

"WHITHER SOUTHEAST ASIA?"

ADDRESS

by

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Despite the long and tortuous road that still lies ahead, the fact that peace negotiations have started in Paris inevitably forces us to face up to the question of the future of Southeast Asia after Vietnam.

You are, of course, all familiar with the so-called domino theory. I seem to perceive a diminishing faith in the validity of this theory lately, which is all to the good, for the rather depressing prospective it offers can only lead to a sense of futility and resignation.

History simply does not function that way. We in Southeast Asia on the whole reject such theories based on the notion of historical inevitability. We have become very strongly convinced that history is what we want to make of it. What happens to a nation depends very much on the political will of the nation. The recent dramatic changes in Indonesia proves this point conclusively. Our national independence has been challenged twice by open Communist attempts at take-over. Twice we have been able to overcome that challenge on our own without outside assistance, even though at a high cost to ourselves.

The actual outcome of the peace negotiations, the

substantive terms of the agreement, as well as the way in which peace is eventually achieved in Vietnam, of course will have a great impact on the Southeast Asian region as a whole. At the same time I want to make it very clear that in our view the future of Southeast Asia will not solely be determined by what happens in Vietnam. Vietnam, or even more broadly the population of erstwhile Indochina which includes Vietnam, Laos and Cambodia, constitutes less than one-third of the total population of Southeast Asia. The population of Indonesia alone is almost half of the total Southeast Asian population. Southeast Asia's future, therefore, will depend very largely on what the other Southeast Asian countries, Thailand, Burma, Malaysia, the Philippines, Singapore and Indonesia want to make of it. I can assure you that the will and determination to work towards a non-Communist, stable and relatively prosperous Southeast Asia, free from external domination from any quarter, remains a common and, in our view, an attainable goal. In fact, the formation of the Association of Southeast Asian Nations testifies to the prevalence of such a will and such a determination. Unlike the formation of SEATO a decade ago, ASEAN came into being as a result of indigenous initiative born out of a sense of determination and responsibility to shape their own future.

Having affirmed this, however, one should also see the basic problems that afflict Southeast Asia today. Firstly, its poverty and the still sluggish pace of its economic growth. Secondly, its chronic instability, the weakness of its political institutions and threats to its security.

Let me take the problem of instability first. In large measure this is the result of the haphazard Balkanization of the Southeast Asian region by the colonial powers from the sixteenth to the nineteenth centuries. This has led to the often quite arbitrary ways in which boundaries were set by the colonial powers, sometimes butting across populations of the same ethnic origin.

It should be stated in all fairness that a number of the Southeast Asian countries have a long history of internecine strife. The history of their border disputes continues up to the present and compounds the problems resulting from colonial rule.

Moreover in various countries there is a long history of domination of one ethnic group over the other, further complicated by the fact that the colonizing power often used one ethnic group preferentially to the disadvantage of others. On the whole, colonial rule tended to freeze colonial societies, thus

depriving them of the opportunity to work out the constant realignment of political and social forces which a free development entails.

The process of decolonization now has taken the lid off these many-faceted tensions. On top of all this, after the attainment of independence, many Southeast Asian nation states have to contend with problems of serious political discontent in one form or another. This is sometimes because of long periods of neglect of outlying areas, brought about by the concentration of political attention to the capital city as a result of the prevailing structure of power. Sometimes it is the result of plain managerial incapacity. Often also it is simply because the economy has not developed rapidly enough to accommodate population pressures and rising expectations. These new tensions, then, have often become heavily intertwined with older traditional conflicts and hostility. Together with the problems that emanate from the modernization process itself, all this stands in the way of an early consolidation and stabilization.

It is against this background of instability that the attack on the poverty of the area becomes crucial. At this level of poverty none of these problems can be solved. Stability only

becomes possible at higher levels of economic prosperity. This means rapid economic development.

It is quite obvious, I think, to all the nations in the Southeast Asian region that economic development in the final analysis rests on the people themselves. Economic development will only become possible with the fullest mobilization of resources that are available to a developing nation. It requires the reorganization of that nation for development purposes and, related to this, it requires the development of a political system that will make this possible, that will release new energies and that can harness the desire for change and the will to develop that is extant among the people.

On the other hand, the role of foreign assistance in this development effort, however small in relation to the magnitude of the national effort that is required is crucial. It is important not only in terms of the transfer of capital or skills that are either non-existent or in short supply, thereby speeding up the developmental process, but also as a vehicle for the transfer of developmental values and the ethos of work and progress that is necessary to make economic growth a self-sustaining process. But even more important, because it would alleviate the burden to be carried by the indigenous population, and therefore would reduce the need for coercion in the

mobilization for development, foreign assistance in the economic development of the new nations will help determine in maybe a crucial fashion would kind of societies will eventually emerge in the Southeast Asian area. Will it be open or closed societies, increasingly free or increasingly repressive, friendly or hostile to the West? It will be an important factor in determining whether nationalism in Southeast Asia will turn its aggressive, xenophobic face towards the world, or its constructive and cooperative aspect.

