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Indonesia: Grounds for subdued optimism

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COMMENTS

EEC

The Club Remains Exclusive

Within the organisation of the EEC, the initial dynamism is increasingly giving way to stagnation. There is necessarily growing frustration even among those wishing to pursue a dynamic policy, for they are discouraged by the fact that the opposing factions are becoming increasingly rigid in their attitude. This applies particularly to the problem of expanding the Community.

For years now, the Benelux-states, Italy and the Federal Republic of Germany have been haggling with the unyielding representatives of France about Britain's admission. But even the most skillfully mounted attacks have so far failed to breach the French defences. A year ago, hopes were still running high that a trade agreement might be a prelude to Britain's entry, but by now it has become obvious that this back-door has been finally bolted. The conference of the Foreign Ministers of the EEC on January 28 has shown that France is by no means prepared to be a party to such a deal. If trade preferences are to be granted at all, they should, in the French view, be given to all interested countries and not—as Italy and the Benelux-countries wish—only to the “direct” candidates for membership, i.e. Great Britain, Ireland, Norway and Denmark. It is not difficult to assess the effect of the French proposal. By making the advantages of the proposed arrangement available to all and sundry, it loses its importance as a stepping-stone to membership. The EEC remains an exclusive club, and it is possible that candidate members may of their own accord lose interest in joining it. That this possibility exists is clearly illustrated by the proposals for the formation of a Nordic Economic Union. But in taking this stand, is the EEC acting in its own interests? That is the question. ke.

UNCTAD

No Agreement

The tensions that developed during the latest session of the UNCTAD Council were caused not only by the fact that the Western states objected to an extraordinary meeting of an inter-governmental group being called. The agenda itself

provided enough inflammatory matter. It proved for instance impossible to reach agreement on the role UNCTAD is to play in the Second Development Decade, which begins next year.

The developing countries would like to concentrate the entire organisation of the Second Development Decade in the hands of UNCTAD. The Western industrial nations, on the other hand, are of the opinion that the problems that will arise in the course of the second ten years are matters for the respective competent international organisations to deal with. They say that, naturally, questions concerned with helping the developing countries to expand and finance their trade should be left to UNCTAD's decision.

The intention of the industrial nations is clear: They wish to have a decisive voice in the planning and practical execution of the measures to be decided on during the Second Development Decade. This means they must prevent being outvoted by the overwhelming majority of the developing countries represented in UNCTAD. Could they conceivably accept a position where they, who after all are expected to foot the bill, are also told how much of their money is to be spent and on what? A more moderate policy on the part of the developing countries and fewer national reservations on the part of the industrial countries might have made agreement possible on the course to be pursued in the next ten years. As matters stand, it is regrettable that the first attempt to evolve an over-all development policy has got stuck at the very outset. re.

Indonesia

Grounds for Subdued Optimism

Indonesia's economy, which under the Sukarno-Regime had nearly broken down, is at long last again on the upgrade. Within a year exports had risen by 6 per cent, and the current year should witness a considerable increase in oil output, too. But, more important still, the rate of the galloping inflation has been arrested. The key to economic, but also to political stability is the supply and the price of rice. In its five-year plan, covering the period from 1969 to 1974, the Government intends to increase rice production from its present volume of about 10 mn tons to 15.5 mn tons. But

this is unlikely to be achieved. More realistic would be an increase to somewhere between 11.5 and 12 mn tons. The larger rice crop is to be attained through better seeds, but artificial fertiliser production is also to be expanded. Most recently, it has been possible to halt the increase in rice prices, and, as a result, the people have more confidence in their government.

Because of the greater stability, Indonesia has undoubtedly also become more welcoming to foreign investors. It is above all the Dutch who have returned. The Netherlands has placed at Indonesia's disposal a loan to the value of \$ 25 mn and has concluded with the Indonesian Government an agreement for economic cooperation. It would seem that Indonesia has become more accommodating towards the Chinese. The Indonesian economy has been greatly damaged by the restrictions imposed upon the economic activities of the Chinese. Foreign investments from the USA, Western Europe and Japan are concentrated in mining, industry, forestry and fishing. But there is also a very strong foreign interest in the prospecting for oil.

All this is not enough, however, to overcome the difficulties that still exist. For 1969 Indonesia requires foreign aid to the tune of \$ 500 mn. To attract this kind of money should not prove too difficult in the light of the above-mentioned improvements. Nevertheless too much optimism would be premature. rd.

Scandinavia

Alternative to EEC

The possibilities of expansion in an integrated area and the practical impossibility of becoming members of the Common Market have given rise in Scandinavian countries to attempts to work out the concept of an integrated Nordic area. The risks that some economic sectors, branches of industry and individual enterprises would foreseeably run in making the necessary adjustments have already led to a state of affairs which some leading Scandinavian economic experts describe as a momentary crisis. The individual national economic interests and the importance of single economic sectors in the countries concerned are too varied for a speedy and practicable solution to be reckoned with. There is not even unanimity among all the countries concerned about the aim, which is to improve the economic structures of Denmark, Norway, Sweden and Finland through integration to such an extent that entry into the EEC would no longer present any difficulties. At least Finland has no hopes of joining the EEC in the foreseeable future and fears that any concerted action on the part of the Scandinavian

countries could jeopardise its trade relations with the Soviet Union. Seen in the light of Great Britain's abortive attempts to gain entry into the European Community, this pessimistic view would appear very realistic, and the Scandinavian plans for integration seem in fact nothing but an alternative long-term solution, for the other solution—entry into the Common Market—is, for whatever reasons, being regarded as unrealistic. Whether the Nordic Economic Union will turn out to be a temporary or an alternative solution will in the last resort depend on the attitude of the EEC-countries, and in Brussels one would be well advised to consider whether Europe can afford to split its economic core into yet more blocs. sch.

Formosa

An Exemplary Developing Country

In the capitals of Asia it is thought to be a foregone conclusion that the Americans will sooner or later withdraw from Indo-China, and plans are being prepared for the necessary political and economic re-adjustments. There is one exception: The capital of Formosa, Taipeh. Under the leadership of the more than 80 year-old Generalissimo Chiang-Kai-Shek, Formosa with its 13 mn inhabitants and 600,000 soldiers maintains its claim to be the legitimate representative of 700 mn Chinese.

However unreal its political attitude may seem, Formosa's economic policy is sound and successful. For example its national product increased in 1967 by 12.8 per cent to more than \$ 3.5 billion, and for 1968 a growth rate of a similar order is expected. In 1967 the national income rose by 12.5 per cent, and with a per capita income of \$ 212.5 the island is secure in its place among the leaders of the developing countries. This state of affairs is due to the absolute priority given to agricultural and industrial production, and the existing blue-prints for further industrial expansion justify hopes that the impressive rate of growth will be maintained. Agriculture is exemplary and so are the agrarian reforms; they might well serve as example to other developing countries in Africa and Asia.

In spite of this, agriculture's share of the GNP has dropped into second place because of the even more impressive industrial expansion. In the past year, the combined efforts of the more than 30,000 factories were responsible for a growth rate of about 18 per cent. This fascinating reality is in strange contrast to the reminiscences and dreams of an old man, but they are harmless as long as they flourish behind the protective screen of the American Seventh Fleet, which—no less than the grim realities in Mainland China—prevents their realisation. hg.