



INDONESIAN CONSULATE GENERAL

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REMARKS

by

HIS EXCELLENCY SOEDJATMOKO

AMBASSADOR OF THE REPUBLIC OF INDONESIA

at

A LUNCHEON MEETING

of the

AMERICAN INDONESIAN CHAMBER OF COMMERCE

on

Thursday, June 13, 1968

at

Hotel Commodore

New York, N.Y.

It is a great pleasure for me to be here and to join you in your luncheon meeting. The fact that my friend, Mr. Ladd Johnson, is the Secretary of your organization adds a personal touch to this. It was through him that, long before I assumed my responsibilities as the Ambassador of Indonesia here, I learned about your organization and its efforts at promoting Indonesian-American economic relations. You will, I am sure, not be surprised to know that Mr. Johnson has not only given me a picture of the goodwill and interest that exists among you in the promotion of these relationships, but also has quite effectively informed me of the complaints that exist on your side in this relationship.

Be that as it may, I hope you will take my presence here as evidence of the importance which the Indonesian Government and her representatives here in the United States attach to your organization. This renewed interest in and appreciation for the goals of this association flow from the basic policies which the Indonesian Government pursues in her efforts towards achieving the stabilization and rehabilitation of the Indonesian economy. I have been sent here to represent the determination and honesty of intention of the Indonesian Government in its efforts to bring back to the Indonesian economy the essential elements of rationality and economic good sense, and it is in this light that close cooperation and consultation with organizations such as yours take their proper place.

You will undoubtedly feel relieved when I tell you that I am not going to bore you with an exposition of the stabilization policies and the policies which govern foreign investment in Indonesia. Most likely you are already familiar with them and I think that after the excellent articles appearing in the current issue of Fortune by Robert Lubar and in the May issue of the journal International Commerce there is very little of significance I could add. Rather than speak in pious generalities, I would like to say a few words on some of the concrete problems which have to be faced in our efforts at promoting closer and more mutually profitable American-Indonesian economic relations.

Some of these problems must be uppermost in your minds. I am aware, for instance, that the re-opening of our trade relations with Singapore has led to a reduction in direct trade between Indonesia and the United States. The reasons for this reduction in volume of trade are obvious, but I want to assure you that this condition is only a temporary one, imposed upon us by the pressure of immediate needs within the framework of our stabilization program. There is no doubt, as far as the Indonesian Government is concerned, that as soon as these emergency conditions are over, policies will have to be adjusted so as to make possible the restoration of broader trade patterns. And this of course includes the potential increase in the volume of direct trade between our two countries.

There are also other problems which will have to be coped with if our mutual drive for increased trade relations is to be successful. To name just a few, the speeding up of banking and customs procedures, quality control, improvement of packing, cases

of non or late deliveries, and settlement of claims. Inhibiting factors in increasing American export to Indonesia are often the higher American prices - including freight - and even more the time element in transporting products from the United States, which requires the Indonesian importer to pay high interest charges of up to ten per cent a month on rupiah borrowed to purchase the necessary foreign exchange until the goods arrive and can be sold.

For prospective American investors in Indonesia, there are other problems. Some of these, like the stability of our currency, are problems that will depend on the success of our stabilization policies and lie beyond anything we can do here. Others, like the slowness of bureaucratic procedures and instances of corruption, are problems which, with enough effort, will be overcome in due course.

We should not forget that the long period of bureaucratic mismanagement and corruption we have gone through in the last decade has given rise to well-established patterns of corruption and well-entrenched vested interests which will take time to dislodge and to destroy. We are in Indonesia engaged in a constant struggle to restore as quickly as possible sound bureaucratic and commercial procedures, to institutionalize "the rules of the game" as they are generally conceived by the trading community the world over. We are also trying to institutionalize the procedures of consideration and selection of development projects established by the World Bank and AID, based on open tenders and competitive bidding. It is, I submit, in your interest also that this fight is won in Indonesia.