Foreign economic assistance also is bound to have a bearing on the security of these nations and of the region as a whole. The only hope for a relatively stable balance of forces on the Western Pacific depends in large measure on the capacity of the Southeast Asian nations to fill the power vacuum left in the wake of the decolonization process. Their ability to stabilize their societies at a higher economic level will in turn generate the related capacity to develop sufficient indigenous strength to as to obviate the need for external powers to play a direct role in the maintenance of security in the region. International economic cooperation at this juncture, including continued foreign aid, offers the best hope for all of us to avoid a second Vietnam and to contribute significantly to the security of the area.

The present leaders in Southeast Asia have become increasingly aware of this direct relationship between security and economic development. They share the view that the main threat to Southeast Asia's security is not primarily the conventional military aggression type, but rather the ever present danger of subversion and armed insurgence, fomented from within, albeit, more often than not, aided and abetted from outside. Thus it is felt that to meet this primary threat, the application of military power alone will neither prove adequate nor strike at the root-cause of the problem.

Only a week ago President Suharto of Indonesia reiterated this viewpoint in unambiguous terms. When asked by the press how he viewed probable developments in Southeast Asia after an end to the Vietnam war, he said: "I do realize that the general situation in the area after Vietnam will give the communists a bigger scope for infiltration and subversion in the countries of the region. The main threat, however, will not derive from communist military strength but rather finds its source in ideological fanaticism. This threat should not be met by military pacts or military power, but by strengthening these countries' national will and capacity to resist, through international and regional cooperation in the fields of economic development, culture and ideology. The strengthened will and capacity to resist in the countries of the region will form

the strongest defense against this infiltration and subversion."

Here again, the significance of ASEAN comes to the fore. In essence, ASEAN expresses the determination of its member countries to shape their own future and to work out the problems of their development, stability and security together. We of course realize that to transform potential into reality, much more is needed than pious intentions. Even at this very moment, unresolved tension and conflict within ourselves, such as manifested by the dispute over Sabah, threaten to disrupt the fragile structure of our preliminary efforts. But if we understand the nature and basic causes of instability in the region, then we will understand that problems like these will continue to crop up, as the unavoidable agonies of a process of growth.

It does, however, point to the need for Southeast Asia's leaders to bring up the kind of statesmanship capable of preventing the deterioration of this conflict into a state of self-destructive armed hostilities. It also reveals the necessity for ASEAN to develop as quickly as possible the organizational machinery for peaceful conflict-solution in the area. As for Indonesia, we remain confident that within the context and in the true spirit of ASEAN, the current tensions over Sabah can and will be overcome in due course.

To sum up, then, many of the problems that the nations in the Southeast Asian area face are partly inherited from the colonial period, partly they arise out of the need to forge a political and economic system that will make possible rapid economic development, the integration of minorities and the increasing political participation of new groups in society.

It is against this background that I now would like to discuss some specific aspects of the concept of foreign assistance.

Of late, the basic philosophy, the purpose and effectiveness of foreign aid has been called into question. This is understandable. Apart from the frustrations resulting from what seems to be the low degree of effectiveness of this program and the low political returns accruing to the United States, I think it is important for a nation like the United States periodically to review the purposes, the methods and the effectiveness in relation to cost of its foreign aid policies and programs.

In general, the review of the aid program that is now taking place in the public mind in this country tends to emphasize the role that American private investment should play in helping the economic development of underdeveloped countries. There is much to be said for this. Still, certain considerations should be

firmly kept in mind if our concern is not only the immediate profitability of such investments, but the stability and continuity of the relationship between the United States and the receiving country as well. Direct American investment in capital intensive sectors of the economy, especially in the field of resource development, is bound to have a pronounced effect on the overall growth rate of the underdeveloped country concerned and would have a number of beneficial side effects. But if we are also concerned about strengthening the social and political fabric of that nation, then one of the very important aims of foreign assistance should be helping the development of an indigenous, entrepreneurial and commercial middle class. A strong and broadly based commercial and entrepreneurial middle class is the best guarantee for the development of increasingly open, more stable societies and political systems in the Southeast Asian area.

It is in this field that American private business could make an important, and possibly the most important, contribution to the economic development and political stability of the Southeast Asian region. A revised foreign aid strategy having this aspect as its emphasis would indeed constitute a significant addition to the arsenal of foreign assistance methods. It seems to me that the most important institutional structure for an endeavor of this type would

be the joint venture, that is the collaboration of American business with an indigenous counterpart, in a single company.

So while Indonesia will continue to promote direct foreign capital investments, especially in the extractive and manufacturing fields, my government is equally interested in seeing the establishment of more joint ventures between Indonesian entrepreneurs and smaller-sized American investors. Under our Foreign Investment Law it has been made possible now to extend the same benefits of tax privileges, which larger investments automatically enjoy, to foreign investments totalling less than two million dollars, provided they are channeled through joint ventures.

The advantage of operating together with an equally committed Indonesian partner under a joint venture scheme can be readily seen. The joint company is more strongly anchored in the indigenous community. With the Indonesian partner invariably providing a greater know-how and familiarity with local conditions, labor relations, market accessibilities and general operational procedures can usually be greatly enhanced. The Indonesian partner, in turn, benefits from the greater organizational and managerial skills of his foreign counterpart, thus contributing to a continued process of upgrading of the indigenous entrepreneurial middle class.

