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# WTOの幕開けとAPECの時代：インドネシアの見方

—“The Opening of WTO and the Era of APEC:an Indonesian View”—

平成7年10月

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国総研セミナー

テーマ：「WTOの幕開けとAPECの時代：インドネシアの見方」

The Opening of WTO and the Era of APEC :

AN INDONESIAN VIEW

日 時：平成7年10月26日(木) 15:00～17:00

場 所：国際協力総合研修所 2F 201

講 師：Dr. Hero U. Kuntjoro-Jakti

インドネシア大学日本研究センター所長

(前インドネシア大学社会政治学部国際関係学科長)

主な学歴

1980年 広島大学法学修士取得

1984年 米国ワシントン大学修士取得(M.A.、政治学)

1988年 米国ワシントン大学博士号取得(Ph.D.、政治学)



## WTOの幕開けとAPECの時代：インドネシアの見方

### 要 約

1. 米ソ二極構造の崩壊は、新たなポスト冷戦の秩序への道を開いた。それはまた、地球規模の平和と繁栄についての期待をも高めている。しかしながら、より楽観的な地球規模の雰囲気脅かす不確実性も存在している。
2. その不確実性とは、いまだ新たな国際秩序が形成されるに至っていないことである。その結果、世界のいたるところで、民族紛争が発生している。ある先進工業国及び新興工業国においては、国内政治における多元主義(pluralism)が意志決定過程を支配している。こうして、多元主義はその決定過程を複雑にしている。一方、地球規模における経済の不確実性のために多くの国は自国の経済保護を行っている。この保護主義傾向のさしあたったの解決策は、地域的な経済グループに参加することである。一方、GATTをWTO(世界貿易機関)に改組することが、1994年にマラケシュにて合意された。
3. 経済大国はWTOの成功のためにより多く貢献することが期待されている。しかし、実際、かられば地域グループに参加すると同時に、二国間交渉により他国との貿易紛争を解決しようとしている。日米間の自動車と部品の貿易紛争がその一例である。WTOは、論争となっている問題についても合意に含めようとしているが、ダンピング禁止協定については、未だ不透明であり、品物の輸入に対する障壁として使われる傾向がある。狭い国内権益に固執するグループは、多元主義の増大とともにより力を増しており、それ故、国家主義的な政策はいまだ世界において支配的である。
4. 上記の状況を踏まえると、インドネシアは、WTOまたはAPEC(アジア太平洋経済協力会議)の枠組みの中で合意事項を実施してゆくことについて、今後とも注意深くあり続けるであろう。さらに、1億8千万人を超える人口

のささやかな生活水準の向上を図ることをはじめ種々の問題に直面している途上国の一つとして、インドネシアは、国家の安定を維持する一方で意志決定に対する一層の参加を促進しつつ、国内問題の解決に今まで以上に追われることになろう。しかし、誤解のないように言えば、APECは市場、技術移転及び資本へのアクセスを保証するために有用であり、インドネシアはボゴール宣言を非常に支持したことも事実である。

5. APECのボゴールでの合意は3つの柱からなっている。第一は貿易投資の自由化であり、第二は貿易投資の円滑化であり、第三は経済技術協力の強化である。インドネシアのみならず他の東南アジアのメンバーは、これらの3本柱がAPECメンバー間の格差の縮小を目指すことを希望している。特に、インフラストラクチャー、人的資源開発、技術移転そして環境の4つの分野で一層の協力がなされなければならないと考えている。この実り多い協力の過程において、APECは非常に重要な役割を果たすと考えられる。

しかし、各国の抱える様々な国内問題がいまだ貿易自由化の阻害要因となっていることは指摘しておかねばならないであろう。



Thursday, 26th October, 1995

**“THE OPENING OF WTO AND THE ERA OF APEC:  
AN INDONESIAN VIEW”**

Dr. Hero Utomo Kuntjoro-Jakti  
Executive Director,  
Center for Japanese Studies  
University of Indonesia

**MODERATOR:** Today we are very pleased to have a seminar on a very important topic titled “The Opening of the WTO and the Era of APEC: An Indonesian View.” Since we will have an APEC Leaders’ Meeting as well as Ministerial Meeting in the middle of next month, this topic is really a timely one.

Now, it is truly an honour for us to have Dr. Hero Kuntjoro-Jakti, an outstanding scholar from Indonesia, to convene today’s seminar here. Dr. Hero is currently Executive Director, Center for Japanese Studies, University of Indonesia. Let me explain his academic background.

He got Master of Law from the Faculty of Law, Department of International Relations, University of Hiroshima, in 1980. Then he got again Master of Arts from the Department of Political Science, University of Washington, Seattle, in 1984. Then he got Ph.D. from the same University in 1988.