You may wonder why I stress this, but our brief experience with potential investors has raised some questions in this regard.

There have been a number of attempts to get approval of certain plans by trying to go through the backdoor to the highest level of government and trying, through political intimidation, to ram these plans down the throats of the responsible officials lower down. There have been cases where, only too easily, certain companies decided to accomodate the greed of certain officials. On a different plane there have been problems arising out of a misconception of what the Indonesian Government, or for that matter almost any government of the new nations, could in honor and responsibility, accept. Some American companies have asked for exclusive exploration rights in certain fields of mining for a number of years for the whole of the Indonesian territory. We have been faced with proposals for surveys of large integrated areas of the Indonesian economic structure, providing practically monopoly rights for the company making the survey for fulfilling the needs emerging from the survey. There have been proposals for special financial arrangements for certain types of investors, by-passing the overall financial regulations which are part of our financial stabilization policies, worked out together with the International Monetary Fund.

These experiences have caused some of us to wonder whether American business has lost faith in its own creed of free competition. Does not American business believe any longer in the dynamism of its own capitalist system and the willingness of its businessmen to take prudent risks? I mention these instances because I want to appeal to you for your cooperation in helping us in Indonesia, in helping the Indonesian Government, which is committed to the restoration of rational procedures and sound business practices. We, that means you as well as

the Indonesians, have a common interest in winning this fight.

It is clear, that in the pursuit of this goal and in the search for ways of overcoming the obstacles and solving the problems I have touched on just now, we can only be successful if we work closely together. This cooperation, it would seem to me, could be effected in a number of ways. One of these, for instance, would be if some of your meetings could be attended by members of my Embassy staff or of the Indonesian Consulate General. Apart from this, we Indonesian representatives at either the Embassy or the Consulate General would welcome any suggestions which you, collectively or individually, could give us. I can assure you that any such suggestions would be given the most serious attention and, if acceptable, would be earnestly followed up.

Our joint efforts to find solutions to these problems are bound to put our ingenuity and our creative imagination to a test. It will not be enough just to think in the old established patterns Nor will it be enough to face these problems with just the thought of how to turn a quick profit. We may well have to think in terms of how to develop a closer relationship between you and your counterparts in Indonesia. Technical assistance may help raise the level of your counterpart's competence and increase the capability of his organization. We may have to look for new types of credit relationships and to develop new institutions. In this connection I should like to remind you that the Indonesian Government is interested in seeing the establishment of joint ventures between Indonesian and smaller size American investment. In fact, on foreign investments smaller than two million U.S. dollars (U.S. \$2 million) it is possible to have the benefit of

the tax privileges which larger investments automatically enjoy, if these investments are parts of joint ventures. We should therefore search for new forms of cooperation and for the establishment of new institutions. And if this search cannot be done individually then it may be done collectively. We should also think not only in bilateral terms but in regional and multilateral terms. But what is needed above all is a new ethos. It may be also in your interest to help build the conditions for continuous growth and for the development of a capable commercial and entrepreneurial middle class. It is only in this spirit that the foundations can be laid for a relationship that is both profitable and stable.

If we now cast our eyes beyond the immediate problems facing us in this respect, it should not be difficult to realize that our efforts here are only part of a general search throughout the world for new concepts, new modes of operation in the development of economic relations in the public as well as in the private sector, in aid, trade as well as private investment between the developed countries and the underdeveloped ones; between the rich and the poor, internationally as well as domestically; between the northern and the southern hemispheres of this globe. I think I do not need to elaborate on the importance of what has sometimes been called the generalization of economic development - i.e. the importance of ensuring that economic development in the world is not going to be limited to a small number of rich nations. Rapid economic development of the poor nations is a sine qua non for peace and security in the world.

