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# Topical Problems of German-Indonesian Trade

*Interview with Senator Helmuth Kern, President of the Department for Economics and Transport of the Free and Hanseatic Town of Hamburg*

The recent visit by an Indonesian economic delegation to Japan and West-European countries is to be looked upon as a prelude to a series of new and sweeping economic measures by the Suharto government in its endeavours to combat the country's critical situation. Indonesia has great hopes particularly for trade and economic aid from the Federal German Republic. Trade relations between Bonn and Djakarta have for a long time been of considerable importance to the North German Lands adjoining the coast and especially Hamburg, the greatest trade centre in Germany. In a recent memorandum addressed to the German ministries directly concerned, the Department for Economics and Transport of the Free and Hanseatic Town of Hamburg has referred to the particular problems of German-Indonesian trade. For this reason INTERECONOMICS applied to the Department's president, the Senator for Economics and Transport, Herr Helmuth Kern.

INTERECONOMICS: Senator, in the Indonesian People's Congress memorandum dealing with the country's economic situation it says that the present state of affairs is very "dangerous and alarming". In the wake of political pacification more importance is again attached to the economy. The penalty is being paid for the sins of the past. Runaway inflation and food shortage are clear symptoms of the present situation in Indonesia rich, as it is, by nature. The last few months have shown that the steps initially taken towards economic reform failed to bring about any substantial improvement due partly to administrative difficulties and also

Interviewers: Gerd Schildmann and Dietrich Kobschull.

because of their attempting to cure the symptoms, not the disease. The People's Congress therefore suggests, in order to overcome the precarious situation, to strengthen Indonesia's foreign trade relations, particularly with the West. In how far does this aim harmonise with German intentions?

KERN: Although I cannot, as Hamburg's Senator for Economic Affairs, be a spokesman for Germany's official foreign policy I would go so far as to say that it ought to be in the interest of the Federal Republic to intensify its trade policy towards Indonesia at the present moment. Indonesia is obviously trying for economic and financial aid from the West, not

least from Germany. This, then, gives the Western countries a chance to achieve lasting political and commercial successes on the strength of generous and expedient aid.

INTERECONOMICS: Do you in this connexion see any possibilities for the Federal German government to act as a pacemaker for world-wide economic co-operation?

KERN: Yes, I think so. The Federal German government should take the initiative in the contemplated joint negotiations about a multilateral funding of Indonesia's foreign debts which is obviously intended by the Western countries. After all, the Federal German Republic has to maintain its own position as Indonesia's most important trading partner in the West.

INTERECONOMICS: Over and above this, what specific interests has Hamburg in the maintenance or the strengthening, respectively, of trade relations with Indonesia?

KERN: Hamburg has an important position in Germany's trade with Indonesia. Taking the average over recent years 40% of Indonesian goods shipped to Germany were handled by Hamburg importers. Last year, their share was as high as 48%. In the opposite direction some 20% in terms of value are transacted through Hamburg firms.

## HELMUTH KERN

is a German politician of the younger generation. The Senator and President of the Department for Economics and Transport of the Free and Hanseatic Town of Hamburg, born 1926 in Hamburg, passed his school-leaving examination of the "Johanneum", a secondary school of high repute. Afterwards he studied sociology and history at the universities of Hamburg and Heidelberg while simultaneously finishing his commercial apprenticeship. After having completed his studies Senator Kern held responsible positions in German maritime shipping. Before becoming a Senator in April, 1966, he was the Director of the Executive Board of "Cranzer Fischdampfer AG" at Hamburg. Senator Kern is also deputy member of the German Bundesrat and presides the curatorium of the foundation "Deutsches Übersee-Institut".

**INTERECONOMICS:** Do these figures relate to the total export and import via the port of Hamburg or are they applicable only to the business done by Hamburg foreign trade firms?

**KERN:** The figures quoted relate to the turnovers of importers and exporters who conduct their business in Hamburg. The port of Hamburg as such plays, by percentage shares, an even more important part in the trade with Indonesia. In both directions the German exchange of goods with Indonesia via the port of Hamburg averaged roughly 50% in recent years. Analysed by imports and exports separately, the shares were 55% and 42%, respectively.