Today’s lecture will be about fifty minutes, then we open the floor for questions and answers as well as for discussions in order to deepen our understanding, till around 4:30. So I would like to ask Dr. Hero to start today’s seminar. Dr. Hero, please.

**HERO:** First of all, I would like to express my gratitude to JICA and IFIC for inviting me to come to Japan for giving a presentation today. I understand that APEC is about two or three weeks from now, the Conference of APEC, and some seminars or conferences are already held; I read in the newspaper there was a seminar in Osaka attended by many scholars and maybe leaders from Asia-Pacific region. And in fact, I just also attended a seminar in Seoul,

Korea. So, on the way home to Jakarta I stopped over in Tokyo. In Seoul I also attended the Korea ASEAN Forum, whose topic was about the WTO and the APEC from the point of view of scholars from ASEAN countries and Korean point of view. It was also very interesting, and we not only talked about WTO and APEC but also about other issues related to the Korean presence in our country such as labour relations, and so on. My view is much more influenced by my academic background, which is in political science. And I know a lot of you who attend this seminar have some economic background and maybe work for us in some bureaucracies that know very well about the topic of today. So as a political scientist, you cannot find in my paper economic facts and figures but much more on the political economy or political point of view.

Let me tell you first the structure of my paper. I should tell you that my paper gives much more emphasis on the WTO, and I should make some more comments on the APEC later on. So the first part of the presentation is about the global change, especially the change in international political structure, which influences very much on the relations between the countries or international relations, and also the economic activities, and second about the WTO, and third about the APEC, and my point on both APEC and WTO. The topic is not necessarily isolated to each other because I may talk about WTO but at the same time I may also give some examples in APEC experience.

Now, on the first part I explained in the paper that the end of the Cold War has raised expectations on global peace and prosperity. However, there are some uncertainties that have intervened and threatened to detour the way toward a more optimistic sphere.

The first expectation deals with the uncertainty of the establishment of a new international structure to replace the structure of the past bipolarity in the Cold War. Are we going to multipolarism or unipolarism or some other structure? As you understand that talking about the new international structure will be also important to decide what kind of international relations happen in the era of the post Cold War.

The U.S. for sure remains a superpower. But the weakening U.S.

economic power which is leading to a low domestic support has limited the U.S. capacity to become the global hegemony. Meanwhile, big powers such as Germany and Japan and maybe even China, potential successors to the U.S. supreme power for the time being, are facing various domestic constraints, as you understand that Germany is still busy with the problem of unification, and Japan, well, you understand very well about both the economic situation and also the political situation in your country.

And I read in an English newspaper, Daily Yomiuri, criticizing Prime Minister Murayama when he gave a speech in the commemoration of the Fifty Years' Anniversary of the United Nations that Prime Minister Murayama didn't give any clear expression about Japan intending to be a Permanent Member of the Security Council. You understand about that. And Yomiuri also explained that it might be a problem of different opinions between the supporter of the Cabinet of Murayama.

One of the results of the above uncertainty, that is, the uncertainty of the establishment of new international structure, is the uncomfortability of some smaller or medium powers in security area. The burden sharing of the U.S. security policy has encouraged many of them to increase their military capacities. In this regard, the U.S. has been interpreted to lower its commitment in that area, which in turn has conditioned the arms race in many regions. Of course, the availability of modern weapons in the world market soon after the collapse of Cold War was also one of the pushing factors in this regard. Some regional power took this opportunity seriously by strengthening its military forces and even intimidating its neighbouring smaller powers.

I think you understand very well about the situation in the Spratley in the South China Sea, which in the last maybe six - seven months, there have been incidents or maybe some disputes or frictions regarding their claims over some islands in the Spratley area. And Indonesia has initiated the ARF Meeting, the informal meeting of the ASEAN Regional Power, trying to encourage discussion to all the parties involved in the problem in the Spratley area.

In some regions previously influenced by the competitions of the

superpowers during the Cold War era, the end of the era has contributed to the new domestic tensions leading to the break-up of countries in the former Soviet Union, former Yugoslavia, Afghanistan, Somalia, etc. Ethnic conflicts combined with the weakening states and economic recession produce political instabilities in those countries. No one is sure about what is the prospect of capitalism and democracy in Russia. This is my point which may be different from Francis Fukuyama, who believes that automatically because the collapse of the Soviet Union, then there is only one part to modernization, which is capitalism and democracy. But as we have seen in Russia and former Soviet Union now, a lot of political tensions and some even conflicts in those countries, in the former Soviet Union countries, produce some more pessimistic view on the future of capitalism and democracy in Russia.

Popular political movements and democratic movements also happen in South Korea and Taiwan, and has created some political tension. Regarding the movements in the newly industrializing countries, nobody expects that these may eventually destroy the nation states. So, I guess the political tension in the newly industrializing countries, that is, in Korea and Taiwan, will not bring back those countries into authoritarian powers again, but instead, will be moved further to more open in terms of politics in the country.

