indonesia is an archipelagic country which consists of more than 13.000 islands extending about 3.000 N.M east to west and 1.000 N.M from north to south, it is no doubt that the development of the nation should be fully supported by sea transportations. With the present improved economy, the activities of sea-borne trade is estimated to increase more

rapidly in the years to come. In this connection, therefore, the development of sea communication should be adjusted in such a way so that the national overall transportation system can be created. The facilities of sea communication, which have been stepped up, cover the development of the marine fleet and its supporting facilities such as harbours, safety of shipping, shipyards and dockyards, shipyard's supporting industries e.t.c.

2. Marketing Information

2.1. Repair

Docking facilities in Indonesia have still not able to fulfill domestic docking requirements. Out of 4.2. million DWT of marchant fleet of Indonesia, only about 35 % can be maintained by domestic dockyards which has maximum capacity of 30.000 DWT. Due to this condition, the Government still allows Indonesian ships to be repaired overseas.

2.2. New building

It is the Government policy that the building of new ships should be done locally as far as the domestic shipyards capable of doing it. The present shipbuilding capacity is up to 8.000 DWT.

2.3. Exchange of information

Exchange of information on shipbuilding and shiprepair among the developing countries in Asia and Pacific region are necessarily to be developed.

This needed information includes the patron development of existing supporting industries.

3. Joint venture promotion

3.1. Priority projects

Indonesia offers a wide range of incentives and guarantees investing in priority projects.

To improve the shipbuilding and shiprepair industries, the Government still opens for new joint venture investments.

Shipbuilding and shiprepair industries are those included in the priority list. It also includes its supporting industries such as articles for ship industries.

Generally, the projects which are included in the priority list would have some benefits and facilities such as

3.2 Taxes

3.2.1. Tax holiday for priority projects.

Investors in priority industries qualify for a basic two-year exemption from corporation tax.

3.2.2. Dividend taxes

Shareholders receiving dividends are exempt from dividend tax for the period of company's tax holiday as long as this dividends are exempted from tax in the shareholder's home country.

3.2.3. Stamp duty

Priority projects are exempt from capital stamp duty an issued and paid - up capital originating from foreign investment.

3.2.4. Investment Allowance

Investment allowance are granted for second priority ventures, which might not qualify for full cooperation tax exemption.

3.2.5. Carry forward of losses

Any losses incurred may be carried forward for four successive years.

3.2.6. Accelerated Depreciation

Accelerated depreciation of fixed assets is allowed.

3.2.7. Additional privileges

Additional privileges may be granted by special Government regulations to any foreign capital enterprise that is deemed of exeptional importance to the country's economic development.

3.2.8. Additional Tax Incentives

The new incentives are designed to encourage investment in labour - intensive industry, in industry that generates significant foreign exchange earnings from exports and in industry that is located in underdeveloped areas and consequently creates new infra structural facilities and assumes greater risks.

3.3. Exemption from import duties

The entry of all fixed assets, such as machinery and equipment for the operation of the enterprise is exempt from import duty.

3.4. Foreign Exchange Transfer

Foreign currency can be transferred abroad at the current exchange rate for ; profits in proportion on the shareholding of the foreign participant, allowances for depreciation, proceeds from the sale of shares to Indonesian participants and other matters.

3.5. Freedom to manage

The investor is required to train and develop Indonesian personnel gradually to take over the running of the venture, but has full authority to determine his own management and to use foreign managerial and technical employees not available in Indonesia.

3.6. Period of operation.

The duration of permits granted with the framework of the Foreign Investment Law cannot exceed 30 years.

4. Government procurement

As had been mentioned in the previous Indonesian papers, most of shipyards in Indonesia are very much dependent on repair activities as production of new ships are still very limited.

The total rebuilding installed capacity of Indonesian shipyards are estimated about 60.000 DWT/year, but average total production record of new ships is approximately 20.000 DWT/year.

