

# **Australia's Indonesia Project**



# Australia's Indonesia Project

50 Years of Engagement

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Colin Brown

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**Cover image**

Economist and former Indonesian planning minister Armida Alisjahbana with  
Indonesia Project colleagues, including three Indonesia Project Heads, following  
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## Foreword

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The Indonesia Project at The Australian National University has made a remarkable contribution to analysis of the Indonesian economy over the past 50 years. It has done so through genuine collaboration, helping at the same time to raise the research capabilities of the economics profession in Indonesia. Its *Bulletin of Indonesian Economic Studies*, its Indonesia Update book series and other works by Project members represent a contribution to study of the Indonesian economy that is unparalleled anywhere in the world.

I first became aware of the Indonesia Project and *BIES* as a student in the Faculty of Economics at the University of Indonesia in the early to mid-1980s. My first personal contact with the Project and its members was not until September 1997, when I was invited to address the Indonesia Update conference. In 2001, 2005 and 2006 I was again asked to speak at Project events.

In 2007 as Indonesia's finance minister I was able to reciprocate by inviting members of the Indonesia Project to work with officials of my ministry to set up a High Level Policy Dialogue (HLPD), through which academics and senior officials in the Indonesian and Australian governments could provide me with analysis and advice on economic policy. The program still continues today.

This book tells the inside story of how the Project was born and has thrived despite the many challenges of its 50-year journey. Its success owes much to the commitment of its members, associates and collaborators to sustaining research on the economy of Indonesia, and to continuous and strong support from the University and the Australian government. There is a lot to be learned from this history, of how to do much with modest resources.

I salute the Project for its perseverance in this work; for its rigorous contribution to policy debate and analysis of the Indonesian economy; and for its efforts to strengthen economic research by Australian and Indonesian scholars through its many collaborative activities. I hope it can continue this work into the future. The Indonesian economy and its people have made enormous progress over the past 50 years, but there is an ongoing need for academic publishing and policy advice based on sound, independent research.

*Sri Mulyani Indrawati*

Managing Director and Chief Operating Officer, The World Bank

Former Minister of Finance, Indonesia (2005-2010)

Washington DC, May 2015





## Preface

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The Indonesia Project, based in what is now the Arndt-Corden Department of Economics at The Australian National University (ANU), is one of the great success stories of Australia's academic engagement with Asia. In its first 50 years, it has established itself as the premier international centre for the study of the Indonesian economy, with members and associates drawn from both Australia and Indonesia.

When I was invited to write this brief history of the Project, it was with some trepidation that I accepted. I had never attempted an institutional history before, and nor was my knowledge of economics substantial.

In researching and drafting the history, I relived that trepidation on many occasions, when confronted with the intricacies of Project funding or staffing, or with debates over economic theory or policy.

Any success I might ultimately have had is due chiefly to the advice and assistance I received from many people currently or formerly associated with the Project. To name them all individually would extend the length of this Preface substantially, and run the risk of inadvertent omissions. However some people simply must be mentioned, for the extent of the advice they gave, and the generosity of their comments.

Early drafts of the manuscript were read, and commented on, by Howard Dick, Liz Drysdale, Stephen Grenville, Hal Hill, Chris Manning, Peter McCawley and Budy Resosudarmo. I read their comments carefully, and for the most part accepted them. In addition to reading and commenting on the manuscript, Liz Drysdale was a superlative researcher and editor. Without her work, this book would not have been completed.

Beth Thomson of Japan Online gave unwaveringly thoughtful and expert help in the design and layout of the book, and designed the photo section with skill and imagination. Bobby Graham of BG Publishers offered invaluable guidance in the publication process to print and digital formats. Staff of the ANU Archives and the National Library of Australia Manuscripts Collection were extremely helpful in locating source documents. Nurkemala Muliani's careful work was indispensable in sourcing and enhancing photographs to illustrate the story. Those listed overleaf kindly permitted us to publish their photographs.

At this point, authors customarily say that they are responsible for any remaining errors of fact or interpretation in the text. Of course I accept such responsibility. But given the number of people who have participated in the preparation of the text, that responsibility probably ought to be shared!

*Photo Credits*

We would like to thank the following for the photos in the colour section of this book. It has not been possible to identify individual photographers for all the illustrations used. Where we have failed to make a correct attribution we would be happy to remedy this in a future edition.

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- 3 Jusuf Panglaykim *Courtesy of Pingki Elka Pangestu*
- 4 Ruth Daroesman © *Peter McCawley*
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- 9 Former environment minister Emil Salim at 2004 Update *Darren Boyd, Coombs Photography* © ANU
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## A Note on Sources

### *Archival Sources*

Three archival sources were used:

1 **Australian National University Archives**

**The University Archives Collection (ANUA)**

A guide to this archive is at <http://archives.anu.edu.au/anu-archives>.

2 **National Library of Australia (NLA)**

Selected papers of H W Arndt (MS 6641) and D H Penny (MS 7581).

Guides are at <http://trove.nla.gov.au/work/35161194?q&versionId=43669749> (Arndt) and <http://trove.nla.gov.au/work/10795096?q&versionId=12603037> (Penny).

3 **Indonesia Project Archive (IPA)**

The Indonesia Project archive contains correspondence and reports, but has not yet been organised for archival use. Therefore no locator information other than 'IPA' is given.

The first time that an item is referred to in a footnote, a full location is provided, including the archival abbreviations given above. Subsequent references omit this information.

The first Indonesia Project Annual Report was published in 1980. Before that date Indonesia Project activities were simply reported in Economics Department Annual Reports. Where an Economics Department Annual Report could not be found (in 1977, 1978 and 1979), the Economics Department content of the relevant report of the Research School of Pacific Studies has been used.

Indonesia Project Annual and Biennial Reports from 2001–02 can be viewed at [https://crawford.anu.edu.au/acde/ip/publications/annual\\_reports.php](https://crawford.anu.edu.au/acde/ip/publications/annual_reports.php).

### *Interviews*

Interviews were conducted with over 40 people connected with the Project, in Australia and Indonesia. Direct quotations from these interviews have been used only when authorised by the relevant interviewee.



## Chapter 1

# The Establishment of the Indonesia Project: 1963–1965

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If anyone were looking for a good time to start a major research project on the Indonesian economy, they would be unlikely to have chosen the mid-1960s.

With masterly understatement, economists Anne Booth and Peter McCawley noted that ‘in the mid-sixties, the description of the Indonesian economy that writers of the day gave was a sad one’.<sup>1</sup> Money in circulation doubled between 1963 and 1964. The official exchange rate was Rp 45 per US\$1.00: the black market rate was closer to Rp 9,000. Inflation in 1965 – admittedly impossible to measure with any certainty – was probably over 500%. The government budget was formally declared a state secret. Economic data were difficult to obtain and of dubious reliability.

And if, against the odds, the idea of starting an Indonesian economic research project at this time was found attractive, few would have thought of Heinz Arndt as its progenitor.

By the time the Indonesia Project was formally set up in 1965, Arndt was 50 years old, an established academic economist with primary intellectual interests in macroeconomics and well known for his research into the Australian banking system – but without any known interest in Indonesia.

Thirty years earlier, as a young man of 18 descended from Jewish grandparents and born in the then German city of Breslau, Arndt had

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1 Anne Booth & Peter McCawley, ‘The Indonesian Economy Since the Mid-Sixties’, in A Booth & P McCawley, eds, *The Indonesian Economy During the Soeharto Era*, Oxford University Press, Kuala Lumpur, 1981, p 1.

fled Nazi Germany for the United Kingdom.<sup>2</sup> There he was admitted to Oxford, where he read Modern Greats: 'Philosophy, Politics and Economics with some History thrown in'.<sup>3</sup> On graduation, after a brief interlude in Canada where he was interned as an enemy alien,<sup>4</sup> he worked at the Royal Institute of International Affairs (Chatham House), and then as a Lecturer in Economics at Manchester University. He came to Australia in 1946, taking up a Senior Lectureship at the University of Sydney,<sup>5</sup> and moved to the Canberra University College (CUC) in 1951.<sup>6</sup> In 1963 Arndt was appointed Professor and Head of the Department of Economics in the Australian National University's Research School of Pacific Studies (RSPS),<sup>7</sup> replacing Sir John Crawford in the latter role.<sup>8</sup>

Arndt had at this time never been to Indonesia.

The ANU itself had only limited expertise on Indonesia. Its establishing legislation required a commitment to 'Pacific studies', as one of the four named areas of research in the new institution.<sup>9</sup> But neither the legislation nor the subsequent leadership of the University had made clear

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2 His father, a distinguished professor of organic chemistry at the University of Breslau, left at the same time, spending a short while in Britain before moving to the University of Istanbul, where he remained until 1955.

3 H W Arndt, *A Course Through Life: Memoirs of an Australian Economist*, National Centre for Development Studies, ANU, Canberra, 1985, p 1.

4 Which he subsequently referred to as being 'on government business'. *A Course ...*, p 4.

5 He wrote later that he had only 'casually applied' for the position: 'I barely knew where Sydney was'. *A Course ...*, p 9.

6 In 1960 the CUC was renamed the School of General Studies on its amalgamation with The Australian National University.

7 The School's name was abbreviated both as 'RSPS' and as 'RSPacS' until its name change to the Research School of Pacific and Asian Studies (RSPAS) in 1991. Brij V Lal 'The Coombs: Journeys and Transformations', in Allison Ley & Brij V Lal, eds, *The Coombs: A House of Memories*, Research School of Pacific and Asian Studies, Canberra, 2006, p 2.

8 Crawford had a distinguished career in the Australian Public Service before being appointed Director of RSPS, and Head of the School's Department of Economics, in 1960. He later served as the University's Vice-Chancellor (1968-73) and Chancellor (1976-84). J D B Miller, 'Crawford, Sir John Grenfell (Jack) (1910-1984)', *Australian Dictionary of Biography*, vol 17, National Centre of Biography, ANU, 2007, <http://adb.anu.edu.au/biography/crawford-sir-john-grenfell-jack-13911text22223>, accessed 17 August 2014.

9 Section 8(1) of Australian National University Act 1946. The other research schools were much more broadly defined: medical science, the physical sciences and the social sciences. The same requirement was written into the 1991 Act, which repealed its 1946 predecessor (Section 19.2, Australian National University Act 1991).

precisely what that term was meant to encompass, except in the most general of ways. According to historian Anthony Reid:

The earliest recorded definition of the area of its concern was ‘somewhere ranging from the Americas to India’ (in John Crawford’s phrase) to include both the Pacific Ocean and Asia.<sup>10</sup>

And certainly Indonesia was not a major focus of scholarly activity in the ANU’s early years.<sup>11</sup>

Under Crawford, Arndt’s new Department had interpreted its mandate as being to undertake research on ‘underdeveloped and primitive economies, with emphasis on the building up of a systematic empirical knowledge of the Pacific and South East Asia’.<sup>12</sup> The primary commitment the Department had in terms of these regions was to Malaya/Malaysia and Papua New Guinea, through scholars such as Peter Drake, E K Fisk, G R Hogbin and R T Shand.<sup>13</sup>

There were however some scholars working on Indonesian topics. Ingrid Palmer was studying the Indonesian textile industry; she was to be the first of the Department’s students to complete a PhD on Indonesia, in 1968.<sup>14</sup> Ken Thomas was working on the smallholder rubber economy of South Sumatra. But in 1963 it seemed unlikely that Indonesia would emerge as a primary Asian focus for the Department.

In July 1964, though, in a memorandum confidently titled ‘Indonesia Project’, Arndt proposed to Crawford as Director of the School that the

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10 Anthony Reid, ‘Indonesian Studies at the Australian National University: Why So Late?’, *Review of Indonesian and Malaysian Affairs*, 43, 1, 2009, p 52. See also Stephen Foster and Margaret Varghese, *The Making of The Australian National University 1946–1996*, ANU Press, Canberra, 2009, p 17.

11 For an account of the early history of the ANU’s involvement with the study of Indonesia, see Reid, ‘Indonesian Studies ...’, pp 51–74.

12 Peter Coleman, Selwyn Cornish & Peter Drake, *Arndt’s Story: The Life of an Australian Economist*, ANU Press, Canberra, 2007, p 237.

13 Drake’s research interests lay in monetary systems and financial development; he worked on the economies of Malaysia, Singapore, Indonesia and the Pacific islands. <http://press.anu.edu.au/press-author/peter-drake/>. Fisk was a staunch supporter of the Indonesia work in the Project’s early years, as correspondence and meeting minutes in the Indonesia Project archive attest. He wrote on development issues in Malaya, Papua New Guinea, the South Pacific, and Aboriginal Australia. <http://www.assa.edu.au/fellowship/fellow/deceased/94>. Hogbin worked on agricultural and development economics in Papua New Guinea. Shand’s research interests lay in agricultural development in Papua New Guinea, and later in South Asia. <http://asiapacific.anu.edu.au/pambu/catalogue/index.php/papers-and-publications-on-rural-development-economics-and-labour-in-papua-new-guinea>.

14 ‘The Indonesian cotton textile industry during inflation, 1950–1965: a case study of an industry in an underdeveloped country’, PhD awarded in 1968.

Department adopt a strong research focus on Indonesia, asserting: 'There is general agreement that Indonesia must be one of the main concerns of this Department.'<sup>15</sup> He went on to note, though, that considerable obstacles would have to be overcome in pursuing such research:

Official statistics are rudimentary and unreliable. There is an almost complete lack of the macro-economic data one normally takes for granted, and the basic statistics of production, trade, etc. ... either do not exist or are so unreliable as to be almost worthless. The present Government is unlikely to evince interest in, or facilitate, economic research or policy advice based on research. If political relations between Australia and Indonesia should further deteriorate, fieldwork, already difficult to organise in the outer islands, may become impracticable even in Java.<sup>16</sup>

In support of his proposal to Crawford, Arndt cited Indonesia's importance to the region and to Australia, the absence at that time of scholarly studies of the Indonesian economy in the United States or elsewhere outside Indonesia, and the practical consideration that research on Indonesia was less expensive than research on other locations such as the Indian sub-continent, China and Japan.<sup>17</sup>

The research project as Arndt saw it would have two main fields of activity: general reviews of the Indonesian economy, and empirical, field-based research on specific sectors or aspects of the economy. The former would be aimed at 'assist[ing] the Australian government, and the informed public', and might result in reports either for limited circulation or for publication in a mooted 'Bulletin of Indonesian Economic Studies' – the first formal reference to the journal. This research was also expected to produce a book on the Indonesian economy, similar to the one the Department had produced the previous year on Malaya.<sup>18</sup> The Indonesia book was envisaged as being published within two years.<sup>19</sup> Topics flagged for coverage under the second field included textile and other manufacturing, inter- and intra-island shipping and internal migration.

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15 H W Arndt, Memorandum to J G Crawford, Director, RSPS, 'Indonesia Project', 13 July 1964, para 1. IPA (Indonesia Project archive; see 'A Note on Sources').

16 Arndt to Crawford, 13 July 1964, para 1.

17 Arndt to Crawford, 13 July 1964, para 1. Perhaps the only significant exception to the absence of North American interest in Indonesia's economy at this time was the Canadian Benjamin Higgins at the Massachusetts Institute of Technology. I am indebted to Howard Dick for this point.

18 T H Silcock & E K Fisk, eds, *The Political Economy of Independent Malaya: A Case Study in Development*, University of California Press, Berkeley, 1963.

19 Arndt to Crawford, 13 July 1964, para 6. Direct quotations in the following paragraph are from this source. The Indonesia book seems not to have eventuated: as will become clear, difficulties in staffing the Project and generating suitable content for its journal probably made such a venture impossible in the early years.



Much of this research, Arndt believed, could be undertaken by the existing staff and students of the Department, assuming of course that they agreed to shift some of their research to focus on Indonesia. But additional staff would be needed. At least one of these, Arndt argued, should be a research assistant or research officer who ‘combines with some knowledge of Economics a knowledge of the Indonesian language sufficient to enable him to collect, summarise and in some cases translate published material in Indonesian’. In addition, he envisaged appointing one or two research assistants ‘once the project gets under way’. But perhaps the key appointee would be:

... a more senior economist who would be wholly concerned with the Indonesia project and who, in addition to contributing to both parts of the project, would act as a kind of convenor of the group working on the project.

Apparently, then, Arndt did not necessarily see himself as the project’s leader.<sup>20</sup>

Although departmental resources would cover much of the cost of the project, Arndt calculated that the first two years would require an additional £15,000 – though he did not adduce any evidence to support this figure. He envisaged that this additional funding would come from the subvention the Department received from the Ford Foundation,<sup>21</sup> or ‘other outside funds’.

At least in this initial memorandum, Arndt did not lay out a time-frame for the project, and no completion date. This was perhaps to be expected. The Indonesian economy at the time was in turmoil, and its politics too. Although he believed that at the time of writing ‘there is no evidence of fieldwork in Indonesia involving any serious risk for Australians’, this could change rapidly, particularly if there was a further deterioration in political relations between Australia and Indonesia.<sup>22</sup>

Apart from Crawford, Arndt sounded out a range of other colleagues on his proposal. He later cast the responses in a negative light. In 1985, he wrote:

Everyone, almost everyone, I consulted advised against the effort. Until the situation improved in Indonesia, I was told, research resources would be wasted there, and there was much else we could usefully do in the region.

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20 The word ‘project’ was not capitalised in early planning documents. I use the term ‘the Project’ to refer to the Indonesia Project after work began in 1965.

21 In 1962 Sir John Crawford had secured for the Department the first of what became three triennial grants from the Ford Foundation, which commenced in 1963–64. Initially, the Ford funds were intended for use in supporting ‘further expansion of the Department’s work on the economic problems of the Pacific area’. Department of Economics, RSPS, *Annual Report 1963*, p 1. ANUA 53, 2.1.8.2(2).

22 Arndt to Crawford, 13 July 1964, para 2.

Among the few exceptions was K. C. O. ('Mick', now Sir Keith) Shann, then Australian Ambassador to Jakarta.<sup>23</sup>

There may well have been those who believed a focus on Indonesia would be an inappropriate use of departmental resources. But it seems likely that the more common response to Arndt's proposal was in-principle support, but with agreement that any such focus would face substantial obstacles.

Aside from the technical and political problems Arndt had identified, some scholars saw cultural issues as a difficulty. Thus when Arndt consulted Melbourne-based colleagues about his proposal, including John Legge, Jamie Mackie and Herb Feith, much of the discussion focused on how far cultural knowledge and understanding would have to underpin the proposed research if it were to be successful.<sup>24</sup> Mackie, who was later to play a significant role in support of the Project, urged the importance of such knowledge and understanding, the implication being that he doubted Arndt had it.<sup>25</sup> Legge recalled, though, that while Arndt listened to what they had to say, he seemed determined to go ahead with his plans anyway.

Others Arndt consulted were clearly supportive. At the ANU, demographer W D Borrie and anthropologist Mervyn Jaspán responded positively to Arndt's proposals, and made suggestions about topics or directions of study.<sup>26</sup> But perhaps the most significant support came from Sir Arthur Tange, then Secretary of the Department of External Affairs. Apart from general support, Tange made a concrete proposal, that:

Joint discussions between your people and officers of the Department from time to time on the economic situation in Indonesia could be helpful to us ... I suggest that a position paper might be prepared by one of your people, although the Department could perhaps assist in its preparation by trying to fill gaps in information and so forth.<sup>27</sup>

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23 Arndt, *A Course ...*, pp 52–3.

24 John Legge, interview, Melbourne via Skype, 10 April 2014.

25 This was undoubtedly true at the time. However, when Arndt came to recruit staff and students to the Project, he insisted on their having, or acquiring, cultural knowledge of Indonesia, including its language. Mackie later said that he could not remember whether he had been one of those who had advised Arndt against the proposal, but 'I certainly would have done so if consulted, having kept a close watch on economic developments in Indonesia over the previous eight years'. Quoted in Peter McCawley, 'Heinz Arndt: An Appreciation', *BIES*, 38, 2, 2002, p 166.

26 For examples of their reactions to Arndt's ideas, see Borrie to Arndt, 4 August 1964, and Jaspán to Arndt, 25 May 1964. IPA.

27 Tange to Arndt, 17 June 1964. IPA. This was of course the time when, under President Sukarno, Indonesian politics was moving to the left domestically and

Arndt took up this proposal, and arranged a series of meetings in the latter half of 1964, inviting colleagues including Ken Thomas, E K Fisk, Max Corden and Helen Hughes.<sup>28</sup>

But Arndt was never one to lead by waiting for others to line up behind him.

Why did he take this initiative?

It was certainly not because of his familiarity with Indonesia. At the time of his appointment to the Department, he had 'not ... shown his hand as an Asianist' of any description.<sup>29</sup> Prior to writing his memo to Crawford, Arndt's primary Asian experience had been in India, where he spent three months from December 1958 to February 1959, as a Visiting Professor in Calcutta and New Delhi.<sup>30</sup>

Arndt may have taken the initiative because such was the University's expectation of him on appointment. In announcing Arndt's appointment to the Department's Chair, the ANU Vice Chancellor, Sir Leonard Huxley, had said that Arndt's new Department had as its primary role: 'the study of the economies of developing countries, especially in Southeast Asia and the Pacific region, and Australia's economic relations with this area'.<sup>31</sup>

The specific focus on Indonesia might have come from Crawford, the scholar who had attracted Arndt to the Department in the first place, and the Director of the Research School, to whom he had directed his memo.<sup>32</sup> Crawford was certainly one of the first Australian academics to argue for a scholarly consideration of the country's regional neighbours; his own

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internationally. The influence of the Communist Party of Indonesia was rising, closer links to China were being developed, and Confrontation of Malaysia was under way. External Affairs was thus critically interested in Indonesia. In this sense at least, Arndt's timing was excellent.

28 Corden was a member of the Department from 1962 to 1967, then returned as Professor (1977–88). He has also held senior positions at Johns Hopkins, Oxford and Melbourne Universities. He is best known for his work on the theory of trade protection; research interests have also included the macroeconomic policies of developing countries, and economic policy in Australia. [http://fbe.unimelb.edu.au/economics/staff/honorary\\_staff/max\\_corden](http://fbe.unimelb.edu.au/economics/staff/honorary_staff/max_corden). Hughes was a PhD graduate of the London School of Economics. She worked at the Department from 1963 to 1968, and returned to the ANU as Director of its National Centre for Development Studies (1983–93). Between these two appointments she was at the World Bank. Hughes was a development economist with a particular interest in the Pacific, and later Aboriginal communities in Australia. <http://www.assa.edu.au/fellowship/fellow/deceased/147>.

29 Coleman, Cornish & Drake, *Arndt's Story*, p 237.

30 Coleman, Cornish & Drake, *Arndt's Story*, p 224.

31 Cited in Coleman, Cornish & Drake, *Arndt's Story*, p 222 (my italics).

32 Ross McLeod, interview, Canberra, 17 June 2014; Peter Drysdale, interview, Brisbane, 14 August 2014.

scholarly interests ranged broadly across the Asian region, though without any specific focus on Indonesia.

It may also have been that Arndt, newly appointed to the Department, wanted to place his own mark on it; to have it take a new direction under his leadership. This is perhaps suggested by the way he framed the rationale in his memo to the Director: that other areas of potential interest to the Department were either beyond its resources to support, or already covered elsewhere. Indonesia had the advantage of being an in-between economy: too big to ignore, but not significant enough to have already been drawn into some other institution's academic orbit.

Yet although there could have been something in each of these alternative explanations, the rationale Arndt himself provided might well be strong enough on its own: that Indonesia was of significance to Australia, and the study of its economy was thus of national importance.

Whatever the rationale, it was shortly after submitting his proposal to Crawford that Arndt made his first visit to Indonesia, from 6 October to 5 November 1964.<sup>33</sup> The object of the visit he defined as being '... to make contacts, collect information and gather impressions for this Department's planned long-term study of the Indonesian economy'.

From Arndt's report of this visit, the origins of a number of the Project's characteristics may be identified.

First, there were the close contacts being developed between Arndt and colleagues in Indonesia, in particular several of the younger economists then recently returned from study in the US – subsequently, and initially pejoratively, referred to as the Berkeley Mafia after the alma mater of several of them.<sup>34</sup> They included Ali Wardhana, Mohammad Sadli, Widjojo Nitisastro and Emil Salim, all from the University of Indonesia. Although their expertise was not much valued in the Indonesia of the late Sukarno era, they would later come to play crucially important roles in the New Order era of President Soeharto, and be vital conduits between the Indonesia Project and the Indonesian bureaucracy and government.

Second, Arndt concluded that the Project and its staff should not engage in providing policy advice to the Indonesian government. To do so would be to risk embroiling the Project in Indonesian domestic political debates. If these debates turned against ideas supported by the Project

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33 H W Arndt, 'Report on Visit to Indonesia' (marked 'Confidential'), 16 November 1964. IPA. Unless otherwise noted, this memorandum is the source of all the following quotations relating to Arndt's visit to Indonesia. Arndt's diary of this visit – edited to some extent – is included in his *Asian Diaries*, Chopmen, Singapore, 1987, pp 58–95.

34 The term is generally attributed to David Ransom: see his 'The Berkeley Mafia and the Indonesian Massacre', *Ramparts*, October 1970, pp 27–8, 40–9.

or its members, they would be left isolated and vulnerable. This danger could be reduced if the ANU researchers' objectives were confined to 'positive economics, descriptions and analysis of various aspects of the economy and of what is happening'. There was much that could be done here, Arndt argued, given that 'there is much more statistical and other written (and even published) material than appears at first sight'.

Third, it was crucial that, so far as possible, Project research should be undertaken in collaboration with Indonesian colleagues. There was considerable sensitivity amongst Indonesian economists, Arndt concluded, about the role of western scholars in research on the Indonesian economy. This, too, had been a problem with the way many earlier (unnamed) American scholars had worked: some had suffered from 'tactlessness', and this had 'left scars'. Nonetheless collaborative research itself could be problematic, Arndt argued, and it was 'unlikely' that much research would be forthcoming from Indonesian colleagues. The strategy Arndt recommended was to be conscious of the feelings of Indonesian colleagues, consult them widely, and have them supervise the fieldwork of ANU PhD students – but 'without making any major part of our work depend on their co-operation'.<sup>35</sup>

Fourth, Arndt identified a number of scholars working in Indonesia who might be invited to join the Project. Foremost among them was a young Australian working at the University of North Sumatra in Medan on problems of agricultural development: David Penny. A graduate of Adelaide University, Penny had been awarded his PhD in Agricultural Economics in 1963 by Cornell University, already a leading centre for the study of Indonesia. Arndt noted of him that he was 'regarded as [an] outstanding agricultural economist. ... He is a world authority on Indonesian agriculture, and an energetic and pleasant person'.

Arndt was also impressed with Jusuf Panglaykim, a Dutch-speaking businessman-turned-academic at the University of Indonesia, and Shamsheer Ali, an economist from Fiji and Melbourne University graduate in economics, who had taken the highly unusual step of undertaking his PhD studies at Hasanuddin University in Makassar.

Finally, Arndt concluded that facility in the Indonesian language would be essential for much of the research being proposed, given that virtually all the written material was available only in Indonesian. He thought that this facility would not be difficult for researchers to acquire, but that a period of 'some months' for language acquisition needed to be built into the schedule of any research project.

Notwithstanding these observations and reservations, Arndt returned to Australia convinced that the proposed project was:

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35 Italics reflect underlining in original document.

... certainly desirable and feasible. Everyone I met, from the Australian Ambassador, Indonesian Ministers, university and government economists, to foreign scholars in Indonesia, welcomed the project.<sup>36</sup>

The other thing that seems clear, from his confidential visit report, his diary and his later writings, is that Arndt enjoyed his visit despite all its frustrations of appointments not kept, cars that disappeared and the deadweight of bureaucracy hanging over so much of the economy. He found Indonesians were people easy to talk with and relate to: much easier to be with, he noted, than Indians.<sup>37</sup> 'He found the weeks of travelling through various islands of Indonesia's archipelago', Peter Drake noted, 'tremendously exciting and enjoyable, notwithstanding the poverty and abject mismanagement of the Indonesian economy.'<sup>38</sup> And this enjoyment of Indonesia was to characterise Arndt's relationship with the country and its people for the rest of his life – something he shared with most of the Australians who came to work on the Project.

Crawford must have found Arndt's arguments persuasive. By early 1965, what was to become known as the Indonesia Project was under way. The Department's Annual Report for 1964 noted the decision to 'embark on a longer-term project of study of the Indonesian economy', citing it as one of the two main developments for the year.<sup>39</sup> The first two of the Department's publications on Indonesia had appeared, both authored by Ken Thomas, with Peter Drysdale as co-author of one of them.<sup>40</sup> Ingrid Palmer had left for PhD fieldwork in West Java, the first Department member to undertake Indonesian fieldwork.<sup>41</sup>

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36 It is a measure of the ease of working in Indonesia in those days that Arndt – a professor at the ANU admittedly, but without any prior involvement with Indonesia – was able to meet such a wide range of senior Indonesian politicians and scholars. The Australian Ambassador to Indonesia, Keith Shann, was instrumental in making many of these appointments.

37 Arndt, *A Course ...*, p 53.

38 Coleman, Cornish & Drake, *Arndt's Story*, p 257.

39 Department of Economics, *Annual Report 1964*, p 1. ANUA 53, 2.1.8.3(1).

40 K D Thomas, 'Recent Developments in Indonesia', *Australia's Neighbours*, January–February 1964; K D Thomas & P D Drysdale, 'Indonesian Inflation, 1951–1960', *Economic Record*, 40, 92, 1964, pp 535–53. Department of Economics, RSPS, *Annual Report 1964*, p 5. Drysdale's primary research interests subsequently lay more in East than Southeast Asia, and in Asia Pacific economic integration, though he did co-author a 'Survey of Recent Developments' for the *Bulletin*: M Hadi Soesastro & Peter Drysdale, 'Survey of Recent Developments', *BIES*, 26, 3, 1990, pp 3–44.

41 Department of Economics, *Annual Report 1964*, p 2.

## Chapter 2

# Arndt's Headship: 1965–1980

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Arndt was to lead the Indonesia Project from its inception in 1965 to his retirement at the end of 1979. During that decade and a half, what had started out as a risky venture became remarkably well established. As the Department's 1980 *Annual Report* noted: 'Despite initial difficulties, within a few years the Project became the main centre in the world outside of Indonesia for Indonesian economic studies'.<sup>1</sup>

Research conducted by members of the Project, including visitors and postgraduate students, produced four books on the Indonesian economy, 12 working papers or similar, and well over 160 articles and book chapters.<sup>2</sup> Much of this research was published in the Department's *Bulletin of Indonesian Economic Studies (BIES)*. The *Bulletin*, which in 1965 was printed for private circulation only, might have been a 'remarkable, brilliant, crazy thing to do'.<sup>3</sup> But by 1980 it had become an internationally recognised journal with a circulation of around 1,500 copies, 600 of which were printed and circulated in Indonesia.<sup>4</sup>

In addition to the *Bulletin*, members' work appeared in other Australian and international journals. Notably, members also contributed to the Indonesian journal *Ekonomi dan Keuangan Indonesia*, reflecting the ethos

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1 Indonesia Project, *Annual Report 1980*, p 2.

2 Department of Economics, RSPS, *Annual Reports, 1965–76*. ANUA 53, 2.1.8.3(4) to 2.1.8.14(3). Research School of Pacific Studies, *Annual Reports, 1977–79*. ANUA 179-53 to 179-55. Indonesia Project, *Annual Report 1980*.

3 Howard Dick, interview, Perth, 9 July 2014.

4 Indonesia Project, *Annual Report 1986*, p 4. IPA. This figure was lower than that recorded in the late 1970s, reflecting – it was asserted – both the success of the marketing campaigns undertaken in those years and the increasing financial stringencies that tertiary institutions were experiencing by the 1980s. Indonesia Project, *Annual Report 1986*, p 3.

of collaboration with Indonesian colleagues to which Arndt attached high priority. The Project was also working with a number of Faculties of Economics in Indonesia to assist in the development of their research capacity.<sup>5</sup>

By 1980, eight students had completed PhDs on Indonesian topics.<sup>6</sup> The Project was attracting a steady stream of academic visitors, mostly from Indonesia but also from the United States, the USSR and Japan, some from international organisations such as the World Bank, the IMF and the ILO. By 1979, the Project's library held over 7,000 items, many of which, McCawley noted at the time, 'are now unavailable at any other institution in the world – either in Indonesia or abroad'.<sup>7</sup> The Indonesia Study Group – established in 1966 by David Penny and others from around the University,<sup>8</sup> and later, in the early 1990s, to become an Indonesia Project activity – was meeting at least monthly, and attracting speakers not only from the ANU but also from other Australian and international institutions.

Arndt was clearly the central figure in this success. He was the most prolific researcher associated with the Project, and recruited most of its members. He supervised more than half of the PhD theses produced by Project students. He was also responsible for securing funding for the Project from outside the University in this period.