Well, my point is that there is to some degree pluralism that has become stronger in many countries in the world that makes the process of decision-making more complex. The Government of Korea, for example, finds it difficult to get support for the liberalization of agricultural products. We understand that two weeks ago, the Korean Government proposed to take the liberalization of agricultural products away from their framework of APEC. And I guess some Ministers in the Japanese Cabinet now, especially the Minister of Agriculture, also talk about the same thing. And I understand that countries like Thailand, especially Thailand, I guess, and the United States and Canada, of course, and Australia, of course will still put the liberalization of agricultural products in the agenda.

So, the problem, as happened in Japan, in Korea and Taiwan, regarding the difficulties in liberalization of agricultural products, happened because of

the pressures from these pluralist groups, more specifically the farmers. So in many smaller countries, the degree of pluralism may also happen, but weaker compared to both newly industrializing countries or in the Soviet Union. Maintaining political stability and reducing their negative impacts of recession are political reasons to keep these authoritarian states alive. I may talk in this regard later on on the condition in my country, which is also struggling on moving toward more democratic process, which is very difficult to Indonesia. You understand that President Suharto, the President now, is seeking for another term, which will be in 1998 there will be another election. And everybody thinks that he will find no difficulty to get another term.

Already in the beginning of the 1980's, many countries regarded the international economy as going protectionism, much so because of weakening U.S. economy that led to a new U.S. trade policy. The U.S. Government considered that active bilateral policy to open markets of its partners should be encouraged, aiming at the lower deficit in trading activities with them. Japan and some countries in Europe had become targets of this new policy. But eventually, Korea, Taiwan and then also weaker economic partners such as Malaysia, Indonesia, China, are also targets of this policy.

I think you know very well about the trade of the so-called Super 301, and the linkage between the Most Favoured Nation (MFN) status with the human rights, which the United States Government always try to link it regarding the Chinese request for the renewal of the MFN status.

Because of the above developments in politics, security as well as in economy, one can easily confirm that the global tendency move towards nationalist policy. On the one hand, this tendency has brought into regional movements. Examples to this case are easily shown by the European economic integration through Maastricht Treaty or Southeast Asian economic integration through AFTA. In fact, between 1948 to 1994 there were 109 regional organizations in the world; almost one-third of them were established between 1990 to 1994. But on the other hand, through seven years' tough negotiations, nations finally agreed to sign the GATT Agreement in Marakesh in April 1994.

Not many of these countries were serious enough to implement the

Agreement. In fact, members of the European Union have expected the Union to provide protection from the dynamic economic activities of countries in East Asian region. That may bring the European Union into trade diversion instead of trade creation. The creation of NAFTA might be the outcomes of the uneasy feelings on the penetration of the economies of Japan as well as smaller East Asian countries. In this regard, the United States and member states of NAFTA also felt threatened by the European Union moves.

Thus, even the big powers, supposed to take the initiatives, have moved towards the liberal policy very carefully. And I put here the market forces that bring them wealth now are considered as threatening their own national interests. Using anti-dumping agreement, which is covered by the WTO, is an example to be used by the big powers to maintain import barriers. This anti-dumping agreement is still unclear, and therefore difficult to find an objective criteria for implementing it.

The nationalist policy in economy goes hand-in-hand with the uncertainty on the new international structure and with the domestic pluralism. New issues such as human rights, environment, labour policy, and you might also make some addition like non-tariff barriers, are often used to pressure trading partners to open markets. Even foreign aid policy has been more and more influenced by narrow interests in the domestic politics.

We may conclude that, while the end of the Cold War has drawn many countries into capitalist globalization, the above economic, security and political development would only discourage many of them from taking the road as bright future. Thus, nationalist policy would continue to dominate the process of decision-making in some years ahead. One may still believe, like Francis Fukuyama, that no other alternative to the free market and democracy is the model for modern societies. But the above explanations show that the free market is driven by the narrow political interests that may or may not support the idea.

The World Trade Organization agreement for external trade goes beyond the GATT framework. Some controversial issues that took timely negotiations such as the liberalization of textile and clothes, agricultural products, but also

services, intellectual property rights are covered by the World Trade Organization. It also strengthens dispute settlement mechanism that contains procedures to solve the dispute faster.

Despite all the records of the WTO Agreement, scepticism is still shadowing the realization of the agreement. One important matter is the narrow political interests which continue to pressure governments to provide protection. Besides the anti-dumping agreement, as mentioned above, governments may also use new issues such as environmental protection, labour policy, human rights. Recent example shows that the United States Government has linked human rights records of China with granting the extension of China's Most Favoured Nation status.

