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the sales trends in different areas, tax laws in other countries, and so on. Still further, OPEC could help draft standard tax and other legislation, so as to reduce competitive bidding for new entrants from abroad. Finally, OPEC may voluntarily advise member governments on how they should proceed in their relations with foreign firms.

OPEC may find it worthwhile to adopt a standard method of obtaining adequate information pertaining to all development activities as, for instance, developing the geological deposits and including such things as profits, expenses, prices, length of lease, depletion allowances and other technical data for the oil companies.

Indonesia

Regional Development and Migration Policy

by Dr Azhari Zahri (University of Singapore)

The rapid growth and the unequal geographic distribution of population are two aspects of the demographic problems facing Indonesia. Three measures for solving these problems that have been supported by the Indonesian Government, as provided in the first Five and Eight Year Plans, are: transmigration to other islands; community development, including agricultural improvement; and industrialization.

The migration program is a crucial necessity for Indonesia, not only because industrialization alone cannot solve the problems, but also because the shortage of labor for expanding the production of foodstuffs and export materials in the leading export islands outside Java can be alleviated only if there is sufficient migration from Java. However, to say that the migration program is a crucial measure is not enough. The success of the program depends on the success of the government in promoting regional development outside Java. The construction and rehabilitation of various kinds of infrastructures ranging from irrigation projects, roads, railways, and electricity supplies to hospitals and schools, are necessary for the promotion of internal migration.

Population Problems

Although many Indonesians thought that the achievement of complete independence would automatically eliminate poverty, the failure of production to expand faster than the population—at least during the past seven years—has destroyed this hope. The hopes for a higher standard of living and a better life, which inspired the Indonesian people during their struggle for liberation and the war for independence, have not yet been realized.

It is generally accepted that the gravest social and economic problem facing most less developed countries is the rapid growth of their populations. In Indonesia, however, the rapid growth of the population is complicated by its unequal distribution. The Government of Indonesia, like the Dutch Colonial

Administration, seems to be concerned more with the latter than the former aspect, and the government has made many attempts to solve the problem of uneven distribution of population, notably by internal migration. However, there has been very little effort made, if any, to control the rapid growth of population in the country. As birth control is neither popular nor practical and the public health programs have reduced the death rate, the rate of population growth will probably remain high.

Uneven Distribution of Population

Overpopulation in Indonesia exists primarily on Java and in some parts of Celebes and Sumatra. The island of Kalimantan (Borneo), the Lesser Sunda Islands, the Moluccas and West Irian are still underpopulated. This demographic distribution was originally brought about by the central geographic and economic position of Java and subsequently aggravated by the location of Dutch colonial headquarters on the island. Two-thirds of the Indonesian people live on Java, the area of which comprises only seven per cent of the whole archipelago. The density of population on the island of Java was 308 persons per square kilometer on the average in 1930, while in the outer regions it was about 10, and for Indonesia as a whole it was 31. The total population was 109.6 million in 1966, of which about 71 million live on Java and 38.6 million in the outer regions. With an area of 132,000 square kilometers, Java has a current density of approximately 537 persons per square kilometer. The outer islands of Indonesia, with an area of 1,772,000 square kilometers, have a density of only 21 persons per square kilometer, and the country as a whole has an average density of 57 persons per square kilometer. The distribution of population is also uneven in the outer islands. An island like Bali, for instance, has a density of 321 persons per square kilometer, but West New Guinea and Kalimantan, have figures that are even below the general density figures for the islands other than Java, about 1.8 and 7.8 persons respectively.

The island of Java presents the same picture. Areas such as Adiwerna and Plumbon both located in Central Java, are dangerously overpopulated with 1,075 and 1,638 persons per square kilometer respectively. These, together with the Nile Valley, are the most densely populated areas in the world.¹

While the results of the 1961 census have not been completely tabulated, the rate of natural increase of the population can be based on existing estimates and projections. Dr Keyfitz, for instance, has estimated the annual growth rate of Indonesia's population to be a minimum 1.5 per cent, while the National Planning Bureau of Indonesia estimated a maximum rate of 2 per cent for the period from 1950 to 1960. The Indonesian National Planning Council (Depernas) estimates a rate of population growth which is even higher than that of Keyfitz and the Planning Bureau, or a rate of 2.3 per cent yearly. However, there are various indications to show that the rate of growth of 3 per cent is not impossible. If the National Planning Council estimate is considered to be the most generally acceptable, then Indonesia has no less than 110 million inhabitants today. From the 1961 census it becomes evident that the population has increased by more than 50 per cent in the period from 1930 to 1961.

