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Indonesia: Economic survival

Intereconomics

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COMMENTS

20 Years of ECE

A Bridge of the Future

The 22nd meeting of the Economic Commission for Europe (ECE), held in Geneva from 11th to 29th April, co-incided with the 20th anniversary celebrations of this United Nations regional committee. Thirty nations from East and West Europe and the USA are members of the Commission, which was set up on 28th March, 1947, as an experiment. ECE has survived the critical years of the "Cold War", it has resisted political tensions between East and West European nations and, at 20, has reached what is, for an international organisation, a ripe old age. This, in itself, may be a reason for celebration.

ECE's objective is not only to exchange ideas on economic policy and economic development in member countries, but also to promote economic and technical co-operation. In the purely technical field some encouraging successes have been achieved based on the establishment of a regular, systematic exchange of information on new production techniques and the joint investigation of their economic aspects.

Thus far, however, co-operation in the spheres of trade and investment has been insignificant. Contacts inside ECE have certainly facilitated the solution of bi-lateral trade problems between East and West European nations, but it has not been possible to progress towards a multi-lateral system in East-West trade. Political factors, difference of socio-economic structure and the non-convertibility of East European currencies have hitherto remained insurmountable obstacles.

It is to be hoped that ECE's channels of communication will be expanded and that it will achieve substantial success in its endeavours to procure agreement and co-operation so that its function as a bridge to the future can be extended. re.

Indonesia

Economic Survival

Indonesia—the most outstanding example of a developing country aided by the Eastern bloc—has gone to pieces under its "guided economy". In principle, a planned economy on communist lines is not inferior to a free market economy; Sukarno's "guided economy" was, however, a planned economy without planning, a conglomeration of insufficiently thought out—and, in part, irreconcilable—arbitrarily manipulated economic theses. Highflown phrases, intended to glorify

the State and its Head, took the place of meaningful economic policy. But the failure of this experiment in development should not lead to Indonesia's exclusion from any future assistance; on the contrary, it gives Western nations a chance to put into practice their ideas on economically significant development aid. The economic policy of those now in power gives at least some grounds for hope. Economic reconstruction is to take place in four stages. A period of restoration is to follow upon the first phase of economic "survival"; this period of restoration will give way, in its turn, to a phase of consolidation. Finally, the last phase will create the basis for continued economic development in the future.

Considerable energy has gone into the introduction of the first phase. Negotiations have taken place with Western creditor nations on the consolidation of Indonesia's foreign debt, the economy has been "decontrolled" step by step and freed from red tape, the budget has come closer to being in balance and subsidies for State enterprises have been considerably reduced.

It is only natural that there should have been some "frictional loss" in getting the policies of the "new order" under way. The re-introduction of market elements and the strengthening of the private economy have increased the number of unemployed and prices of essential goods have risen. All this should be a sufficient incentive for Western industrialised countries to gain a new ally by proffering aid swiftly. li.

USA — Business Prospects

Recession in spite of Vietnam?

For the first time, after a period of growth in American economy which has lasted for six years, the business outlook for the beginning of 1967 is giving cause for worry. Officially and privately voiced opinions on the business prospects vary between consolidation as aspired to and the onset of a recession. Indeed, the symptoms of an acute relaxation are not to be ignored; it is true that in the first quarter of 1967 the United States' GNP rose by \$ 5,000 million to \$ 764,300 million, but this was a purely nominal increase, entirely offset by an inflation rate of 2.8%. Among the weaker sectors of American business were, in particular, industrial investment for plant and equipment, expenditure upon private sector residential building and the demand for consumer durables, whereas—surprisingly—total private consumption rose sharply and export development was also satisfactory.