For many countries in East Asia, free market and democracy is an ideal model. But consider Korea. Reunification of the North and the South may have to take a decade ahead, which means that the country still needs governmental interferences, either to maintain growth or stability. My point is that even in Korea, the movement to reduce government role in economy, both in economy or in politics, is still very difficult because of the unsettled problem with the South regarding the process of reunification.

Take other examples such as Malaysia and Thailand, the would-be new Asian tigers. These countries still have to work on restructuring industry, either through their own efforts on research and development or the transfer of technology from abroad. Implementing this industrial policy most often means the need to transform political structure. In this regard, the role of government is likely to make sure the process proceed rather peacefully. One also has to note that marketing the new products will become more difficult due to the tendency of nationalist policy.

\* \* \* \* \*

That's the first part of my presentation. And the second part will be about the APEC. As I mentioned above, despite the Uruguay Round agricultural agreement, for example, the agricultural sector and some sub-sectors in the

service industry are still highly protected. And non-tariff barriers are still widely practiced in both developing countries and developed countries. The developed countries have effectively brought up the new issues of labour policy and environmental standards. And the creation of World Trade Organization also fails to prevent the United States from adopting the trade sanction against certain countries. Thus, even the United States talks about the urgency of the multilateral agreement or the regional cooperation, but still the method to solve the trade problems with partners of the United States, the United States usually also uses the bilateral way to solve the problem instead of mainly depending on the multilateral organizations.

Initially, APEC was perceived to be an informal consultative forum. The past two years, however, witnessed loud complaints from developing member countries of being dragged into a process of increased institutionalization of APEC. Features cited as evidence of institutionalization include the formation of the APEC Committee on Trade and Investment, APEC Economic Committee, and acceptance of a specific time frame to create a free trade area, the approval of APEC non-binding investment principles, regular meetings of various ministers including Ministers of Trade, Ministers of Finance and Ministers in charge of environment. So, this development will eventually produce a kind of local binding commitments for the member countries.

I understand that at the Bogor Conference of the APEC last year, President Suharto agreed to push the APEC Agreement on the timetable of the free market in the region. But at that time, a lot of people questioned about why the President took that kind of a decision. Many scholars were wondering about why the President took that position, and nobody was sure about the answer actually. And I read in the Asahi Evening News today, in the editorial, there is an article put by a journalist from Asahi Shimbun explaining that Indonesia might consider three aims or three goals in promoting the timetable of free market:

One is: Consider the Chinese economic growth, which will be a kind of strong economic power, and of course Indonesia has to take attention on that, and promoting the timetable for Indonesia might invite to deepen the United



States and Japan commitments in the region, especially in Indonesian economic interests with regard to foreign investment and foreign aid kind of things.

And secondly: According to the Asahi Evening News journalist, the timetable of free market is the best way to push Indonesian democratic process, I mean, to lower the trend to corrupt among the leaders in Indonesia. I am not sure about that.

And third is: Well, I forgot the third one, but that journalist got the ideas from the interviews with two prominent Ministers. One is the Minister of Research and Technology and the second one is the Minister of Trade.

The problem with the second point, which that journalist gave, is that actually the Minister of Research and Technology originally proposed the banning of some Indonesian newspapers back last year, some time in September, I guess. So, promoting of the timetable of the free market actually had nothing to do with the trend to democracy or reducing the corruption, because even the person who promoted that timetable actually is still under question, as we understand that a lot of decisions to maintain monopolies in some commodities and manufactured products, maintained and proposed by the President himself. And there is also a certain question about whether the situation in Indonesia, especially the non-economic condition, will be very conducive to the free market today. As I mentioned, President Suharto is seeking for another term in 1998, which means that he needs a wider support from below for his interests. And that means that he should give some political concession to a lot of groups in Indonesia. And giving away the concession, political concession, means a kind of protection. So I guess it's still very hard for Indonesia for the time being to implement the commitment to open the market with regard to the commitment in the APEC.

Well, I mentioned above also that in the last two years there has been a tendency toward the increased institutionalization of APEC. I gave some indications about that. And actually APEC is not expected to create an exclusive free trade area. The liberalization process should be GATT-WTO consistent and the unconditional Most Favoured Nation basis. To move to formalize a free trade area may be seen as an attempt to force to open the

economies of some member countries as well as the economies of non-APEC countries. So many countries in Asia actually are in favour of trade consultations where APEC will be an open regionalism, which has no trade discrimination against outsiders. So, APEC actually will be a loose consultative body to be used for trade consultations, in contrast to those who would prefer a more structural, legalistic organization that relies on trade negotiations.

Let me explain one more that there are three major components of APEC's agreement. One is the trade and investment liberalization; the second about the trade and investment facilitation; and the third one is about development of technical cooperation.

