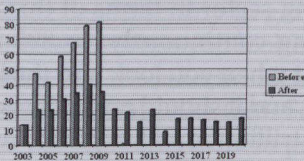


of the biggest problems that the new government will face – and this is ironic as Indonesia is a member of OPEC – is that in some cases, the value of our fuel imports is higher than that of our exports. So, for the year 2004, this subsidy amounts to 63 trillion rupiah, or close to US\$ 6 billion. This is resulting in a response in Parliament, mainly led by Golkar, meaning that there will be strong pressures in the future to cut this subsidy. This will be a very serious issue, as the size of the subsidy is quite significant compared to the development budget of the government.

Debt burden is still high

Rp Trillion Restructuring of Domestic Debt



- Despite ratio of foreign debt to GDP is declining, the burden to service the debt is still high.
- Domestic debt is very high, the govt. only able to restructure it for a longer of maturity.

And turning to the issue of the debt burden. The first chart shows domestic debt. This is the debt that the government shares through the issuing of bonds. You can see here that after 2019, there's still a maturity of 12 trillion rupiah. The red bars on the chart show debt that is being restructured, while the grey is debt before restructuring. Obviously we cannot solve these problems with the current government; instead the debt is shifted onto a future government. This is still a challenge. As for foreign debt, the ratio is declining. That's the top line in the second chart, showing the total foreign debt of the government relative to GDP. But still every year we have to pay about US\$8 billion for servicing this debt, because we cannot restructure any more. We are no longer under the IMF, so we do not have the facility for restructuring debt through the Paris Club.

These are among the implications that SBY will have to face. In the short run, the results have been positive for the financial and