Perhaps even more importantly, he played a key role in shaping the relationship the Project and its members had with their Indonesian counterparts. From the outset, Arndt put into practice the view set out in his memorandum proposing the establishment of the Project: that the key to its success would be working in collaboration with Indonesian colleagues. On that basis, he sought to establish firm personal and working relationships with a wide range of Indonesians: government officials, bureaucrats, academics, businesspeople. From 1966 onwards, he later wrote, 'I visited Indonesia as often as I could, usually four or five times a year'.<sup>9</sup> Sometimes these visits were for extended periods – three to four weeks – and often associated with writing the Survey of Recent Developments

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5 H W Arndt, 'Revised Draft, Research School of Pacific Studies, Department of Economics (a paper on the work of the Department since 1960, prepared for the RSPS Review Committee)', Appendix B 'The Indonesian Project', 27 July 1977, p 5. IPA. See also Arndt, *A Course ...*, p 55.

6 Indonesia Project, *Annual Report 1980*, p 2.

7 McCawley to Throssell (Foreign Affairs), 21 June 1979, p 2. ANUA 53, 4.0.51.119 (1 & 2), Grants for Indonesian Project (Prof H W Arndt).

8 Penny to Mackie, 25 February 1966. NLA, MS 7581, box 2.

9 Arndt, *A Course ...*, p 57.



for the *BIES*;<sup>10</sup> on other occasions they were a few days, en route to other destinations. He also maintained contacts with Australian diplomats in Jakarta, and in particular with K C O Shann, the Australian Ambassador from 1962 to 1966.

### The New Order Government

If 1964 was a singularly difficult time to begin a major research project on the Indonesian economy, 1965 turned out to mark the start of a long period much more conducive to such studies: the three decades of the so-called New Order government led by President (and former general) Soeharto. Soeharto's accession to power followed the failure of a coup – or counter-coup – which brought to an end the 20-year presidency of Sukarno, and saw mass killings of up to a million people and imprisonment without trial for hundreds of thousands of others.<sup>11</sup> Arndt subsequently noted that what he rather blandly called this 'change of regime' in Indonesia 'in some respects made the task of the Indonesia Project much easier and more rewarding'.<sup>12</sup>

The rise of the New Order meant the rise to positions of economic power or influence of many of the Indonesian economists Arndt had met on his first visit to Indonesia in 1964: especially Widjojo, Sadli and Emil Salim. All had taught at Seskoad, the Army's Staff and Command College, after their return from the United States. Soeharto was one of those who had taken their courses. 'Like other participants', Thee notes, 'Soeharto obtained his basic knowledge of economics from these economists'.<sup>13</sup> The economic policies they recommended to Soeharto and which he put in place were consistent with the style of development economics that Arndt

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10 Arndt wrote or co-wrote no fewer than 20 of the 56 Surveys published between 1965 and 1983, when he relinquished the Editorship.

11 There is a voluminous literature on these events. For an excellent brief consideration of the main issues, see Merle Ricklefs, *A History of Modern Indonesia Since c. 1200*, 4th ed, Stanford University Press, Stanford, 2008, pp 326–33. For recent accounts, see John Roosa, *Pretext for Mass Murder: The September 30th Movement and Suharto's Coup D'Etat in Indonesia*, University of Wisconsin Press, Madison, 2006; Douglas Kammen & Katherine MacGregor, eds, *The Contours of Mass Violence in Indonesia, 1965–68*, ASAA and University of Hawai'i Press, Honolulu, 2012; and Baskara T Wardaya, ed, *Truth Will Out: Indonesian Accounts of the 1965 Mass Violence*, trans Jennifer Lindsay, Monash University Publishing, Melbourne, 2013.

12 Arndt, 'Revised Draft ...', Appendix B, 'The Indonesian Project', 27 July 1977, p 2. IPA. See also Arndt, *A Course ...*, p 55.

13 Thee Kian Wie, 'The Soeharto Era and After – Stability, Development and Crisis, 1966–2000', in Howard Dick et al, *The Emergence of a National Economy: An Economic History of Indonesia 1800–2000*, Allen & Unwin, Sydney, 2002, p 195.

and his colleagues professed, 'just as Sukarno's nation-building objectives had appealed to the political scientists at Cornell and elsewhere'.<sup>14</sup>

However the change of regime was seen in a favourable light not only by the Indonesia Project but also by other institutions outside Indonesia, including the Harvard Development Advisory Service, the World Bank and the Ford Foundation. These groups all started or reinstated activities involving Indonesia, and particularly its economic development. This made it difficult for the Indonesia Project to recruit suitably qualified economists to work in Canberra, as the Department's Annual Reports in the late 1960s repeatedly lamented. Thus the 1968 Report noted:

It is satisfactory to be able to report that efforts to recruit research staff were attended by considerably greater success this year, except in the Indonesia Project where staffing difficulties remain acute.<sup>15</sup>

This was the reason, Arndt said, that his original intention to play a hands-off role in the Project was replaced by a much more active role in its leadership.<sup>16</sup>

Nonetheless, appointments were made.

## Staffing

By the end of 1965, the Project had appointed two Senior Research Fellows, Alex Hunter (recruited from the University of New South Wales) and David Penny, and a Research Officer, Shamsheer Ali.<sup>17</sup> The following year the first Indonesian appointee, Jusuf Panglaykim, joined the Project. Ken Thomas – already employed by the Department – was also now working primarily on the Project.

There were two additional appointees to the Department around this time, both of whom made significant contributions to the Project, though neither was an Indonesianist in the way that some other Project members were.

Colin Barlow was appointed as a Senior Research Fellow in 1969. His particular interest was agricultural development, especially the rubber and oil palm industries, and in later years also the Nusa Tenggara region. He wrote four articles for the *BIES* between 1972 and 1991.<sup>18</sup>

In 1970, R M Sundrum was appointed Professorial Research Fellow in the Department, having previously worked with the World Bank in

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14 Arndt, *A Course ...*, p 55.

15 Department of Economics, RSPS, *Annual Report 1968*, p 2. ANUA 53, 2.1.8.6(4).

16 Arndt, *A Course ...*, p 55.

17 Department of Economics, RSPS, *Annual Report, 1965*, p 2. ANUA 53, 2.1.8.3(4).

18 See his profile at <https://researchers.anu.edu.au/researchers/barlow-c>.

Washington. He contributed no fewer than 19 articles to the *BIES*, as well as writing on Indonesia-related topics for other journals, before his retirement in 1989.<sup>19</sup> He co-published with several Project colleagues, including Arndt and Anne Booth.<sup>20</sup>

With the exception of Barlow and Sundrum, these appointees did not stay long. Hunter left to join the Department of Economics in the ANU's Research School of Social Sciences (RSSH) in February 1966, and Thomas took up a Senior Lectureship with the new La Trobe University in Melbourne in December the same year.<sup>21</sup> Ali had left by March 1967.

Other appointments were always intended to be short term. Dahlan Thalib, a graduate of Nommensen University in Medan but working for the state-owned oil company Pertamina, was recruited in 1966 as a Research Assistant, staying until 1969.<sup>22</sup> During these three years he co-authored three Surveys of Recent Developments and wrote two Notes, one on 'Timber Developments' and the other on 'The Governance of Finances of Djakarta'.<sup>23</sup> He also worked on developing an index of material for the Indonesia Project library.<sup>24</sup>

From July 1970 to September 1972, the Project employed Boediono, a young Indonesian economics graduate of the University of Western Australia who was completing a Master's degree from Monash University. While with the Project, Boediono contributed an article to the *BIES*.<sup>25</sup> He went on to complete a PhD at the University of Pennsylvania and to hold very senior posts in Indonesia, including Governor of Bank Indonesia (2008–09), Minister of Finance (2001–05), Coordinating Minister for Economic Affairs (2005–08) and finally Vice President (2009–14). He was

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19 Indonesia Project, *Annual Report 1989*, p 3. IPA.

20 Most notably, perhaps, in R M Sundrum & Anne Booth, *Labour Absorption in Agriculture: Theoretical Analysis and Empirical Investigations*, Oxford University Press, Oxford, 1985.

21 Hunter's research focused in particular on the Indonesian oil industry. He continued to publish on the industry in the *BIES* after his move to RSSH. Although Thomas had a research interest in the smallholder rubber industry, his *BIES* publications focused on international trade.

22 Dahlan's widow Wenny, daughter of the well-known Indonesian novelist Achdiat Karta Mihardja, wrote about their experiences while Dahlan was employed by the ANU; see Bryce Alcock & Wenny Achdiat, *Daughter of Independence*, ed Judith Lukin-Amundsen, Echidna-Fox Publishing, Toowoomba, 2013, pp 172–84.

23 All three Surveys were co-written with David Penny; Panglaykim also collaborated on one of them.

24 Penny and Panglaykim to Arndt, 2 November 1966. NLA, MS 7581, box 2.

25 'An Economic Survey of North Sulawesi', *BIES*, 8, 3, 1972, pp 66–92. He later had a further three articles published in the *Bulletin*.

awarded an honorary doctorate from the ANU on 13 November 2013, the Project's *Annual Report* for that year noting that he:

... has maintained a close working relationship with the Project for over forty years. He has served on the Editorial Board of *BIES* since 1984, contributed articles to *BIES*, and been a frequent speaker at the Project's various activities, including the 2005 Indonesia Update.<sup>26</sup>

The two early appointments that were to have greatest long-term significance for the Project were those of Panglaykim and Penny.

Panglaykim – called Pang by colleagues, reflecting his Chinese family name – was a leading Indonesian economist and entrepreneur. Arndt had high expectations of him, as a man crossing the business and academic worlds. They collaborated on a short monograph about the economic policies of the newly established Soeharto government, published in 1966.<sup>27</sup> Pang also co-authored articles and monographs with Ken Thomas and PhD student Ingrid Palmer.<sup>28</sup>

Pang stayed only three years with the Project. Arndt wrote later that he left because, seeing the rapid development of the Indonesian economy, he felt he needed to be back home, and to be taking part in it.<sup>29</sup> It might also have been, as Arndt suggested, that Pang was 'uncomfortable' with the type of academic research the Project undertook.<sup>30</sup> Pang had come to academic life quite late, after a business career. Although academically well credentialed – with a PhD in Business Administration from University of Indonesia, after studies at the University of California, Berkeley – he was always drawn more to the policy and business worlds than to academe.

Whatever the reason for his relatively short time in Canberra, Pang's tenure had a clear and positive impact on his daughter, Mari Pangestu. Pangestu was 10 years old when the family moved to Canberra. There she attended Hughes Primary School, Telopea Park High School and Canberra High School.<sup>31</sup> She later recalled happy times visiting the Arndts' house, with Heinz getting down on the floor and playing with

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26 Indonesia Project, *Annual Report 2013*, p 3.

27 J Panglaykim & H W Arndt, *The Indonesian Economy: Facing a New Era?*, Rotterdam University Press, Rotterdam, 1966.

28 See Bibliography for a list of these publications.

29 'In Memoriam: Dr J Panglaykim', *BIES*, 22, 3, 1986, p 118; Arndt, *A Course ...*, p 57.

30 Arndt, *A Course ...*, p 57.

31 Larissa Nicholson, 'Indonesian Tourism Minister says cordial times can return for Australia-Indonesia', *Canberra Times*, 18 December 2013.

the children.<sup>32</sup> Pangestu subsequently completed Bachelor's and Master's degrees in Economics at the ANU, and a PhD at the University of California, Davis, before becoming a leading policy economist and Cabinet minister. In 2013, the ANU awarded her an honorary doctorate, 'on the grounds of her outstanding contributions to society'.<sup>33</sup> In Canberra for the presentation, she noted:

ANU has played a very important role in my life, in terms of the very strong economics education that I received here, and ... the professors that I had here, that I still have very good contacts with until today [2013].<sup>34</sup>

Pang had been the first Indonesian scholar appointed to a substantive position in the Department and the Project; he was also the last to hold such a position until Budy Resosudarmo was appointed in 2001.

David Penny, the Australian agricultural economist Arndt had first met in 1964 at the University of North Sumatra in Medan, had perhaps a greater impact on the Project. For the best part of 10 years, his role was second only to that of Arndt himself, maintaining a wide range of contacts in Indonesia and elsewhere, writing, attending conferences and the like. Penny was very much a policy-oriented micro-economist. In a letter to American economist Bruce Glassburner in 1968 he wrote:

... I'm interested in analysing the Indonesian situation in such a way that it becomes possible for me to suggest (as I did in the bulletin 8 article) ways and means that might (or would) work in the Indonesian context. If I remained a pure academic I would stop at 'these are my conclusions & this is the evidence on which I base them' but I find that I cannot stop there.<sup>35</sup>

He also believed very strongly that researchers had much to learn from practitioners which, in the case of agricultural development, meant from farmers. David's wife Janet would later write:

David was convinced that the most effective way to 'help' was to teach young Indonesians who would in turn teach farmers to help themselves to improve their economic conditions. He had also always believed that the best starting point in such teaching was to learn from those who had already dealt with the

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32 Interview, Jakarta, 22 May 2014. A similar point was made by Peggy Daroesman, daughter of Ruth Daroesman, whom Arndt had appointed as a Research Officer in March 1968: Arndt was 'exceptionally kind to us children'. Interview, Canberra, 20 June 2014.

33 Indonesia Project, *Annual Report 2013*, p 3.

34 Nicholson, 'Indonesian Tourism Minister ...'.

35 Penny to Glassburner, 26 August 1968. NLA, MS 7581, box 2. The *BIES* article was 'Development Opportunities in Indonesian Agriculture', *BIES*, 8, 1967, pp 35–64.

conditions at hand, that is, the farmers themselves, and build on their knowledge with ideas from elsewhere.<sup>36</sup>

Penny transferred this same approach to the Indonesia Project. He also questioned the view that poverty would be overcome via the 'trickle-down effect', and rejected the notion that marketisation or commercialisation of agriculture would necessarily alleviate poverty.<sup>37</sup> This put him intellectually at odds with Arndt, who was of the view that poverty could be addressed by getting the macro-economic settings right.

These issues reflected a debate going on amongst members of the Project, and indeed amongst development economists worldwide, between those who believed that economic growth was the key to a nation's economic development, and those who argued that more emphasis ought to be placed on equity, on reducing the gap between rich and poor. Both groups accepted that poverty reduction was the primary goal of economic development: the debate was about the best way to achieve this goal.

In the Project, Arndt acknowledged, both views were represented: 'in our project and elsewhere, "growth versus equity" became in the 1970s the central theme of much discussion and research'.<sup>38</sup> Arndt was on one side of this debate, Penny – along with, it must be said, several of the younger members of the Project – on the other.<sup>39</sup>

Eventually, Penny decided to leave the Department. In mid-1973 he applied for the position of Director of the newly established Research Branch of the Commonwealth Department of Aboriginal Affairs. On 9 October 1973 he wrote to Arndt, announcing his resignation from the

36 Janet Penny Bennett, 'An Unforgettable Trip', Report to the Nusa Tenggara Association, 23 July 2009, kindly provided by the author.

37 Two of the main propositions he put in his posthumously published monograph *Starvation* were that 'the development of market exchange in a subsistence economy does not necessarily eliminate the threat of famine; famines can occur in economies that have come to be dominated by market forces', and 'in the agricultural sectors of market economies with widespread poverty, it is the poor who are the most commercial'. D H Penny, *Starvation: The Role of the Market System*, National Centre for Development Studies, ANU, Canberra, 1986.

38 Arndt, *A Course ...*, p 65. The issue was of course a good deal more complex than simply growth vs equity or even top-down vs bottom-up approaches to economic development.

39 The debate had echoes in Indonesia, where the Malari riots of January 1974 were fuelled, in part, by student-led unrest about the government's macro-economic policies, which were seen to favour the rich and the well connected, and to do little for the poor. See Gary Hansen, 'Indonesia 1974: A Momentous Year', *Asian Survey*, 15, 2, 1975, esp pp 149–50. Arndt was criticised by some in the Project for being too prepared to defend the record of the Soeharto government on this issue.

Editorial Board of the *BIES*, saying that for some time he had 'disagreed with the editorial policy of the Bulletin'.<sup>40</sup> He resigned from the University, and thus the Project, in August 1974.<sup>41</sup> He had been successful in his application to the Department of Aboriginal Affairs.

Intellectual differences with Arndt were part of the reason for Penny's departure from the Project. But it was also linked to Penny's strong ethical commitment to poverty eradication. He had seen poverty first hand in Indonesia, and done what he could to suggest ways to alleviate it.<sup>42</sup> But he saw poverty present in Australia too, especially in Aboriginal communities. His move to the Department of Aboriginal Affairs gave him the chance to address what Mackie described as the 'much more obtuse problems of overcoming the poverty and injustice suffered by aboriginals within Australia'.<sup>43</sup>

### 'Academic Cold War'

In the 1970s the Project faced another intellectual challenge, one that had a much harder political edge to it. This was related to Arndt's support for the economic policies of the Soeharto government, which had the effect, at least to some, of making Arndt, and by implication the Project as a whole, seem too close to the Soeharto government, despite its manifest human rights failings. This impression was reinforced by the way Arndt subsequently sought to defend some aspects of the Soeharto government's position on the Malari riots of 1974 and on the invasion of East Timor in 1975.<sup>44</sup>

The manner of the New Order's coming to power had been brutal. Hundreds of thousands of Indonesians died as a result, direct or indirect, of Soeharto's rise, and many more were held for varying periods of time, often without trial, as political prisoners. And when, a decade later, Indonesia invaded East Timor, the cost in human life was again high. For many involved with the study of Indonesia in Australia – and elsewhere, especially in the United States – these events posed a major

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40 Penny to Arndt, 9 October 1973. NLA, MS 7581, box 4.

41 Department of Economics, RSPS, *Annual Report 1974*, p 1. ANUA 53, 2.1.8.12(1).

42 His best-known work on the subject, co-authored with Masri Singarimbun, was *Population and Poverty in Rural Java: Some Economic Arithmetic from Sriharjo*, Department of Agricultural Economics, New York State College, Cornell University, Ithaca, 1973.

43 Jamie Mackie, 'In Memoriam David Penny', *Asian Studies Association of Australia Review*, 7, 3, 1984, p 89.

44 See, for example, his 'Timor: Vendetta Against Indonesia', *Quadrant*, December 1979, pp 13–17.

ethical dilemma: to what extent could the maintenance of academic distance from the subject of research be justified in the face of such massive violations of the human rights of the people being studied?<sup>45</sup>

This was not of course a problem unique to the study of Indonesia. The increasing intensity of the war in Vietnam was dividing Australia's broader academic community even more deeply, along with the issue of how to handle relations with China.

Beeson and Jayasuriya describe this division as an 'academic Cold War',<sup>46</sup> between conservative and radical academic approaches to Asia:

On the Right, Australia's external relations were seen largely in geopolitical terms and the domestic authoritarianism that emerged in Asia was understood as a function of 'modernisation'. On the Left – which remained marginal within the academic and political establishment – external relations were understood in terms of the category of imperialism, and Asian political conflict in terms of radical nationalism and class politics.<sup>47</sup>

In this academic Cold War, Arndt was an 'especially prominent figure'.<sup>48</sup> By now he was clearly identified as being of the right, albeit he had arrived there by a circuitous route. In Britain, he had been a fellow traveller with communism, though he later noted that he had never joined the British Communist Party – 'if only because my naturalization [as a British subject] was held up through some muddle in the Home Office and I did not want to endanger it by political activity'.<sup>49</sup> By the time he came to Sydney, his position had shifted to that of Fabian socialism. When he moved to the Canberra University College, he had joined the Australian Labor Party, a membership he retained until 1971, when he resigned because of what he saw as the party's leftward drift, especially in foreign policy.<sup>50</sup>

Institutionally, this ideological debate was often characterised in Indonesian studies as a clash between the ideas and approaches of Monash

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45 The dilemmas were far worse, of course, for Indonesians themselves. The extent of the killings and the imprisonments was such that few could have been completely untouched by them. Dick recalls that when he joined Gadjah Mada University in 1972, he found 'found that the memory of it was still raw'. Email correspondence, 25 January 2015.

46 Mark Beeson & Kanishka Jayasuriya, 'The Politics of Asian Engagement: Ideas, Institutions and Academics', *Australian Journal of Politics and History*, 55, 3, 2009, p 366.

47 Beeson and Jayasuriya, 2009, p 365.

48 Beeson and Jayasuriya, 2009, p 366.

49 Arndt, 'Three Times 18: An Essay in Political Autobiography', *Quadrant*, May–June 1969, p 25.

50 In his resignation letter he made specific reference to Whitlam's visit to China in that year. Coleman, Cornish & Drake, *Arndt's Story*, pp 168–9.



University scholars, such as Herb Feith, and those associated with the Indonesia Project, epitomised by Arndt.

Arndt's position, and by implication that of the Indonesia Project as a whole, was vigorously critiqued by Marxist scholar Rex Mortimer in his 1973 essay 'From Ball to Arndt: The Liberal Impasse in Australian Scholarship on Southeast Asia'.<sup>51</sup> Mortimer argued:

Arndt typifies the vices of developmentalism in a fairly extreme form. He is strongly technocratic in orientation, a wholehearted believer in the virtues of growth, and closely identified with the policies of his own government and of those Southeast Asian regimes which operate according to the economic principles he favours.<sup>52</sup>

The basic flaw in Arndt's approach, he said, was that it 'divorces' economic progress from 'the other crucial factors of a social, political and cultural character'; the result is the production of 'blueprints for development that are masterpieces of technocratic mindlessness'.<sup>53</sup>

Although formally addressed to the economic policies he was championing, much of the criticism had a very personal edge. According to one of his former students, Arndt personally felt 'deeply offended' by Mortimer's criticism.<sup>54</sup> Yet outwardly Arndt appeared little concerned, much less dissuaded, by these attacks. He subsequently described Mortimer as 'a gentle, courteous and in some sense scholarly man'.<sup>55</sup> Though this was perhaps the most harshly put criticism Arndt faced for his work on Indonesia, it was hardly the only one. Indeed, he was the subject of increasing attack, especially for his views on East Timor, as the situation there worsened and he refused to budge from his support for Jakarta's position.

Other members of the Project had some sympathy for Mortimer's view of the human cost of Indonesia's developmental policies, albeit they did not share Mortimer's ideological framework of analysis. On this issue – as on others – there was no unanimity of views in the Project.

The editors of the *Bulletin* recognised the extent of the controversy surrounding Mortimer's book by taking the unusual step of commissioning two reviews: one from political scientist Herb Feith, the other from development economist Gus Papanek. They came to very different conclusions.

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51 Mortimer, 'From Ball to Arndt', in Rex Mortimer, ed, *The Showcase State: The Illusion of Indonesia's Accelerated Modernisation*, Angus & Robertson, Sydney, 1973, pp 101–30.

52 Mortimer, 'From Ball to Arndt', p 117.

53 Mortimer, 'From Ball to Arndt', p 117.

54 Howard Dick, interview, Perth, 9 July 2014.

55 Arndt, *A Course ...*, p 65.

While certainly not uncritical, Feith described it as a 'powerful and important book', in which Mortimer and the other authors 'have fashioned a radical critique of mainstream Indonesian scholarship which is richer and more compelling than any preceding it'.<sup>56</sup> The critique of Arndt is discussed, but neither accepted nor rejected. Papanek, though, describes it as a 'sad and disappointing little book'.<sup>57</sup> Mortimer's critique of Arndt is described as 'carrying through the theme of caricature. In the guise of intellectual history it is largely a personal attack on one person, Heinz Arndt'.<sup>58</sup> What Feith saw as a book which 'opens vast vistas of important intellectual work', Papanek saw as a 'sad' book, 'in the opportunity missed and in its preoccupation with cheap shots at disliked individuals and groups instead of solid analysis of crucial issues'.<sup>59</sup>

### Postgraduate Students

In addition to staff members, the Project quickly began recruiting postgraduate students. Five of these were to have significant influence on the Project, and on the study of the Indonesian economy.

The first to be recruited was Peter McCawley, an economics graduate of the University of Queensland. McCawley wrote his thesis on the Indonesian electricity supply industry, graduating in 1972. He then taught economics at Gadjah Mada University for two and a half years and worked briefly as economics adviser to then Minister for Social Security and subsequently Treasurer Bill Hayden before rejoining the Department – and the Project – in 1976 as a Research Fellow.

Anne Booth had graduated in economics from the Victoria University of Wellington in New Zealand. She came to the Project in 1971, writing her PhD thesis on Ipeda, the new Indonesian land tax. After graduating in 1974 and working in Indonesia and Singapore, she rejoined the Department and the Project as a Research Fellow in 1979, and was promoted to Senior Research Fellow in 1984.

Hal Hill joined the Project in January 1976 and wrote a thesis entitled 'Choice of technique in the Indonesian weaving industry'; he graduated in 1980. Hill's first appointment on graduation was to the Economics Department at the University of the Philippines in 1981; he has maintained a keen interest in the Philippines ever since. He returned to Australia in

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56 Herb Feith, Review of Rex Mortimer, ed, *Showcase State, BIES*, 10, 2, July 1974, p 114.

57 Gus Papanek, Review of Rex Mortimer, ed, *Showcase State, BIES*, 10, 2, July 1974, p 119.

58 Papanek, Review of Rex Mortimer, ed, *Showcase State*, p 124.

59 Feith, Review of Rex Mortimer, ed, *Showcase State*, p 117; Papanek, Review of Rex Mortimer, ed, *Showcase State*, p 125.

1983 and, after a short time as a federal public servant, rejoined the ANU to work with the ASEAN–Australia Economic Relations Research Project before being appointed to the Indonesia Project.<sup>60</sup>

Chris Manning had the greatest in-country experience of Indonesia of the students Arndt recruited. After an undergraduate degree in Indonesian studies and economics at the ANU, he had gone to Indonesia under the Volunteer Graduate Scheme in 1967 to work for two years at the Bogor Agricultural University (IPB). He then returned to Australia and completed a Master's degree in economics at Monash University. This was followed by a two years as a Research Assistant for David Penny and then a further two years in Indonesia, this time at Gadjah Mada University, before he enrolled as a PhD student with Arndt. His PhD thesis on 'Wage differentials and labour market segmentation in Indonesian manufacturing' was accepted in 1979. He worked at Flinders University in Adelaide for a number of years before rejoining the ANU in 1990.<sup>61</sup>

Howard Dick had completed a Bachelor of Economics at Monash and a Master's degree at the ANU before joining the Project to study for his PhD. His degree was awarded in 1977 for a thesis on 'The Indonesian interisland shipping industry: a case study in competition and regulation'. Unlike McCawley, Booth, Hill and Manning, Dick was never employed at the Project, instead from 1976 holding tenured appointments at the University of Newcastle and Melbourne University. He continued, though, to focus his research on Indonesia and to collaborate actively with the Project, including writing several Surveys and other articles for the *Bulletin*, and serving on its Editorial Board.

In selecting these students, Arndt emphasised that they would be expected to acquire a level of fluency in the Indonesian language, and to undertake an extended period of fieldwork – usually about a year – in Indonesia. Arndt himself never acquired much more than conversational Indonesian. He wrote, deprecatingly, of himself that:

I learned to read, too slowly for efficiency, what I needed to read for my work, to follow a conversation. ... One of my friends once complimented me unkindly: 'You know, Heinz, you employ your vocabulary of 200 words with remarkable fluency'. But my failure to learn Indonesian properly diminished my usefulness in Indonesia in many respects.<sup>62</sup>

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60 For details of Hill's career up to his resignation from the Headship of the Project, see H W Arndt, Peter McCawley & Jamie Mackie, 'Hal Hill Steps Down – and Up', *BIES*, 34, 3, 1998, pp 3–4. See also M Chatib Basri, 'Homage to Hal Hill', *BIES*, 50, 3, 2014, pp 315–18.

61 Hal Hill & Budy P Resosudarmo, 'Introduction: Special Issue in Honour of Chris Manning and Ross McLeod', *BIES*, 48, 2, 2012, pp 129–42.

62 Arndt, *A Course ...*, p 53.

But for his students, Arndt took the position that they could not hope properly to understand their research topic without an understanding of the culture, broadly defined, in which it rested. This was consistent with the ethos of the Research School of Pacific Studies but highly unusual for a department of economics.

Arndt had indicated a number of research topics in his initial project proposal and, despite his being a macro-economist, they were for the most part sectoral studies. Several of them turned up as the subjects of PhD theses completed in the Project: the textile industry (Palmer and Hill), other manufacturing industries (Manning) and interisland shipping (Dick).

But not all potential students agreed to Arndt's 'grand plan' for research activities.<sup>63</sup> Arndt wanted one potential student, Ross McLeod, to study the construction industry in Indonesia; this would fit into a bigger plan for a series of studies of the construction industry around Southeast Asia. McLeod was perhaps ideally suited to such a topic, given his first degree was in civil engineering.<sup>64</sup> But by the time he came to Canberra, he had already become interested in a rather different topic: finance. He told Arndt about his choice: Arndt was 'disappointed', and did not make a place in the Project available to him. In the end, Arndt's plan produced only one PhD thesis on the construction industry in Southeast Asia, by Alan Stretton on Manila.<sup>65</sup> McLeod eventually enrolled in the Department of Economics in the ANU's School of General Studies.<sup>66</sup>

### **Project Visitors**

Arndt strongly encouraged visits to the Project by scholars working on Indonesia from other institutions, Australian and international. Peter McCawley later noted that during the 1970s more than 30 Indonesian scholars alone had spent time at the Project, working in collaboration with Project staff.<sup>67</sup>

One early visitor was Mubyarto, a lecturer in economics and Director of the Institute for Economic Research at Gadjah Mada University in

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63 As McLeod described it. Interview, Canberra, 17 June 2014.

64 Hill & Resosudarmo, 'Introduction: Special Issue ...', p 129.

65 'The building industry and employment creation in Manila, the Philippines', PhD awarded 1977.

66 The ANU at the time had three Departments of Economics: one each in the Research School of Pacific Studies, the Research School of Social Sciences and what was then called the School of General Studies (in 1979 retitled The Faculties). At the time, only the Department in the School of General Studies undertook teaching, the others being entirely research-focused.

67 McCawley to Throssell, 21 June 1979.

Yogyakarta.<sup>68</sup> Mubyarto spent most of 1971 in the Department as a Visiting Fellow, funded from the Ford Foundation grant and writing a textbook on agricultural economics. Illustrating the Project's commitment to collaboration with Indonesian colleagues, two Project staff members taught courses in Mubyarto's postgraduate program at Gadjah Mada while he was in Canberra.<sup>69</sup> Mubyarto was already well connected to the Project before his visit, having contributed three articles to the *BIES*; a fourth would appear while he was in Canberra.<sup>70</sup>

At a more official level, the 1975 *Annual Report of the Economics Department* noted, amongst international visitors to the Project, the Indonesian Minister for Mines, Mohammad Sadli – maintaining his long-standing connection with the Project; Barli Halim, Chair of the Indonesian Investment Coordinating Board; Bachtiar Rifai, Chair of the Indonesian Institute of Sciences (LIPI); and the Rectors of Brawijaya and Hasanuddin Universities.<sup>71</sup>

A frequent non-Indonesian visitor was Bruce Glassburner, the leading US economist working on Indonesia and based at the University of California, Davis. With a long career in development studies, Glassburner was an early supporter of the Project. He first visited the ANU, at Arndt's invitation, in mid-1971.<sup>72</sup> He visited again in 1973, and then spent several months with the Project in 1978, working on a study of economic policy

68 Mubyarto was an agricultural economist with a PhD from the Iowa State University. He was among the founders of the Indonesian Society of Agricultural Economics (Perhepi) and served as its President 1969–73. He was also a long-time member of the Editorial Board of the *BIES*. For appreciations, see Boediono, 'Professor Mubyarto, 1938–2005', *BIES*, 41, 2, 2005, pp 159–61; Howard Dick & Peter McCawley, 'Professor Mubyarto, 1938–2005', *BIES*, 41, 2, 2005, pp 163–7.

69 Department of Economics, RSPS, *Annual Report 1971*, p 3. ANUA 53, 2.1.8.9(7).

70 (With Ace Partadiredja) 'An Economic Survey of the Special Region of Jogjakarta', *BIES*, 4, 11, 1968, pp 29–47; 'The Sugar Industry', *BIES*, 5, 2, 1969, pp 37–59; 'Economic Developments in D. I. Jogjakarta', *BIES*, 6, 3, 1970, pp 14–32; 'Estimating Rice Consumption: A Comment', *BIES*, 7, 3, 1971, pp 139–43.

71 Department of Economics, RSPS, *Annual Report 1975*, p 3. ANUA 53, 2.1.8.13(1).

72 H W Arndt, 'Bruce Glassburner, 1920–1996', *BIES*, 33, 2, 1997, p 42; Bruce Glassburner, 'An Indonesian Memoir', *BIES*, 27, 2, 1991, p 60. Glassburner's first collaboration with a (future) Indonesia Project member was with Ken Thomas, with whom he published a 1961 article on Sukarno's economic policy. Bruce Glassburner & Ken Thomas, 'The Swing of the Hoe: Re-tooling Begins in the Indonesian Economy', *Asian Survey*, June 1961, pp 3–12. Glassburner and Thomas had first met when Thomas was assigned as Glassburner's research assistant in the Faculty of Economics, University of Indonesia. Glassburner, 'An Indonesian Memoir', 1991, p 53.

under Soeharto.<sup>73</sup> He became a member of the *BIES* Editorial Board, and authored or co-authored 10 *BIES* articles or reviews. As a senior US economist, his support in building the international profile of the Project and the *BIES* was particularly valuable. Glassburner also supervised Mari Pangestu's PhD thesis in international trade, which she undertook following her Master's degree in economics at the ANU.