I guess many of the countries, smaller countries in Southeast Asia including Indonesia, give more attention on the development of technical cooperation. Actually, we want not only technical but also;— economic and technical cooperation, I mean. So, it's not only economic but also technical cooperation. And we hope that the aim of those three major components is to narrow the disparity between member states. Therefore, there must be cooperation in the areas of infrastructure, human resources development, transfer of technology and environment. I guess it is not only Indonesia who hopes those with regard to the three major components which I mentioned, but also many countries in Southeast Asia expect that this cooperation will promote human resources development, transfer of technology, infrastructure and environment.

Indonesia has been unhappy by the moves of the United States and other Western countries to include social agenda in trade liberalization. There are special interest groups within the United States or within Western countries who want to link trade with issues of democracy, human rights and the environment. One instrument is the threat of withdrawal of GSP and Most Favoured Nations privileges.

I guess you may feel that my point is rather scepticism. But actually, there has been a growing consciousness among countries in Southeast Asia about the necessity of economic cooperation. We realize that APEC is a vital function in the process of fertile cooperation through those three major components mentioned previously. The region offers a tremendous economic

potential with its huge market, and that encourages all the member countries, including Indonesia, to participate in APEC.

Well, even Indonesia is very supportive to the APEC goals, especially during the Bogor Declaration, which produced that timetable and the tendency toward more institutionalized agreement. But the problem, as I say, the domestic problem will still be a constraint toward the implementing of free market in the area.

I think that's my presentation. Thank you. I am hoping that we will have some discussions, and by that we can get some more understanding on either my position from the Indonesian point of view or you from Japanese point of view. Thank you very much.

## QUESTION AND ANSWER SESSION

**MODERATOR:** Thank you very much, Professor Hero.

From now I would like to open the floor. Those who may have questions and comments, please raise your hand.

Today Dr. Hero put emphasis on WTO and APEC, future technical and economic cooperation under the framework of APEC, which is also our major interest. So if there is any question about this point, those comments are also very much welcome. Yes, please.

**QUESTION:** I would like to ask one question about the last point you mentioned, which is the three components of APEC activities.

I understand that there are voices among the APEC members that the economic and technical cooperation within APEC has been done enough for the time being, and also, as there are many bilateral projects between developed nations and developing nations, and also there are some multilateral cooperation activities which are carried out by, for example ADB. Do you have any comment on this kind of, to limit the possibility of economic and technical cooperation within the framework of APEC?

**HERO:** Thank you very much. I think you are right that the technical cooperation, as you mentioned, has been done enough even before the APEC was established. In fact, the technical cooperation, especially Japanese technical cooperation, helped a lot of Southeast Asian countries to develop infrastructure, manufacture and industries.

I guess what we—what Indonesia wants more to promote is the so-called human resources development, which means, technical training or skill training but also transfer of technology. So, the leaders in my country now talk more about the human resources development through this economic cooperation.

But you can give more focus on this kind of cooperation. You understand that in my country we have a problem of disparities between big companies and small/ medium companies or SME, small/medium enterprises. Maybe the Government of Japan can give more attention on this situation. Because the disparities between big and small/ medium companies will bring also tension,

not only economic tension but also ethnic tension. As you understand, big companies are mostly dominated by the Chinese ethnics and the small/medium are indigenous. So I guess, by promoting cooperation in this regard, in this small/medium enterprises development, you may also help us to solve the problem of disparities of big and small/medium enterprises.

I think that's my answer. Thank you.

**MODERATOR:** Thank you very much. Is there any question?

**HERO:** Well, it might be that the audience, the majority are economists here, because as I mentioned, maybe you don't expect that a political scientist talk about WTO and APEC. We had the same problem during the Conference in Seoul, and that's why, later on, Chairman of the Conference proposed that the next conference will be giving more invitations to those who are political scientists instead of only economists. But actually, we can implement our understandings on each domain, maybe. Thank you.

**MODERATOR:** Thank you very much. One question from me. Out of the three pillars of the APEC roles, as you said, one is liberalization, another is facilitation, and the third is economic and technical cooperation. So regarding this third role, we are wondering if how JICA can participate in or contribute to the APEC activities. If you have any ideas, please give us some suggestions.

**HERO:** Thank you very much. As mentioned by the gentleman who raised the question, actually the Government of Japan, through JICA and other institutions, have provided cooperation to all Southeast Asian countries. Within the APEC framework it's not clear about what kind of cooperation will be extended, but as I mentioned, I proposed four areas, which are infrastructure, human resources development, transfer of technology and environment.