Transmigration versus Industrialization

Industrialization is a potentially successful device for solving the population problem, although the industrialization which was planned for the period of the Five Year Plan has not been achieved. However, it would be incorrect to conclude that only industrialization is the solution to the population problems on Java, for the solution must be worked out by considering the Indonesian economy as a whole. In concentrating on the extremely densely-populated island of Java, one is easily led to believe that the present structural unemployment and the annual addition of at least one million people cannot be alleviated unless industrial development takes place.

Such a view tends to overlook the potential of agricultural development—for both food and export crops—in the outer islands, and emphasizes heavy investment in the industrial sector on Java. It is certainly true that large-scale investment in this

¹ Cf. A. Jonkers, "Het Bevolkingsvraagstuk van Java en de Landbouwkolonisatie", Indonesie, Vol. I (Djakarta, 1947), p. 28.

sector would eventually create jobs, but in the short run such investment could only be undertaken at the expense of other sectors, since resources are not unlimited.

From the economic point of view the transmigration program is necessary in order to utilize the economic resources outside Java, the utilization of which has usually been handicapped by the lack of labor. In addition, the unequal distribution of population and the problem of disguised and structural unemployment on Java are most likely to be overcome in this way. From the political point of view migration is undoubtedly necessary to strengthen national unity. However, if transmigration is to be adopted as a positive development strategy in the nation's economic planning, it will have to be carried out with full commitment.

The pessimism which has usually prevailed in government circles over the success of a transmigration program has been based on the cost aspect of the program. During the colonial administration the cost of resettlement for the period between 1905 and 1927 was estimated at no less than 100 guilders per person, or 300 guilders for an average-sized family.² That cost, according to the Transmigration Department, amounted to roughly Rp. 4,484 in 1953 and was estimated at about Rp. 5,459 in 1954. Using another source, as suggested by some writers, the total cost of migration would run between Rp. 10,000 and Rp. 15,000 per family.³ Based upon these estimates, and allowing for the allocation of other expenditures for the rehabilitation and construction of social overheads, one gets the impression that the program is too expensive to be undertaken. To move 300,000 families a year, as Dr Higgins of the UN Department of Economic Affairs points out, the budget required would amount to Rp. 3—Rp. 4 billion, or more than the total development budget of the central government as proposed in the Five Year Plan.⁴

While the cost estimate relates to the burden of the central government, it is doubtful if the transmigration

² This estimate was made by Pelzer on the basis of Maassen's figures. See Karl J. Pelzer, *Pioneer Settlement in the Asiatic Tropics* (New York: Institute of Pacific Relations, 1945), p. 200.

³ Cf. Surowo Abdulmanap, "Persoalan Transmigrasi di Indonesia", *Dies Natalies ke 4 Fakultas Ekonomi* (Djakarta: Senat Mahasiswa Fakultas Ekonomi, Universitas Indonesia, 1954), pp. 61-62.

⁴ Benjamin Higgins, in the introductory chapter of Douglas Pauw, *Financing Economic Development: the Indonesian Case* (Glencoe, Ill.: The Free Press, 1961), p. 21.

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tion plan could be carried by the central government alone. It is precisely such cooperation as between the central and the local governments and private enterprises that must be established to undertake the program on a large scale.

The need for inter-governmental cooperation becomes more imperative in view of the migration program. Any effort to put the large-scale transmigration scheme into effect would require heavy investment in projects ranging from irrigation, roads, and railways, to schools and hospitals, especially in the region to which people move. Under a sound relation between the central government and local administrations a division of labor could be made in which the central government would provide the organization and administration of "sponsored" migration, while the local governments would undertake the construction and rehabilitation of infrastructures.