**INTERECONOMICS:** With regard to the granting of credits, it seems that the effect of Indonesia's economic position is particularly detrimental to its credit worthiness. The current liabilities towards interest payments alone are as large as the whole national product. Their fulfilment seems hardly possible. Would the Federal German government find Hamburg's aid in supporting a general respite for payments?

**KERN:** If, with this question, you mean moral support, I would answer in the affirmative for Hamburg. However, financial aid by a Federal Land within the framework of capital aid for developing countries is, as a matter of principle, not provided for and has indeed not been practised since the one and only occasion, in 1961, when there was a contribution by the Federal German Lands. The question of financial support for the Federal German government by Hamburg does therefore not arise. However, on the occasion of the recent visit by an Indonesian government delegation to Bonn, negotiating a funding of Indonesia's debts and new credits, I sent a memorandum to the competent Federal German ministers and in it referred to North Germany's, and especially Hamburg's, great interest in trade with Indonesia. I have furthermore pointed out the difficulties of carrying out business transactions between Indonesia and Germany arising out of Indonesia's precarious economic and foreign exchange situation, and made suggestions for practical aid measures.

**INTERECONOMICS:** However, further steps will be necessary to-

wards an effective reorganisation of the economy. Will the individual exporter be able to help by extending credit facilities?

**KERN:** Yes, and what's more, exporters generally would like to do it. But in my opinion the exporter alone cannot carry the risk. For this reason I welcome it that HERMES, on the Federal German government's initiative, again covers the insurance for short-term transactions with Indonesia. Moreover I mentioned in my memorandum that I consider it desirable for this risk cover to extend also to longer-term export orders.

**INTERECONOMICS:** But exporters' credits are as a rule tied to certain supplies of goods and services. And in a country like Indonesia there is also the necessity of expediting the improvement of the infra-structure. What measures could Germany take with this purpose in mind?

**KERN:** This question touches upon the particularly capital-intensive aspect of the German development aid. As you know, any capital aid towards infra-structure in a developing country entails immense means. It must be left to the Federal German government's judgement how far it can still proceed bilaterally or whether it might not be wiser to confine itself to contributions to multilateral aid.

**INTERECONOMICS:** The HERMES facilities for risk cover are, after all, limited. Within the ceiling-regulations a multitude of exporters, and countries, want to be considered. Do you see a chance to raise this ceiling?

**KERN:** I am not the administrator of these ceiling stipulations. But I believe that the Federal German government which decides the upper level should increase it, if only in view of the chances that generous aid for Indonesia offers.

**INTERECONOMICS:** Are you of the opinion that the Bonn government should, in addition, take an initiative for the setting up of a creditors' club of nations? And if you are in favour of this idea, what should such a club look like?

**KERN:** As far as I know there are certain moves to form such a consortium, but I do not think it advisable also to aim at a "club"

of creditor countries on top of it and under guidance of the Federal German Republic. Germany should, however, take an initiative and act forcefully in this consortium.

**INTERECONOMICS:** For an intensification of trade relations it will be necessary to draw the German as well as the Indonesian partners' attention to the sales prospects in their respective markets and to aid them in the initiating and carrying through of foreign trade transactions. What part do the official German missions and the Chambers of Foreign Trade play here?

**KERN:** Surely the German diplomatic representatives have an important, though unfortunately limited function as mediators between Germany's foreign trade and the Indonesian business partners. I should therefore say that the establishment of a German-Indonesian Chamber of Foreign Trade in Djakarta would be rather useful.

**INTERECONOMICS:** If the Federal German Republic grants the aid outlined by you, certain concessions must be expected also from the receiving country. In this connexion, what should be especially aimed at in the negotiations?

**KERN:** On the German side one should vigorously insist on the suspension of discriminations such as Indonesia practises in the field of shipping. Even recently Indonesia's shipping policy stipulated absolute priority for the inadequate Indonesian merchant fleet in the transportation of Indonesian export goods. And even in the case of imports Indonesian shipping quarters are artificially put in a more competitive position although it is known by experience that both entails severe troubles and delays of transport.

**INTERECONOMICS:** Do you believe that an intensification of trade relations with a country of the neutral bloc could lead to the realisation of purely political aims in which the Federal German Government is particularly interested?

**KERN:** I am inclined to say, yes, this could be so. I believe that the expansion and intensification of trade with a country is the best means of any policy aimed at the creation of friendly mutual relations.