Regarding the human resources development, I already talked about the development of small/medium enterprises, and maybe you also can give attention on our environment. As you understand that, as a consequence of the industrial development, and also the modern society, we have now problems of environment. I guess, more and more people are worried about the quality of water in Jakarta, for example, or maybe the level of pollution because of

the congested traffic. Maybe that kind of things you can extend helps to us. And as far as I am concerned, there is no special research section in the Faculty of Engineering in any universities in Indonesia which give attention especially on the environment problems. Maybe you can raise attention on that. Maybe, you know, this is a good step anyway to help us, and also to make our living condition, the quality of living condition, better.

I am not sure about that. I guess one of the other two is infrastructure. I guess JICA or OECF has already extended assistance a lot to many Southeast Asian countries. And maybe, transfer of technology also is still in progress by inviting workers or labourers from Indonesia to do something, to learn something in Japan. What happened is that a lot of Indonesian scholars complained that actually this is not a transfer of technology, actually. They work for something that the Japanese do not want to do any more, and they are invited for that. I am not sure about this opinion, but more and more scholars believe that it is not transfer of technology at all. Maybe you can find some other way, some other better way to do the transfer of technology.

**QUESTION:** Thank you very much, Dr. Hero. I am very impressed by your comprehensive presentation about the WTO and APEC in Asian countries. I have two questions.

One is about the anti-dumping issue. In your presentation paper, the word "antidumping issue" appears several times. So, from the standpoint of Japan, Japan suffered from the arbitrary implementation of the anti-dumping proceedings from the United States and European countries. So we are now expecting new dispute settlement mechanisms of WTO. I suppose we have the same basis for the solutions of this anti-dumping issues. So I would like to hear your comments.

And secondly, from a business standpoint. Recently, Japanese businessmen are willing to invest in Asian countries, especially the ASEAN countries. So at that time, they are always wondering about the atmosphere to invest. The first point is, of course, the economic conditions, but the second condition is the political one. As for Indonesia, we praise, we respect the performance of your country, especially the recent rapid economic growth and the very stable

political situations. But as you said before in your presentation, President Suharto is going to appear in 1998 presidential campaign again. So in that case, can we expect more stable political situation in your country? Of course there are many comments from the Western side about your President, but I suppose there is another point from your own country. So, I would like to hear your own individual comments, if you have. Thank you very much.

**HERO:** Thank you very much. It's very difficult to answer to your question, especially the second one.

Regarding the anti-dumping issue, as I mentioned that the United States always tries to avoid the dispute settlement through the mechanism within the WTO framework. They try to settle or solve the problem, trade friction for example with Japan regarding automobile in dispute through the bilateral negotiation. And we also understand the negotiation about the telecommunications and that kind of things. This is what made me more sceptical, because as a big power, as a super power, America still disregards the dispute settlement mechanism through WTO, which is actually important to show that the United States is supporting the WTO instead of unilateral or self-interest promotion.

So far, the WTO has already got some attention, for example, the dispute between Singapore and Malaysia, maybe you know about that. And there is also some complaint about your Government's policy regarding alcohol or whiskey, something like that, and WTO already settled that problem. But I still believe that because of the pluralism, and pluralism promotes narrow interests, which actually strengthen the trend towards the nationalist policy, in this regard it is still more difficult to believe that WTO will be an effective organization to settle dispute between the countries, especially if the big powers disregard its role. I think this is my answer.

The second question is about the Japanese business willingly to invest in ASEAN. You mention that you are worried about my statement about the next election Suharto is seeking for another term. Yeah, it is a consequence of more openness in my country, which is very rural compared to what happened in South Korea, in Taiwan, but more and more labour movements happen in my country. As I mentioned in the beginning, in the Seminar in Korea we

also talked about the labour relations; in this regard, about the labour relations in Korean companies, in many countries in Southeast Asia, because labour movements arose in the Korean companies, around Jakarta City, or other cities in other countries.

**HERO:** Because of the booming economy in the 1970's, a lot of parents could send their children to go to school up to junior high school, and even up to high school. So they've got some idea about human rights, about the better living conditions, better working facilities, that kind of things. And also some student leaders tried to use this labour dispute as an issue to encourage labour movements, to get the movements happen led by the students.

But I think this situation is still under control.

I mean, the Government is still very very strong, that can push the labour movement. But the Government tends to listen to what external pressure gives on the labour policy. For example, the EFLCIO, the United States Labour Union, complained about the lower wage of Indonesian labourer. That complaint produced wage increase, I guess, two times within three years. And we raised the minimum wage of labourer from one region to another region. Basically the labourer gets close to or maybe over 2 dollars a day, from less than one dollar a day three years ago. So it's getting more expensive to hire Indonesian labourers, but still much cheaper, of course, compared to labourers in other;—even in China it's more expensive.

And I guess the most important issue is whether the President can be successful, and whether there will be no political move regarding his intention to seek another term again. I guess there is no one dare enough to challenge him. He is too strong. I guess politically still uncertain, but as far as I am concerned, everybody thinks that he can get easily his next term, and that means that the political stability is still there. Thank you.