This low production figure is, among others, due to limited allocation of state budget and banking loan for ship construction, as economic development priority is still concentrated on the agricultural sector. On the other hand, however many new Indonesian ships still have to be built at foreign yards due to credit conditions which has to be complied by Indonesia.

Fortunately, in 1980 & 1981, the Indonesian Government issued decrees which regulated Government procurement to be executed by purchasing of domestically produced goods & services as far as possible.

An interdepartmental coordinating body was established to supervise Government orders in accordance with the above policy.

5. Introduction of New Technology, Ship Design and Standardization

5.1. Guidance

Application of Shipbuilding Technology in Indonesia should be harmonized with its condition.

At the moment, Indonesian shipyards are characterized by the use of large number of labour or labour intensive. This should be considered whenever new technology would be applied, to avoid negative effects on employment opportunity.

5.2. Implementation

Development of shipbuilding technology by shipyards is implemented through the building of bigger size vessels, new type of vessels or special type ships which had not yet been built before.

During the past two years, this included the building of hydraulically operated motorized hopper splitbarges, oil product carriers, modern shrimp trawlers, clamshell dredgers, offshore tin dredgers, trailing suction split dredgers, fast patrol boats, oil rig plat forms, accomodation modules etc.

5.3. R & D

The research and development in shipbuilding activities will

be conducted by the Faculty of Naval Architecture of Surabaya Institute of Technology, the Marine Development of the Agency for Research and Application of Technology and the Ship's Classification Society.

They have already acquired testing and research laboratories.

An experimental tank is also planned to be built at Surabaya Institution of Technology for operation in 1985. In the field of computer technology, several yards have already used computers for their financial and administrative operations as well as for design purposes.

5.4. Standardization

The government has also began to introduce standardization of vessels and related equipment operating in Indonesia, in order to enable domestic shipyards to attain economic scales of production.

Indonesian Industrial Standard in shipbuilding are not much different with international standard, because the study, concensus, discussion and consideration of the standard use JIS, DIN, ISO etc as references.

6. TCDC and ECDC

6.1. Present status of International Cooperation

Most of the developing countries realize that the development of their nations could only be achieved through the development of their industrial activities. Most of their technical and their management staff of their shipbuilding industries have undertaken their training or administrative and engineering in developed countries such as Japan, England, Germany, Italy, Holland etc. In the years to come, the Indonesian development plan will emphasize industrial development through the entire area of the country.

Like any other developing countries in assisting the implementation of their development programs, the Indonesian shipbuilding industry established International Cooperation with foreign countries.

The cooperations are in the forms of :

- 6.1.1. Joint execution of shipyard development/expansion projects and training of manpower.
- 6.1.2. Employing foreign experts/advisory teams.
- 6.1.3. Technical assistance agreements.
- 6.1.4. Dispatching shipyard personnel to foreign countries for study, training and upgrading.
- 6.1.5. Developing joint ventures.

Most of the cooperations are sponsored and financed by the Government through loans and grants extended by foreign Governments.

6.2. Proposal Cooperation among Developing Countries

It has been realized that engineers and workers of shipbuilding industries in developing countries are in need of extensive practical training.

Each of the developing countries had tried their best to upgrade their management as well as their engineers by the help of developed countries. But, up to now there is still no cooperation among the developing countries in this particular matter.

In order to promote technical and economic cooperation among developing countries, we consider that it would be appropriate if there would be an institution under UNIDO auspices which coordinating information exchange among the member countries.

For this purpose, perhaps a small committee need to be established to determine the form of institution and any other related matters.

In this respect, we would like appreciate it if our cities to be nominated as location for the institution. But, it does not mean that any other cities of participant countries would not have the opportunity to be nominated.

If the idea of establishing this institution could be realize,

technological cooperation among developing countries would easily be improved. We believe that UNIDO would assist us in this particular matter but the most important case is, the willingness of technologically advanced countries among the developing countries to assist the others by providing, for instance, on the job training in the field of shipbuilding and shiprepair.