## **BIES**

The first edition of the *Bulletin of Indonesian Economic Studies* appeared in June 1965 under Arndt's Editorship. It was described in the Department's *Annual Report* for 1965 as being produced 'experimentally and for private circulation'.<sup>74</sup>

Establishing the *BIES* at this time – perhaps more than any other single aspect of the Indonesia Project – was an act of faith. There was so little reliable information available about the Indonesian economy at the time that devoting a journal to its study may have seemed like folly. But it was in this problem that Arndt saw the justification for the *Bulletin*: it opened up a major opportunity for those interested in the Indonesian economy. He had extensive editorial experience himself, having served as Editor of *The Economic Record*, the journal of the Economic Society of Australia and New Zealand.<sup>75</sup>

The first edition carried three substantive articles: 'Survey of Recent Developments', 'Socialism and Private Business: The Latest Phase' and 'Rice Production and Imports'. The edition was rounded out with a short 'Notes' section on oil exploration; marketing costs; an aluminium project; and the Cabinet.

The Survey was to become a fixture of subsequent editions of the *BIES*, reflecting the need for accurate and up-to-date information on the Indonesian economy. Arndt had attributed the idea for the Surveys to *The Economic Record*, which was then publishing a six-monthly survey of the Australian economy (and occasionally the New Zealand economy too).<sup>76</sup> Many times over the years Project members have discussed the difficulties of preparing the Survey, and canvassed alternatives such as changing its form or reducing its frequency.<sup>77</sup> Yet despite the vast expansion of

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73 Research School of Pacific Studies, *Annual Report 1978*, p 22. ANUA 179-54.

74 Department of Economics, RSPS, *Annual Report, 1965*, p 2.

75 Selwyn Cornish, 'Heinz Wolfgang Arndt (1915-2002)', *History of Economics Review*, 36, Summer 2002, p 171.

76 Arndt to Director, RSPS (Crawford), 14 May 1964, para 5(b). IPA. I am indebted to Howard Dick for drawing this information to my attention.

77 Two examples, 13 years apart, illustrate this point. In 1969, Penny wrote to Arndt that 'Survey writing has become harder and not easier following the

sources on the economy, and in particular the almost instantaneous access to information via the internet, the Survey remains a feature of each edition of the *Bulletin*.

In 1977, at McCawley's suggestion, it was agreed that a mimeographed advance copy of the Survey would be made available – for an additional cost – to *BIES* subscribers and others who needed the material as quickly as possible.<sup>78</sup> The advance copy was to continue until 2000.

The first-edition articles and notes, with the exception of that on oil exploration, did not carry their author's name, simply their initials. Thus the Survey was attributed to three authors: S.A., J.G. and L.C.; the article on socialism and that on rice production to L.C. J.G. was Joyce Gibson,<sup>79</sup> and S.A. Shamsheer Ali. L.C. was Lance Castles.<sup>80</sup> In the second issue, he wrote 'Cloves and Kretek' and co-authored – with I.P. (Ingrid Palmer) – 'The Textile Industry'. Castles was clearly the initial lynchpin of the *Bulletin*, even though he was employed by the Department, as a Research Assistant, for only six months from May 1965.

The authors of the main articles in the *BIES* were not identified until the fourth edition, published in June 1966. The author of the Survey was not identified until the sixth edition, published in February 1967. This might have been due to the *Bulletin's* status at this time as a private journal; the Department's annual reports did, however, identify the contributing authors. Book reviews made their first appearance in the seventh edition, published in June 1967.

By 1966, the Department could report that the *Bulletin* had already become widely known amongst those interested in the Indonesian economy both in Australia and overseas, though it was still being described as not being 'a regular journal available for public subscription'.<sup>81</sup> That year

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greater availability of data. ... I would like to suggest that some quite substantial changes be made in the form the Survey takes'. Penny to Arndt, 27 February 1969. NLA, MS 7581, box 3. In 1982, Ruth Daroesman wrote a two-page memorandum to the Editorial Board on the subject 'Surveys: why do we have so much trouble with them?' She canvassed three alternate strategies that might make their production easier (albeit recommending amendments to the then-current system). Daroesman to Editorial Board Members, 30 April 1982. IPA/NLA, MS 6641, box 138, 6641/19, Part 1.

78 *BIES* Editorial Board, Minutes, 9 March 1977. IPA/NLA, MS 6641, box 138, 6641/20, Part 2.

79 Gibson was a Research Assistant in the Department from March 1965 to May 1966. Department of Economics, RSPS, *Annual Report, 1965*, p 1. Department of Economics, RSPS, *Annual Report, 1966*, p 1. ANUA 53, 2.1.8.5(2).

80 Castles was a Research Assistant in the Department from May to November 1965. Department of Economics, RSPS, *Annual Report, 1965*, p 1.

81 Department of Economics, RSPS, *Annual Report, 1966*, p 2.

Arndt received a copy of a letter sent to Crawford from Gordon Jockel of the Department of External Affairs,<sup>82</sup> quoting the then Australian Ambassador:

There is no question about Indonesian interest in the publication; fresh issues are snapped up by all kinds of eager customers in the academic, banking and government circles – and, for that matter, in other Embassies as soon as it becomes known that the Embassy is holding stocks.<sup>83</sup>

In addition to the 'Survey of Recent Developments', Arndt planned to have regional surveys compiled. Given that Indonesia was a far-flung and diverse archipelago, he recognised, as Hill was later to note, 'the value of perspectives on the economy from outside Jakarta'.<sup>84</sup> To produce these regional surveys, he sought the input of economists from three of Indonesia's best economics departments: at Gadjah Mada University in Yogyakarta, Nommensen University in Medan and Hasanuddin University in Makassar. As Arndt put it, each of these surveys:

... would take the form of an article of 10 to 12 pages (it could be in Indonesian for translation here) giving a factual account of the economic situation and recent developments. ... While the emphasis would be on economic facts, it would also be interesting to have brief reports of major changes in government policy as they affect the region, in relations between the region and Jakarta ...<sup>85</sup>

Statistical data would also be useful, but, as Arndt noted firmly, these should relate to activities 'realised, *not* targets or plans'.

These first three regional surveys<sup>86</sup> were followed by surveys of other provinces – 20 in all by the time of Arndt's retirement in 1980.<sup>87</sup>

A crucial step in ensuring the success of the *BIES* was the appointment of Ruth Daroesman in March 1968.<sup>88</sup> Daroesman was an Ameri-

82 Later Australian Ambassador to Indonesia (1969–72).

83 Jockel to Crawford, copied to Arndt, undated but sent some time in 1966. IPA. The Ambassador at the time was Max Loveday, who succeeded Shann, serving from 1966 to 1969.

84 Hal Hill, 'Preface', in Hal Hill, ed, *Unity and Diversity: Regional Economic Development in Indonesia Since 1970*, Oxford University Press, Singapore, 1989, p v.

85 As quoted by Ruth Daroesman, letter to David Penny, 27 May 1968. NLA, MS 7581, box 2.

86 Amudi Pasaribu & Bistok Sitorus, 'An Economic Survey of North Sumatra', *BIES*, 5, 1, 1969, pp 34–48; W H Makaliwe, 'An Economic Survey of South Sulawesi', *BIES*, 5, 2, 1969, pp 17–36; Mubyarto & Atje Partadiredja, 'An Economic Survey of the Special Region of Jogjakarta', *BIES*, 4, 11, 1968, pp 29–47.

87 The final regional survey in the series (making a total of 21) was published in the November 1982 issue.

88 Department of Economics, RSPS, *Annual Report 1968*, p 1. ANUA 53, 2.1.8.6(4).



can by birth who had married an Indonesian; with their young children, they had moved to Medan in North Sumatra in the mid-1950s. She had then moved to Malaya in 1957, and then to Singapore before joining the ANU.<sup>89</sup> Daroesman's formal appointment was as a Research Officer in the Department; she had a particular interest in education, and published a number of articles on this and other Indonesia-focused subjects, among them five regional economic surveys.<sup>90</sup> But perhaps her greater contribution to the Project was as the Assistant Editor of the *BIES*. She and Arndt were to work together on producing the *Bulletin* for 15 years.

Daroesman, like Arndt, was a formidable editor. Howard Dick later recalled his experience of Daroesman's editing of an updated 'Survey of the Special Region of Yogyakarta' that he had prepared during his time at Gadjah Mada in 1972:

I thought it was a good effort but Ruth's best offer was a cut-down version, which I declined in a fit of pique. Later she edited what became a two-part article of mine on *prahu* (sail) shipping. This went more smoothly but had its moments. I remember my dismay when she insisted that I cut out some columns of figures. 'Why are they in the table?' 'They are interesting.' 'But you don't refer to them in the text.' I conceded reluctantly, but of course she was absolutely right.<sup>91</sup>

The firm establishment of the *Bulletin* as the world's premier journal on the Indonesian economy probably owed as much to Daroesman as to Arndt.<sup>92</sup>

But success was by no means assured: for perhaps the first decade, the *Bulletin* lived a precarious existence.

The primary challenge was securing a supply of articles suitable for publication. In a letter to David Penny dated 9 June 1968, for instance, Arndt noted that at the beginning of June – a month before the second *BIES* of the year was due for publication – 'we had not one piece of material for the *Bulletin* in hand. Not one of 7 articles more or less promised had come.'<sup>93</sup> He then spent what must have been a stressful week trying to extract promised articles from recalcitrant authors, and to find stopgap articles from others. By 9 June, he had firm promises for two articles and

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89 Anne Booth, 'In Memoriam: Ruth Daroesman', *BIES*, 48, 3, 2012, pp 421–5.

90 For Daroesman's publications, see 'Selected Publications of Ruth Daroesman', in Booth, 'In Memoriam: Ruth Daroesman', pp 424–5.

91 Quoted in Booth, 'In Memoriam: Ruth Daroesman', p 422.

92 In 2013 the ANU established the Ruth Daroesman Graduate Study Grant to assist students of the ANU engaged in graduate study of Asia and the Pacific, with special emphasis on Indonesia. See 'Ruth Daroesman Graduate Study Grant', <http://asiapacific.anu.edu.au/students/scholarships/ruth-daroesman-graduate-study-grant>, accessed 25 March 2015.

93 Arndt to Penny, 9 June 1968. NLA, MS 7581, box 2.

three short notes, but lamented 'Even if all else goes well, we shall have a hell of a job getting it all typed and processed!'<sup>94</sup> Everyone must have done 'a hell of a job': the July edition of the *Bulletin* emerged with the five articles Arndt had flagged.

This paucity of material was to remain a problem for several years. The Economics Department may have reported in 1969 that the *BIES* 'has been publishing an increasing flow of contributions by Indonesian and foreign economists'.<sup>95</sup> Yet in September 1971, Arndt drafted, and presumably sent, letters to no fewer than 17 scholars who had promised to contribute – or 'at least to consider contributing' – articles to the *Bulletin*. He acknowledged likely pressure from other work the potential authors faced, but pointed out, in clear exasperation:

... you will also appreciate my difficulty in producing the *Bulletin* when material I have been led to think I could count on, or at least hope for, does not become available.<sup>96</sup>

Six years later, he wrote:

About half the articles are written by staff and students of the Department, the other half by outside contributors, though in the last few years the latter's share has fallen off. Those Indonesian economists who have the capacity to undertake publishable research usually lack the time – the majority of Indonesian contributions published in *BIES* have required heavy editing by Project staff – and it has also proved surprisingly difficult to secure contributions by foreign economists.<sup>97</sup>

The publication and distribution of the *Bulletin* was not straightforward either. Since the end of 1967, when *BIES* became available for public subscription, printing and distribution had been the responsibility of the ANU Press.<sup>98</sup> The relationship between the Department and the Press, though, was clearly not a happy one. Matters came to a head in September–October 1969, in an increasingly acerbic exchange of letters between Arndt and W A Wood, Director of the Press, concerning the *Bulletin*, including the costs the Press incurred in publishing it, the

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94 Arndt to Penny, 9 June 1968.

95 Department of Economics, RSPS, *Annual Report 1969*, p. 2. ANUA 53, 2.1.8.7(1).

96 Arndt to various addressees, 27 September 1971. IPA.

97 Arndt, 'Revised Draft ...', Appendix B, The Indonesian Project, 27 July 1977, pp 3–4. IPA.

98 Until then the Department had published the *Bulletin*. Department of Economics, RSPS, *Annual Report 1967*, p 2. IPA. Printing had been undertaken first by a Canberra printer and from 1969 Gillingham Printers in Adelaide.

reprinting of back issues and other matters.<sup>99</sup> Wood wrote to Arndt in October 1969:

It is clear to me that full control and all matters related to the *Bulletin* should be returned to your Department after the next issue is circulated to subscribers. ... there is little point in continuing a relationship that, as I review the files, moves from one range of unhappiness and dissatisfaction to another.<sup>100</sup>

The Editorial Board of the *BIES* agreed that the Department would resume responsibility for editing the *Bulletin*, and oversee continued printing by Gillingham Printers in Adelaide, but that the Press should continue with distribution.<sup>101</sup> This latter arrangement continued until September 1970, when the Department took back responsibility for distribution as well, Patricia Buchanan being recruited for this purpose on 8 September.<sup>102</sup>

Gillinghams continued to print the *Bulletin* until the end of 1974, when their costs escalated and it was decided to print in Singapore.<sup>103</sup> Printing by Singapore National Printers began in 1975 and continued until the end of 1986.

It was always considered important for the *Bulletin* to be read by Indonesian economists and policy makers. But this presented the problem of how to distribute copies in Indonesia, and how they would be funded.

From June 1968 the Department of External Affairs (DEA) subscribed to 81 copies, distributing them in Indonesia through the Australian Embassy.<sup>104</sup> By 1969, this number had increased to 113.<sup>105</sup> In 1970, DEA purchased 400 subscriptions on behalf of the Indonesian Agricultural Economics Association (Perhepi, Perhimpunan Ekonomi Pertanian Indonesia) and the Indonesian Economists Association (ISEI, Ikatan Sardjana Ekonomi Indonesia), allowing them to sell these at discounted rates to their members in order to fund their own research and publications.<sup>106</sup> This assistance continued until 1975.

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99 Arndt to Wood, 10 September 1969; Wood to Arndt, 30 September 1969; Arndt to Wood, 1 October 1969; Wood to Arndt, 3 October 1969. IPA.

100 Wood to Arndt, 3 October 1969.

101 *BIES* Editorial Board, undated document recording arrangements decided at its 14 November 1969 meeting. IPA.

102 *BIES* Editorial Board Agenda, 24 September 1970. IPA.

103 *BIES* Editorial Board, 10 October 1974. IPA. See also Arndt's 10 October 1974 letter to P Cotton of Gillinghams, advising of the change in printing arrangements. IPA.

104 Arndt to Penny, 27 June 1968. NLA, MS 7581, box 2.

105 Arndt to Penny, 27 June 1968. Arndt to Wood, 10 September 1969.

106 *BIES* Editorial Board Agenda, 9 July 1973, p 1. NLA, MS 6641/21, box 138, Part 3.

Penny noted in a letter to Arndt on 13 June 1968 that 'Medan people still haven't received bulletin 9'.<sup>107</sup> A solution suggested was to have copies distributed by the Gunung Agung bookshop in Jakarta. While not rejecting this idea outright, Arndt indicated he thought the Embassy arrangement should be retained 'for the moment', but intended to ask ANU Press to write to Gunung Agung about the possibility of their taking on some distribution of *BIES*.<sup>108</sup> The outcome is not clear from the surviving correspondence. But by 1969 Gunung Agung was selling *BIES* in its bookshops.

Penny also reported a discussion with the Project's Jakarta-based Research Officer, Sulaeman Krisnandhi, about the production of an Indonesian-language version of the *Bulletin*.<sup>109</sup> Krisnandhi responded very positively, arguing that a translation would only cost around \$100; he then proposed that it be stencilled and distributed by Gunung Agung. Penny concluded that 'If it sold as well as [Krisnandhi] thinks it would we would be able to cover all our costs from sales'.<sup>110</sup>

However this idea never came to fruition. The precise reasons for this are unclear. It was not discussed at any Editorial Board meeting for which minutes survive, but it is likely that the task of translating articles, checking the translations, and printing and distribution of a separate Indonesian-language version of the *Bulletin* was judged to be more onerous than was at first assumed.

Further, sales of the English-language version of the *Bulletin* in Indonesia were proceeding well, perhaps suggesting the market for an Indonesian-language version may not have been large. By July 1969, *BIES* had established a clear – and growing – readership in Indonesia and elsewhere. Arndt reported that the July issue for that year had a print run of 1,000 copies, of which 400 went to individual subscribers, and 113 to 'Government order' – a reference apparently to the Department of External Affairs – for distribution in Indonesia.<sup>111</sup> The Department of Economics itself took 200 copies, presumably for authors and promotional purposes. But perhaps most striking was that Gunung Agung took 100

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107 Penny to Arndt, 13 June 1968. NLA, MS 7581, box 2.

108 Arndt to Penny, 27 June 1968. NLA, MS 7581, box 2.

109 Sulaeman Krisnandhi was a Jakarta economist engaged on a part-time basis from 1967 until some time in the early 1970s to act for the Project in Indonesia. His duties included 'obtaining for the Project research materials such as reports of government departments and agencies, monographs and other published and unpublished documents relating to the Indonesian economy'. H W Arndt, 'To Whom It May Concern', 18 May 1968. IPA.

110 Penny to Arndt, 13 June 1968.

111 Arndt to Wood, 10 September 1969.

copies of the July 1969 issue and soon sent an urgent request for 100 more. Arndt reported that *BIES* was selling at the rate of 10 copies per day when he was in Jakarta in early September 1969.<sup>112</sup> In September 1970 the Editorial Board papers reported that Gunung Agung 'appears to be selling over 300 copies of each issue'.<sup>113</sup>

By 1970, the print run had been increased to 2,500, partly due to 'substantial' sales in Indonesia, and partly to DEA's purchase of 400 subscriptions for ISEI and Perhepi.<sup>114</sup>

By late 1972, though, it had become clear that the distribution arrangements through the Embassy were not working well and that ISEI was unable to distribute its copies effectively.<sup>115</sup> Daroesman was sent to Jakarta in January 1973 to try to resolve these matters. As a result of her meetings, changes were made to the Embassy arrangements and it was agreed that Perhepi could be allocated a larger share of the DEA subscriptions, with the remainder of ISEI's allocation to be distributed through the Embassy.<sup>116</sup>

In 1973 it was decided to seek an alternative to the costly and complex process of shipping to Indonesia bulk copies of *BIES* printed in Australia. Perhepi was approached about the possibility of its producing and distributing *BIES* in Jakarta.<sup>117</sup> It agreed to do this, beginning with the November 1973 issue, printing from final copy sent by the printer in Adelaide.<sup>118</sup> Perhepi's work was to be funded by the Project's transferring to them the income received from the subscriptions paid for by the Department of Foreign Affairs.<sup>119</sup>

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112 Arndt to Wood, 10 September 1969.

113 Report to *BIES* Editorial Board for meeting on 24 September 1970, p 4. IPA.

114 Department of Economics, RSPS, *Annual Report 1970*, p 2. ANUA 53, 2.1.8.8(3).

115 *BIES* Editorial Board Agenda, 9 July 1973, item III.

116 Ruth Daroesman, Memorandum: Distribution of Bulletin of Indonesian Economic Studies through Australian Embassy, Jakarta, addressed to Arndt, to McCreddie, Cross and Malone, Australian Embassy, and to Grimshaw, Business Manager, RSPS, 9 February 1973. IPA. See also *BIES* Editorial Board Agenda, 9 July 1973, item III.

117 Reported in *BIES* Editorial Board papers for 9 July 1973.

118 *BIES* Editorial Board Meeting, 8 February 1974, item 1. IPA. See also letter from Mubyarto, Chair of Perhepi, to Arndt, 1 August 1973. IPA.

119 *BIES* Editorial Board Meeting, 8 February 1974, item I. IPA. See also PJ Grimshaw (Business Manager, RSPS) to Arndt and others, 28 October 1974. IPA. Fisk argued that the arrangement to subsidise Perhepi to print in Indonesia could produce a 'significant loss of income' to the Project. See *BIES* Editorial Board Meeting, 8 February 1974, item I. IPA. The title of the Department had been changed from External Affairs (DEA) to Foreign Affairs (DFA) in 1970.

But the *BIES* Editorial Board noted in July 1975 that:

There is still a great deal of difficulty in getting the *BIES* distributed outside Jakarta. Perhepi will require an additional capital grant to operate in 1976 under present conditions, though perhaps not so large a grant as for 1974/5. Perhepi has great difficulties both in selling through, and obtaining payments from, bookshops. Sales for each issue are averaging around 500 and energetic steps have been promised to increase sales, but total distribution in Indonesia is still below what it was in 1972 and 1973.<sup>120</sup>

Despite Perhepi's considerable efforts to increase sales, there were significant obstacles to their success: the difficulties in collecting payments from bookshops were critical, given they were the main means of distribution of *BIES* in Indonesia. Further, in 1975, Foreign Affairs cancelled its subscriptions for copies to be distributed in Indonesia, thus cutting off the major source of the capital grant the Project was making to Perhepi.

In December 1976, Arndt had discussions in Jakarta about possible alternative distributors. He reported to the Editorial Board in March 1977 that the Institute for Social and Economic Research, Education and Information (LP3ES) might be more successful.<sup>121</sup> It had greater influence with retailers, having a much wider suite of publications than Perhepi (including the popular social science journal *Prisma*), and a target audience closer to that of the *Bulletin*.<sup>122</sup> Board members were conscious of the 'moral obligation' felt towards Perhepi because of the 'immense amount of work' it had put into distributing the journal in Indonesia, and the close links between the *BIES* and Perhepi's chair, Mubyarto; it resolved to defer a final decision until Mubyarto's views were known.<sup>123</sup>

By July 1977, a decision to transfer distribution responsibilities from Perhepi to LP3ES had been taken, and an agreement reached between the Project and LP3ES, signed by Arndt and RSPS Business Manager P J Grimshaw for the ANU and Ismid Hadad, Director of LP3ES.<sup>124</sup> LP3ES continued to print and distribute the *Bulletin* until 1995.

120 *BIES* Editorial Board, Minutes, 23 July 1975, pp 1-2. IPA.

121 *BIES* Editorial Board Minutes, 9 March 1977. NLA, MS 6641/20, box 138, Part 2. LP3ES: Lembaga Penelitian, Pendidikan dan Penerangan Ekonomi dan Sosial.

122 The likely capacity of LP3ES to distribute *BIES* was further confirmed by the Ford Foundation's decision to work with LP3ES in its initiative to develop a better distribution system for Indonesian academic journals. See *BIES* Editorial Board minutes, 9 March 1977.

123 *BIES* Editorial Board minutes, 9 March 1977.

124 H W Arndt, P J Grimshaw and Ismid Hadad, 'Arrangements between *BIES* and LP3ES', 20 July 1977. IPA.

## The Indonesian Connection Conference

In 1979 the Research School of Pacific Studies devoted its annual seminar series to Indonesia under the title 'The Indonesian Connection'. This was probably the largest seminar held on Indonesia in Australia to date, with 50 papers being presented, 'covering a range of topics from Indonesia's geomorphological formation to its current politics'.<sup>125</sup>

Many present and future Indonesia Project members, including McCawley, Manning, McLeod, Hill, Dick, Penny and Booth, made presentations to the seminar or contributed to the edited book based on it. Their papers were included in Volume II of the conference proceedings – there were three volumes in total – published the following year.<sup>126</sup>

Ruth McVey found the three volumes something of an 'academic grab-bag', but singled out Dick's chapter on the interisland shipping industry as one of seven articles of particular interest (of the 50 in the three volumes).<sup>127</sup> Martha Logsdon was perhaps rather more positive, finding Volume II impressive. The section in which Manning, McLeod, Hill and Dick examine the impact of dualism on various aspects of the Indonesian economy was said to 'hang together very well'. The Booth and Sundrum essay on poverty was also singled out: 'While some of their speculations are probably controversial, their attempt to make sense of the limited available evidence is surprisingly fruitful'.<sup>128</sup> She concluded: '... every scholar interested in Indonesia will want it on the bookshelf and will no doubt eventually find that each topic is relevant to some current interest'.<sup>129</sup>

## Funding

These developments were all well and good, but they had to be paid for.

While still Economics Department Head, and before the Project had started, Crawford had secured Ford Foundation funding, initially for three years, to support the work of the Department. The first of these grants, running from 1963/64 to 1966/67, was used chiefly to fund research on foreign aid, and on Indonesia. The Department received two research grants from the Reserve Bank of Australia, starting in 1967, one

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125 Ross Garnaut & Peter McCawley, eds, *Indonesia: Dualism, Growth and Poverty*, vol II of *Indonesia: Australian Perspectives*, Research School of Pacific Studies, Canberra, 1980, p iii.

126 Garnaut & McCawley, eds, *Indonesia: Dualism, Growth and Poverty*.

127 Ruth McVey, Review of James J Fox et al, eds, *Indonesia: Australian Perspectives*, *Journal of Asian Studies*, 42, 3, 1983, p 719.

128 Martha G Logsdon, Review of James J Fox et al, eds, *Indonesia: Australian Perspectives*, *Pacific Affairs*, 55, 3, 1982, pp 528–9.

129 Logsdon, Review of *Indonesia: Australian Perspectives*, pp 528–9.

of which went to the Project.<sup>130</sup> The Ford Foundation grant was renewed twice, for three-year terms: 1967/68 to 1969/70, and 1970/71 to 1973/74. The second and third triennial grants were used almost exclusively for the Project.

Anticipating the end of the Ford Foundation grant, in the early 1970s Arndt began canvassing financial support for the Project from firms based in Australia with a potential interest in investing in or trading with Indonesia. By 1974, when the final Ford grant wound up, he had garnered support from no fewer than 26 companies, pledging anything from a one-off \$50 to \$500 per year for five years. The companies included some of the major Australian corporates, such as ICI, the Bank of New South Wales (now Westpac), the National Bank, Ford, BHP and Western Mining.<sup>131</sup> But donors also included much smaller companies.

Most significant, though, was the support received from a Melbourne-based charity trust, the Madingley Victorian Charitable Trust (now the Andrew Thyne Reid Charitable Trusts).<sup>132</sup> The Trust pledged \$3,000 in 1974, rising to \$7,000 in 1978, the amounts adjusted so as to maintain the total value of donations to the Project annually at around \$11,000.<sup>133</sup>

These grants were instrumental in enabling the Project to consolidate itself. In particular, they were used to cover the salary of the full-time Project research assistant, honoraria to Indonesian contributors to the *BIES*, acquisition of research materials and travel associated with the *BIES*. McCawley noted that these funds had 'made all the difference between activities being possible and being impractical'.<sup>134</sup>

Nonetheless, the ANU itself remained the major contributor to the Project's costs. It covered the salaries of Economics Department staff members connected with the Project. In the late 1970s, the personnel of the Project were: Professor (Arndt) at 2/3 time; Professorial Fellow (R M Sundrum) at 1/3 time; Research Fellow, full time (Peter McCawley); Research Officer, full time (Ruth Daroesman); Research Assistant, full time; PhD students (four in all).<sup>135</sup> The Department paid all of the salaries except that of the Research Assistant.

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130 Department of Economics, RSPS, *Annual Report 1967*, p 3. Arndt, 'Revised Draft ...', Appendix B, 'The Indonesian Project', 27 July 1977, p 2. IPA.

131 'Contributions to Indonesian Project', attached to Arndt to Cumpston (RSPS Business Office), Confidential Memorandum, ref 4.5.0.35, 25 October 1974. IPA.

132 At the time, the funds were granted on the condition of anonymity, a condition now lifted.

133 Arndt to Cumpston, 25 October 1974.

134 McCawley to Throssell, 21 June 1979, p 4.

135 McCawley to Throssell, 21 June 1979, p 3. The PhD students were Howard Dick, Hal Hill, Chris Manning and Asnawi Sjojfan.



In addition, the University provided substantial in-kind support, in the form of secretarial, financial and computer services, postage and the like. This included extensive typing for the *BIES*. The ANU was also providing direct financial support to the Project for visitors and fieldwork, amounting to about \$15,000 per year.<sup>136</sup> In 1978, total ANU support to the Project was estimated at \$135,000: just under 90% of the \$152,000 total Project expenditure. The Indonesia Fund contributed the remaining \$17,000.<sup>137</sup>

### Succession

By the late 1970s, though, Arndt was facing reluctant retirement, then compulsory at age 65. This raised a series of questions about the future of the Project.

One of these concerned Project funding. By the end of the decade, the Indonesia Fund was close to exhausted. The Ford Foundation had indicated that it could not continue providing support, and Crawford had advised Project members that in what McCawley subsequently described as 'the present business climate',<sup>138</sup> the likelihood of there being continued private sector support for the Project was small.

Moreover, it could not be assumed that Arndt's successor as Head of Department would provide the Project with the same level of support that Arndt had.

In February 1979, Arndt wrote to then Foreign Minister Andrew Peacock, seeking direct funding support for the Project from the Department of Foreign Affairs.<sup>139</sup> This communication was followed up with a lengthy memo from Peter McCawley, then a Senior Research Fellow attached to the Project, to R P Throssell, Assistant Secretary in the Cultural Relations Branch of the Department, setting out in greater detail the achievements of the Project to date and the case for government funding into the future.<sup>140</sup>

The picture McCawley painted was a grim one. Arguing that both university support and outside funding were likely to decline substantially after Arndt's retirement, he concluded:

Without additional support the activities of the Indonesia Project will be substantially reduced during 1981 and are likely to virtually cease thereafter.

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136 McCawley to Throssell, 21 June 1979, p 4.

137 'Indonesia Project Expenditures: 1978–1986', appended to McCawley to Throssell, 21 June 1979, p 4. The Fund aggregated the support received from private sources external to the ANU.

138 McCawley to Throssell, 21 June 1979, p 4.

139 Arndt to Peacock, 5 February 1979. IPA.

140 McCawley to Throssell, 21 June 1979.

Further, unless plans can be made soon to ensure the continuation of work on Indonesia, it will not be sensible to encourage new PhD students to undertake studies beginning in 1980 or 1981 because it will not be possible to offer them the supervision and supporting facilities that they need. It is for these reasons that the ANU requests the Department of Foreign Affairs at this stage to assist the Project to continue (its) activities ...<sup>141</sup>

The support requested would be used to continue the existing work of the Project, but with one significant addition. Arndt's retirement would mean that the Project would need a new Head. No current or prospective senior member of the Department, McCawley argued, was likely to replace Arndt in this role. Thus 'one of the highest priorities for the Project is the appointment of a full-time specialist on the Indonesian economy with suitable knowledge and experience of Indonesia'.<sup>142</sup> The expectation – not explicitly stated, but clear nonetheless – was that this new appointee would assume the Headship of the Project.

The request to the government was for a grant of \$72,000 per year for seven years – in 1979 prices. Though clearly backed by argument and data, it might have been something of an ambit claim. McCawley later recalled that he had thought it likely that the request would be rejected.<sup>143</sup> But it was a measure of Arndt's persuasiveness – and perhaps of the importance that the Fraser government attached to relations with Indonesia – that the government quickly accepted it. On 9 November 1979 Michael MacKellar, the Acting Minister of Foreign Affairs, formally advised Arndt that the government had 'decided to contribute an annual amount of \$72,000 for the next seven years for the continuation of the Indonesia Project'.<sup>144</sup>

Financially, then, the Project entered the 1980s in better shape than it had ever been.

But the second issue posed by Arndt's retirement – who would succeed him as Department Head, and what impact this appointment would have on the Indonesia Project – was more complicated. The Headship eventually went to Max Corden, who had returned to the ANU in 1976 after nine years as the Nuffield Reader in Economics at Oxford, where he built his reputation as an international trade theorist.<sup>145</sup>

141 McCawley to Throssell, 21 June 1979, p 5.

142 McCawley to Throssell, 21 June 1979, p 5.

143 Interview, Canberra, 18 June 2014.

144 MacKellar to Arndt, 9 November 1979. ANUA 53, 4.0.51.119 (1 & 2).

145 Corden had been born in Breslau – Arndt's own place of birth. Asked whether his family and Arndt's were known to each other then, he said not: 'There is a huge gap in social status between a professor and a small businessman. ... I was the son of a provincial haberdasher; he was the son of a distinguished professor. And he himself had something of the air of a German professor.' William

Arndt and Corden had had a lengthy relationship. In 1963, they had together published an edited collection of readings on the Australian economy.<sup>146</sup> In May 1964, Corden had written to Arndt giving general albeit qualified support to the proposal to establish the Indonesia Project. The 'general reviews of the Indonesian economy', he said, would 'clearly meet an important need'.<sup>147</sup> However he argued they should not be the primary task of a research unit such as the Department; nor, he suggested, would 'the type of people whom we consider adequate to join our permanent staff' actually want to do such work, at least in the long term. He did, however, add that 'This problem has to be appreciated, but should not stop us from going ahead', and indicated that he would 'for a limited period ... be prepared to spend two months a year on this'. He then suggested practical steps to getting such surveys done, including recruitment of staff, before moving on to discuss the need for original research on the Indonesian economy, and some of the substantial practical barriers to it.<sup>148</sup>

In his July 1964 memorandum proposing the establishment of the Project, Arndt had indicated his expectation that Corden – along with Arndt himself 'and perhaps one other senior member of the Department' – would devote part of their time to the surveys of the Indonesian economy, and the book on the Indonesian economy, which he had planned.<sup>149</sup> Corden had in fact already published one article on Indonesia, written in 1962 while he was still at the University of Melbourne.<sup>150</sup>

Arndt supported Corden's return in 1976, apparently still expecting that he would fulfil his earlier hopes. But this did not happen. Indeed, the two fell out over the issue. Not all members of the Department had been happy with Arndt's focus on Indonesia, but as Drake notes: 'The non-Indonesia cause never gathered much momentum or became a major issue until after Max Corden returned to the department'.<sup>151</sup>

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Coleman, 'A Conversation with Max Corden', *Economic Record*, 82, 259, 2006, p 380. The move back to Canberra, Corden said, was 'motivated by family considerations'. Coleman, 'A Conversation ...', p 390.