Mr. Robert McNamara, in his speech in Montreal about two years ago, very convincingly presented the case of the direct

relationship between economic development and security. In that speech he stated that "Since 1958 only one of the 27 rich nations has suffered a major internal upheaval on its own territory. Since 1958, 87 per cent of the very poor nations, 69 per cent of the poor nations and 48 per cent of the middle income nations have suffered serious violence." It has since become clear that the richer nations are not exempt from their share of violence either. This violence partially seems to stem from the tension arising out of the existence of underdeveloped pockets in their societies and this in turn seems in large measure part of the more general incongruity between the rapidity of social and cultural change magnified by the modern communications system, and the rigidity and obsolescence of the institutional structure in some important sectors of these societies. Violence in the richer countries, therefore, would seem not to be of an entirely different type on the whole from that encountered in the poor countries. In any case, I think the figures presented by Mr. McNamara do present a strong case for the direct relationship between violence and economic backwardness.

It has also become clear that present concepts governing the capital flow from developed to underdeveloped countries have become inadequate. The gap between the rich and the poor nations around the globe is widening with alarming rapidity and very little is being done to stem this development. There have been no new commodity agreements, the terms of trade between the manufactured goods of the developed nations and the primary products of the underdeveloped nations are worsening. Shipping and freight rates tend to aggravate the situation. The development of synthetics in the developed countries has led to shrinking markets for the underdeveloped countries, and all of you are

undoubtedly aware of the serious consequences of the protectionist mood which seems to be growing in this country. These phenomena, as well as the increasing indebtedness of the underdeveloped countries, as a result of which, if present trends continue, by 1970 the burden of repayment and debt servicing will be equal to the entire capital flow to these countries, make it very clear that we, that is those of us who have a commitment to the development of a world system which is based on peace and justice and which will allow change to take place in a relatively peaceful manner, have to look for new concepts in the field of international economic relations. And I suggest, in trying to solve the problems that stand in the way of closer economic relations between the United States and Indonesia, you are in fact also engaged in this general search for a solution of what may be one of the most crucial problems that will affect the security of the entire world in the decades to come.

This is the case even in a narrower context. Irrespective of how the Vietnam war will reach a peaceful solution, much of the security of the Southeast Asian region in the post-Vietnam war era will depend on the way in which the United States will define its non-military and, specifically, its economic relationship with Southeast Asia. There is an inherent element of instability in the region as a result of discrepancy between the geographical distribution of ethnic units and the national boundaries that are part of the colonial heritage, between the level of expectations regarding the improvement of living standards and the actual capacities of the various governments to create such conditions, between the desire for social change and the ability of the political structures to accomodate such change,

between progress and freedom. Still, no stability is possible unless at a higher level of economic life and therefore rapid economic development is a prerequisite for political stability. Here again, economic development and the security of the area are closely linked together and America's role in helping these countries to develop economically is an essential condition for this. Of course, it goes without saying, and the Vietnam war has brought home the lesson once again, that in the final analysis it is the Southeast Asian countries themselves which will have to do the work. Foreign aid can only be supplementary, although quite often crucial, in the efforts of economic development.

But here I would like to point out that, while we customarily measure economic development by certain indices, these are merely the externals of the economic development process itself. In the last analysis we are concerned with the goals of a society, the motivations of a people and, in fact, with the will of a people to develop. This will is a political will and no amount of foreign aid or military support is capable of effectively supplementing that will; the will of a people to develop itself and to defend its national integrity and security. The Association of Southeast Asian Nations is an expression of the existence of such a will among some of the major countries in Southeast Asia. It reflects the determination of the most populous part of Southeast Asia to work out the problems of security and development of its countries together. It signifies the refusal of these countries to accept the thesis that the fate of Southeast Asia is going to be determined solely by the outcome of the Vietnam war. It is in this context that I invite you also to view our mutual

efforts to improve and develop American-Indonesian economic relations. As far as Indonesia is concerned, the political will is there, and the potential is there. It is in some small but important measure up to us here to help transform that potential into reality.