Two problems, however, have to be faced in this connection. One is that most indigenous entrepreneurs do not have enough capital to match, on a more or less equal basis, the capital that would be invested by his American counterpart, while still meeting the overall minimum investment requirements of the enterprise as a whole. This situation might call for the establishment of an American financial institute, either private, government-owned, or a mixture of these two, which would help finance sound new investment projects of this type, even though its equity is sufficiently low so as to enable the indigenous partner to participate on a more or less equal level with his American counterpart.

Another conceivable arrangement could be one on the basis of which the larger share of the American partner would be reduced after a number of years with a view to attaining a greater equality in the relationship, with the understanding that during those years managerial responsibility would remain with the senior partner. This could perhaps be done through stock options to be made available to the indigenous partner after a certain number of years. I would imagine that a number of alternative structures and conditions could be devised if some serious thought were given to this problem. And, given the reputation America has in terms of innovational ingenuity, these problems should be soluble.

In short, it is of the greatest importance for the stability and continuity of American business cooperation in this area that a relationship is increasingly characterized by greater equality between the partners. Failure to achieve this would inevitably make this relationship a temporary one and one which might create considerable difficulties in the future.

The second problem is the limited number of indigenous businessmen or companies of sufficient strength and level of entrepreneurial skill that could be considered suitable partners for foreign entrepreneurs. The transformation of local domestically oriented, less sophisticated businessmen which constitute a much larger number, into more internationally oriented, more sophisticated in terms of modern business operations, potential counterparts of foreign business should, in my opinion, be one of the high priority objectives of any foreign assistance program. Such a technical assistance program could be run either as part of the private business component or the government component of a general foreign assistance program. Here again the requirement is an imaginative, but nevertheless realistic approach.

Such deliberate efforts in developing the productive capabilities of these nations as part of their overall effort to break out from the strait jacket of the unnatural pattern of economic

development inherited from the colonial era are, therefore, extremely important. It means searching for new forms of cooperative endeavor which will mean a break with the unequal relationships in the past and a closer integration of foreign investment into the purposes and patterns of national development. The creative role private foreign businesses could play in this respect, without denying their essential nature as profit-making organizations, should not be underestimated. It is one of speeding up not only the process of economic development, but also of social development in these countries, and even further than that, in fostering and accelerating regional development and regional economic cooperation.

Trade and private foreign investment in this way could accelerate the development of an indigenous commercial and entrepreneurial middle class as well as the creation of a general climate in which such a middle class could thrive.

But here I would like to sound a word of warning: without government-to-government aid at adequate levels, private foreign investment cannot play the creative role envisaged here. In a number of our countries private foreign investment can only operate profitably and socially effectively after sufficient development of the infrastructure has taken place and for this foreign aid is still very much needed. It seems to me, therefore,

that American business too has a stake in the continuation of United States aid at adequate levels. To think that private foreign investment could take over the function of foreign aid is an illusion. Here, of course, a search towards greater productivity of foreign aid, possibly a greater selectivity in application, might be useful in order to overcome some of the misgivings that have arisen in regard to the usefulness of foreign aid to underdeveloped countries.

It now becomes possible to list the major requirements that will have to be met if Southeast Asian regional cooperation is to become a reality. First, there should be a continued top priority commitment to economic development on the part of the political leadership in each of these countries. Secondly, these countries should be able to develop a mechanism for regional conflict resolution which would obviate the need or compulsion to arm against each other and to seek solutions by force of arms. Thirdly, plan harmonization. This means developing the willingness to agree on the most suitable location of certain industries in terms of their overall regional impact. This means the willingness to sacrifice short term national interests. Fourthly, increased intraregional trade leading eventually to a regional common market. Fifthly, effective population control.

We must be able to develop these capabilities if regional cooperation is to mean anything in the immediate foreseeable future. These are the internal requirements.

There are, of course, certain external requirements, the most important of which is the continued willingness of countries like the United States, Japan, Australia and Europe in continuing foreign assistance at adequate levels to the countries in this region.

In the light of the picture I have given you so far and given the will and determination of the Southeast Asian nations to work out their own future together, the way in which the United States will redefine its role in Southeast Asia becomes crucial. Implicit in the whole argument I have presented you is our hope that the United States will continue to play a vigorous role in Southeast Asia. We in Southeast Asia are, of course, very much aware of the domestic difficulties and frustrations in the United States at present. But we remain hopeful that the American people will have the wisdom, foresight and strength of conviction to continue to relate their nation's primary interest to the support of economic stability and peaceful progress in Southeast Asia. We hope, therefore, that any redefinition of America's role in Southeast Asia shall have increased economic assistance and cooperation, both on the bilateral and multilateral levels as its main emphasis.

To do so will require more than policy or action based

on a calculation of profit maximization. For the search we are engaged in today is but part of the general search of man for an ordering of the relationship between nations and peoples, rich as well as poor, strong and weak alike, that is more satisfactory, more mutually rewarding and more in line with the yearning for peace and international social justice than the world has seen so far.

Thank you.

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