146 H W Arndt & W M Corden, eds, *The Australian Economy: A Book of Readings*, Cheshire, Melbourne, 1963.

147 Corden to Arndt, 15 May 1964, p 2. IPA.

148 Corden to Arndt, 15 May 1964, pp 2–4.

149 Arndt to Crawford, Director, RSPS, 13 July 1964, para 7.

150 W M Corden & J A C Mackie, 'The Development of the Indonesian Exchange Rate System', *Malayan Economic Review*, 7, April 1962, pp 37–60.

151 Coleman, Cornish & Drake, *Arndt's Story*, p 247.

Corden argued later that the Department had devoted too much of its resources to the study of regional economies – including especially Indonesia. He described his position this way:

The department to which I returned was the Department of Economics in the Research School of Pacific Studies (now Pacific and Asian Studies) of the Institute of Advanced Studies, of the ANU. It did not suit me very well. ... To summarise my initial reaction, there was too much emphasis on 'Pacific' (and implicitly 'Asian'), and not enough on 'Advanced'.<sup>152</sup>

He went on to ask, presumably rhetorically: 'How much of an economist does one have to be to study, say, the Indonesian economy?'<sup>153</sup>

According to Drake, Arndt 'began to fear that the most creative part of his life's work – the Indonesia project – was under threat, and that thought took root ineradicably.'<sup>154</sup> But this, Corden subsequently noted, was not his intent. He recalled:

Heinz began to feel that I was threatening his little baby, namely the 'Indonesia Project'. He felt that I might destroy it. Actually I was not intending to, though I thought it could be improved. But I am too weak to destroy anything. So we fell out.<sup>155</sup>

As will become clear, however, although Corden did not immediately change his general views of the Project, his Headship was considerably less stressful for it than Arndt had feared.

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152 Coleman, 'A Conversation ...', p 391.

153 Coleman, 'A Conversation ...', p 391. Despite this position, Corden co-wrote one article about Indonesia after assuming the Department Headship, in collaboration with Peter Warr: 'The Petroleum Boom and Exchange Rate Policy in Indonesia: A Theoretical Analysis', *Ekonomi dan Keuangan Indonesia*, September 1981, pp 335–59.

154 Coleman, Cornish & Drake, *Arndt's Story*, p 247.

155 Coleman, 'A Conversation ...', p 391.

## Chapter 3

# From Crisis to Crisis: 1980–1997

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The first two decades after Arndt retired saw the Project diversifying its activities, and its participants. It initiated the annual Indonesia Update conference in 1983. It forged closer links with other departments of the ANU, especially Political and Social Change after its establishment in 1978. It continued to enrol PhD students, but the supply of Australian (and New Zealand) students was steadily declining: the last such student, Kelly Bird, graduated in 1999. On the other hand, the number of Indonesians undertaking postgraduate studies with the Project began to rise in the 1990s. The research output of Project members was rapidly building up, and the *Bulletin of Indonesian Economic Studies* had established itself as the premier international journal focusing on the Indonesian economy.

But there were uncertainties too.

In the Department, Project members were unsure what direction the Indonesia Project might be taken under Corden's leadership. And the Foreign Affairs grant proved a mixed blessing: it brought much-needed resources, but was complicated to manage.

In Indonesia, the Asian Financial Crisis began to have an impact from September 1997. It ultimately brought down the Soeharto government, but it also posed a major challenge to the ways the Project related to Indonesia.

### **New Project Leadership**

Arndt retired from the Department at the end of 1980, but his presence was still strongly felt for some years. He was re-appointed Editor of the *BIES*, a position he held until the end of 1982, when Anne Booth, R M Sundrum and Peter McCawley became Joint Editors. Arndt remained a member of the Editorial Board until his death in 2002. He maintained an office in the annex to University House, where he worked most weekdays. He

continued to review and comment on papers by colleagues and postgraduate students. And he continued to write, for the *Bulletin*, other academic journals and publishers and the mass media.<sup>1</sup>

Arndt's retirement meant that the Project needed new leadership. A major element of the 1979 grant proposal to the Department of Foreign Affairs was the salary of a Project Director. In reporting the grant to Wang Gungwu, Director of the Research School, Arndt noted: 'As you know, we very much have Dr P. McCawley in mind ... There is virtually no one else in Australia or elsewhere with his qualifications for the position'.<sup>2</sup> He went on to observe that the position would probably have to be advertised, but whether this happened is unclear. Nonetheless, by the end of 1979 McCawley was in place as Director of the Project. The Department noted in its 1980 *Annual Report* that, with this appointment, the Project 'which for the past fifteen years has been just a part of the work of the Department was ... given a more formal status'.<sup>3</sup>

For McCawley, becoming Director was a mixed blessing. He subsequently wrote:

There were pros and cons to the job. The main disadvantages were that it was heavily administrative, and it was non-tenured. ... Nevertheless, the project was facing something of a crisis with Heinz's retirement. ... I thought that whatever the personal pros and cons, it was sensible to help keep the project going for a few years in the post-Heinz era and see what happened down the track.<sup>4</sup>

McCawley served as Director only until January 1986, when he took three years leave from the ANU to become Deputy Director General of the Australian Development Assistance Bureau (ADAB). He formally resigned from the ANU in November 1988, not returning until 2007, when he took up a Visiting Fellowship with the Project.<sup>5</sup> He did, though, remain on the Editorial Board of the *Bulletin*.

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1 It was after his formal retirement that he wrote *Economic Development: The History of an Idea*, University of Chicago Press, Chicago, 1987; *Asian Diaries*, Chopmen, Singapore, 1987; and *A Course Through Life*.

2 Arndt to Wang, Confidential Memorandum, 13 November 1979, para 4. IPA.

3 Department of Economics, RSPS, *Annual Report 1980*, p 3. IPA.

4 McCawley, email to author, 9 September 2014.

5 McCawley was initially seconded to the ADAB post. He later served as Executive Director of the Asian Development Bank in Manila (1992-96), as Deputy Director General of AusAID (1996-2002) and as Dean of the Asian Development Bank Institute in Tokyo (2003-07). ADAB was renamed the Australian International Development Assistance Bureau (AIDAB) in 1987, and the Australian Agency for International Development (AusAID) in 1995.

McCawley's successor as Project Director in 1986 was Hal Hill<sup>6</sup> – also one of Arndt's students. Anne Booth became sole Editor of *BIES* at the same time, replacing the triumvirate of Booth, Sundrum and McCawley that had succeeded Arndt. In April 1990, Hill took over the Editorship, serving as both Head and Editor until October 1998.

## Staffing

Membership of the Project always had an amorphous character. There were some whose duties referred specifically to the Project: these included the Head (from 1980), the Research Officer and Research Assistant assigned to the Project and, at least in 1979, two researchers: Sundrum (assigned part-time to Project work) and Booth. But other members of the Department could choose to associate themselves with the Project through the research they undertook or other Indonesia-related activities in which they engaged.

Nonetheless, it is clear that in staffing terms, the Project, and the Department, went through a lean time in the 1980s. Indeed one Project member later characterised this as a 'dark period', when the whole enterprise could have collapsed.<sup>7</sup> The 'darkness' lay partly in shrinking resources in the Economics Department,<sup>8</sup> and in Corden's scepticism at that time about the value of applied work such as the Project did. But the Project's own resources were thinned too, in the early 1980s by the departure of Ruth Daroesman and in the late 1980s by Anne Booth's absence for a year (at the ILO in Jakarta, 1988–89), and a move away from Indonesia in the work of Sundrum.<sup>9</sup> McCawley was later to write that, in 1988, the Project had the lowest number of research staff it had ever had.<sup>10</sup>

Daroesman was seconded from the ANU in 1983 to a five-year appointment with the International Development Program (IDP) of Australian Universities and Colleges.<sup>11</sup> She did not return to her former ANU post, though she continued to write on Indonesian education until the early 1990s, and came back to the Department as a Visiting Fellow in late

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6 R Gerard Ward (Director, RSPS) to Hill, 11 December 1985. ANUA 53, 4.0.51.119 (1 & 2). Although the term 'Director' was used in the funding correspondence and some meeting minutes, the annual reports from 1980 refer to the position as 'Project Head'. Indonesia Project, *Annual Report 1980*, p 4.

7 Hal Hill, interview, Canberra, 19 June 2014.

8 Ross Garnaut, 'Real Australians in Economics', in Ley & Lal, eds, *The Coombs*, p 137.

9 Hal Hill, email, April 2015.

10 McCawley to Warr, Submission to 1989 Project Review, 9 April 1989. IPA.

11 Anne Booth, 'In Memoriam Ruth Daroesman', p 423.

1988.<sup>12</sup> She was replaced in her role as Assistant Editor of the *BIES* by Anna Weidemann, who was already employed as a Research Assistant in the Project. But because Daroesman been an academic researcher as well as editing the *Bulletin*, her departure reduced the research strength of the Project.

Five years after McCawley's departure in 1986, Booth left in 1991 to become a Professor of Economics in the School of Oriental and African Studies at the University of London. Both continued as Editorial Board members, and McCawley remained actively associated with the Project, contributing to its research output. Booth is still the only woman appointed to a senior academic position with the Project.

Amongst other members of the Department, Peter Warr undertook some research on Indonesia, though his primary area of interest was Thailand. He had been appointed Senior Research Fellow in 1980, with a PhD from Stanford University. His interests focused chiefly on agricultural economics (he was appointed to the John Crawford Professorship in Agricultural Economics in 1989) and the measurement and alleviation of the incidence of poverty. Between 1988 and 2000, he contributed four articles to the *BIES*, and his Indonesia work increased markedly after that time.<sup>13</sup>

By the end of the 1980s, things had started to turn around. In December 1989 Ross Garnaut, a strong supporter of the Project, became Head of the Department of Economics, a position he held until the late 1990s.<sup>14</sup> Earlier that year the Department had decided to allocate to research on Indonesia the tenurable post that was soon to fall vacant with R M Sundrum's retirement; it was envisaged that the Head of the Project would occupy this post. Garnaut's impending arrival and that decision precipitated the first major review of the Project.

The Review was carried out by the Department's Peter Warr, Jim Fox from the Department of Anthropology (RSPacS, ANU) and Richard

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12 Indonesia Project, *Annual Report 1988*, p 10. IPA.

13 <https://researchers.anu.edu.au/researchers/warr-pg>.

14 Garnaut took his BA and PhD at the ANU. His PhD thesis 'Australian trade with Southeast Asia: a study of resistances to bilateral trade flows', completed in 1972, was based on several months fieldwork in Indonesia and each of the other four original ASEAN countries. He was First Assistant Secretary, Papua New Guinea Department of Finance (1975-76), Research Director of the ASEAN-Australia Economic Relations Research Project at the ANU (1981-83), Senior Economic Adviser to Prime Minister Bob Hawke (1983-85) and Australian Ambassador to China (1985-88). When he took over the Department, he was already one of Australia's leading policy economists and familiar with the Asia Pacific at both academic and governmental levels.



Snape (Economics, Monash University).<sup>15</sup> The committee reported in August 1989. It was blunt in its evaluation: the Project was in a ‘somewhat diminished state’, with problems in staffing, students and the *BIES*. However, the Department’s decision to allocate a tenured position to its Headship was taken as a clear commitment to its continuation.<sup>16</sup>

The committee recommended that, apart from the tenured position for the Director of the Project, ‘at least one and preferably two academic posts ... devoted primarily to the study of the Indonesian economy’ should be established.<sup>17</sup> Other recommendations included efforts to strengthen postgraduate student numbers, a formal Project Advisory Board (separate from the Editorial Board of the *BIES*), a reduction in the number of *Bulletin* Surveys to two per year, and further efforts to diversify funding sources.<sup>18</sup>

From 1990 the Department’s research strength on Indonesia was augmented in several ways. Chris Manning was appointed in 1991 to the post vacated by Anne Booth. But the provision of a Department-funded Project Head post freed up the DFAT-funded post for a third appointment. Ross McLeod took this up in 1992, after the funds had been used in 1991 to support a year-long visit by Thee Kian Wie of the Indonesian Institute of Sciences. Work on Indonesia was further strengthened by the appointment of George Fane and the secondment of Ray Trewin.

Fane’s PhD was awarded by Harvard University in 1972. He was appointed to the Faculty of Economics and Commerce in 1976, and transferred to the Department of Economics RSPacS in 1992, having spent time there as a visitor in 1987. His Indonesia-focused research was particularly concerned with trade reform and monetary policy; he also wrote on agriculture and poverty, and contributed two Surveys and numerous other articles to the *BIES*. He joined the *BIES* International Advisory Board in 1996, and became a member of the Editorial Board in 2000, ‘reflecting his active and valuable support for the journal’.<sup>19</sup>

In 1992, the Project partnered with the Australian Centre for International Agricultural Research, the International Food Policy Research Institute (Washington DC) and the Center for Agro-Socioeconomic Research (Bogor) in a research project titled ‘Analysis of growth and stabilisation

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15 *Report of Departmental Review of Indonesia Project, August 1989*, Department of Economics, RSPacS, ANU, p 1. IPA.

16 *Report of Departmental Review of Indonesia Project, August 1989*, p 4.

17 *Report of Departmental Review of Indonesia Project, August 1989*, p 6.

18 *Report of Departmental Review of Indonesia Project, August 1989*, pp 6–9. The reduction in the frequency of ‘Survey’ articles has been mooted on a number of occasions, but has never been taken up.

19 *BIES* Editorial Board, Minutes, 1 September 2000, p 1. IPA.

policies in Indonesia – a linked modelling approach'. The research was aimed at the

... development and application of a set of linked models able to analyse the impact of policies at all levels (farm, sectoral and economy-wide) and their incorporation into Indonesian decision-making processes.<sup>20</sup>

Ray Trewin was seconded from the Australian Bureau of Agricultural and Resource Economics as Visiting Fellow to work on this project.

Another scholar appointed to the Research School whose work made a contribution to the Project was Pierre van der Eng. He had completed a PhD at Groningen University in the Netherlands, and joined the School's Economic History of Southeast Asia (ECHOSEA) Project<sup>21</sup> as a Postdoctoral Fellow in 1991, before moving to the Faculty of Economics and Commerce in 1993. Though not then formally associated with the Department of Economics in RSPAS, van der Eng nonetheless contributed actively to the Project's research program, publishing extensively on the economic history of Indonesia,<sup>22</sup> particularly during the colonial era, and on agricultural development in Indonesia. He would later serve as Editor of the *BIES*, from 2012 to 2015.

In addition to the Australia-based appointments, two other appointments need to be noted, both to honorary positions with the Project.<sup>23</sup>

First, Thee Kian Wie of the Centre for Economic and Development Studies at LIPI was made a Project Research Associate in 1992.<sup>24</sup> Thee had been a regular visitor to the Project since 1980. During the period covered in this chapter, he visited in 1980 (1 month), 1982–83 (12 months), 1983 (1 month), 1990–91 (12 months), 1992 (1 week) and 1997 (3 months). His primary research focus during these visits was on industrialisation, technology transfer and foreign direct investment in Indonesia, and on aspects of Indonesian economic history; being fluent in Dutch as well as Indonesian and English was of particular value in his work in the latter area. He was a member of the Editorial Board of *BIES* from 1984 until his death in 2014. Thee was also the initiator of, and major contributor to, a

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20 Indonesia Project, *Annual Report 1992*, p 13. IPA. R Lindner, *Frameworks for Assessing Policy Research and ACIAR's Investment in Policy-Oriented Projects in Indonesia*, ACIAR Impact Assessment Series Report no 72, Australian Centre for International Agricultural Research, Canberra, 2011, p 56, at <http://aciarc.gov.au/publication/ias072>, accessed 21 April 2015.

21 ECHOSEA was established by Anne Booth and Anthony Reid in 1989; it ran until 2000.

22 Sharing that interest with Booth, Thee and Dick.

23 Indonesia Project, *Biennial Report 1997–98*, p 2. IPA.

24 Indonesia Project, *Annual Report 1992*, p 6. IPA. Thee was Head of this LIPI Centre from 1986 to 1990.

series of 'Recollections of My Career' interviews with retired Indonesian economists, which the *BIES* published in the 1980s and 1990s.<sup>25</sup>

In 2000, to mark his impending retirement, the *Bulletin* published a special issue in his honour. Arndt wrote of him at the time:

Thee Kian Wie, perhaps the most productive Indonesian academic economist of the past generation, has been and remains a close friend and collaborator of the ANU's Indonesia Project and all its staff.<sup>26</sup>

The ANU awarded Thee an honorary doctorate in 2004.

The second such appointment was that of Hadi Soesastro, from the Jakarta-based think tank, the Centre for Strategic and International Studies (CSIS). In 1997 he was appointed Okita Fellow in the Economics Department, and in February 1998 to an adjunct Professorship in the School, working particularly with the Project. He was also made a member first of the *BIES* International Advisory Board and later of the Editorial Board. In 2009 the ANU awarded him an honorary doctorate.

In Indonesia, Soesastro played a critical role for the Project from 1998 in organising a 'Mini-Update' and launch of the Update book each year in Jakarta, following on from the Update conference held in Canberra in September the previous year. He was, Hill and Pangestu were to write in his obituary, 'a public intellectual, institution-builder and visionary', whose research interests 'were diverse, ranging across international economic policy, East Asian regional architecture, energy issues and political economy'.<sup>27</sup>

Supporting the editing, production and distribution of the *Bulletin* during the 1980s and 1990s, apart from Ruth Daroesman, were Anna Weidemann and her successor Liz Drysdale as Assistant (later Associate) Editors, and Pat Buchanan and her successor Lynn Moir in the role of Subscription Manager.

In addition to editing the *Bulletin* from 1983 to 1987, Weidemann managed the Project library and undertook much of the Project administration;

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25 The first in the series, eventually to number 12, was with Sumitro Djojohadikusumo: see 'Recollections of My Career: Soemitro Djojohadikusumo', *BIES*, 22, 3, December 1986, pp 27–39. Thee later published these memoirs as *Recollections: The Indonesian Economy, 1950s–1990s*, Research School of Pacific and Asian Studies, ANU, and Institute of Southeast Asian Studies, Canberra and Singapore, 2003. For Thee's publications to 2000, see 'Publications by Thee Kian Wie', *BIES*, 36, 1, 2000, pp 261–6.

26 H W Arndt, 'Foreword', Special Issue in Honour of Thee Kian Wie, *BIES*, 36, 1, 2000, p 8.

27 Hal Hill & Mari Pangestu, 'M. Hadi Soesastro: Indonesian Public Intellectual, Asia Pacific Visionary', *BIES*, 46, 2, 2010, p 171. Soesastro died in May 2010.

she also worked with Jamie Mackie to compile a bibliography of Indonesian documents in the National Library of Australia.<sup>28</sup>

Drysdale was part of the *BIES* editorial team from 1988 until her retirement in 2012. While working mainly on the journal, she also contributed to Project administration in the early years, and to the Update.<sup>29</sup>

Buchanan joined the Project in 1970, when it resumed distribution of the journal from ANU Press, and retired in 1986. On her death in 1997, Arndt wrote of her that she was 'friendly and efficient ... meticulous and conscientious ... [and] gave much help to the editors, of whom she served all except the present one in the 15 years she worked with the *Bulletin*'.<sup>30</sup>

Moir remained with *BIES* from 1986 until the end of 2000, when her distribution role moved to the international publisher, Taylor & Francis. In addition to her subscription management work she contributed in many areas, including administration and the Update. She made a major contribution in developing a computerised subscription system for the *BIES* in the 1980s, long before dedicated subscription software had become available, and in maintaining and enhancing the system thereafter in step with software developments.<sup>31</sup>

### Postgraduate Students

The recruitment of postgraduate students to the Project experienced even greater ebb and flow than did staff appointments. From 1965 to 1980, Project members had, with one exception, supervised PhD students only from Australia and New Zealand. By the end of the latter year, eight such students had graduated. However for the next two decades the number of students graduating fell: only four completed between 1981 and 1999. Of the four, none was Australian: there were two Indonesians, a Japanese and a Belgian.<sup>32</sup> The first Indonesian PhD student to enrol with the Project, Asnawi Sjojfan, completed his degree in 1981, having begun in the late 1970s.<sup>33</sup> This paucity of students did not sit easily with one of the

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28 Anna Weidemann & J A C Mackie, *A Select Bibliography of Indonesian Documents in the National Library of Australia*, Research School of Pacific Studies, ANU, 1981.

29 For an appreciation of her work with the Project, see Hal Hill, Chris Manning, Ross McLeod & Budy Resosudarmo, 'Elizabeth Drysdale: An Appreciation', *BIES*, 48, 3, 2012, pp 347–49.

30 H W Arndt, 'Pat Buchanan, 1928–1997', *BIES*, 33, 3, 1997, p 62.

31 I am grateful to Liz Drysdale for the information in this paragraph.

32 The Indonesians were Asnawi Sjojfan and I Komang Gde Bendesa, the Japanese Yoichiro Higuchi and the Belgian Dominique van de Walle (a resident of the United States).

33 His thesis was entitled 'Irrigation and the performance of the improved rice technology: a case study in West Sumatra, Indonesia'.

objectives of the Project, which was to ‘supervise graduate students who show a special interest in the Indonesian economy’.<sup>34</sup>

The scarcity of PhD enrolments was of serious concern to Project members, and the 1989 Review recommended increased efforts to recruit graduate students. The latter half of the 1990s did see something of a rise in enrolments, with four students in place by the end of the decade: Kelly Bird, Haryo Aswicahyono, Chatib Basri and Iman Sugema. This increase may have been due in part to extra recruitment efforts, but it also took place in the context of new government scholarships from 1990 and intensified graduate training that became available around this time.<sup>35</sup> What is significant is that none of these students was Australian: Bird was a New Zealander, the others Indonesians.

### **Finances**

Funding the Project’s activities, and in particular paying salaries and supporting Indonesian visitors to Canberra, was a struggle for most of the period discussed in this chapter.

An ongoing problem related to differing interpretations of the conditions applying to the Foreign Affairs Department grant. The Project leadership had thought that the grant was for annual tranches of \$72,000 in constant (1979) prices.<sup>36</sup> It rapidly became clear, though, that Foreign Affairs had in mind grants of \$72,000 at current prices, which posed major problems for the Project, given the increasing costs it faced, driven by both salary increases and inflation.

McCawley wrote to the Department on at least four occasions between August 1981 and August 1983, seeking supplementation of the grant to cover increased costs.<sup>37</sup> Apart from general arguments about rising costs and the savings the Project was making in partial compensation, two specific issues stand out in this correspondence.

First, McCawley consistently stressed the extent to which the Project’s activities were not just of academic interest: they were in the Australian national interest.

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34 Stated in most *Annual Reports* of the Project.

35 See Chapter 4.

36 McCawley to Throssell, 21 June 1979. McCawley later wrote to P G F Henderson, Secretary of DFA, that the Project had used 1979 prices in its submission because ‘we were asked to do so, this being the usual procedure for requests for funding to the Australian Government’. McCawley to Henderson, 19 August 1981, p 2. ANUA 53, 4.0.51.119 (1 & 2).

37 See, for instance, McCawley to Henderson, 19 August 1981; McCawley to Henderson, 5 February 1982, p 1, enclosed with McCawley to Karmel, 27 June 1985; McCawley to Anderson, 16 December 1982; McCawley to Henderson, 3 August 1983. ANUA 53, 4.0.51.119 (1 & 2).

For relatively small expenditure [Project activities] are doing a good deal to foster better understanding between Indonesia and Australia at a time when better relations are sorely needed.<sup>38</sup>

As a specific example he pointed to the Project's program that brought young Indonesian scholars to Canberra as Visiting Fellows. The Project had determined, despite the cost of the activity, to host one or two such visitors each year. 'We see this arrangement', wrote McCawley:

... as a long-term investment in good Australia-Indonesia relations because these young graduate students will almost certainly rise to occupy senior positions in Indonesian universities or the Indonesian bureaucracy within the next decade.<sup>39</sup>

Second, McCawley focused on the *BIES* – the most visible output of the Project, and the one for which it was best known internationally – as an activity that would be put at risk if the grant were not supplemented.<sup>40</sup>

One of the major issues was the 'Survey of Recent Developments'. On the one hand the Survey, which had been a feature of every issue of the *BIES* since its inception, was one of the most widely read and respected elements of the *Bulletin*. But on the other its production was an expensive exercise in terms both of financial cost and of expertise. The reduction in research staff at the Project – and in particular Arndt's retirement – McCawley wrote, meant that 'we are increasingly having to look outside the ANU for people competent to write the Surveys'.<sup>41</sup>

Doing so had its positive side: bringing more economists into the Indonesia orbit. Indeed, the 1981 *Annual Report* of the Project had specifically noted that:

... Project members are keen to encourage scholars from other institutions, both within Australia and from other countries, to take an interest in Indonesian economic affairs. As a step in this direction, the Project has been endeavouring to widen the pool of economists who write the regular 'Survey of Recent Developments' article because this offers non-specialists on Indonesian affairs a useful opportunity to gain familiarity with Indonesian problems.<sup>42</sup>

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38 McCawley to Henderson, 19 August 1981, p 2.

39 McCawley to Henderson, 19 August 1981, p 3.

40 See, for instance, McCawley to Anderson, 16 December 1982. McCawley reminded Anderson that they had met at an Australia-Indonesia Conference held earlier in the year in Bali, that he had told the conference that 'we may have to cease publication of the *BIES* unless some additional support can be found', and that 'a number of the participants then expressed concern about the situation'.

41 McCawley to Anderson, 16 December 1982.

42 Indonesia Project, *Annual Report 1981*, p 20. The same comments were made in the 1982, 1983 and 1984 *Annual Reports*. IPA.

This statement may have something of the making of a virtue out of a necessity, albeit the underlying sentiment was undoubtedly true.

But this means of securing more authors for the Surveys was also more expensive: non-ANU scholars could not be expected to write Survey articles – typically based on a least two weeks fieldwork in Indonesia – at the same cost as ANU scholars, whose salary and related costs were already met by the Department or the Project. According to McCawley, Surveys by ANU-based scholars cost less than \$1,500 each; in contrast, a recent Survey by a non-ANU contributor had cost \$3,000.

These arguments notwithstanding, the government did not support McCawley's requests until 1984, instead maintaining the line that in a time of budget restraint no additional funds could be made available.

But in that latter year, the Project's *Annual Report* noted that:

The Australian Government agreed to restore the grant to the original level in real terms starting in the 1984/1985 Budget, so during the present (1984/85) fiscal year, the grant is running at a level of \$112,000.<sup>43</sup>

Why did the government shift position so significantly?

The answer probably lies in the domestic political environment in Australia, which had undergone a significant change in early 1983. At the 5 March general election, the coalition government headed by Malcolm Fraser had been defeated by the Australian Labor Party (ALP) under Bob Hawke. The new government was rather more sympathetic to the bilateral relationship with Indonesia than its predecessor had been. 'Things improved somewhat under the Hawke government (1983–91)', Mackie later wrote, albeit adding cautiously 'although not dramatically'.<sup>44</sup>

Hawke appointed his predecessor as leader of the ALP, Bill Hayden, as Foreign Minister, and thus the person with responsibility for the government grant to the Indonesia Project. Hayden was well disposed towards the Project. McCawley had served as his economics adviser when he was Minister for Social Security and then Treasurer (1974–75).

Hayden's first attempt to get increased funding for the Project, in 1983, failed: the Department of Finance's view was that the established funding limits for the 1983/84 financial year had to be maintained.<sup>45</sup> But Hayden won out the following year. The grant continued to be indexed annually for the remainder of its life.

The seven-year grant was due to expire at the end of 1986/87. In June 1985, McCawley drafted a letter for Peter Karmel, then Vice Chancellor of the ANU, to send to the government, requesting an extension, noting:

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43 Indonesia Project, *Annual Report 1984*, p 9. IPA.

44 J A C Mackie, *Australia and Indonesia: Current Problems, Future Prospects*, Lowy Institute Paper 19, Sydney, 2007, p 57.

45 Stuart to McCawley, 25 May 1984. ANUA 53, 4.0.51.119 (1 & 2).

... I have prepared the draft letter which is before you *on Mr Hayden's suggestion*. He has indicated that he is supportive of the activities of the Indonesia Project, and is prepared to give sympathetic consideration to a request for continued support.<sup>46</sup>

Hayden replied that it was still too early for the government to make a commitment to future funding, but assured Karmel that the request would 'have my full support'.<sup>47</sup>

Foreign Affairs included the grant in its forward estimates. However it seems to have run foul, again, of Finance, with the latter arguing that the funding would be a new proposal, not the extension of an existing one – and thus that it would require Cabinet approval.<sup>48</sup> This time Stuart Harris, Foreign Affairs Department Secretary, intervened directly. He wrote to Hayden in November 1986, foreshadowing what the position of Finance would be. In a 'narrow, technical sense', he wrote, Finance might be correct; however it was:

... probably not the intention of Cabinet that the funding simply cease after seven years, but that a time limit be indicated so that the question of continued funding could be reviewed.<sup>49</sup>

Harris put this view in a draft letter, which Hayden subsequently sent to Senator Walsh, the Minister for Finance. In October 1987, repeating his earlier assertions of the considerable importance he attached to the work of the Project, and '... the high international status of the Bulletin of Indonesian Economic Studies', Hayden was able to advise Karmel that '... a further three year program of funding has been agreed and ... the 1987/88 Budget contains an allocation for the Project of \$130,000'.<sup>50</sup> 'Continuing budget austerity' meant that there could be no guarantee that the \$130,000 allocated in 1988/89 would be increased in the following two years, 'but [I] will endeavour to maintain the real value of our existing contribution'.<sup>51</sup>

The Project obviously welcomed the promised funding. But the three-year life of the extension meant that almost as soon as it started, negotiations had to begin on its renewal. Gareth Evans, who had replaced Hayden as Minister for Foreign Affairs and Trade in August 1988, proved

46 McCawley to Karmel, 27 June 1985. ANUA 53, 4.0.51.119 (1 & 2). My italics.

47 Hayden to Karmel, 18 September 1985. ANUA 53, 4.0.51.119 (1 & 2).

48 See draft letter, Hayden to Walsh, attached to Harris to Hayden, 14 November 1986. ANUA 53, 4.0.51.119 (1 & 2).

49 Harris to Hayden, 14 November 1986.

50 Hayden to Karmel, 7 October 1987. ANUA 53, 4.0.51.119 (1 & 2).

51 Hayden to Karmel, 7 October 1987.



as supportive of the Project as his predecessor had been.<sup>52</sup> In a letter to Vice Chancellor L W Nichol,<sup>53</sup> Evans noted the 'major contribution' the Project had made to the study of Indonesia:

In particular, the 1989 seminar on the New Order in Indonesia, and the major publication, 'Unity in Diversity: Regional Economic Development in Indonesia Since 1970' have demonstrated the important work of the project.<sup>54</sup>

In November 1990, Garnaut as Head of Department was advised that Project funding of \$134,540 had been approved for the year 1990/91, and that 'a similar amount' was expected for 1991/92.<sup>55</sup> However, the Department of Finance had stipulated that any further extension of funding would be contingent not only on the normal budget processes, but also on the results of an evaluation of the funding arrangement, to consider the 'continuing benefit to the Commonwealth' of these arrangements.<sup>56</sup>

This evaluation, which appears to have been carried out within the Department of Foreign Affairs and Trade,<sup>57</sup> was clearly satisfactory to the Project; it was thus invited to submit a renewed funding application, which it did in 1993.<sup>58</sup> The submission was now a much more substantial document than had been the case earlier: with appendices, it totalled 54 pages. Apart from what had now become the standard arguments for continuation of funding, it also noted that:

... in an era of declining University funding in real terms [the grant] has been particularly important in sustaining an adequate flow of the University's own resources to the Project.<sup>59</sup>

In October the following year, Merle Ricklefs (Director, RSPAS) was advised that the government had agreed to a continuation of funding for the Project, 'on an annual basis, with an index for inflation, over a three year period', meaning that funding was secure to 1997–98. The grant for the first year (1994–95) was \$142,633.<sup>60</sup>

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52 The Departments of Foreign Affairs and of Trade were combined in 1987 to form the Department of Foreign Affairs and Trade (DFAT).

