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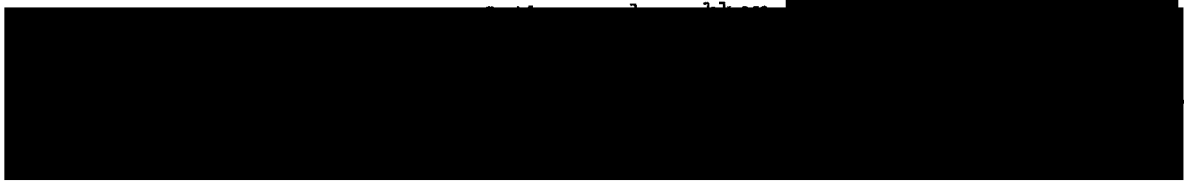
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Country: Indonesia

Subject: Government attitude toward foreign capital investment.

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Supplement to Newsletter No. 10/53.

Chairman of the Dewan Ekonomi Indonesia Pusat (DEIP) on foreign capital investments.

In connection with the forthcoming government statement on foreign capital investment in Indonesia "P.I.Aneta" had an interview recently with ~~xx~~ the chairman of the Central Economic Board, Mr. Tedjasukmana. The chairman said that it could be expected that this statement would appear very shortly, which would outline the scope and fields in which foreign capital would be welcome, is, according to Mr. Tedjasukmana, to be construed as being intended for "prospective investors" abroad. The chairman of the DEIP thought however, that it again necessary to point out that Indonesia no longer has any great powers of attraction for capital in international markets. Nor will a "statement" alone bring about much change in the situation.

Every owner of capital, whether or not Indonesian, takes facts into account, and if the government is seriously planning to attract capital from abroad, then, according to Mr. Tedjasukmana, it is a good thing to remind them of these facts again.

Everybody seems to be convinced that the statement will be acceptable, as far as the regulations with regard to the possibilities of transfer of profits, periods of depreciation, taxation, etc. are concerned. However, the potential foreign investor looks even farther ahead. He watches primarily the stability, continuity, and fundamental principles underlying the government's policies. In the first place, every investor will try to ensure a certain degree of safety, particularly with regard to the fact that government regulations should be of an unchanging nature, and not subject to the whim of every new minister or Cabinet, which later may come into power. "It is necessary therefore that definite regulations are laid down by law" said Mr. Tedjasukmana.

Furthermore, once these regulations have become law, the type and number of inquiries which the authorities will receive will be of great importance. An infamous ~~xxxx~~ bureaucracy should be very carefully avoided. Objectivity, Elasticity and Service will be expected from officials in charge of such matters. The "prospective investors" must not be frightened off on first acquaintance, by the departments they will have to deal with later on.

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According to Mr. Tedjasukmana, the labor policy is of paramount importance. Every modern investor is convinced of the necessity for social welfare facilities, reasonable wages, family allowances, health schemes, recreation possibilities for the workers, as well as old age pensions. But the foreign investor of today asks himself rather uneasily what kind of labor policy will a new state, and certainly Indonesia, be likely to favor.

The Chairman was of the opinion that after three years of self-government, Indonesia would certainly be expected to have plans on the Statute Book calculated to remove all uncertainties on this point. This should be done in the form of labor statutes, details of which were now available from the results of the arbitrary commissions, which had been set up for solving labor differences. As far as conditions governing the employment of Indonesian labor in the higher branches of foreign business is concerned, Mr. Tedjasukmana was of the opinion there would be few objections to this.

He thought it most necessary to make it quite clear, from the start, what was meant by Indonesian capital; particularly with reference to the conditions under which Indonesian capital would also take an increasing part in the new opportunities for business.

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