The implementation of the resettlement program by the central government during the period between 1950 and 1965 did not achieve very significant results. The number of migrants who have moved from Java to the other islands, mostly to Sumatra, is very small. After having reached the highest number in 1953, migration slowed down in 1954 and 1955. There were several reasons for this decline, but it was due mainly to the unstable political situation and to financial difficulties after 1954, which led to the cancellation of many projects including the migration program. Then during 1957-1958, at the time of local rebellions in the outer islands, migration increased very little. Up to 1959 there were only about 30,000 persons who had successfully been moved, or only 3 per cent of the number that should have been moved. During the period between 1959 and 1965 migration increased by less than 10,000.

Economic Motive for Migration Most Important

A close examination of the execution of the migration program during the colonial administration and nine years of independence from 1950 to 1959 will perhaps give the basic key to the future success of the program. It is evident that the obstacles have been sociological, psychological, and economic under both governments, but it is in the economic field that the government can find the greatest stimulus for success. In many cases the hope for a better standard of living on the new frontier has been the most important motive for migration. The growth of spontaneous migration indicates that the economic motive has, indeed, been effective in promoting this movement of people from Java to the outer regions.

It is, therefore, precisely the economic motive that must be given special consideration in public policies to help realize this hope. During the colonial era the need for construction of roads, hospitals, and irrigation schemes was accepted by the Government of the Netherlands Indies as an integral part of a successful resettlement program. Between 1905 and 1927 alone more than 1.6 million guilders were spent

on the construction of irrigation projects in two resettlement areas.⁵ Later, after 1937, another 3 million were spent on the construction of social overheads.⁶ The experience of the colonial government seems valuable and helpful for any formulation of a migration program for the present and the future.

It is interesting to note that programs of resettlement had not been handicapped so much by sociological barriers as, for instance, the unwillingness of the Javanese to leave their villages, as it had been by the financing capacity of the government itself. The budget allocation for the transmigration program had, indeed, been very small compared to what was provided for defence, industries, and education. Since the capacity of the governmental agencies was insufficient to handle the number of prospective migrants, a restrictive selection was made. So far, the government had not fully committed itself to the implementation of the transmigration program. During the period between 1950 and 1966 the program was carried out only as a continuation of the Netherlands Indies' policy but with less deliberate preparation. The amount of money invested in the construction of various kinds of overhead in the outer regions where people were to be moved was very small, and was much less than that invested by the colonial administration.⁷

Spontaneous Migration

It is not surprising, therefore, that as a response to the inability of the government to handle a large-scale migration, a significant "spontaneous" transmigration has developed. "Spontaneous migration" is generally defined as a movement of people from one area to another at the cost and risk to the individuals concerned.⁸ In spontaneous transmigration, there are no incentives of premiums, free transportation, or other official aid, but only the chance of free land⁹, or the possibility of employment opportunities in some industries outside Java. The number of persons who moved by their own means was about 13,227 in 1953 and increased to 300,610 in 1956.¹⁰ The field studies undertaken by the Institute in the resettlement area of South Sumatra also show that spontaneous migration took place at a very rapid rate during the period between 1950 and 1956. According to the Institute's report in two largest villages in that area, Banjumas and Banjuwangi, the spontaneous migrants who came from Java between 1950-1956 comprise roughly 98 per cent and 65 per

⁵ Pelzer, *op. cit.*, p. 199 ff.

⁶ *Ibid.*, p. 206.

⁷ The amount of money spent by the colonial administration on its colonization program, including the construction of irrigation projects, roads, hospitals, and transportation, amounted to 6 million guilders during the period between 1938 and 1940. See Pelzer, *op. cit.*, p. 214. On the growth of the colonies, see pp. 210-213.

⁸ Djoko Santoso and Ali Wardhana (eds.), *Some Aspects of Spontaneous Transmigration in Indonesia*, *Ekonomi dan Keuangan Indonesia*, No. 6 (June, 1957), p. 423.

⁹ *Ibid.*, p. 423.