53 Karmel's successor, who became Vice Chancellor in 1988.

54 Evans to Nichol, 11 April 1990. ANUA 53, 4.0.51.119 (1 & 2).

55 Hogue to Garnaut, 23 November 1990. ANUA 53, 4.0.51.119 (1 & 2).

56 Hogue to Garnaut, 23 November 1990.

57 There is no evidence of any ANU participation in this review.

58 'A Submission to the Department of Foreign Affairs and Trade for Continuation of Funding for the Indonesia Project at the Australian National University 1995–1998', December 1993. IPA.

59 'A Submission to the Department of Foreign Affairs and Trade ...', 1993, p 6.

60 J E Mathews (Acting Director, Indonesia Section, DFAT) to Ricklefs, undated but received on 12 October 1994. IPA. Hill had previously advised Ricklefs that, at a meeting with DFAT officers, he had been assured by Geoff Forrester 'without

As the above discussion shows, securing government funding for the Project during the 1980s and 1990s was a complicated and uncertain process. At various points, it required the attention of the Project Head, the Head of the Department of Economics, the Director of the Research School and the Vice Chancellor – among others. And even when funding had the support of the Minister of Foreign Affairs, it still had to run the gauntlet of a Department of Finance bent on limiting expenditure to the greatest extent possible. The ANU – rightly – remained the primary source of funding for the Project. But without the additional government funding, the work of the Project would have been severely curtailed. The *Bulletin* would certainly have suffered, and probably the Indonesian visitors program as well.

## Research

During the 1970s and 1980s the published research output of Project members expanded significantly.

The first major book was *The Indonesian Economy During the Soeharto Era*, edited by Booth and McCawley and published in 1981.<sup>61</sup> An Indonesian language version appeared in 1982.<sup>62</sup> Like much of the Project's work, the book was a collaborative venture, involving no fewer than 12 authors, five of whom either worked, or completed PhDs, in the Project; two more were from the Department of Demography at the ANU. All had extensive experience of living and working in Indonesia. The book was generally favourably reviewed, though some reviewers pointed to omissions from its coverage – notably of the natural resources sector, and in particular oil, and agriculture other than rice.<sup>63</sup>

Anne Booth's 1992 edited volume, *The Oil Boom and After: Indonesian Economic Policy and Performance in the Soeharto Era*, took the story into the 1980s.<sup>64</sup> Liddle praised its 'recognition that persuasive conclusions

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equivocation' that the Project would receive a *four* year extension of funding, consistent with the Project's request. Hill to Ricklefs, 11 May 1994. IPA. Forrester was Deputy Secretary, DFAT, from October 1994 to October 1999. He was an ANU graduate in Asian Studies, served in the Australian Embassy in Jakarta, spoke Indonesian fluently, and on retirement from the Department established a consultancy in Jakarta. He also convened the 1998 Indonesia Update conference, and edited the resulting publication, *Post-Soeharto Indonesia: Renewal or Chaos?*, Crawford House, Bathurst, 1999. See John Monfries & Chris Manning, 'Geoff Forrester, 1946–2005', *BIES*, 41, 2, 2005, pp 173–4.

61 See Chapter 1, note 1.

62 Anne Booth & Peter McCawley, eds, *Ekonomi Orde Baru*, LP3ES, Jakarta, 1982.

63 See, for instance, Bruce Glassburner in *Journal of Development Studies*, 19, 4, 1983, pp 564–6.

64 Anne Booth, ed, *The Oil Boom and After: Indonesian Economic Policy and Performance in the Soeharto Era*, Oxford University Press, Kuala Lumpur, 1992.

and policy recommendations depend on painstaking, let-the-chips-fall-where-they-may analysis of the most reliable data available'.<sup>65</sup>

In 1987 Howard Dick, by now working at the University of Newcastle, published *The Indonesian Interisland Shipping Industry: An Analysis of Competition and Regulation*.<sup>66</sup> Publication was timely because the book offered a blueprint for deregulation of what had become a heavily over-regulated and inefficient industry.

One reviewer noted the kind of preparation that went into the book, which exemplified the approach the Project took to understanding the Indonesian economy:

First you learn one discipline (economics), then two languages (Dutch and Indonesian) with all the technical jargon, then several years of field work in Government and shipping offices, often in difficult conditions. Meanwhile you search through the KPM shipping archives in Holland, and work as a Consultant to the World Bank based in Jakarta in the office of the Director-General of Sea Communications.<sup>67</sup>

Anne Booth's study of agricultural development in Indonesia was published in 1998.<sup>68</sup> While critical of some aspects of the book, including what he saw as its insufficiently critical use of official statistics, Michael Dove nonetheless concluded:

My spirited critique of this volume is in part a reflection of its capacity for intellectual stimulation. It is clearly the reigning work on the subject of agricultural development in Indonesia; and it belongs on the bookshelf of anyone interested in agricultural history and development, not just in Indonesia but anywhere in the developing world.<sup>69</sup>

Also published in 1998 was Chris Manning's *Indonesian Labour in Transition: An East Asian Success Story?*<sup>70</sup> Manning demonstrated that the success of the Soeharto government's economic policies was reflected in outcomes such as strong job creation rates, reduced poverty and increasing levels of education. In his review, William H Frederick noted that:

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65 R. William Liddle, Review of Anne Booth, ed, *The Oil Boom and After: Indonesian Economic Policy and Performance in the Soeharto Era*, *Pacific Affairs*, 67, 2, 1994, p 320.

66 H W Dick, *The Indonesian Interisland Shipping Industry: An Analysis of Competition and Regulation*, ISEAS, Singapore, 1987.

67 Adrian Horridge, Review of H W Dick, *The Indonesian Interisland Shipping Industry: An Analysis of Competition and Regulation*, *The Great Circle*, 10, 1, 1988, p 75.

68 Anne Booth, *Agricultural Development in Indonesia*, Allen & Unwin, Sydney, 1988.

69 Michael Dove, Review of Anne Booth, *Agricultural Development in Indonesia*, *Journal of Southeast Asian Studies*, 22, 1, 1991, p 180.

70 Chris Manning, *Indonesian Labour in Transition: An East Asian Success Story?*, Cambridge University Press, Cambridge, 1998.

It will be easy for those so inclined to label Manning's study as an exercise in justifying government policy, propping up the antilabor corporatist-military regime and the like.<sup>71</sup>

But, he argued, 'it would be a mistake to rest on this sort of quick-and-dirty reading'. Rather, Manning presented:

... a careful and subtle frame and picture of Indonesian labor from the 1960s to the present. His arguments are useful antidotes to the often naive or too heavily politicized positions taken up by a host of indigenous and international activists seeking a role in shaping Indonesian society and economy.<sup>72</sup>

Conferences held by the Project also produced significant publications.

One initiative led by Booth was to promote awareness of Indonesia's economic history as the context for contemporary development. Publication of the *Changing Economy in Indonesia* sets of colonial statistics, starting in 1975, was making analysis of that history much more realistic.<sup>73</sup> Booth led the organisation of a major conference in December 1983 focused on 'Indonesian Economic History in the Dutch Colonial Period'. Speakers came from Indonesia, the US, the Netherlands and India, as well as from around Australia, reflecting the Project's growing national and international connections.<sup>74</sup> The Foreign Affairs grant enabled the Project to bring several senior Indonesian academics to Canberra for the conference, including Thee Kian Wie, Tjondronegoro (Bogor Agricultural Institute) and Sartono Kartodirdjo (Gadjah Mada University).<sup>75</sup>

The papers presented at the conference, edited by Anne Booth, W J O'Malley and Anna Weidemann, were subsequently published as *Indonesian Economic History in the Dutch Colonial Era*.<sup>76</sup>

In 1989 Hill's edited book *Unity and Diversity: Regional Economic Development in Indonesia Since 1970* was published by Oxford University Press in Singapore.<sup>77</sup> It was the outcome of a 1987 conference on regional economic development in Indonesia, and was launched in Canberra by

71 William H Frederick, Review of Chris Manning, *Indonesian Labour in Transition: An East Asian Success Story?*; Vedi R. Hadiz, *Workers and the State in New Order Indonesia*, *Journal of Asian Studies*, 58, 3, 1999, p 901.

72 William H Frederick, Review of *Indonesian Labour in Transition ...*, p 901.

73 The first publication in this series, which eventually totalled 16 volumes, was Pieter Creutzberg, *Indonesia's Export Crops, 1816-1940*, *Changing Economy of Indonesia*, vol 1, Martinus Nijhoff, The Hague, 1975.

74 Indonesia Project, *Annual Report 1983*, pp 13-14, gives a full list of presenters.

75 Indonesia Project, *Annual Report 1984*, p 10.

76 See Bibliography for publication details.

77 Hal Hill, ed, *Unity and Diversity: Regional Economic Development in Indonesia Since 1970*, Oxford University Press, Singapore, 1989.

Richard Woolcott, Secretary of the Department of Foreign Affairs and Trade and former Australian Ambassador to Indonesia.<sup>78</sup>

In his Preface, Hill recounted briefly the origins of the book in the regional surveys carried by the *BIES*, paying tribute to Arndt's early recognition that there was value in perspectives of the Indonesian economy from outside Jakarta.

Hill stressed, too, another factor central to the Project's ethos: that the book was a collaborative project, involving both Australian and Indonesian scholars, no fewer than 43 of whom contributed to writing the 23 chapters. The Indonesian contributors were drawn from right around the country, from Aceh to Manado to Abepura, and of course from Java. The Australian contributors were drawn primarily from the ANU.

Reviews of the book were overwhelmingly favourable. A few reviewers, though, identified what was becoming an increasingly heard criticism of the work of the Project: that it paid too little attention to the political context in which economic activity took place. Thus human geographer Dean Forbes wrote:

The emphasis of the volume is on economic trends in the provinces: the key issues identified in the opening chapter concern regional finance, comparative advantage and trade. Iwan Aziz's chapter explores some related policy issues ... in the context of a discussion of regional finance and industrial spatial concentration. But a book on regional political (or institutional) economy it is not.<sup>79</sup>

To which, of course, it might be replied that the book was not intended to be a study of regional *political* economy.

In December 1989, the Project held a major conference on 'Indonesia's New Order: Past, Present and Future', opened by the Minister for Foreign Affairs and Trade, Gareth Evans.<sup>80</sup> It resulted in the publication of three edited books: *Indonesia: Resources, Ecology, and Environment*, edited by Joan Hardjono; *Culture and Society in New Order Indonesia*, edited by Virginia Matheson Hooker; and *Indonesia's New Order*, edited by Hill.<sup>81</sup>

Hill's book, with chapters ranging over politics, the economy, demography, environment and culture, probably had the broadest impact. Its

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78 Indonesia Project, *Annual Report 1989*, p 3. IPA.

79 Dean Forbes, Review of Hal Hill, ed, *Unity in Diversity: Regional Economic Development in Indonesia Since 1970*, *Bulletin of the School of Oriental and African Studies*, 57, 2, 1994, p 444.

80 For the full conference program, see Indonesia Project, *Annual Report 1989*, pp 28–31. IPA. The conference secured financial support from the then newly established Australia Indonesia Institute, the Ford Foundation, AIDAB and USAID. Evans's presence attracted a number of demonstrators critical of the Australian government's policy on East Timor.

81 See Bibliography for publication details.

aim, Hill noted in its Preface, was to provide a comprehensive overview and analysis of contemporary Indonesia, such as had not been seen since the publication in 1963 of Ruth McVey's *Indonesia*.<sup>82</sup>

Daniel Lev in his generally favourable review of the book returned to the theme that the Project was too willing to overlook the political and social costs associated with economic development.

Hill is perfectly aware of the mistakes and bad turns, the corruption, the poor performance of state enterprises, and much else, but overall, he argues, the story is one of convincing success. Yet, he notes how hard it is 'to identify a coherent philosophy, much less a precise set of economic and social objectives, over the last quarter-century' (p. 66). *Cui bono* [*who benefits*] is a reasonable question to start with in search of unstated economic and social objectives, and one that might reveal a few problems inherent in the New Order's success.<sup>83</sup>

A rather different publishing project, which came to fruition in 1991, on Arndt's initiative, was the translation into Indonesian, and the 'indonesianising' of the content, of a major introductory textbook on economics by the leading Filipino economist, Gerardo P Sicat.<sup>84</sup> Publication had been a long process. As early as 1988, it was said to be 'almost complete', yet in August 1990, apparently there were 'serious delays and problems ... being encountered' with the publication.<sup>85</sup> The book was launched in Jakarta in 1992 by Philip Flood, then Australian Ambassador to Indonesia.

A significant research resource, particularly for visitors to the Project, was its library of documents on the Indonesian economy and related subjects. Much of this material was unavailable elsewhere – including in Indonesia itself.<sup>86</sup> Many of the library's holdings had been acquired in Indonesia by Project members, who returned to Canberra with their suitcases full of recent publications, unpublished reports and the like.

## **BIES**

The *Bulletin of Indonesian Economic Studies* continued to be published three times a year. Editors in this period were: Arndt until the end of 1982, then the triumvirate of Booth, McCawley and Sundrum; Booth as sole editor

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82 Ruth T McVey, ed, *Indonesia*, Human Relations Area Files, Survey of World Cultures no 12, Southeast Asia Studies, Yale University, by arrangement with HRAF Press, New Haven, 1963.

83 Daniel S Lev, Review of Hal Hill, ed, *Indonesia's New Order: The Dynamics of Socio-Economic Transformation*; Adam Schwarz, *A Nation in Waiting: Indonesia in the 1990s*, *Journal of Asian Studies*, 54, 2, 1995, p 629.

84 Gerardo P Sicat & H W Arndt, *Ilmu Ekonomi: Untuk Konteks Indonesia*, LP3ES, Jakarta, 1991. Sicat's original book had been first published in 1983.

85 BIES Editorial Board, Minutes, 11 March 1988; 16 August 1990. IPA.

86 Indonesia Project, *Annual Report 1981*, p 6.

from 1986 (though both McCawley and Sundrum remained on the Editorial Board); and Hill from 1990. Ross Garnaut was Chair of the Editorial Board from 1990 to 2009.

The *Bulletin* Editorial Board had been in place at least since 1968.<sup>87</sup> Board meetings were focused primarily on *BIES* matters: pending articles, distribution arrangements in Indonesia and the like. However issues to do with the Project more broadly were often considered. In 1980 a separate Indonesia Project Executive Committee was established, as part of the process of formalising the operation of the Project in the transition from Arndt's leadership to that of McCawley.<sup>88</sup> In practice, though, meetings of the two bodies were frequently held jointly. Indeed, there seems to have been little formal distinction drawn between them, with their overlapping memberships and to some extent overlapping concerns.

In 1989, the Editorial Board resolved to establish separate Editorial and Advisory Boards, the former with fewer members, each serving for three years, the latter with more members, each serving for five years.<sup>89</sup> During 1990, the International Advisory Board for the *Bulletin* was set up, drawing its membership from Indonesia, the United States, the Netherlands and Japan, as well as Australia.<sup>90</sup>

A mailing list for the *Bulletin* of November 1981 shows how widely subscriptions were spread around the world.<sup>91</sup> Not surprisingly, perhaps, Australia was the most significant destination, with subscriptions for 179 copies. Second was the United States at 127 copies. Indonesia took 56 copies, though how these were distributed between universities, government departments, private companies, embassies and others was not specified. However, the fact that 48 of these subscriptions were sent by airmail suggests that many may have gone to companies and embassies. In addition, the Australian Department of Foreign Affairs was still subscribing to 30 copies, the vast bulk of which were for distribution in Indonesia. Other significant subscribers were in the Netherlands (39 copies), Japan (33), the UK (30) and Singapore and Germany (26 each). In all, there were subscribers in 28 countries.

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87 The earliest minutes found in the Indonesia Project archive – headed 'Indonesian Project', but clearly also concerned with the *BIES* – record a meeting held on 9–10 May 1968, but refer to the minutes of a meeting held on 19 April 1968.

88 'The Indonesia Project', a memorandum on the structure of the Project, undated. ANUA 53, 4.0.51.119 (1 & 2). *BIES* Editorial Board minutes, 30 October 1980, report its approval by the RSPS Director (Wang Gungwu) and Faculty Board. IPA.

89 *BIES* Editorial Board, Minutes, 13 August 1989, item 4. IPA.

90 Indonesia Project, *Annual Report 1990*. IPA. See Board list on inside cover.

91 Appended to memo from Pat Buchanan to Anne Booth, 14 July 1982. IPA.

Total sales in the 1980s were about 1,500, of which 600–750 were of the version of the *Bulletin* published in Indonesia.<sup>92</sup>

For most of this period, though, the Project continued to have difficulties with distribution of the *BIES* in Indonesia, at this time undertaken by LP3ES. At the 19 August 1991 meeting of the Editorial Board, for instance, it was reported that there were 'continuing reports of poor distribution' in Indonesia, and Hal Hill and Anwar Nasution were authorised to make inquiries of other possible distributors in Jakarta.<sup>93</sup> These discussions – and no doubt others – were clearly extended. The matter was not resolved until 1996, when publication was transferred to CSIS. The Indonesia Project's *Annual Report 1996* noted:

The Project has enjoyed close ties with several senior staff members at CSIS, and is very pleased to further develop its cooperation through this publishing joint venture.<sup>94</sup>

### Indonesia Update

In addition to the one-off conferences described above, in 1983 the Project organised what was to be the first of an annual series of conferences on contemporary Indonesia under the title Indonesia Update. The first Update was held on 3 November.

The genesis and organisation of the Updates owed much to the developing connection between the Project and the ANU's Department of Political and Social Change (PSC), established in 1978.

The first Head of this new Department was Jamie Mackie, a leading Indonesia scholar recruited from the Centre for Southeast Asian Studies at Monash University.<sup>95</sup> Mackie's appointment, though not to the Project, nor even to the Department of Economics, was nonetheless to be significant for the way the Project developed. As Ron May, a foundation member with Mackie of PSC, noted:

Coincidentally, both foundation members of the department had backgrounds in economics as well as political science, a factor which facilitated

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92 Indonesia Project, *Annual Report 1986*, p 4. IPA. It appears that these figures refer to sales per issue – largely subscriptions, with some single-issue sales; thus 1,490 copies of each issue were sold in 1986 – 740 of the international edition and 750 of the Indonesian edition. A print run of 900 per issue (for the international edition) is mentioned in the *BIES* Editorial Board Minutes of 10 June 1986. IPA.

93 *BIES* Editorial Board, Minutes, 19 August 1991. IPA.

94 Indonesia Project, *Annual Report 1996*, p 1. IPA.

95 Mackie had first gone to Indonesia in 1956 to work at the National Planning Bureau (Bappenas), and maintained a lifelong personal and professional interest in the country. For an appreciation of Mackie, and an account of his contributions to the study of the Indonesian economy, see Chris Manning & John Maxwell, 'Jamie Mackie: Scholar, Mentor and Advocate', *BIES*, 47, 2, 2011, pp 183–93.



the close association the Department established with the Economics-based Indonesia Project.<sup>96</sup>

The Project had always sought to include Indonesianists from other parts of the University in its activities; it had been particularly successful in the case of demography, going back to Penny's work on poverty with Gadjah Mada University demographer (and ANU PhD graduate) Masri Singarimbun.<sup>97</sup> But Mackie's appointment was to ensure that the closest of the Project's links were with PSC.

Mackie went on to play a major role in support of the Project, not only through the Updates but also as a member of the *BIES* International Advisory Board<sup>98</sup> and reviewer of manuscripts; active participant in Project conferences and seminars, including the Indonesia Study Group; and strong advocate for the Project through his extensive network of contacts within the ANU, in other Australian and overseas universities, and importantly within the Department of Foreign Affairs and Trade.

McCawley had outlined the plans for the first Update conference, then with the working title 'Current Developments in Indonesia', in correspondence with Foreign Affairs in 1983. The aim of the conference, 'which would be open to diplomats and other public servants, journalists, and other interested members of the public', he wrote:

... would be to provide an up-to-date analysis of recent events in Indonesia. If [it] proves successful, it may be worthwhile to conduct it on an annual basis.<sup>99</sup>

The 1983 conference was dominated by speakers from PSC, rather than the Project: of the main speakers, three – Mackie, May and Bill O'Malley – were from PSC. The main speaker in the Economics session was Bruce Glassburner, a Project visitor from the University of California, Davis. Discussants were drawn from the Project, PSC, the University of Sydney's Department of Indonesian and Malayan Studies, and the *Sydney Morning Herald*.<sup>100</sup> The conference was followed by a reception sponsored

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96 R J May, 'Political and Social Change: Not the Research School of Politics and Sociology', in Ley & Lal, eds, *The Coombs*, p 160.

97 David Penny & Masri Singarimbun, *Population and Poverty in Rural Java: Some Economic Arithmetic from Sriharjo*, Department of Agricultural Economics, Cornell University, Ithaca, 1973. Other ANU demographers with close links to the Project included Terry Hull and Gavin Jones, both of whom were contributors to the *BIES* (Hull with 12 articles, Jones with 9) and convenors of Indonesia Update conferences (Hull once, Jones twice).

98 Mackie had been a member of the Editorial Board in the Arndt days, when he was still in Melbourne, travelling to Canberra for meetings.

99 McCawley to Henderson, 3 August 1983. IPA.

100 Peter Hastings, who from 1974 to 1976 had been a Senior Research Fellow at the Strategic and Defence Studies Centre, RSPS.

by the Indonesian Embassy. After dinner Jim Fox gave a public lecture entitled '1983: Indonesia at 38, an anthropologist's view of national life'.

The Project's *Annual Report* for 1983 noted that over 150 people attended, and that it was hoped the conference would be 'the first of a regular series'.<sup>101</sup> It was: the series has continued annually to the present day.

Starting with the 1988 Update, conference proceedings were published in monograph form: initially, with PSC as the publisher, then from 1994 to 1997 by RSPAS together with the Institute of Southeast Asian Studies (ISEAS) in Singapore.<sup>102</sup> From 1997 onwards, publication was by ISEAS, sometimes in co-publication arrangements with other publishers including KITLV Press, Crawford House and St Martin's Press.

From 1998, CSIS launched the Update book in Jakarta at a Mini-Update conference.<sup>103</sup> This became the first regular Project activity in Indonesia.

Funding of the Updates had initially come from the ANU, and from the Foreign Affairs grant. From the late 1980s, annual grants of \$6,000–\$10,000 were received from the International Seminar Support Scheme (ISSS) managed by AIDAB. However in 1992 the ISSS advised Hill that no further funds would be forthcoming from the Scheme.<sup>104</sup> It explained that support for the Update was feasible and justifiable when it was the only conference of its type in the country, but that by the early 1990s 'there is such a proliferation that ISSS resources cannot support them all'.<sup>105</sup> And rather than exercising discretion, and selecting some conferences for support, it had been decided to support none.

Hill then turned to AIDAB's Indonesia section to seek direct funding for the Updates. In February 1993, after 'a great deal of lobbying',<sup>106</sup> AIDAB committed to providing \$25,000 annually for the conferences.<sup>107</sup>

## The Fall of Soeharto

A key element in the Project's early success was the close relationship Arndt had built up with economic technocrats such as Widjojo Nitisastro, Mohammad Sadli, Ali Wardhana and Emil Salim. However, the technocrats were never unchallenged in their positions of authority and influence. Mackie and MacIntyre note that for most of the Soeharto era there were three contending schools of thought on economic policy: 'old-style

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101 Indonesia Project, *Annual Report 1983*, p 12.

102 [https://crawford.anu.edu.au/acde/ip/publications/publications\\_ius.php](https://crawford.anu.edu.au/acde/ip/publications/publications_ius.php).

103 Indonesia Project, *Biennial Report 1997–1998*, p 5. IPA.

104 Hill to Ward, 14 March 1992. IPA.

105 As reported by Hill. See Hill to Ward, 14 March 1992.

106 Hill to Ward, 11 May 1993. IPA.

107 Philip Flood (Director General, AIDAB) to Hill, 6 May 1993. ANUA 53, 4.0.51.119 (1 & 2). This grant was later increased to \$30,000.

economic nationalists, interventionists and free marketers',<sup>108</sup> the latter being the technocrats. The second group by the 1980s was coalescing around B J Habibie, Soeharto's long-standing Minister of Research and Technology, and politicians and bureaucrats with links to powerful bodies such as the state-owned oil company, Pertamina, and the logistics agency, Bulog. Mackie and MacIntyre concluded:

To a large extent economic policy under the New Order has been characterised by a see-sawing between the arguments of the interventionists (supported generally, by the old-style nationalists) and those of the technocrats.<sup>109</sup>

The interventionists tended to become more powerful when the country's economy was doing well, the technocrats when economic conditions were more troubled.

By the mid-1990s, the technocrats were clearly losing political support and influence. When Soeharto reshuffled his Cabinet in 1993, 'most of the academic technocrats were replaced by nationalistic and technocratic bureaucrats'.<sup>110</sup>

In 1997, the Asian Financial Crisis struck, first affecting Thailand in June,<sup>111</sup> and then Indonesia in September. Indonesia was particularly hard hit, with inflation reaching almost 80% in 1998, and economic growth becoming negative at around 13%. The hard-won gains of the first two decades of the Soeharto government seemed to be rapidly eroding. Soeharto himself resigned from office in May 1998 and was succeeded, though for only a little more than a year, by his Vice President, B J Habibie.

Given that by the late 1990s the Project, and in particular the *BIES*, had been generally recognised as pre-eminent internationally in the study of the Indonesian economy, the crisis was a crucial test.

The 'Survey' published in the *BIES* and dated 25 June 1997 – the last one before the crisis hit Indonesia, but after it had hit Thailand – contained few hints that anything was seriously amiss. The economic fundamentals were right, strong economic growth was expected to continue, there was 'strong pressure' for appreciation of the rupiah, the stock market was booming.<sup>112</sup> Indeed, in a comment box, the author of the 'Survey'

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108 Jamie Mackie & Andrew MacIntyre, 'Politics', in Hal Hill, ed, *Indonesia's New Order: The Dynamics of Socio-Economic Transformation*, Allen & Unwin, Sydney, 1994, p 35.

109 Mackie & MacIntyre, 'Politics', p 36.

110 Takashi Shiraiishi, *Technocracy in Indonesia: A Preliminary Analysis*, RIETI Discussion Paper Series 05-E-008, Tokyo, March 2006, p 20.

111 Though speculative attacks on the baht had begun in May.

112 Tubagus Feridhanusetyawan, 'Survey of Recent Developments', *BIES*, 33, 2, 1997, p 3.

explained 'Why Indonesia is Not Thailand'.<sup>113</sup> Even the following 'Survey', dated 1 September 1997 but published in November, carried few indications of the economic problems impacting on Indonesia.<sup>114</sup>

The November 'Survey' was supplemented by two additional articles concerning then-current developments: one by Ross McLeod, and the other a rejoinder to McLeod by Heinz Arndt, making his first substantive appearance in the *Bulletin* since April 1984.<sup>115</sup>

The authors were agreed that the rupiah crisis Indonesia was facing was a serious one, but they differed on whether the government was on the right track in addressing it. McLeod argued that government policy was wrongly directed. The government was being inconsistent in its policy approach, apparently removing itself from the market place in some respects, while re-asserting market power in others. The government should leave the market alone, McLeod argued:

The focus must be on helping the private sector adjust to the realities of the floating rate environment, and aiming to maintain economic growth close to rates achieved in recent years.<sup>116</sup>

Arndt on the other hand believed that the government had got policy settings about right. He wrote:

... Indonesia is generally recognised to have handled the crisis more sensibly and effectively than any other country in the region. The first priority was to restore confidence, and this was substantially achieved by the government's tough policy decisions and the call on the IMF. The stability of the rupiah through November [1997] testifies to this.<sup>117</sup>

But the 'stability' of November 1997 did not last long. From around Rp 3,600 to the US dollar, the exchange rate fell, within three months, to worse than Rp 12,000 per US\$1.00.

It can reasonably be argued, of course, that those associated with the Indonesia Project were not alone in their failure to predict the onset of the crisis in 1997; very few commentators globally did much better, with respect to Indonesia or Thailand or Korea. It was, in many ways, a new kind of crisis, meaning history offered relatively few warning signs. But dealing with the impact of the crisis, both on the Indonesian economy itself and on the political context within which that economy was embedded, was to be a major issue for the Project in the following years.

113 Feridhanusetyawan, 'Survey of Recent Developments', p 8.

114 Thomas Lindblad, 'Survey of Recent Developments', *BIES*, 33, 3, 1997, pp 3-33.

115 Ross H McLeod, 'Postscript to the Survey of Recent Developments: On Causes and Cures for the Rupiah Crisis', *BIES*, 33, 3, 1997, pp 35-52; H W Arndt, 'The Rupiah Crisis: An Alternative View', *BIES*, 33, 3, 1997, pp 53-5.

116 McLeod, 'Postscript ...', pp 51-2.

117 Arndt, 'The Rupiah Crisis: An Alternative View', p 54.

1 Heinz Arndt in 1963, the year before he proposed the Indonesia Project

2 David Penny

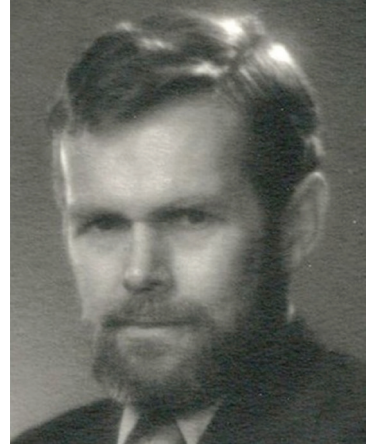
3 Jusuf Panglaykim

4 Ruth Daroesman at work, typewriter and carbon paper at hand

5 Heinz Arndt with six of his early PhD students; (front row) Anne Booth, Heinz Arndt and Peter McCawley; (back row) Andrew Elek, Howard Dick, Hal Hill and Chris Manning



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6 Participants at the 1987 regional development conference held at the ANU

7 Contributors to the 1987 regional development conference gather after the launch of the proceedings volume, *Unity in Diversity: Regional Economic Development in Indonesia Since 1970*; (from left) Anne Booth, Hal Hill (editor), Lorraine Corner, Colin Barlow and Paul Meyer

8 Thee Kian Wie browsing at the Nusantara bookstall at the 2000 Update Conference



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9 Former environment minister Emil Salim at the 2004 Update Conference  
 10 (from left) Stephen Grenville (early PhD graduate of the Project), demographer and Project member Terry Hull, and Jamie Mackie, one of the Project's strongest supporters, at the launch of the 2004 Update book



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11 The 2009 Sadli Lecturer, Ian Coxhead (University of Wisconsin-Madison), 2nd from right, with (from left) Ririn Purnamasari (World Bank, Jakarta), Sisira Jayasuriya (Monash University), Sudarno Sumarto (SMERU Research Institute) and Project alumnus Haryo Aswicahyono (CSIS)

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12 Former trade minister Mari Pangestu, the 2006 H W Arndt Lecturer, with ANU Vice Chancellor Ian Chubb

13 Ross Garnaut greets then Vice President Boediono at the 2011 Roundtable, watched by Hal Hill

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14 Hadi Soesastro analyses the likely results of the 2009 elections

15 Sidney Jones, Director of the Jakarta-based Institute for Policy Analysis of Conflict, asks a question at the 2009 Update Conference

16 Ed Aspinall, co-convenor of the 2009 Update Conference, summons participants from their tea break in the traditional way

17 Minister Mari Pangestu greets Project PhD students at ANU in 2010; (from left) Ditya Agung Nurdianto, Moekti P Soejachmoen, Raden Muhamad Purnaganawan and Titik Anas

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18 Three Project Heads, two *BIES* Editors and a distinguished Project alumnus at the 2009 Sadli Lecture; (from left) Project Head Budy Resosudarmo, former Project Head Chris Manning, former Project Head and former *BIES* Joint Editor Peter McCawley, Project alumnus and former finance minister M Chatib Basri and former *BIES* Editor Ross McLeod

19 Participants at the *BIES* Economic Dialogue, Bandung, December 2014; (from left) Budy Resosudarmo, Project alumnus Arief A Yusuf, and Harlan Dimas Isjwara (Padjadjaran University), Nining Susilo (University of Indonesia), Rasyad Parinduri (Nottingham University), Dwi Larso (Bandung Institute of Technology) and Nury Effendi (Padjadjaran University)

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20 Members of the 2015 Indonesia Project staff team; (back, from left) Blane Lewis, Dian Indraswari, Hal Hill, Robert Sparrow, Nurkemala Muliani and Arianto Patunru; (front) Kate McLinton and Xue (Sarah) Dong; missing is *BIES* Managing Editor Ben Wilson



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21 Pierre van der Eng, *BIES* editor 2012–15, speaking at the launch of the 2012 Update book  
 22 Volunteer helpers at the 2014 Update Conference, with volunteer coordinator Nurkemala Muliani (standing, 3rd from right)

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## Chapter 4

# Diversification: 1998–2014

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The fall of Soeharto consequent on the financial crisis meant that the Project was now facing an Indonesia very different from the one it had known and worked with for the preceding 35 years. The political certainty and stability characteristic of the Soeharto era had gone, to be replaced by a much more dynamic, and clearly less predictable, system. Policy-making power, in both the political and economic fields, became much more dispersed than it had been since the early New Order days. On the positive side however, though this did not become apparent until well into the 21st century, the new democratising regime in Indonesia opened up opportunities for Project-linked, and in some cases Project-trained, economists to play roles not just as technocrats advising government, but as political leaders in their own right, including as Cabinet ministers.