**MODERATOR:** Thank you very much, Professor Hero. Is there any question? Maybe a final question.

In your lecture you pointed out that the timetable for liberalization and facilitation would facilitate the democratic process. Could you kindly elaborate this idea?



**HERO:** Actually I got the idea from the article put in the Asahi Evening News this afternoon. But of course the liberalization process means that the government interference in economic and political process will be lower. For example, the political party can do its function properly. Compared to Japan or even Korea, the function, the role of the political party in my country is very uncertain. But the pressure toward liberalization may also increase the process of the role of the political parties. The party may demand more free election, because in the last election or maybe in every election in Indonesia, it was not so fair election, actually, because heavily interfered by government operators. So, promoting liberalization will increase or strengthen the labour movement or maybe the political party.

That's what is thought by the liberal groups. But the problem is that, by trying to get another term, which is right now more difficult, it is more difficult compared to 1992/1993 election year in Indonesia, so Suharto will be more difficult to get supports. So it means that he has to give more political and economic concession. And by doing so, that needs more subsidy, more protection, especially to the indigenous companies, indigenous business.

So, that's my comment, which is a bit scepticism, because as I mentioned that domestic problems, especially political domestic problems, will continue to constrain Indonesian solution towards the free market.

I guess this is it. Thank you.

**MODERATOR:** Thank you very much. Are there any questions?

**QUESTION:** Earlier you mentioned that countries like Japan could provide technical assistance or cooperation for countries like Indonesia in terms of lessening the disparities between the small and medium enterprises and the monopolies or large conglomerates. It's my impression that what countries like Japan can do could be limited because many of these disparities are politically or ethnically rooted. Can you tell us a little bit about what in your country the Government's policy is to lessen these disparities are, and what in your opinion can organizations like JICA do to provide assistance within this framework?

Thank you.

**HERO:** Thank you. The Government of Indonesia has tried several policies to give attention on this problem. For example, providing each year credit for the small/medium enterprises, I guess, up to 50 million rupiah, which means about 25,000, I guess, 25,000 dollar. Those companies, with some requirements, can get credits easily from the bank, theoretically from the national banks, up to 25,000 dollar. That's one.

And the second one is: I think this has been the second time for the President to make a gathering among the Indonesian conglomerates and raise the question, raise the issue, and ask the conglomerates to help by establishing a kind of foster parent;—actually, a subcontracting system. You know, you understand that very well because in Japan there is that kind of system, the subcontracting system; a big company gives contracts to smaller companies. Suharto gathered some conglomerates, and the television put that meeting at the time, and they agreed to make kind of a meeting, and try to give solution to this.

But until now I think there is no clear solution about what they are going to do. For example, there is one conglomerate who talks about giving his 2.5 percent of his income, of his asset of the company, for a kind of endowment to a kind of foundation, and later on the foundation will give money;—it's a kind of charity, actually. And a lot of people complain about that kind of proposal. So, until now we are not clear about how the best way to deal with this.

In the past, besides giving credit to the small/medium enterprises, the Government also allowed them to operate in a special market. There are markets;—there are some locations which are appointed by the Government as a market for small/medium enterprises. That happened in the 1980's, I guess. But because of the conglomerate interests, some of the markets later on were destroyed, and then, department stores and supermarkets were established on the location of the market. So sometimes the pressure of the conglomerates also can make that policy not happen. It's difficult.

Well, it's very frustrating actually to think about how is the best way to deal with this situation, firstly because of the political interests. And Suharto

himself also has some kind of interest in this conglomerate companies, because his sons, and his daughter also, got;-well, in the past five years, the newspaper in Indonesia had some kind of freedom to tell about this kind of things that the sons, and the daughter also, run the companies based upon capitals provided by some conglomerates. And in that case it's getting better.

I don't know how to solve the problem actually, because as I said, it's very frustrating. Small/medium enterprises need not only economic help but also kind of political bargaining better, better political bargaining, so that they can get some assistance from the conglomerates, not based upon charity but based upon some other things, some other obligations.

Well, as I mentioned, the political election in 1998 will require President to get supports from indigenous companies. Why? Because the indigenous companies, most of them small and medium enterprises, are the economic base of Islamic community. So, if you help small and medium enterprises, you also help the Islamic community, which is the majority of the people in Indonesia. Hopefully, that can solve the problem of the disparities of the big and small companies.

I understand that JICA has run a training center programme for the exporters in Jakarta. I think you have run the facilities for about five years now. I talked to some JICA official in Jakarta. The problem with the training programme in Jakarta is it was run by the Ministry of Trade, so, by bureaucrats. So you know how the bureaucrats appoint who will be trained, kind of things. So I talked to the JICA official if JICA agrees to set up a training programme in the new facility of Indonesia, so we will provide the experts to train the small and medium enterprises; we also will select which company will be trained. And after that, we also tried to establish kind of Information Centre, so if the companies will export their products, they can get information about market access, about the transfer of technology, tax regulations for example in Thailand, in Malaysia, that kind of things. And they can also get some advice from the University of Indonesia.