¹⁰ *Ibid.*, p. 424.

cent respectively of the total population of the two villages.¹¹

Against the background of such spontaneous migration, the importance of incentives is obvious. For the peasant transmigrants the hope of getting fertile land in the new areas is the strongest incentive. This incentive seems to have been the main reason for the rapid growth of spontaneous migration from Java to the resettlement area in South Sumatra. In addition, the construction of irrigation projects and canals undertaken before World War II has also been a factor pulling people to that area.

The establishment of transportation facilities—railways and navigation—linking South Sumatra and Java has also contributed to the growth of spontaneous migration. Good communications together with the establishment of various export industries in South Sumatra and the fact that this area is one of the largest producers of export crops such as rubber, tea, coffee, pepper, rattan, and timber, have strongly attracted migrants from Java.

Any effort to stimulate spontaneous migration requires the rehabilitation and construction of social and economic overhead in the area of resettlement. It requires: measures to increase soil fertility, including facilities for irrigation; primary, secondary, and tertiary canals; employment opportunities, either in industrial or other sectors; the further development of transportation facilities between Java and other islands; and, within the transmigration area itself, the development of marketing facilities and the construction of schools, roads, cooperatives, village banks, and other facilities.

In short, the success of a transmigration program depends on the progress of regional development outside Java. However, a transmigration program could hardly achieve equal geographic distribution of population since two-thirds of the population live on Java. Given sufficient people to move to the outer islands, migration serves only two purposes. First, it tends to reduce the additional burden of feeding an extra million persons each year on Java. Second, and perhaps more important, is that migration is a means of securing a sufficient labor supply on which development in the regions outside Java depends.

Deconcentration of Political and Economic Administration

From the social and political points of view, the program for the development of regional government in Indonesia were, perhaps, intended to serve two distinct goals, the elimination of regional discontent and the provision of an efficient territorial administration. However, from the economic point of view the plans for regional autonomy are required only for regional development, that is, an effort to secure maximum efficiency in utilization of resources available to the region. From this point it becomes clear that the need for the development of regional

governments is not just confined to the decentralization of political administration because no regional government can exercise real independence and initiative unless it is also given the power to carry out its own economic and financial administration. The plan for decentralization or local autonomy, therefore, must include a fiscal program which would permit decentralization in financing the economic development in Indonesia.

Although the problem of sharing with regions the fiscal and financing responsibilities had received considerable thought, especially during the period of rebellion, little action had been taken. Instead, what had emerged appeared to be the broadening of central government's responsibility for expenditures without a correspondence increase in revenues.

The need for decentralization in political and economic administration as an effort to promote regional development, the purpose of which is essentially to encourage spontaneous migration, is very obvious. While the rapid development of regions outside Java is required to meet such a purpose, the provision of decentralization on Java would increase the abilities of local governments on that island in raising their own financial resources and increasing their participation in economic programs. Briefly, the delegation of political and economic administration to local governments would tend to bring the maximum mobilization of resources such as finance, and technical and administrative skill both on Java and the other islands.

Idle resources, especially in richer but underpopulated islands of Indonesia, would be mobilized for the construction of local projects which would provide facilities to increase the output of foodstuffs and export crops. The development and rehabilitation of social and economic overheads such as roads, irrigation, electricity, transport, highways, hospitals and schools, which have been almost entirely dependent upon the central government financing, could be gradually assigned to local governments. Such a development, if occurring outside Java, would promote the migration of people spontaneously from Java to those islands for which the hope for industrialization as well as for raising agricultural products appears to be great.

The regional problems, especially the question of regional finance, had, indeed, been given considerable thought, especially in the first two years prior to the outbreak of regional rebellion. A government committee, known as the Nasrun Committee, was appointed to study the problems of financial relations between central and local governments in Indonesia. The substance of the recommendations of this committee was enacted into law in 1956. However, the execution of this Law 32 of 1956—the Financial Equilibrium Act—has been very slow. It is, perhaps, now the time for both the Government and the Parliament to reconsider the problems and to carry out the execution of the law as true efforts toward the development of national economy.

¹¹ *Ibid.*, pp. 424-425