At the same time, the Project faced two other challenges.

First, there was a problem of leadership. Hal Hill decided to step down from the positions of Project Head and Editor of the *BIES* on being appointed H W Arndt Professor of Southeast Asian Economies in 1998. He was succeeded as Head by Chris Manning, and as Editor by Ross McLeod. Manning's appointment was significant in that he was the last of the Arndt-trained generation of Australian scholars still with the Project. He was a natural successor to Hill; but there was no obvious successor to him, given that McLeod was of the same age. Thus in the early part of the century, the Project was facing a clear challenge: how could it regenerate itself when there were no more Australian scholars at the ANU able to assume leadership roles in the Project?

Second, government funding of the Project, which had been channelled via DFAT (apart from the smaller AusAID grants for the Update conferences) was transferred to AusAID. For the first time the ANU had a formal contract with the funding organisation. This gave it greater clarity

about what the funding agency expected from its support, but it also placed a different, and heavier, reporting burden on the Project. For the first time the Project was being required to cast its activities specifically in terms of the Australian foreign assistance program to Indonesia, and to frame those activities in terms of products and outputs.

### **Responding to the Crisis**

The immediate task facing Project leaders was how to respond to the economic (and financial) crisis Indonesia was going through in the late 1990s. It is worth examining these responses in a little detail, since they illustrate clearly the wide-ranging role the Project was now capable of playing, not just in the academic or intellectual arena but in the public and political ones as well. Project members may not have predicted the crisis, or warned of its likelihood, but after it had struck it soon became a major focus of their work in all three of the Project's main areas of concern: public information and advocacy; capacity building and institutional networking; and academic research.

The economic and political turmoil flowing from the financial crisis did much damage to Australian opinion of Indonesia. Having been seen as a rapidly developing economy, Indonesia quickly came to be viewed as an economic basket case. But the financial crisis was not the only event corroding Australians' views of Indonesia. The violence seen in May 1998 around the fall of the Soeharto regime, particularly in Jakarta, and again in East Timor in 1998 and 1999, and the rise of Islamist terrorism in Indonesia culminating in the first Bali bombing on 12 October 2002, all contributed to reviving deep-seated insecurities about Indonesia's stability and intentions towards Australia.

Project members had always seen the promotion of Australian awareness and knowledge of Indonesia as one of their major objectives. In this context, the key Project activity was the annual Indonesia Update conference. These one-and-a-half-day events had an impact far beyond the audience that was physically present: the news media found the conferences a valuable, and convenient, source of information about Indonesia, and the published proceedings of the conferences found a ready market in Australia and internationally.

The 1998 Update conference, the first held after the onset of the crisis, and coming four months after Soeharto's fall in May, was titled 'Post-Soeharto Indonesia: Renewal or Chaos?'. Registrations were higher than for any Update to that point: 488. Amongst the speakers were prominent *reformasi* leader, and founder of PAN (Partai Amanat Nasional, the National Mandate Party), Amien Rais, and political scientist Dewi Fortuna Anwar, then adviser to President Habibie.<sup>1</sup> The resulting Update book,

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1 Indonesia Project, *Biennial Report 1997-98*, pp 4-5.

*Post-Soeharto Indonesia: Renewal or Chaos?*,<sup>2</sup> was published by ISEAS in Singapore, like all Update books since 1994. It was launched at CSIS in Jakarta at a Mini-Update conference; by December 1999, it had sold out its first printing of 2,500 copies, and was in its second.<sup>3</sup>

The 1999 Update conference focused on 'Indonesia in Transition: Social Aspects of *Reformasi* and Crisis', and was organised by Chris Manning and Peter van Diermen: 474 people registered to attend. Following what had become established practice, the proceedings of the conference were published the next year.<sup>4</sup> For the first time, though, they were also translated and published in Indonesian, by Yogyakarta publisher LKiS under the title *Indonesia di Tengah Transisi: Aspek-Aspek Sosial Reformasi dan Krisis*.<sup>5</sup>

Project members were frequently interviewed by the electronic and print media – including *The Australian*, the *Australian Financial Review*, *The Jakarta Post* and the *Asian Wall Street Journal* – on aspects of the financial crisis. They also participated in discussions on the crisis with officials from Australian government departments and agencies. The seminars presented at Indonesia Study Group meetings between 1997 and 2000 were heavily slanted towards analyses of the crisis.

Project members also worked on maintaining communications with the Indonesian Embassy in Canberra. In 1999, at a time when government-to-government relations were at a low ebb, the Project's *Biennial Report* noted:

One other important aspect of outreach activities has been frequent communications and cooperation with the Indonesian Embassy in Canberra on aspects of mutual interest. The Project arranged for the Ambassador and several of his staff and visitors from Jakarta to hold discussions with ANU staff on the Indonesian economy and political situation. These meetings were particularly valuable during the time of tense relations between the two countries in 1999.<sup>6</sup>

At a more formal level, in 2001 the Project organised a special workshop and then a conference on Australia–Indonesia relations, the former at the ANU in February 2001, the latter at CSIS in Jakarta in March. These meetings drew a wide range of participants, both public sector and private, from both countries. They included, on the Australian side,

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2 Geoff Forrester, ed, *Post-Soeharto Indonesia: Renewal or Chaos?*, ISEAS, Singapore, 1999.

3 Indonesia Project, *Biennial Report 1999–2000*, p 11. IPA.

4 Chris Manning & Peter van Diermen, eds, *Indonesia in Transition: Social Aspects of Reformasi and Crisis*, ISEAS, Singapore, 2000.

5 Chris Manning & Peter van Diermen, eds, *Indonesia di Tengah Transisi: Aspek-Aspek Sosial Reformasi dan Krisis*, LKiS, Yogyakarta, 2000. The translators were Landung Simatupang, Yanti Heryanto and Sujanti Marsudi.

6 Indonesia Project, *Biennial Report 1999–2000*, p 18.

academics Ross Garnaut, Jamie Mackie, Richard Robison and Chris Manning, journalist Patrick Walters, businessman John Beggs, and ALP shadow Foreign Minister Kevin Rudd, and on the Indonesian side Abdillah Toha (Deputy Chairman of PAN), Lt Gen Agus Widjojo, Rizal Sukma and Hadi Soesastro (all from CSIS), University of Indonesia economists Sri Mulyani Indrawati, Mohammad Sadli and Anwar Nasution, former Ambassador to Australia S Wiryono and businessman Noke Kiroyan.<sup>7</sup>

The Project's *Biennial Report* for 2001–2002 stated:

These discussions noted that the bilateral relationship had survived the Timor crisis surprisingly well, despite occasional flare-ups. Several speakers attributed the relative stability in relations to a now significant 'ballast' in people-to-people relations across a wide range of fields (in contrast to the situation in 1986 when the controversial David Jenkins article on the Soeharto family was published in the Sydney Morning Herald).<sup>8</sup>

A publication based on the conference, entitled *Indonesia and Australia: Bilateral Relations into the 21st Century*, argued that the Australia–Indonesia relationship was likely to be 'more relaxed, and less forced in the future' and that Indonesia's democratisation is likely to create 'many synergies' in the bilateral relationship, despite the potential for misunderstandings.<sup>9</sup>

In 1997–2000 many of the Indonesian visitors to the Project came to undertake research or present seminars about the financial crisis. These included economists Anggito Abimanyu and Thee Kian Wie, newspaper editor Aristides Katoppo and politician Sri Bintang Pamungkas. Hadi Soesastro spent 1997 at the ANU as Okita Fellow and made further visits as Adjunct Professor in 1999–2000, contributing significantly to Project work on the crisis during that time.<sup>10</sup>

On the policy front, members of the Project sought to support economists in Indonesia who were thinking the issues through, to present their conclusions to Australian agencies and to explain to the North American institutions that their understandings of Indonesia's situation were wrong.<sup>11</sup> This latter effort added to the voices within the Australian

7 Indonesia Project, *Biennial Report 2001–2002*, pp 12–13.

8 Indonesia Project, *Biennial Report 2001–2002*, p 13.

9 *Indonesia and Australia: Bilateral Relations into the 21st Century*, CSIS and the Indonesia Project, ANU, Jakarta, 2001, p 19.

10 Indonesia Project, *Biennial Report 1997–98*, p 26, 1999–2000, p 33. Garnaut later noted that he had arranged for Soesastro to be offered adjunct professor status, with the support of Merle Ricklefs as Research School Director, to enable him to be out of Indonesia at a time when his personal circumstances could have put him in danger had he remained. Garnaut, interview, Melbourne, 18 December 2014.

11 Ross Garnaut, interview, Melbourne, 18 December 2014. See also Paul Kelly, *The March of Patriots: The Struggle for Modern Australia*, Melbourne University



Cabinet and the bureaucracy, especially in DFAT and the Reserve Bank (where Stephen Grenville, a PhD graduate of the Project, was Deputy Governor), which were arguing the same position. Grenville noted subsequently:

From January 1998 we concluded that the IMF basically didn't know what it was doing in Indonesia. This was a capital account problem and the IMF was treating it as a current account problem. Their diagnosis was completely wrong.<sup>12</sup>

The Australian Treasury, though, took the view that the IMF was correct – in line with the position taken by the US Treasury. Nonetheless the government quickly came out firmly in support of the Reserve Bank position. This was partly because they were persuaded that the economic argument being made was correct. But they were also deeply concerned that the line being pursued by the IMF and the US Treasury could precipitate not just a change of leadership in Indonesia, but also the collapse of the Indonesian political system as a whole.

Foreign Minister Alexander Downer in particular was publicly critical of both the IMF and the US Treasury. He told US Deputy Secretary of the Treasury Larry Summers in March 1998:

... if the IMF keeps pushing this line it will just bring down the whole Indonesian structure and he said, 'Well that would be a good thing, wouldn't it?' I said, 'We live next door to them. You live in Washington, mate, all the way across the Pacific. It doesn't matter much to you. For us, it's a catastrophe waiting to happen on our doorstep. This is about a revolution in Indonesia.'<sup>13</sup>

Not surprisingly, his position made him 'deeply unpopular' with the US Treasury.<sup>14</sup>

Lobbying by Project members was not the decisive factor in determining this policy position of the Australian government, but it certainly added weight to those advocating it.

Project members were active too in the Indonesian policy-making context. On 23–25 November 1998, at the request of several prominent

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Press, Melbourne, 2011, where the author notes (p 461) that 'Ross Garnaut and other ANU economists had launched a public critique of the IMF'.

12 Cited in Kelly, *The March of Patriots*, pp 460–1. See also Stephen Grenville, 'The IMF and the Indonesia Crisis', *BIES*, 40, 1, 2004, pp 77–94.

13 Cited in Kelly, *The March of Patriots*, p 463.

14 Ross Garnaut, interview, Melbourne, 18 December 2014. AusAID – by this time the agency channelling Australian government funds into the Project – commissioned a report on the IMF program from Ross McLeod, which was also deeply critical. Ross McLeod, 'Dead on Arrival: A Post Mortem of the IMF Program of Assistance to Indonesia 1997–2002', Report for AusAID, Canberra, 2001.

Indonesian economists, including Anwar Nasution<sup>15</sup> and Mari Pangestu, and with the support of Ross Garnaut, the Project held a special conference in Canberra to consider policy recommendations to the Indonesian government; funding support was provided by AusAID. The Project later reported that the Indonesian economists:

... felt an independent analysis of events and policy was necessary for developing government initiatives to deal with the crisis.<sup>16</sup>

In addition to the Indonesians and Australians, also present at the meeting, which Garnaut chaired, were economists from Japan and the US. The meeting produced a 30-page policy document, which was presented to the Indonesian Coordinating Minister for Economics and Finance. The report – described by Hill as ‘the key document’ in discussions of policy responses to the crisis<sup>17</sup> – presented a range of policy options for consideration by government.<sup>18</sup>

The meeting, the Project asserted to AusAID:

... illustrates how Australian expertise on Indonesia can be effectively harnessed to support Indonesian policy making, in cooperative endeavours with Indonesian counterparts. ... The Canberra meeting was so successful that it stimulated other donors, USAID and JICA [the Japan International Cooperation Agency], to support follow-up seminars in Jakarta and Tokyo in August and September 1999.<sup>19</sup>

Certainly the meeting was intended to contribute to policy discussions in Indonesia, but there was also a less formal objective: to show support for Indonesian scholars working to get the right policy settings in place, who felt they were not getting enough support or recognition from the rest of the international community. Mohammad Sadli subsequently wrote about the members of the Project as being ‘part of our comfort blanket system’, citing the Canberra conference as a concrete example.<sup>20</sup>

The conference, and the range of other less formal activities undertaken by Project members in support of Indonesian colleagues, laid the foundation for the expanded network of activities the Project developed

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15 Then Dean of the Faculty of Economics at the University of Indonesia; from 1999 to 2004 he was Senior Deputy Governor of Bank Indonesia.

16 Indonesia Project, *Report to the Australian Agency for International Development (AusAID) on Activities in 1998–99*, February 2000, p 7. IPA.

17 Hal Hill, *The Indonesian Economy*, Cambridge University Press, Cambridge, 2nd edition, 2000, p 323, n 18.

18 *Report of a Conference on Indonesia's Economic Crisis*, Fakultas Ekonomi, Universitas Indonesia, Jakarta, 1999. IPA.

19 Indonesia Project, *Report to the Australian Agency for International Development*, 2000, p 7.

20 Quoted in Peter McCawley & colleagues, ‘Heinz Arndt: An Appreciation’, *BIES*, 38, 2, 2002, p 173.

with Indonesia in the 21st century, in particular the High Level Policy Dialogue, to be discussed below.

The other Project link to policy making in Indonesia during the crisis, admittedly indirect, was via Boediono, who had worked with the Project from July 1970 to September 1972. He retained close links to the Project after his return to Jakarta. During the crisis and its immediate aftermath, he was the Deputy Governor of Bank Indonesia responsible for monetary policy (1997–98), State Minister for National Planning and Development/Bappenas (1998–99) and Finance Minister (2001–04). One commentator wrote in 2003: ‘Thanks to Boediono, the country is no longer on the brink of disaster – and has a shot at conquering some chronic woes’.<sup>21</sup>

In terms of more formal academic research, the crisis prompted Project members to review what had happened, explore the reasons for those developments, and ask why there was apparently so little advance warning of the crisis. But it did not bring about significant change to the underlying approaches to the Indonesian economy they had been advocating.

Ross McLeod and Ross Garnaut published one of the first books on the crisis in September 1998: *East Asia in Crisis: From Being a Miracle to Needing One*.<sup>22</sup> One reviewer wrote:

While it seeks to discover common causes, it recognizes the great diversity of conditions and variety of specific circumstances in the region and does not fall into the trap of one-size-fits-all explanations and remedies. It deserves attentive study by academic economists, bankers, financiers, businessmen, and policymakers everywhere.<sup>23</sup>

Together with Heinz Arndt – still an active researcher with the Project – in 1998 Hal Hill edited a special edition of the *ASEAN Economic Bulletin* on the crisis.<sup>24</sup> In January 1999 it was published by ISEAS in Singapore as *Southeast Asia’s Economic Crisis: Origins, Lessons, and the Way Forward*.<sup>25</sup>

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21 ‘Boediono’, *BloombergBusiness Magazine*, 8 June 2003, at <http://www.businessweek.com/stories/2003-06-08/boediono>, accessed 22 December 2013. Boediono became Vice President in the second Yudhoyono administration, 2009–14.

22 Ross Garnaut & Ross H McLeod, eds, *East Asia in Crisis: From Being a Miracle to Needing One?*, Routledge, London & New York, 1998.

23 Jan Prybyla, Review of Garnaut & McLeod, eds, *East Asia in Crisis: From Being a Miracle to Needing One?*, *Journal of Comparative Economics*, 27, 3, 1999, p 585.

24 ‘Southeast Asia’s Economic Crisis: Origins, Lessons, and the Way Forward’, *ASEAN Economic Bulletin*, 15, 3, 1998. The *ASEAN Economic Bulletin* was renamed the *Journal of Southeast Asian Economies* in April 2013.

25 For a critical review of the book, arguing that it did not go far enough in acknowledging the extent to which neo-liberalism had failed in the region, see Andrew Rosser, Review of Arndt & Hill, eds, *Southeast Asia’s Economic Crisis: Origins, Lessons, and the Way Forward*, *Australian Journal of Political Science*, 35, 1, 2000, esp p 160.

In his overview paper, Hill acknowledged the obvious: that the crisis had not been predicted or foreseen.

The crisis was not accurately foreseen by anybody – international financial organizations, governments, academics, ratings agencies. The region's problems, from economic mismanagement to serious corruption, were discussed and analysed endlessly. But no reputable economic observer, to my knowledge, forecast the kind of economic collapse we have witnessed since the middle of 1997.<sup>26</sup>

He also noted that Indonesia had been the country hardest hit by the crisis: 'almost everything that could go wrong has done so'.<sup>27</sup> So the obvious question arose: why was this so? Why had the Indonesian economy proved to be the most vulnerable?

Citing Mohammad Sadli's contribution to the same collection, Hill noted various technical economic factors that were at work here. These included the extent of private sector international indebtedness and the weak financial and managerial positions of many of the country's banks. But he went on to say:

... arguably more important than these economic vulnerabilities were the political and social problems. The crisis exposed deep flaws in the Soeharto administration which, unlike the economic crisis of the mid-1980s, proved unable to respond quickly and effectively to the challenge.<sup>28</sup>

Few observers would differ with Hill on this point. For critics of the Project, then, this may have looked like a leading Project member acknowledging the accuracy of their criticism. But Hill was not making an argument for a paradigm shift in approaches to the Indonesian economy. In a subsequent publication he argued that the significance of economic openness to Indonesia's economic growth and prosperity remained powerful. He wrote:

Openness is not, of course, without its challenges, especially during periods of global recession, when highly export-orientated economies are typically the first to be affected. But they generally recover more strongly as global growth resumes. ...

An appreciation of this fact is the key to understanding why, thus far at least, there has not been a fundamental questioning of the 'liberal capitalist' development model in the crisis-affected economies, notwithstanding the

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26 Hal Hill, 'An Overview of the Issues', *ASEAN Economic Bulletin*, 15, 3, 1998, p 262.

27 Hill, 'An Overview of the Issues', p 266.

28 Hill, 'An Overview of the Issues', p 267. See also discussion of this point, in the broader context of a breaking down of the post-World War II Washington Consensus, in Kanishka Jayasuriya and Andrew Rosser, 'Economic Orthodoxy and the East Asian Crisis', Working Paper no 94, Asia Research Centre, Murdoch University, Perth, November 1999, esp pp 8 ff.

hostility directed toward the IMF and elements of the international financial architecture.<sup>29</sup>

In 2004 a special issue of the *BIES* was devoted to a discussion of 'Indonesia's Crisis in Retrospect', in particular focusing on the banking and financial crisis and recovery, and the role of the IMF.<sup>30</sup> Contributors included Olivier Frécaut (IMF), former Bank Indonesia Governor, Soedradjad Djiwandono, Stephen Grenville from the Reserve Bank of Australia and Ross McLeod, the *BIES* Editor.<sup>31</sup>

Perhaps surprisingly, only two PhD theses on the crisis were completed under Project auspices. They were Iman Sugema's 'Indonesia's deep economic crisis: the role of the banking sector in its origins and propagation', supervised by Hal Hill and Prema-chandra Athukorala (completed in 2001), and 'Indonesian manufacturing and the economic crisis of 1997/98', by Dionisius A Narjoko, supervised by Hal Hill and completed in 2006.

One other PhD thesis completed at this time, however, is worthy of note, though it did not relate to the crisis. Kelly Bird graduated in 1999, with a thesis entitled 'Industrial concentration and competition in Indonesian manufacturing'. He was to be the last Australian or New Zealand graduate of the Project in its first 50 years. In 2000, Bird took up a position as a consultant with Bappenas in Jakarta; he was also appointed Research Associate with the Project.

The discussion above shows the range of formal activities the Project undertook in response to the crisis. But perhaps the most significant role it played was one that is hard to measure: it was the way that it maintained links between Australians and Indonesians at a time when government-to-government relations were under great strain. These links were a result of the long history of interaction between Project scholars and their

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29 Hal Hill, 'East Asia in Crisis: Overview of the Key Issues', *Australian Economic History Review*, 43, 2, 2003, pp 119–20.

30 *BIES*, 40, 1, 2004.

31 Indonesia Project, *Biennial Report 2003–2004*, p 6. For other examples of Project members' research on the crisis see George Fane, 'The Role of Prudential Regulation', in Ross Garnaut & Ross H McLeod, eds, *East Asia in Crisis*, pp 287–303; Hal Hill, 'The Indonesian Economy: The Strange and Sudden Death of a Tiger', in Geoff Forrester & R J May, eds, *The Fall of Soeharto*, Crawford House, Bathurst, 1998, pp 93–103; Ross McLeod, 'From Crisis to Cataclysm? The Mismanagement of Indonesia's Economic Ailments', *World Economy*, 21, 7, 1998, pp 913–30; Hadi Soesastro, 'The Indonesian Economy: What Went Wrong and How to Fix It?', *Asian Affairs*, 2, 2, 1999, pp 79–85; Idris F Sulaiman, 'The East Asian Crisis Impact on Indonesia and Australia', in I F Sulaiman et al, eds, *Bridging the Arafura Sea: Australia-Indonesia Relations in Prosperity and Diversity*, Asia Pacific Press, Canberra, 1998, pp 239–74.

Indonesian counterparts, going back to the foundation of the Project in 1965. They were particularly strong with the University of Indonesia (UI) – with whom the Project signed an agreement on academic cooperation in 2003<sup>32</sup> – and with Gadjah Mada University, Padjadjaran University, LIPI, CSIS and SMERU,<sup>33</sup> but they extended too into several Indonesian government departments and agencies, especially Finance, Trade and the Central Bureau of Statistics.

The Project emerged from the crisis with its reputation for academic research on Indonesia intact, and with a stronger set of connections to Australian policy makers, and increasingly to Indonesian policy makers as well.

But while it was dealing with this international financial crisis, the Project was facing its own financial crisis in the late 1990s, though this was hardly a new experience.

## **Funding**

In early 1997, Hill had written to Warwick McKibbin, then Head of the Economics Department, pointing out that the Project was facing an annual funding shortfall of at least \$10,000. 'The current round of unfunded salary increases', he continued, 'renders our position more serious still'.<sup>34</sup> He proposed an approach to the School for an annual indexed grant of \$10,000–\$20,000 to the Project. The School appears not to have approved this grant; in any event, the issue was overtaken by developments in Hill's continued negotiations for an extension of the funding arrangements previously in place with DFAT. The government had determined that the appropriate funding authority for the Project would no longer be DFAT, but AusAID, thus firmly locating it within the ambit of the foreign aid program. Agreement was reached in November 1997, providing for a three-year funding program, with the possibility of a two-year extension subject to a satisfactory independent review.<sup>35</sup> Funding was set at \$190,000 in year 1 (compared with \$175,000 in the final year of the previous agreement with DFAT), rising to \$199,620 in year 3, and to \$209,725 in year 5 if the contract were extended. This funding absorbed the an-

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32 The text of the agreement ('Framework for Informal Academic Cooperation') is attached to a Memorandum from Manning to Bambang Brodjonegoro, then Head of the Economics Department at UI, 9 December 2003. IPA.

33 The SMERU Research Institute is 'an independent institution for research and policy studies' established in 2001 in Jakarta. <http://www.smeru.or.id/>.

34 Hill to McKibbin, 19 February 1997. IPA.

35 Contract between the Government of Australia and the Australian National University in Relation to ANU Indonesia Project, ref CON06615, dated 7 November 1997. IPA.

nual grant of \$30,000 previously made by AIDAB and AusAID for the Indonesia Update conference.

The AusAID agreement was new not only in that Project support was now part of the official aid program. It was also the first time that the Project had entered into a formal contract for funding, which set out the conditions under which the support was to be given and which required a review prior to any renewal.

### **BIES**

While this funding agreement gave some financial stability to the Project as a whole, the same was not true of the *BIES*, whose publication by 2000 was again becoming problematic. McLeod, as Editor, outlined the issues as he saw them: in a constrained university funding environment, with growing competition for shrinking library funds among an expanding body of journals, *BIES* subscriptions were declining, while overheads remained relatively high. The solution, he believed, was to turn over publication to a commercial publisher, which would have the economies of scale that the Project, as a single-journal publisher, clearly lacked.<sup>36</sup>

Three publishers were approached; only one, Carfax (part of the Taylor & Francis Group), responded. Their proposal was that, in return for publishing the journal and receiving the subscription revenues, they would pay the Project an annual lump sum towards editorial expenses, plus an annual royalty of 10% on sales revenue, with a guaranteed annual minimum. When added to the saving to the Project of costs previously borne from publishing the *BIES*, this would give an estimated net annual benefit to the Project of at least \$48,000.<sup>37</sup>

McLeod acknowledged that to make the arrangement viable, Carfax would be likely to raise subscription prices considerably: more for institutional subscribers than for individuals. Carfax was of the view, however, that although there would be a drop in subscriptions in the first year, the loss would be almost completely recouped in the second year.<sup>38</sup> Later Project annual reports indicate that, as a further consequence of publishing with the Taylor & Francis Group, *BIES* became available to a much larger number of libraries through sales of the Taylor & Francis Online Library of journals, and through philanthropic initiatives to make journals available in developing countries (around 1,700 and 1,900 libraries respectively in 2013).<sup>39</sup>

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36 McLeod to Manning, Drysdale and Hill, Confidential Memo, 3 April 2000.

37 McLeod, Confidential memo, 3 April 2000.

38 McLeod, Confidential memo, 3 April 2000.

39 See <http://www.tandf.co.uk/libsite/productInfo/journals/TandFlibrary/>. Indonesia Project, *Annual Report 2013*, p 3.

An additional benefit of having Carfax publish the *Bulletin* was that the publisher was ready for the transition from hard copy to electronic publishing, something almost certainly beyond the reasonable capacity of the Project to undertake.

In this context the decision was taken to cease the practice of selling an advance copy subscription to the 'Survey of Recent Developments'. For some time, subscribers to the advance copy had been able to choose to receive it electronically rather than in hard copy. With the shift to Carfax, all articles in the *Bulletin* would routinely be made available in electronic format to all subscribers.<sup>40</sup>

The one downside to the proposal which could not be mitigated was that the *BIES* Business Manager, Lynn Moir, would lose her job. In reporting the change to the Editorial Board on 1 September 2000, McLeod

... acknowledged Lynn's achievements and great contribution to the success of the *BIES*, noting that her work had been of the highest standard. He was particularly grateful for Lynn's assistance with the various tasks involved in the transition to the new publishing arrangements. The meeting expressed its appreciation and thanks to Lynn for her work over many years.<sup>41</sup>

These new arrangements covered only the Australian-published *BIES*; there was to be no change to the arrangement with CSIS to publish a version for sale in Indonesia.

McLeod proposed that additional net income derived from the arrangement with Carfax be directed primarily to supporting a PhD scholarship<sup>42</sup> – available to an Australian student to work on the Indonesian economy – and to funding outside assistance with editorial tasks, such as proof-reading and page-setting. AusAID welcomed the scholarship idea; indeed, an AusAID official suggested that the awards be made 'top-up' rather than full scholarships, to allow more students to receive assistance.

### **Cuthbertson and Gordon Review**

The Review of the Project envisaged in the 1997 agreement with AusAID was carried out in May–June 2000 by Sandy Cuthbertson and Jenny Gordon from the consultancy firm Centre for International Economics.<sup>43</sup>

Although clearly limited in scope, the Review was overwhelmingly favourable to the Project. On the question of whether the work of the Project had contributed to Indonesia's economic development – a crucial

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40 *Indonesia Project, Biennial Report 1999–2000*, p 8.

41 *Indonesia Project and BIES Board, Minutes*, 1 September 2000, item 6.

42 Later called the H W Arndt Supplementary Scholarships. *BIES*, 38, 3, p 308.

43 Sandy Cuthbertson & Jenny Gordon, *Review of the Indonesia Project Prepared for AusAID*, TheCIE, Canberra, June 2000. IPA.



question now that the funding was coming from AusAID rather than DFAT – the reviewers said they were:

... completely satisfied that the Project makes special and practical contributions to [Indonesian] development. We spoke with Thee Kian Wie in Jakarta. He referred to the Report on the Conference on [the] Indonesian Economic Crisis, which was prepared by Indonesian academics under the auspices of the project and is even now a blueprint for policy in late 1998. Thee Kian Wie mentioned that several of the people involved in this report are now working at very high levels of government.<sup>44</sup>

No feasible alternatives were identified for delivering the same outputs as the Project did: in particular the reviewers considered, then clearly rejected, the idea of opening the contract to competitive tender. To do so would be a waste of resources:

The creation of [a] contest for funding would make little sense if it were known beforehand that there would only be one starter. While it is always difficult to know about such things, it was put to the review that while there are other groups in Australia with an Indonesian focus, none has the depth of economic expertise that exists at ANU.<sup>45</sup>

The *BIES* and the Update conferences were singled out for special mention, as Project outputs which made major contributions to Australian understandings of Indonesia. The *BIES*, it said, had been identified by *The Economic Record* as ‘one of the 30 most cited economic journals in the English language’.<sup>46</sup>

The Review recommended, without qualification, that AusAID funding continue for an additional two years, a recommendation which AusAID accepted.

## A Significant Appointment

At around the time of this Review, the Project was taking a critical step in the regeneration of its staffing, and in particular its leadership: the appointment of Dr Budy Resosudarmo to a Research Fellowship in the Department and in the Project. Resosudarmo took up his post in late 2001.

Formerly at the University of Indonesia, Resosudarmo had trained initially as an electrical engineer at the Bandung Institute of Technology, before undertaking a Master’s degree in operations research at the

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44 Cuthbertson & Gordon, *Review ...*, p 2. The reviewers were presumably aware that Thee had a long history of association with the Project.

45 Cuthbertson & Gordon, *Review ...*, p 9.

46 Cuthbertson & Gordon, *Review ...*, p 11. No citation for this ranking was provided, but it can be found in Geoffrey M Hodgson & Harry Rothman, ‘The Editors and Authors of Economics Journals: A Case of Institutional Oligopoly?’, *The Economic Journal*, 109, 453, February 1999, p F168.

University of Delaware, followed by a PhD in development economics at Cornell University.<sup>47</sup> The Project's *Biennial Report* for 2001–2002 noted of Resosudarmo's appointment that it was:

... the first appointment of an Indonesian regular staff member in the Economics Division, RSPAS, ANU for 30 years.<sup>48</sup>

The last such appointee had been Panglaykim, in the late 1960s.

But Resosudarmo's appointment was important in at least two other ways as well.

First, he was an environmental economist with interests in issues such as air and water quality, natural resource management, environmental policy and the economics of public health, as well as regional development. Apart from the latter, these were new areas for the Project. His appointment thus widened the scope of the Project's research beyond issues such as fiscal and monetary policy, agricultural development, trade policy and the like, which had dominated its work previously, and took it more clearly into the arena of political economy.<sup>49</sup>

Second, Resosudarmo had a wide network of contacts among Indonesian scholars and policy makers, perhaps wider even than those built up by the established Project members. He was a founding member of, and the driving force behind, the Indonesian Regional Science Association (IRSA), having served as its Vice President since its formation in 1997.<sup>50</sup> IRSA is one of the most active scholarly associations in Indonesia, with members drawn from right around the nation, though primarily from amongst academics at state universities. Resosudarmo was able

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47 Before joining the ANU he had worked as a researcher at the Indonesian Agency for the Assessment and Application of Technology (1996–2001) and at the Inter University Center – Economics, University of Indonesia (1997–2000), and as a lecturer at the Graduate Program in Economics, University of Indonesia (1997–2001). In 2001, he was a Fulbright Visiting Fellow at the J F Kennedy School of Government, Harvard University.

48 Indonesia Project, *Biennial Report 2001–2002*, p 4.

49 Aside from numerous journal articles in Indonesian and English, Resosudarmo has edited two books on environmental matters: *The Politics and Economics of Indonesia's Natural Resources*, ISEAS, Singapore, 2005 (papers presented at the 2004 Indonesia Update conference) and (with Frank Jotzo) *Working with Nature against Poverty: Development, Resources and the Environment in Eastern Indonesia*, ISEAS, Singapore, 2010.

50 See <http://www.irsa-indonesia.org/index.php/about-irsa/board>, accessed 22 December 2014. He had been Chair of the Working Committee that drew up the proposal to establish IRSA, December 1996 to March 1997. A member of Regional Science Association International, IRSA brings together researchers from a wide variety of disciplines – including economics, geography, urban planning, agricultural development and political science – to focus on regional development issues.

to tap into these networks very effectively to extend and strengthen the reach of the Project into regional Indonesia, outside the capital, Jakarta.