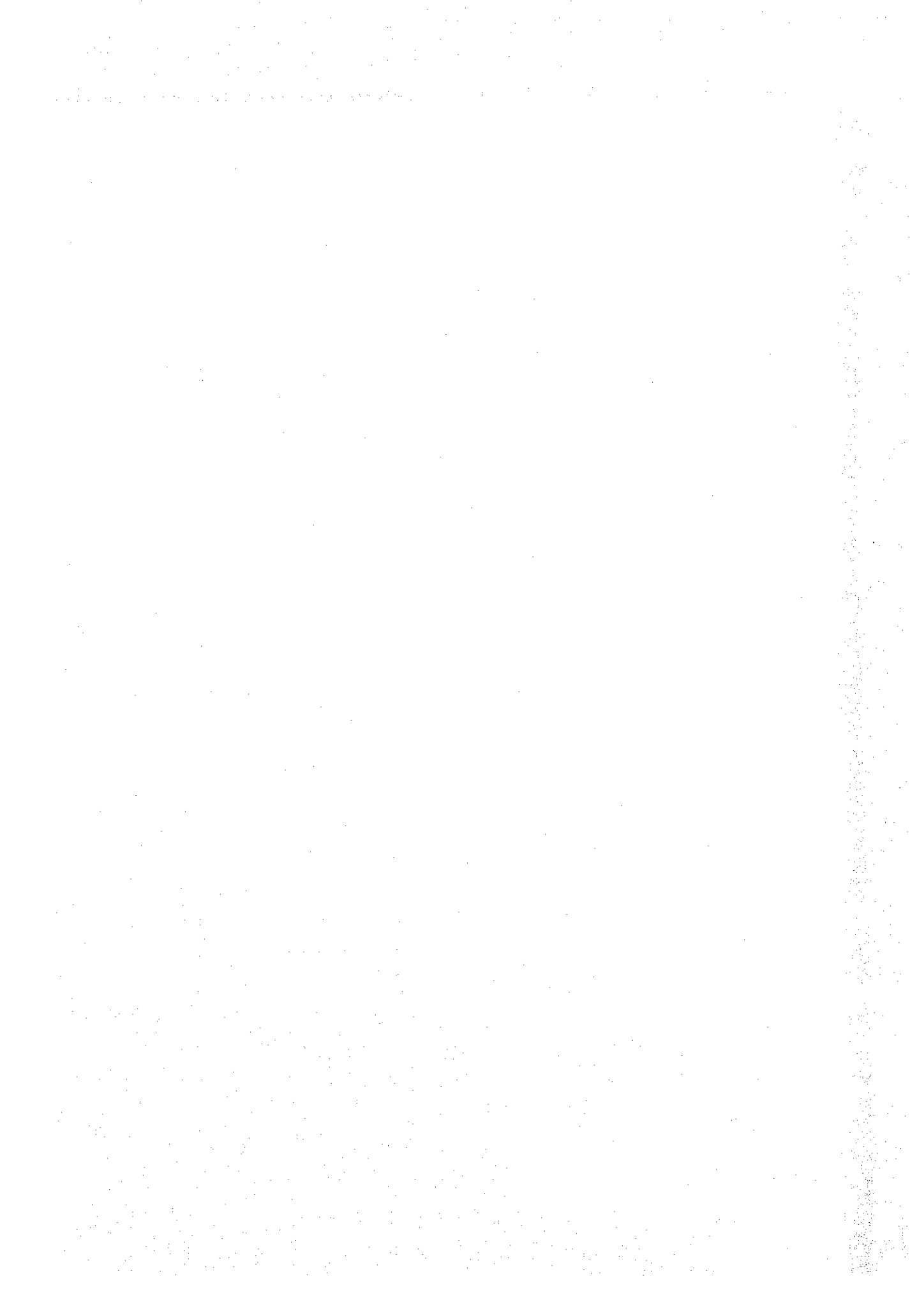
That's only the idea. So far, JICA in Jakarta only considers, and no answer to that. Maybe, I am not sure, maybe they are not interested in that.

**MODERATOR:** Thank you very much.

Today Professor Hero mentioned that realization of the Bogor Declaration is not an easy task because of the domestic problems, especially political ones. Yet, APEC can play an important role in trade liberalization and facilitation and economic cooperation. We hope today's seminar helps us to consider future direction of the APEC and future role of our own in the APEC.

If there is no question I would like to close today's seminar. Thank you very much, Dr. Hero.

CONCLUDED







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