This appointment marks the second stage of the 'Indonesianisation' of the Project. In the mid-1980s, the editors of the *BIES* had taken steps towards increasing the proportion of publications by scholars working in Indonesia, rather than those who were based or studying in Australia.<sup>51</sup> And they had achieved a good deal of success. But the Project's activities were still overwhelmingly located in Canberra. What started to happen early in the 21st century was a significant shift in the Project's focus, away from the historical concentration on events taking place in Canberra to one where Indonesia itself would, in relative terms, figure much more prominently. Resosudarmo was to be crucial in this shift.

### Arndt's Death

Soon after Resosudarmo arrived, the Project lost its longest-lasting member. On 6 May 2002, Heinz Arndt died suddenly on campus after a heart attack, aged 87. He had been active in the Project for its entire history: his death saw tributes flow in from Australia, Indonesia and elsewhere.

James Wolfensohn, World Bank President, said Arndt had been:

... Australia's leading scholar of Asian economic development issues for over 30 years. Many of Australia's most well-known scholars of Asian economic issues began their work under his supervision.<sup>52</sup>

Alexander Downer, then Australian Minister for Foreign Affairs, wrote:

We are indebted to Professor Arndt's foresight, passion and energy, which served to contribute to the advancement of quality debate on Indonesian economic issues and position Australia as a world leader in the field of Indonesian economic relations.<sup>53</sup>

Thee Kian Wie's obituary was typically forthright. On the one hand, he noted:

From the outset, Arndt was determined the Indonesia Project should not only benefit Indonesian economic studies in Australia, but also the economics profession in Indonesia.

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51 Mari Pangestu noted later that '[a] major change in the mid 1980s was the conscious effort to seek new contributors, especially Indonesians, to write for the journal'. Quoted in Peter McCawley & colleagues, 'Heinz Arndt: An Appreciation', *BIES*, 38, 2, 2002, p 171.

52 James D Wolfensohn, 'Wolfensohn Statement on Heinz Arndt', News Release no 2002/304/S, World Bank, 7 May 2002.

53 Alexander Downer, 'Ministerial Statement on Professor Heinz Arndt', Media Release AA 02 021, 10 May 2002.

To this end Arndt invited, over the years, several Indonesian economists to work for a specified period at ANU's Indonesia Project to enable them to interact with their ANU colleagues.<sup>54</sup>

But he then added, touching on the issue that had marked so much of the public comment on Arndt since the establishment of the Project:

As the New Order government grew more repressive and corrupt, Arndt was sometimes criticized by some Australian and Indonesian intellectuals for his overly positive judgment of the achievements of the New Order, while overlooking the seamy side of the regime.

It was only after the onset of the Asian economic crisis and the subsequent fall of Soeharto that Arndt recognized his judgment of the New Order had indeed been too optimistic.<sup>55</sup>

The Project itself was the most lasting memorial to Arndt's work. However the ANU commemorated his life in several other ways.

First, in 2003 it established the H W Arndt Public Lecture Series. The first lecture was presented on 13 August 2003 by Anne O Krueger, First Deputy Managing Director of the IMF, on the topic 'Dismantling barriers and building safeguards: achieving prosperity in an era of globalisation'.<sup>56</sup> Given the role of Project members in critiquing the position the IMF had taken on the Indonesian crisis only five years earlier, this was an interesting choice of inaugural speaker, as was the choice of Australian Treasurer Peter Costello to introduce Krueger, given his own earlier criticisms of the IMF.

Second, having decided to place all editions of the *BIES* from 1965 to 2000 on a CD ROM, with financial support provided by AusAID, the Project launched the CD in Jakarta in May 2002, at a seminar held as a tribute to Arndt.<sup>57</sup>

Third, the PhD supplementary scholarships funded out of the savings accruing from the transfer of the publication of the *BIES* to Carfax were named in his honour.<sup>58</sup>

These recognitions were in addition to the H W Arndt Prize, which had been established in April 1999 for the best article by one or more Indonesian authors published in the *BIES* in any calendar year. The aim, it was noted at the time, had been to commemorate Arndt's life and

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54 Thee Kian Wie, 'In Memoriam: Prof. Arndt, a Great Friend to Indonesia', *Jakarta Post*, 18 May 2002, <http://www.thejakartapost.com/news/2002/05/18/in-memoriam-prof-arndt-a-great-friend-indonesia.html>, accessed 25 February 2014.

55 Thee Kian Wie, 'In memoriam: Prof. Arndt ...'.

56 Indonesia Project, *Biennial Report 2003-2004*, p 9.

57 Indonesia Project, *Biennial Report 2001-2002*, p 8.

58 In the event, the scholarships did not attract any applicants and the funds were used for other purposes.

achievements, and also to encourage young Indonesian scholars to write for the *Bulletin*. The inaugural prize was awarded to a group from Indonesia's central bank for their article on inflation targeting.<sup>59</sup>

### Postgraduate Students

One of the few PhD graduates from the Project in the 1990s, I Komang Gde Bendesa, had graduated in 1991, with a thesis entitled 'The decline in the agricultural share of the labour force in Indonesia: 1971–1985'. Then there was a hiatus until Haryo Aswicahyono's graduation in 1998.<sup>60</sup> But in the second half of the 1990s there were a number of PhD students from Indonesia working in the Project, who began to graduate in the early years of the 21st century. These included Chatib Basri and Iman Sugema, who graduated in 2001. Twelve more Project PhDs would graduate in the period covered by this chapter.<sup>61</sup>

This inflow of students was undoubtedly in part a product of the recruitment efforts made by Project staff amongst their academic networks in Indonesia. However there were probably two other factors at play.

First, under the leadership of Helen Hughes, the National Centre for Development Studies (NCDS) at the ANU had built up Masters degree programs in economic development on the foundations of the Master of Agricultural Economic Development begun in the RSPS Economics Department<sup>62</sup> and later managed by the Development Studies Centre.<sup>63</sup> As Maree Tait was later to write, Hughes wanted the NCDS to have 'a primary focus on the Asia Pacific region, and with a strong contingent of overseas students'.<sup>64</sup> By the mid-1990s, an increasing number of Indonesians were enrolling in these Masters programs, some using them as a springboard from which to enter PhD programs with the Project. Both Haryo Aswicahyono and Chatib Basri followed this path.

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59 Halim Alamsyah, Charles Joseph, Juda Agung & Doddy Zulverdy, 'Towards Implementation of Inflation Targeting in Indonesia', *BIES*, 37, 3, 2001, pp 309–24. See Indonesia Project, *Biennial Report 2001–2002*, p 9.

60 Aswicahyono's thesis was titled 'Total factor productivity in Indonesian manufacturing, 1975–1993'. The annual reports for this period show some PhD students who appear not to have completed, and some who were from other parts of the ANU but being supervised by Project staff. IPA.

61 For details of these and other graduates see 'Past graduate dissertations' at <https://crawford.anu.edu.au/acde/ip/publications/dissertations.php>, accessed 6 April 2015.

62 Garnaut, 'Real Australians in Economics', in Ley & Lal, eds, *The Coombs*, p 138.

63 Economics Department, *Annual Report 1975*, p 4.

64 Maree Tait, 'Helen Hughes', *DevPolicyBlog*, 19 June 2013, at <http://devpolicy.org/helen-hughes-20130619/>, accessed 6 April 2015.

Second, from the early 1990s the number of Australian government scholarships available to Indonesians expanded rapidly. In the period 1980–89, more than 200 scholarships were awarded to Indonesian students. In the following decade, there were over 3,000 scholarships given, and in the first decade of the 21st century more than 4,000.<sup>65</sup> In addition to increasing the number of scholarships, the government also widened the eligibility criteria with the introduction, in 1990, of the Equity and Merit Scholarship Scheme, which opened the way for private overseas students from developing countries, including Indonesia, to access Australian government scholarships. The then Foreign Minister, Gareth Evans, described the new scheme as representing ‘a significant heightening of the effectiveness of training assistance in the development cooperation program’.<sup>66</sup>

The effect of these developments was to make access to Australian higher education, including at the Indonesia Project, significantly easier from the 1990s than had been the case previously. Most of the Indonesian PhD students with the Project held scholarships of this kind.

### **Jayasuriya Review**

In 2006 and 2008 the Project was reviewed, first by Sisira Jayasuriya and then by Jenny Gordon.<sup>67</sup> The former Review was instigated jointly by the Project, the Department of Economics and the Research School, the latter commissioned by AusAID. These were by far the most detailed reviews of the Project yet undertaken; both stressed the overall worth of the Project, but also warned that changes were necessary if it was to remain relevant and sustainable in the medium to long term.

The Terms of Reference of the Jayasuriya Review specified two broad issues to be addressed:

- 1 the quality and effectiveness of Project activities in light of the Project’s goals; and

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65 Jemma Purdey, ‘Scholarships and Connections: Australia, Indonesia and Papua New Guinea’, Alfred Deakin Research Institute, Working Paper no 46, Deakin University, Geelong, 2014, p 11. Purdey cautions that these data are ‘indicative only and should not be considered complete’.

66 Gareth Evans, ‘Annual Statement on the Aid Program 1990’, 21 December 1990, at [http://gevans.org/speeches/old/1990/211290\\_fm\\_annualstatementon-aid.pdf](http://gevans.org/speeches/old/1990/211290_fm_annualstatementon-aid.pdf), accessed 6 April 2015.

67 Sisira Jayasuriya, *Assessment of Indonesia Project Activities and Directions for Future. Review Report*, February 2006; Jenny Gordon, *Indonesia Project Independent Review Final Report*, TheCIE, Canberra, 16 January 2008. IPA. Jayasuriya was at the University of Melbourne at the time of the Review; he earned his PhD at the ANU. Gordon was at the Canberra-based economic consultancy, the Centre for International Economics; she held a PhD from Harvard.

- 2 possible future directions of the Project in relation to goals and outcomes, including options for organisation of the Project and staff recruitment.

Jayasuriya's report began by rehearsing the Project's achievements:

Over four decades the Project (and the *BIES*) has developed a unique intellectual and institutional asset of immense value to the University as well as to Australia. It is not only a source of knowledge and information about Australia's most important neighbour, but also a vehicle to establish and strengthen close personal and institutional links with Indonesia's economic policy elite. ... [Project researchers] have close links and good relations with Indonesian economists, government and academic institutions.<sup>68</sup>

The continued success of the Project was, however, not guaranteed: changes were required to take account of changed circumstances, particularly in the external environment.

One argument Jayasuriya made strongly was that Project members had not fully acknowledged the extent to which post-1998 Indonesia differed from its Soeharto-era incarnation. He was critical of the fact that Project researchers had not foreseen the 1997–98 crisis, albeit recognising that few economists anywhere had done so. The Project's problem, he argued, lay in its combination of academic and advocacy roles. The latter had seen the Project drawn into acceptance of the political status quo as the price to be paid for Washington-Consensus style economic policies: "'good, sensible" economic policies, opposed to "populist/nationalist" policies'.<sup>69</sup> And while Soeharto remained in power, this strategy was very successful, particularly in terms of giving the Project access to senior Indonesian academics and policy makers.

But there was a downside too. At one level, Jayasuriya argued that during the Soeharto era the position taken by Project members 'discouraged active academic interaction and engagement with Indonesia scholars of a more heterodox bent'.<sup>70</sup>

At a deeper level, he argued that Project members, while deserving credit for having managed the transition to the post-Soeharto era without

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68 Jayasuriya, *Assessment ...*, p 6.

69 Jayasuriya, *Assessment ...*, p 7. The term 'Washington Consensus' was coined by John Williamson to describe the package of policies promoted by the World Bank, the IMF and the US Treasury Department as remedies for the economic crises facing a number of Latin American countries in the 1980s. They included privatisation of state-owned enterprises, trade liberalisation, deregulation of the economy and liberalisation of controls on direct foreign investment. See John Williamson, 'What Washington Means by Policy Reform', in John Williamson, ed, *Latin American Adjustment: How Much Has Happened?*, Institute for International Economics, Washington DC, 1990, pp 7–20.

70 Jayasuriya, *Assessment ...*, p 8.

major disruption to their core activities, had not yet made all the changes necessary to take account of the new realities they faced. Of these, the key one was the new political reality encompassed by the democratic and pluralistic nature of the new Indonesia. The stress of the Project should still be on economic issues. However, formulating economic policies now, he argued:

... must occur in the context of new political realities where even the best equipped technocrats are forced to grapple with the 'art of the possible'. In other words, *issues of political economy have emerged as central to any policy oriented and policy relevant research agenda.*<sup>71</sup>

No longer was there any widely accepted orthodoxy about the appropriate economic policies for a country like Indonesia to be adopting: there was no agreed set of ideas to replace the Washington Consensus, the policies which had formed the core responses of the IMF and the World Bank to economic crises in developing countries. Thus advocacy ought no longer to be seen as a valid strategy: facilitating the examination of competing development paradigms should replace it.

This issue was seen to have particular relevance for the *BIES*. While, again, the high academic standards achieved by the journal were not challenged, Jayasuriya argued there was at the very least a perception among some he interviewed that the editorial 'line' of the *BIES* meant that authors with different views were deterred from submitting their material.

Linked to this concern was the perception that the Project was not doing enough to encourage participation by a diversity of academics in its activities. The Update conferences, for instance, were cited as problematic in this regard, with the suggestion that there were '... too many old mates' amongst the Indonesians invited as visitors or speakers.<sup>72</sup>

Jayasuriya himself acknowledged that this perception was ill founded: '... a perusal of the lists of speakers and visitors [at the Updates] ... does not fully support this view'.<sup>73</sup> But he argued that involving non-ANU participants to an even greater extent would spread the intellectual 'ownership' of the Project more widely than had thus far been the case, thereby lessening any such perceptions.<sup>74</sup>

One specific way of addressing this issue, he suggested, was by establishing an Indonesia Project Board, with membership from outside the

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71 Jayasuriya, *Assessment ...*, p 9. Italics in original.

72 Jayasuriya, *Assessment ...*, p 15.

73 Jayasuriya, *Assessment ...*, p 15.

74 Jayasuriya, *Assessment ...*, pp 14-15.



ANU as well as from within, to act as a 'broad policy setting or advisory body'.<sup>75</sup>

Closer relations ought also to be sought with AusAID, as the main external funding agency for the Project; it was recommended that a member of AusAID be invited to join the Editorial Board of the *BIES*, and the Project Board, if one were to be established.

A related issue, attributed in particular to Robin Davies from AusAID, was what Jayasuriya saw as a lack of visibility of the Project in Indonesia. Although Project members did travel regularly to Indonesia, the annual Update book launch was cited as the only major public activity to take place there. The solution proposed was to expand the range of activities the Project undertook in Indonesia.

The second major problem area Jayasuriya identified – one with which Project members were already familiar – was regeneration. All leading members of the Project, he noted, had become associated with it in the 1970s, and would soon be taking retirement. Notwithstanding the appointment of Resosudarmo, finding a new cadre of leaders was perhaps the single biggest challenge the Project faced:

*... the nurturing of a younger group of researchers to take on leadership roles is a challenge that needs to be confronted immediately with highest priority.*<sup>76</sup>

He acknowledged it would be a difficult task to replicate the skills and experience of the scholars who had thus far led the Project: language and cultural skills were expensive and time-consuming to acquire, and there were simply too few Australian students of economics who felt inclined to devote themselves to the task. However there were good PhD graduates in economics, in Australia and overseas, who might be attracted to the Project to research some aspect of Indonesian economics. And once exposed to the work of the Project, 'many of them would want to continue, and that would solve the succession problem in the best possible way'.<sup>77</sup> In other words, the Project needed to revise its ideas about the skill sets necessary to undertake research on the Indonesian economy. It was recommended that an unspecified number of non-tenured research

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75 Jayasuriya, *Assessment ...*, p 10. This recommendation was similar to one made by the 1989 Warr Review, which proposed the establishment of an Advisory Committee to oversee the Project as a whole (rec 4.3). However just before the Warr Review report was released, at the same Editorial Board meeting where Warr outlined its findings, the Board had decided instead to establish a *BIES* International Advisory Board. *BIES* Editorial Board, Minutes, 13 August 1989. Indonesia Project, *Annual Report 1990*, p 3.

76 Jayasuriya, *Assessment ...*, p 10. Italics in original.

77 Jayasuriya, *Assessment ...*, p 17.

positions be offered in the Project for work on Indonesia, but without setting prior knowledge of Indonesia as a prerequisite for appointment.

Jayasuriya argued that many of the initiatives he was proposing would cost little or nothing; establishing advisory boards, for instance. Increased staffing, and to a lesser extent increased public activities in Indonesia, would require funding. However, he ventured the view that:

A well formulated strategy and work programme, with a properly thought out business plan, *can* reach out to donors and tap funding sources. I strongly recommend *developing a more ambitious research programme (and associated activities) in close interaction and collaboration with potential donors, including in the first place AusAID.*<sup>78</sup>

Chris Manning, Head of the Project, reacted swiftly to the Review, and on the whole favourably, albeit often arguing that recommendations were extensions of activities the Project already had in train. He certainly supported the suggestion that additional staff members be appointed to the Project, though with the obvious caveat that extra funding would be required. Additional public activities in Indonesia were also supported – again with the caveat about funding.

But Manning differed clearly from Jayasuriya on two broad issues.

First, he argued that some of the criticisms made by the Review, and thus the recommendations linked to them, reflected '*mistaken perceptions of Project orientation and activities*'.<sup>79</sup> This was especially the case, he argued, when it came to the criticism that participation in Project activities, including the annual Update, was too heavily weighted to scholars with ANU connections. 'The Project', he wrote:

... has non-ANU academics represented and active on the Editorial Board of the *BIES* and regularly invites non-ANU academics and public figures to speak at the annual Update conference. They also play an important role in the regular Indonesia seminar series (the Indonesian Study Group meetings) held at the ANU.<sup>80</sup>

ANU members may have been over-represented in some Project activities: but this simply reflected the fact that there were more scholars working on the Indonesian economy – and other aspects of Indonesia as well – at the ANU than anywhere else.

Second, Manning rejected the idea that there was a particular Project paradigm used in analysis of the Indonesian economy, arguing that '...

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78 Jayasuriya, *Assessment ...*, p 18. Italics in original.

79 Chris Manning, 'Some Thoughts on the Jayasuriya Review of the Indonesia Project, ANU (February 2006)', p 24, appended to Sisira Jayasuriya, *Assessment ...* IPA. Italics in original.

80 Chris Manning, 'Some Thoughts ...', p 24.

there is no “Project” line on any particular subject, and indeed there was never a particular Project policy perspective in the past’.<sup>81</sup>

Arndt may have been the dominant intellectual force in the Project through to the mid-1970s; however members of the Project, and participants in Project activities, were independent scholars, bringing their own expertise and frameworks to bear on their research and their policy recommendations.

Both of these responses seem clearly to have been supported by the available evidence. Perhaps a more accurate criticism that Jayasuriya might have made is that the Project had not been very effective in publicising its achievements, and its complexities, to the broader academic (and aid) communities in Australia. Communication was not one of its strong points: in the ensuing years, it made efforts to remedy this, though still not entirely successfully, as subsequent reviews show.

### Responses to Jayasuriya

The first visible sign of the adoption of some of Jayasuriya’s recommendations came later in 2006, when a Project Advisory Board was established; it first met in October.<sup>82</sup> In constituting the Board, the Project heeded Jayasuriya’s suggestion that membership should be broad, including non-academics as well as academics, ANU and non-ANU employees, and Australians and Indonesians. The position of Chair was vested in the Director of the Research School of Pacific and Asian Studies: at that time Robin Jeffrey. The Head of the Economics Department, the Chair of the *BIES* Editorial Board, the Executive Director of the Crawford School of Economics and Government, an AusAID representative and a representative of Indonesia research staff in the Department of Political and Social Change were all made ex officio members. Of the remaining members, five were drawn from Australia and three from Indonesia. Amongst them were Tim Costello (World Vision), Martin Parkinson (Treasury), Mari Pangestu (Indonesian Minister for Trade) and Noke Kiroyan (Chair, Indonesia–Australia Business Council).

Other measures sought to address the perceived lack of involvement of non-Project personnel in Project activities.

In 2006 the Project began to issue a regular Newsletter, edited by Project librarian Trish van der Hoek and aimed at informing a wider audience, in Australia, Indonesia and further afield, of Project activities.<sup>83</sup> Though not formally framed in these terms, the range of activities reported on, and of

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81 Chris Manning, ‘Some Thoughts ...’, p 24.

82 Indonesia Project, *Biennial Report 2005–2006*, p 3.

83 *Indonesia Project News*, 1, January–August 2006 (and later issues), at <https://crawford.anu.edu.au/acde/ip/publications/>, accessed 22 December 2014.

participants in those activities, could be read as countering much of what Jayasuriya had said about the lack of involvement of non-ANU scholars in Project activities, and the lack of public activities in Indonesia.

The 2005–2006 *Biennial Report* of the Project for the first time clearly named as academic staff of the Project ANU researchers located outside what was by now the Arndt-Corden Department of Economics, including Ed Aspinall and Greg Fealy (Department of Political and Social Change), and two new appointees to the Department of Economics, Frank Jotzo and Tao (Sherry) Kong.<sup>84</sup> The Project also expanded greatly the number of its Research Associates.<sup>85</sup> The ANU-based Research Associates were drawn overwhelmingly from the Arndt-Corden Department; those from outside the ANU were four based in Indonesia (Basri, Bird, Soesastro and Thee), plus Peter McCawley, by then Dean of the Asian Development Bank Institute in Tokyo. By 2012, the list of non-ANU Associates had risen to 14, the new appointments including Haryo AswicaHyono and Rizal Sukma (CSIS); Tadjuddin Nur Effendy (Gadjah Mada University); Ari Kuncoro (University of Indonesia); Chikako Yamauchi (Graduate Institute for Policies Studies, Tokyo); Asep Suryahadi (SMERU Research Institute); and Arief A Yusuf (Padjadjaran University, Bandung).<sup>86</sup> The effect of this change was to broaden considerably the disciplinary and departmental backgrounds represented in the Project and to boost its research output.

Also in 2006, in collaboration with the Lowy Institute in Sydney, the Project launched a 'Mini-Update' series, as an offshoot of the main Update in Canberra. At the first Mini-Update, Rodd McGibbon and Chatib Basri spoke on recent political and economic developments, with Anies Baswedan and Chris Manning participating as discussants. 'Robust discussion followed', noted the Project's 2005–2006 *Biennial Report*.<sup>87</sup>

In 2007 the Project initiated a series of briefing papers for AusAID on subjects relevant to the Australian aid program in Indonesia.<sup>88</sup>

Other initiatives – in particular those to take place in Indonesia – took longer to organise. In 2007, though, in conjunction with the Institute for

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84 Indonesia Project, *Biennial Report 2005–2006*, p 1. These staff by now belonged to a new ANU College of Asia and the Pacific (CAP) set up in 2006 and incorporating RSPAS. As CAP restructured, Arndt-Corden and the Project became part of its Crawford School, later renamed the Crawford School of Public Policy.

85 Indonesia Project, *Biennial Report 2005–2006*, p 19.

86 Two of these appointees were PhD graduates of the Project: AswicaHyono and Arief A Yusuf. The latter graduated in 2008, his thesis, 'Equity and environmental policy in Indonesia', the first to have been supervised by Resosudarmo.

87 Indonesia Project, *Biennial Report 2005–2006*, p 11.

88 Indonesia Project, *Biennial Report 2007–2008*, p 1.

Economic and Social Research (LPEM) of the University of Indonesia, the Project established the annual Sadli Lecture in honour of Mohammad Sadli.<sup>89</sup> The lecture was to be based on a commissioned paper in an 'Indonesia in comparative economic perspective' series published annually in the *BIES*. The first lecture was presented by Prema-chandra Athukorala of the ANU.<sup>90</sup> It was indicative of the traction the event had in Jakarta that it was opened by the Minister for Trade, Mari Pangestu, and chaired by Thee Kian Wie, with Chatib Basri and Ari Kuncoro as discussants.<sup>91</sup>

Two years later, again in collaboration with LPEM, the Project initiated two seminar series with the objective of encouraging scholarly debate and interaction with policy makers and advisers on key issues of Indonesian development. One series focused on issues of general interest such as climate change, bilateral relations, decentralisation and the investment climate (Kelompok Diskusi Sore Hari-LPEM, the LPEM Afternoon Discussion Group); the other dealt with more specialised issues of Indonesian economic development and policy (Seminar Ekonomi Pembangunan-LPEM, the LPEM Development Economics Seminar).<sup>92</sup> These two series were brought together as the Jakarta Seminar Series (Forum Kajian Pembangunan, FKP) in 2011. One observer described the series as 'the only rigorous (*berbobot*) seminar series in Jakarta'.<sup>93</sup>

In early August 2013, the Indonesia Project began documenting the FKP series on video, making it available for teaching purposes in a variety of Indonesian universities. The FKP seminars are now organised collaboratively with universities, research institutes and government agencies and departments, and held at locations right across the archipelago.<sup>94</sup>

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89 See Hal Hill & Thee Kian Wie, 'Moh. Sadli (1922–2008), Economist, Minister and Public Intellectual', *BIES*, 44, 1, 2008, pp 151–6. See also Sadli's own 'Recollections of My Career', *BIES*, 29, 1, 1993, pp 35–51. The Sadli Lecture series is described at <https://crawford.anu.edu.au/acde/ip/sadli.php>, accessed 8 December 2014.

90 The article on which the lecture was based was Prema-chandra Athukorala, 'Post-crisis Export Performance: The Indonesian Experience in Regional Perspective', *BIES*, 42, 2, 2006, pp 177–211.

91 Pangestu's long-standing connections to the Project have already been noted. Chatib Basri completed his PhD thesis, 'The political economy of manufacturing protection in Indonesia 1975–1995', with the Project in 2001, and returned to LPEM. In 2003 he was made a Research Associate of the Project. In 2011 he was appointed Chair of the Indonesian Investment Coordinating Board (BKPM), and in 2013 Minister for Finance, a position he held until President Susilo Bambang Yudhoyono's Cabinet completed its term of office the following year.

92 Indonesia Project, *Biennial Report 2009–2010*, p 11.

93 Vivi Alatas, interview, Jakarta, 21 May 2014.

94 FKP seminars are listed at <https://crawford.anu.edu.au/acde/ip/lpem/>.

## **Gordon Review**

The 2008 AusAID-sponsored Gordon Review of the Project covered some of the same ground as the Jayasuriya Review, but it took a rather broader perspective, being asked to:

... consider the future of the Indonesia Project in the light of recent developments stemming from the AusAID White Paper, including the Indonesia Country Strategy and the new agency wide policy and strategy to foster research capacity.<sup>95</sup>

At one level, much of the report was supportive of what the Project had done, and the way it was conducting its work.

Gordon's report acknowledged the high academic quality of the Project's output. Further, she confirmed that there was still a need for Indonesia specialists on the Project (while agreeing that there was a need for comparative specialists as well); that the Project should continue to focus on economic issues; that there remained a crucial role for Australians as specialists on the Indonesian economy; and that there continued to be a need for a hub for studies of the Indonesian economy in Australia, and the ANU was the logical location of that hub.

But Gordon also noted – following Jayasuriya – that the impending retirement of the principal Project players over the next five years or so raised questions about the future directions of the Project and, indeed, whether the Project had a future.

Perhaps the central issue of the Review was the extent to which a degree of tension existed between the Project, with its essentially academic goals, and AusAID, some of whose officers at least expected more concrete – and in their view, more directly policy-relevant – outcomes from the funding provided. Thus Gordon noted that the Project's research activities did not always mesh with the government's policy priorities; that AusAID officers in both Canberra and Jakarta felt distanced from the Project's activities; that Project reporting did not include quantitative measures against which AusAID could judge the success of the activity.

Gordon summed up her findings:

The AusAID investment in [the] Indonesia Project has been excellent value for money. The Indonesia Project does need 'renewal' in the sense of more analytically focused economics and a greater focus on policy relevant research in other areas, as well as ensuring a pipeline of younger staff. From AusAID's perspective there is some largely administrative overlap that might be possible to improve on. AusAID also clearly need to better communicate to their staff what the investment has achieved. Greater clarity on what AusAID's investment entitles AusAID to provide direction over is also needed.<sup>96</sup>

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95 Gordon, *Indonesia Project Independent Review ...*, p 9.

96 Gordon, *Indonesia Project Independent Review ...*, p 30.

Six specific recommendations were made. The core AusAID-supported activities of the Project, including the *BIES*, the Update and the visitors program, should continue to be funded. The research activities of Project members should be more closely integrated with other research programs supported by AusAID.<sup>97</sup> These activities could be bundled together as the Indonesia Research Program, with a Board which would 'set direction for policy relevant research and guidance for dissemination activities'.<sup>98</sup> A postdoctoral fellowship should be set up for an Australian researcher to undertake policy-oriented research in Indonesia, hosted by an Indonesian university and sponsored by the Indonesian government. AusAID should establish a 3–5 year academic research fellowship in Australia to undertake research on areas of the Indonesian economy that the Agency considered insufficiently researched. An agreed performance measurement system should be implemented for use in Project reporting to AusAID. Finally, AusAID should consider providing greater support for the teaching of economics in Indonesian universities.

It was suggested that the Project would be 'well placed to bid to host the postdoctoral and academic fellowships, as well as the support to Indonesian universities'.<sup>99</sup>

In responding to the Review, Manning generally accepted the conclusions and recommendations, but maintained – as he had done in response to the Jayasuriya Review – that some of the critical comments were based on misconceptions of what the Project did.<sup>100</sup> Thus he rehearsed again the involvement of non-ANU staff members and non-economists in the Update series; noted the greater involvement of economists without Indonesian background, and non-economists, in the work of the Project (and the ways this contributed to addressing the regeneration problem Gordon identified); and stressed the efforts the Project had made to ensure greater involvement with it by officers of AusAID, both in Canberra and in Jakarta. He also pointed to a problem the Project faced: that of rapid turnover of staff in the Indonesia section of AusAID, which meant that the Project was continually needing to explain its activities to new AusAID officers. He suggested the nomination of a specific AusAID Jakarta officer with responsibility for liaising with the Project, and disseminating information about Project events and announcements.<sup>101</sup>

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97 Such as the Governance Research Partnership, the Australian Development Research Program, and the Aceh Research Training Institute.

98 Gordon, *Indonesia Project Independent Review ...*, p 36.

99 Gordon, *Indonesia Project Independent Review ...*, p 38.

100 Chris Manning, 'Comments on the AusAID Commissioned Review of the Indonesia Project: Final Draft', 23 January 2008. IPA.

101 Manning, 'Comments on the AusAID Commissioned Review ...', p 2.

On the need to quantify outcomes of Project activities, Manning argued vigorously that the 'public good' element of much of what the Project did was both under-rated and inherently difficult to quantify.

AusAID accepted the Review's primary conclusion that the Project represented good value for money, and approved another round of funding, amounting to \$492,024 in 2008–09, with a total of \$2,655,900 payable over the four years of the program, subject to satisfactory annual reporting.<sup>102</sup>

This was a substantial increase on previous levels of funding: more than twice the annual amounts provided in the previous grant. In part this was undoubtedly a recognition of the excellent value AusAID was receiving from its investment in the Project. But it was also the beneficiary of the promise made in 2005 by Prime Minister John Howard that Australia would double its aid spending by the year 2010.<sup>103</sup> In fact aid to Indonesia increased from \$120 million in 2003 to \$450 million in 2010.<sup>104</sup>

### Responses to Gordon

Kenward, in his 2012 Review of the Project for AusAID, stated that the Gordon Review's recommended performance assessment system was not pursued, and commented that during the Review 'AusAID did remark upon the limited amount of reporting by the Project'.<sup>105</sup> Nonetheless, the Project's proposal for funding for 2008/09 to 2011/12 contained an assessment framework with several of the features Gordon had outlined.<sup>106</sup> And around this time Project Annual (and Biennial) Reports adopted the language of performance assessment. The first substantive section of the 2009–2010 *Biennial Report* was headed 'Project Outputs: Performance Report for 2009–2010' – the first time such language had been used in these reports.<sup>107</sup> The discussion of the *BIES* included six quantitative measures of outcomes and impact. Most event reports noted institutional origins of participants and the balance between male and female participants. And

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102 James Gilling (Assistant Director General, Indonesia and East Timor Branch, AusAID) to Robin Jeffrey (Director, RSPAS), 'Agreement Number INI-35: ANU Indonesia Project – Phase II', undated, but August 2008. IPA.

103 Michael Gawenda, 'Australia to double aid in lieu of UN resolve', *Sydney Morning Herald*, 14 September 2005, at <http://www.smh.com.au/news/world/australia-to-double-aid-in-lieu-of-un-resolve/2005/09/13/1126377316454.html>, accessed 2 March 2015.

104 Charles Tapp, 'Study of Australia's Approach to Aid in Indonesia: Final Report', Washington DC, 28 February 2011, at [www.aidreview.gov.au/publications/study-indonesia.doc](http://www.aidreview.gov.au/publications/study-indonesia.doc), accessed 9 March 2015, p 5.

105 Lloyd R Kenward, *External Review of the Indonesia Project (Australian National University) INI035 Final Report*, 3 May 2012, p 15. IPA.

106 'Indonesia Project: Proposal for AusAID Funding', June 2008, pp 13–14. IPA.

107 Indonesia Project, *Biennial Report 2009–2010*, p 4.



the Project's report to DFAT on the 2008/09–2011/12 grant used a more formal performance assessment framework.<sup>108</sup>

Other recommendations were pursued more directly. In 2010, three postdoctoral fellowships for work on the Indonesian economy by Australian scholars were established, to be managed by the Project.<sup>109</sup> Only one was attached to the ANU: Daniel Suryadarma took up a Research Fellowship in the Arndt-Corden Department of Economics in September. Suryadarma had been a researcher at the SMERU Research Institute; he had completed a PhD in Economics at the ANU (though not in the Project) with a thesis on the economics of Indonesian education. The other two appointees, Katy Cornwell and Susan Olivia, were attached to Monash University, and began their research in April–May 2010 under the supervision of Project Advisory Board member Lisa Cameron.<sup>110</sup>

AusAID funding was also allocated to cover tuition, language training and fieldwork expenses for an Australian PhD student working on Indonesia. The initial recipient of this funding, Felicia Eng, was not with the Project, or the ANU, but rather from the University of Melbourne.<sup>111</sup>

Several activities were undertaken linking the Project more closely to the interests and concerns of AusAID. In June 2009, Project staff met with members of the Policy Planning Agency of the Indonesian Department of Foreign Affairs for a discussion on a 'Free Trade Agreement and Closer Economic Relations in the Asia-Pacific'.<sup>112</sup> In 2010, the Project ran four workshops with AusAID, focusing on issues related to Indonesian development. They brought together Australian and Indonesian academics drawn not only from the ANU and its major Indonesian partners, the University of Indonesia and CSIS, but also from Adelaide University, together with officials from a variety of Indonesian and Australian government agencies, including the Australian Treasury, the Indonesian Poverty Coordination Facility (TNP2K) and the World Bank, Jakarta.<sup>113</sup> In May 2011, and again in August 2013, AusAID, in conjunction with the Indonesia Project, held a one-day workshop, 'Australia's Aid to Indonesia: Understanding the Context'.<sup>114</sup>

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108 'ANU Indonesia Project Grant Phase II, 2008/09 to 2011/12: Report to the Department of Foreign Affairs and Trade', pp 6–8; pp 12–16. IPA.

109 It was agreed with AusAID that all fellowships be based at Australian universities, and jointly funded by the Project and the host institution. Indonesia Project, 'Proposal for AusAID Funding 2008–9–2011–12', 16 June 2008, p 23. IPA.

110 Indonesia Project, *Biennial Report 2009–2010*, p 16.

111 Indonesia Project, *Biennial Report 2009–2010*, p 16. She did not, however, take up the funding.

112 Indonesia Project, *Biennial Report 2009–2010*, p 13.

113 For details see Indonesia Project, *Biennial Report 2009–2010*, pp 13–14.

114 Indonesia Project, *Annual Report 2011*, p 14; *Annual Report 2013*, p 12.

## Staffing

New appointments were also made to the Project, partly in response to the Review, but primarily to replace Manning and McLeod, who formally retired in 2011. Daniel Suryadarma's postdoctoral fellow appointment, with AusAID support, has already been noted. Robert Sparrow joined the Project in February 2012 and Arianto Patunru in July. In April Pierre van der Eng transferred from the ANU College of Business and Economics to take up the Editorship of the *BIES*. In November, on Drysdale's retirement, Ben Wilson was appointed Managing Editor of *BIES*.<sup>115</sup>

This was probably the most diverse set of appointments ever made to the Project, and showed how far it had moved in expanding both its sources of staff members and their research interests.<sup>116</sup>

Sparrow, who received his PhD in Economics from the Vrije Universiteit Amsterdam and the Tinbergen Institute, had been a Senior Lecturer in Development Economics at the International Institute of Social Studies, Erasmus University, Rotterdam. His research interests relate to development economics, social policy evaluation, health economics, child labour and education. Arianto Patunru, who received a PhD degree from Illinois University, had been the Head of the Institute for Economic and Social Research at UI. He has strong interests in environmental and resource economics, as well as international economics.

Earlier, in 2009, the Project had made another appointment that was also, in a different way, indicative of its new direction. Nurkemala Muliani was appointed as Assistant to the Head of the Project, and (perhaps more significantly) as Outreach Officer.<sup>117</sup> This was part of a new strategy to reach out to a much wider audience, particularly in Indonesia. It was, at least in part, a specific response to AusAID's concern that the Project was not communicating with scholars, researchers and policy makers in Indonesia as well as it should.<sup>118</sup> In addition to a background in economics and work at CSIS, Muliani had particular expertise in electronic communications and social media. She was responsible for setting up Facebook and Twitter accounts for the Project, and managing its blog and uploads to YouTube.<sup>119</sup> In 2013, for the first time, the Indonesia Update

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115 *Indonesia Project, Annual Report 2012*, pp 4, 8.

116 For more details, see the relevant individual web pages at <https://crawford.anu.edu.au/people/academic>.

117 *Indonesia Project, Biennial Report 2009–2010*, facing p 1.

118 Nurkemala Muliani, interview, Canberra, 20 June 2014.

119 For a description of the Project's initiatives in this area, see *Indonesia Project, Annual Report 2012*, p 21–3. The Project blog had actually been set up in 2008, managed by Ross McLeod.

had its own social media hashtag. By using the hashtag #IndoUpdate13, the public could follow live tweets from the Update.<sup>120</sup>

Within Indonesia, by 2009 Project links to government had reached a new peak under Susilo Bambang Yudhoyono's second administration. Boediono had become Vice President in 2009 (having previously been Coordinating Minister for Economic Affairs); Mari Pangestu of CSIS was appointed Minister for Trade (and later, in 2011, for Tourism and the Creative Economy); Armida Alisjahbana from Padjadjaran University (like Pangestu not a graduate of the Project, but nonetheless having extensive links to it) was appointed Minister for National Development Planning and Head of Bappenas. Chatib Basri was later to join the Cabinet as Finance Minister. Neither before nor since has the Project enjoyed such proximity to government in Indonesia. Though it may be difficult to connect this directly to Project influence on government, it was certainly reflected in the ease with which the Project was able to involve very senior Indonesian political leaders and bureaucrats in events such as the High Level Policy Dialogue, and the way the Project's connections were used to facilitate Australian access to government in Jakarta.

### **Leadership Transition**

The most significant development around this time concerned the issue raised in all reviews of the Project to date: transitioning the Project to a new leadership. Resosudarmo had clearly been identified as a future Head. The process of transition began in 2009, when Manning took sabbatical leave in Yogyakarta for a semester. In his absence, Resosudarmo was made acting Project Head, and on Manning's return, he and Resosudarmo became Joint Heads, 'to ... facilitate a smooth transition to new management of the Project in light of Chris Manning's pending retirement in 2011'.<sup>121</sup> In February 2011, Resosudarmo assumed the Headship.

In anticipation of this change, in December 2010 the members of the Project Advisory Board agreed to resign, to give Resosudarmo a free hand to shape a Board in the light of any new directions he wished to take the Project.<sup>122</sup> The new Board was due to be reconstituted in 2012, but this was delayed until 2014.<sup>123</sup>

In 2012, following the change in leadership, significant modifications were made to Project management and administration. Academic staff

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120 Indonesia Project, *Annual Report 2013*, p 5.

121 Indonesia Project, *Biennial Report 2009–2010*, p 3.

122 Indonesia Project, *Annual Report 2011*, p 6.

123 The delay was apparently caused in part by uncertainty about AusAID funding beyond 2012. Kenward, *External Review ...*, p 12, n 26. For current Board membership, see <https://crawford.anu.edu.au/acde/ip/people.php#advisory>.

members were allocated specific portfolios of responsibility: Sparrow as Research Coordinator, Suryadarma as Education Coordinator and Patunru as Policy Engagement Coordinator.<sup>124</sup> In the same year the Project appointed Lydia Napatupulu of the Faculty of Economics at the University of Indonesia as its part-time Indonesia Liaison Officer, to manage the expanding range of Project activities in Indonesia.<sup>125</sup>

It was thus a reinvigorated Project that came up for AusAID review again in 2012.<sup>126</sup>

### **Kenward Review**

Perhaps the single most important point made by the 2012 reviewer, Lloyd Kenward, was this:

Without belabouring the point, it's important to recognize that this is a very small, simple project for AusAID. The budget is roughly three-quarters of a million dollars annually over 4 years. ... Budgeted amounts represent significantly less than 1/10th of 1 per cent of AusAID's current Indonesia country program (of roughly one-half billion dollars per year). Effectively, the Project operates on a slender shoestring, while providing plenty of 'leverage' for AusAID's money.<sup>127</sup>

No previous reviewer seems to have made this simple point.

The general tenor of the Review was, once again, highly favourable to the Project. The reviewer pointed, for instance, to the '... striking evidence of the high quality of the Project's outputs. Such criticisms as were encountered during this review were minor in comparison'.<sup>128</sup>

Criticisms were relatively few. It was said that the Project had too many 'small' products; consolidation in a smaller number of larger ones might be more efficient. Though acknowledging that for projects as small as this there was a danger of over-reviewing, it was nonetheless suggested that a mid-term review might be appropriate – if recommended by the Advisory Board. The Project was urged to bring the new Board into being as a matter of urgency, though it was suggested that it should be slimmed down from its earlier 17-member size. Consistent with previous reviews, the report pointed to the Project's relative lack of visibility, particularly amongst AusAID staff, and proposed a number of remedies.

Kenward noted that the future may not be as favourable to the Project as the recent past had been. For one thing, he reported that:

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124 Indonesia Project, *Annual Report 2012*, pp 8–9.

125 Indonesia Project, *Annual Report 2012*, p 8.

126 Kenward, *External Review ...*, p 15.

127 Kenward, *External Review ...*, p 8.

128 Kenward, *External Review ...*, p 14.

During this review, it was virtually a consensus that the strength of the Project's traditional linkages peaked in early 2010, when certain key changes began in the Indonesian cabinet.<sup>129</sup>

And the Australian aid context within which the Project fitted was changing significantly at this time, and growing in size. The Project could be seen to fit fairly readily within the then-current program, albeit at the periphery. In the future, though, as the program expanded, Kenward suggested:

... there may be an issue for the IP along the following lines: how will this very small project adapt to the rapid scale-up in other, related parts of AusAID's Indonesia program?<sup>130</sup>

Kenward's primary recommendation was that the Project's funding should be continued for a further four years. He also recommended that AusAID consider funding one additional policy-oriented position in the Project, possibly non-economic, and even located at a university other than the ANU, 'if institutional complications could be resolved'.<sup>131</sup>

Finally, Kenward noted that during the course of the Review a number of additional non-economic areas had been suggested where the research partnership between AusAID and the Project could be expanded. To explore these ideas in further depth, a Scoping Study was recommended.

AusAID accepted the primary recommendation of the Review, and a new contract was drawn up between the ANU and AusAID to provide financial support for the Project for the period July 2012 to June 2016.<sup>132</sup>

## **Indonesia-based Activities**

After this Review, the Project continued to extend its activities in Indonesia, while maintaining its presence in Australia. In 2013, in collaboration with CSIS, it established the Hadi Soesastro Policy Forum in honour of the former Executive Director of CSIS and long-time supporter of the Project, who had died on 4 May 2010. The Forum brings together the Hadi Soesastro Lecture, the Update book launch and the Mini Indonesia Update. The first Forum was held at CSIS in Jakarta on 30 May 2013.<sup>133</sup> Soesastro is also commemorated in the Hadi Soesastro Prize, established in 2013 by the Australian government, and awarded annually to one female and one male Australia Awards PhD scholar.<sup>134</sup>

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129 Kenward, *External Review...*, p 9.

130 Kenward, *External Review...*, p 13.

131 Kenward, *External Review...*, p 17.

132 Indonesia Project, *Annual Report 2012*, p 9.

133 Indonesia Project, *Annual Report 2013*, pp 6–7.

134 Indonesia Project, *Annual Report 2013*, pp 112–13.

The *BIES* Economic Dialogue and Forum was set up to promote the *Bulletin* in Indonesia, encouraging Indonesian academics and policy makers to read the journal, subscribe to it and submit articles. It comprises a presentation by the author of a recent *BIES* paper, with audience discussion of the issues raised, and a presentation and discussion on publishing in the journal. The first Forum, on trade policy, was held at CSIS in Jakarta on 30 June 2013, and at Andalas University in Padang the next day. A second event, on urbanisation, was held in December 2013 at Padjadjaran University in Bandung, and then at Brawijaya University in Malang and Udayana University in Denpasar. The Bandung Forum was streamed live through Unpad Channel and broadcast live by PR-FM Radio 107.5FM, thus making it accessible simultaneously in Australia and Indonesia.<sup>135</sup>

On 3 April 2013 the Project and SMERU held the first Indonesian Development Research Workshop at the IPB Convention Centre in Bogor. The workshops form part of a new research networking activity designed to 'support and strengthen the rigour of social science research conducted by Indonesian researchers through establishing an active network of Indonesian research institutes'.<sup>136</sup> At the first workshop, participants from various Indonesian research institutes presented their current economic development and policy research agendas, and discussed with journal editorial staff the challenges they faced in conducting research and publishing in international journals. Speakers included Arief Anshory Yusuf of Padjadjaran University, postdoctoral fellowship holders Susan Olivia and Katy Cornwell, and journal editors represented by Arianto Patunru (*BIES*), Thee Kian Wie (*Economics and Finance in Indonesia*) and Maria Wihardja of CSIS (*Indonesian Quarterly*).<sup>137</sup>

Two new research grants were established under Project auspices in 2013–14. The first, the Indonesia Project Research Travel Grant, is aimed at supporting research travel to Indonesia by Bachelor, Honours and Masters students. Initial recipients were Leighton Gallagher (ANU), Edryan Hakim Ja'afar (RMIT University) and Elizabeth Roberts (University of the Sunshine Coast). Second, together with the SMERU Research Institute, the Project established a small grant scheme in 2013 to stimulate cooperation between Indonesian and Australian research institutes. The grants are intended to fund new work in any of the Project's main research areas – trade and industry; politics and governance; agriculture, resources and the environment; and social policy and human capital – and to cover costs such as travel, fieldwork, data collection and research assistance.<sup>138</sup>

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135 Indonesia Project, *Annual Report 2013*, p 8.

136 Indonesia Project, *Annual Report 2013*, p 10.

137 Indonesia Project, *Annual Report 2013*, p 10.

138 Indonesia Project, *Annual Report 2013*, p 11.

## Chapter 5

# Not an Institution: A Network

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The Indonesia Project has now completed its first half century, making it one of the most enduring research programs focused on a single country in Australia, and perhaps the world. A glance at developments in 2014 and early 2015 shows how extensive its program had become.

Two new academic appointees joined the Department and the Project.

Blane Lewis had previously worked in Indonesia as an adviser on fiscal decentralisation. His PhD, in urban economics, was awarded by Cornell University.<sup>1</sup> With *BIES* Editor Pierre van der Eng returning to his post in the ANU College of Business and Economics in 2015, Lewis will coordinate a three-person editorial team, working with Arianto Patunru and Robert Sparrow. This has echoes of the transition to a new generation in the 1980s, when the Editorship passed from Arndt to a three-person editorial team.

Xue (Sarah) Dong was appointed to a Research Fellow position established to allow an early-career researcher to work on the Indonesian economy. She gained her PhD from Western Ontario University in 2014, for a dissertation entitled 'Essays on the labor market and economic crisis in Indonesia'. Her research interests are development economics, labour economics, economics of the informal sector, women's labour market choices and women's intra-household bargaining power.<sup>2</sup>

These appointments brought the number of Indonesia Project academic staff within the Arndt-Corden Department of Economics to five. In a further development, Hal Hill, a retiring member of the previous generation of Project staff, was appointed to a part-time role designed to support the regeneration of the Project.

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1 <https://crawford.anu.edu.au/people/academic/blane-lewis>.

2 <https://crawford.anu.edu.au/people/academic/sarah-dong>.

The 2014 Update conference, on 'The Yudhoyono Years: An Assessment', featured more than 37 speakers from Indonesia, Australia, the United States and elsewhere, and drew more than 400 participants, making it among the most popular Updates on record. The Indonesia Study Group met regularly in Canberra – on average, once a fortnight. Apart from the Project, speakers were drawn from institutions as diverse as the World Bank, the Institut de Recherches Asiatique (Marseille), Paramadina University (Jakarta), the University of Toronto and the Australian National Audit Office. And of course the *Bulletin*, for many the prime output of the Project, appeared three times, on schedule.

In Indonesia, the level of activity was even greater. The ninth annual High Level Policy Dialogue was held in Jakarta on 16 April, with approximately 80 participants including the Indonesian Minister of Finance, staff from the Coordinating Ministry for Economic Affairs, PLN (the Indonesian state-owned electricity company), Bappenas, the Australian Treasury, DFAT and the Australian Productivity Commission. The first of these Dialogues had been held in 2007, at the request of the Indonesian government; they are run collaboratively by the Project, the Australian Treasury and the Indonesian Department of Finance, and focus on pressing economic policy matters, with the results of the discussions being reported to the Minister of Finance.<sup>3</sup>

The eighth Sadli Lecture, 'The demography of Indonesia in comparative perspective', was delivered by Peter McDonald on 22 April 2014. More than 100 people attended, including the Finance Minister, Chatib Basri, and Mari Pangestu, Minister for Tourism and Creative Economy, as well as other academics, researchers, public officials and students.

The second Hadi Soesastro Policy Forum saw the launch of *Regional Dynamics in a Decentralised Indonesia*, the book based on the 2013 Indonesia Update conference.<sup>4</sup> It also saw the delivery of the Hadi Soesastro Lecture, 'Asia in the current global liquidity: dancing with the system', by Iwan Jaya Azis of the Asian Development Bank.

The Forum Kajian Pembangunan held two to three meetings monthly in Jakarta, hosted by a range of universities (including UI, Gadjah Mada, Padjadjaran and Sriwijaya), government agencies (including LIPI, the Ministry of Finance, Bappenas and Bank Indonesia) and other local and international organisations (including SMERU, CSIS and the World Bank). FKP seminars were held in Jakarta, Bandung, Yogyakarta, Banda Aceh, Palembang and Banjarmasin.

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3 Funding for the Dialogues has come from AusAID and now DFAT, but is additional to the Project grant.

4 Hal Hill, ed, *Regional Dynamics in a Decentralised Indonesia*, ISEAS, Singapore, 2014.



The 2014 *BIES* Economic Dialogue was held at Padjadjaran University on 1 December, on the theme of small and medium enterprises in Indonesian society. As in 2013 it was streamed live, allowing an online audience to send questions to the panel. The series continued next day at Gadjah Mada University in Yogyakarta, and then on 4 December at Sam Ratulangi University in Manado, North Sulawesi.<sup>5</sup>

At the June 2014 Indonesian Development Research Workshop at Puncak, West Java, senior scholars acted as discussants for papers by early career academics, and there were sessions on writing research proposals and on publishing in international journals. The second day focused on the institutional context of and constraints on research in Indonesia.<sup>6</sup>

In early 2015, in addition to the Indonesia Study Group and FKP programs, Project activities included an FKP Roadshow in Banda Aceh, Padang and Makassar, 9–11 March,<sup>7</sup> and the 2015 Indonesia–Australia High Level Policy Dialogue in Jakarta on 25 March<sup>8</sup> – the first with the government of new President Joko Widodo. The ninth Sadli Lecture, ‘Indonesia’s resources boom in an international perspective’, was given by Ross Garnaut in Jakarta on 21 April, and followed by a similar lecture at Sriwijaya University in Palembang.<sup>9</sup> Meanwhile North America became a focus for the Project: Budy Resosudarmo spoke at several US universities in March and April, promoting the Project’s work and seeking opportunities for collaboration;<sup>10</sup> and a joint seminar was held on 23 March with the Centre for Southeast Asian Research at the University of British Columbia, Vancouver, on sustainability and agriculture in the Indonesian economy.<sup>11</sup>

In 2014 and again in 2015, the Indonesia Project worked with the SMERU Research Institute to award research grants to eight teams of researchers to assist with the costs of collaborative projects. The awards went to research on subjects ranging from post-disaster economic livelihood initiatives to locally sustainable reef management, and from election violence in Papua to sectoral variations and policy options in women’s employment.<sup>12</sup> Research travel grants were made to three recipients in each year under the scheme to encourage Bachelor, Honours, and Masters students to work on Indonesian research topics. Under both

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5 <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=5222>

6 <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=4551>.

7 <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=5533>.

8 <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=5498>.

9 <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=5601>.

10 <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=5638>.

11 <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=5699>.

12 <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=3516>; <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=5748>.

schemes, the Project holds workshops at which recipients discuss their findings and receive feedback on their projects.

An initiative begun in 2014 will provide about 80 Indonesian institutions with two years' free online access to the *BIES*. The project is being implemented with help from Taylor & Francis and the Center for Economics and Development Studies at Bandung's Padjadjaran University. Its Bandung coordinator is Project PhD graduate Muhamad Purnagunawan.<sup>13</sup>

### **Criticisms of the Project**

The Project has, of course, had its critics.

As we have seen, the charge most commonly levelled against it is that, during the Soeharto era at least, it was too close to Indonesian government leaders and policy makers, and that in turn this meant that it paid too little attention to the political and social costs of the policies of the Soeharto government. Arndt added substance to these criticisms by the increasingly public and vigorous way he defended the Soeharto government's record, especially on East Timor.

However, to paint all Project members with the same brush is to ignore the variety of opinions and perspectives represented in the Project. The different approaches to issues of development and poverty eradication held by Arndt and Penny were part of the reason for the latter's decision to resign from the Project. And many members were critical of the Soeharto government, on a range of issues including employment and poverty. Manning was clearly correct when he asserted, in response to Jayasuriya's Review, that there has never been a single approach to Indonesia taken by all Project members, much less an orthodoxy imposed on members by the Project leadership.<sup>14</sup> If there is a general observation to be made on this point, it might more correctly be that most Project members believed the Soeharto regime brought significant economic benefits to the mass of Indonesians and that was important at this early stage of development, and that these achievements needed to be recognised, without overlooking or ignoring their political costs.

The Project has also been criticised for not being sufficiently open to participation by scholars from outside the ANU. That this is a perception in some circles in Australia seems to be true; but it is a perception not borne out by reality. The Update conferences, for instance, have actually been dominated by non-ANU participants for some time now. Thus the more accurate criticism may be that the Project has not been very successful in reflecting its breadth and inclusivity to a wider audience.

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13 <http://asiapacific.anu.edu.au/blogs/indonesiaproject/?p=4385>

14 Chris Manning, 'Some Thoughts ...', p 24, appended to Jayasuriya, *Assessment of Indonesia Project Activities and Directions for Future. Review Report*, 2006.

Despite its best efforts, the Project has also not been able to recruit Australian postgraduate students to work on Indonesia since the initial flush of interest in the 1960s and 1970s. But this same criticism could be levelled against just about every Indonesia-focused program in Australia. Though there may now be some signs of change, the past 20 years have been difficult ones for Indonesian studies in Australia. The Project has tried a number of strategies to attract more Australian postgraduates; it is difficult to imagine what else it could have done.

### **Project Strengths**

These criticisms, though, are small in comparison with the Project's achievements, noted above. How is it, then, that the Project has not only been able to survive for half a century, but to prosper as well?

One great strength the Project has, which underlies so much of what it does, is that it is not an institution in any standard, bureaucratic sense of the word. True, it has a Head, an Advisory Board and some of the other trappings of an institution, but at its heart, the Project is a network of people. The key to its longevity is the web of connections its members have created in Australia, in Indonesia and increasingly globally. Networks have the capacity to expand – though also to contract – in response to stimuli internal and external.

The Project had started out as an activity of the Economics Department, with a clear focus on economic issues. Since then, sometimes willingly, at other times as a result of pressure from outside, it has expanded its disciplinary vision considerably. Still focusing on Indonesia, it now includes amongst its members or associates political scientists, demographers, historians and geographers.

The Project has benefited greatly from good leadership. Project leaders have brought different combinations of skills and experience to the job, but all have made major contributions to the evolution of the Project. The contribution of its founder, Heinz Arndt, was remarkable. Without his initiative, the Project would never have been established; without his entrepreneurship, it would not have survived to the 1980s. But when he retired, the Project successfully made the transition to new leadership: first to McCawley and then to Hill. Both former students of Arndt, each put his own stamp on the Project, in the face of external pressures which at times threatened its continuation. Under Manning – also a student of Arndt's – the Project survived the fallout from the Asian Financial Crisis of the late 1990s, and the fall of the Soeharto regime. In recent years it has successfully transitioned to a much more Indonesia-focused set of activities than had ever been attempted in the past, under the leadership of Manning and then of Resosudarmo, its first Indonesian Head, and the first who was not a former student of Arndt's.

The Project was also fortunate to garner support from a network of academics outside the Department of Economics. Most prominent and influential among these supporters in Australia was Jamie Mackie. As one Project member noted: 'Jamie and his "broad church" philosophy [were] very important in maintaining links to non-economists working on Indonesia'.<sup>15</sup> Mackie's connections were not limited to non-economist Indonesianists though: another Project member remembered of him that he:

... was always very well connected with the DFAT 'elite' and met with former and current ambassadors and senior diplomats quite often, as well as with current heads of the main Indonesia and S E Asia divisions.<sup>16</sup>

This role has been taken over, to some extent at least, by Mackie's successors, Greg Fealy, Ed Aspinall and Marcus Mietzner. Among the many other scholars who have contributed significantly to the Project are demographers Terry Hull, Peter McDonald and Gavin Jones, and historian Robert Cribb.

The Project has also drawn in a particularly talented, and influential, group of postgraduate students. Among them are a former Deputy Governor of the Reserve Bank of Australia, a former Indonesian Minister of Finance, senior researchers at the University of Indonesia, Padjadjaran University, Bogor Agricultural University, SMERU, CSIS and other government and private research institutes, and scholars and officials at institutions outside Indonesia, including the University of Melbourne, the Tokyo Institute of Technology, the School of Oriental and African Studies in London and the World Bank in Washington.

The impact of postgraduate students has been, understandably, greatest in Indonesia. One Indonesian graduate of the Project described it as a 'production centre for Indonesian public intellectuals'.<sup>17</sup> Project graduates are now a vital part of the academic and intellectual life of Indonesia, and of the Project's expanded program and engagement there.

None of the Project's scholarly activities could have been undertaken without strong administrative support. In addition to the editorial and subscription staff mentioned in Chapter 3, the Project relied on a variety of people for administrative support. In Arndt's time, this came from the Department's staff, in particular Margaret Easton, who came with him when he moved to RSPS. Under McCawley's headship much of the administrative load was borne by himself and his Assistant *Bulletin* Editors, first Daroesman and later Weidemann. During Hill's tenure as Head, the Project established a part-time position of Project Administrator. This

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15 Hal Hill, email, 26 February 2015.

16 Chris Manning, email, 26 February 2015.

17 Raden Muhamad Purnagunawan, interview, Bandung, 16 May 2014.

was filled by a number of people over the next 23 years.<sup>18</sup> When the most recent administrator, Cathy Haberle, moved to another part of the ANU in 2014, the position was re-designed and renamed Project Development Coordinator. Kate McLinton, a former AusAID Indonesia section officer, was appointed to the post, which also has a research component. Support for the Project Library was provided for many years by Trish van der Hoek, who later became the Project Newsletter editor. And all administrative staff associated with the Project assisted with the Update conferences, along with staff of the Department of Political and Social Change; the longest serving of the latter was research assistant Allison Ley.

Funding sourced from DFAT, then AusAID, and then DFAT again (after AusAID was abolished in 2013 and its functions absorbed into DFAT), has also been crucial to maintaining the work of the Project, especially the two flagship activities, the Indonesia Update and the *BIES*. Securing this funding, and in the early 1980s seeking to maintain its value through indexation, required considerable effort. However, this external funding generally amounted to no more than about one-third of the total Project budget. Recently that has risen to a little under half, and while these additional funds have clearly been very usefully employed, the situation has made the Project more dependent on government support than at any time in its history. Should that support decline, for whatever reason, then the continuation of Project activities would be jeopardised.<sup>19</sup> The Australian government has received outstanding value for the money it has spent on the Project. Its various reviews of the Project were unanimous in commending Project leadership and members for their achievements, and recommending that funding support be continued. The *Independent Review of Aid Effectiveness*, reporting in 2011, cited the Project as one of AusAID's best-performing research projects.<sup>20</sup>

And the amount of money the government invested in the Project was always minimal compared with the size of the overall Australian

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18 The longest-serving among them were Julie Londey, Winnie Pradela, Karen Nulty and Cathy Haberle.

19 In its 2014–15 budget, the government did flag a reduction in its overall expenditure on aid, but actually increased slightly the allocation to Indonesia. See 'Overview of Australia's Aid Program to Indonesia', <http://dfat.gov.au/geo/indonesia/development-assistance/pages/development-assistance-in-indonesia.aspx>. As this book goes to press, the government has announced a 40% reduction in aid to Indonesia in 2015–16. See 'Foreign aid slashed in Federal Budget 2015', *news.com.au*, 13 May 2015, at <http://www.news.com.au/finance/economy/foreign-aid-slashed-in-federal-budget-2015/story-fn84fgcm-1227353021045>, accessed 14 May 2015. How, or whether, this might impact the Project is not yet clear.

20 Sandy Hollway et al, *Independent Review of Aid Effectiveness*, Australian Government, Canberra, 2011, p 232.

development assistance program in Indonesia. In 2011, for instance, at around \$750,000, the Project accounted for slightly over 0.1% of the total aid package for Indonesia of \$558 million.<sup>21</sup>

Apart from the Project's very early days, when some financial support came from the Ford Foundation, a Victorian charitable trust and a number of businesses, efforts to secure funding from non-government sources have been unsuccessful.

For most of the Project's life, funding support, and support in kind, from the ANU has played a larger role in ensuring its viability than that from outside bodies or agencies, including the Australian government. The Project has clearly benefited from the support of successive Directors of the Research School of Pacific Studies (and its institutional successors) and ANU Vice Chancellors, although it has always had to compete for funds with other units of the School and the University. Crucially, too, the ANU's academic interests in Indonesia extend beyond economics, creating a fertile scholarly environment in which the Project could develop. It has been able to draw on this expertise to complement and to strengthen its own resources. Indeed of the 13 researchers who are currently members of the Project, only six are located in the Department of Economics. Others are drawn from units as diverse as the Department of Political and Social Change, the School of Culture, History and Language, and the Resources, Environment and Development program of the Crawford School of Public Policy.<sup>22</sup> It is difficult to imagine that the Project could have been mounted as successfully at any other Australian university.

The research undertaken by Project members is the primary outcome of the Project's activities. Measuring the impact and significance of this research is virtually impossible in a quantitative sense. But all reviews undertaken of the Project's work have noted the international reputation of this research.

Jayasuriya, for instance, in his 2006 Review, commented:

The Project has established an enviable international reputation in both academic and policy circles (in Australia, Indonesia and globally) as the leading centre for scholarly research on the Indonesian economy.<sup>23</sup>

Two years later, Gordon noted:

The Indonesia Project is widely regarded as having made a significant and valuable contribution to its objectives of producing high quality research on

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21 The total amount cited here is actually for the financial year 2011/12. See also Kenward, *External Review ...*, p 8.

22 See <https://crawford.anu.edu.au/acde/ip/people.php>.

23 Jayasuriya, *Assessment ...*, p 4.

the Indonesian economy and communicating findings in Australia and Indonesia.<sup>24</sup>

The *Bulletin of Indonesian Economic Studies* is firmly established as a leading journal of applied economics; in 2013, it had an international impact factor of 1.067.<sup>25</sup> But it has also successfully widened its scope to cover a range of issues, beyond those of traditional economics. Its articles, the *Bulletin* itself says, range:

... from poverty to public administration, from small business to state enterprise, from peasant farming and fisheries to financial crises – and touching on closely related fields such as law, the environment, government and politics, demography, education and health.<sup>26</sup>

This breadth seems to match what its readers want, at least in the electronic edition of the journal. According to Taylor & Francis, publishers of the *BIES*, the most read article in the period 2011 to April 2015 was Dave McRae's 'Indonesia Politics in 2013: The Emergence of New Leadership?'<sup>27</sup> Of the top five most read articles during this period, only two were specifically economic in focus.

The *Bulletin* always was intended to be accessible to non-economists; it has clearly been successful in achieving this goal. Indeed, one criticism occasionally voiced, particularly by younger economists, is that (as one interviewee in Indonesia put it) 'there is too much S [Studies] and too little E [Economics]'.<sup>28</sup> What they mean is that the economics profession as a whole has moved more and more towards the quantitative, econometric end of the disciplinary spectrum, which is clearly not where the *BIES* is located: if they want professional advancement, it may not be in their interests to publish in the *Bulletin*. That may be so, but the *BIES* clearly gains more than it loses by its current editorial approach.

One of the issues that has been debated, in Editorial Board and other contexts, is whether the 'Survey of Recent Developments', a fixture since the *Bulletin's* inception, remains of value, given that there are now so many products competing in the market. Yet that market seems to be providing a very clear answer. Of the top 10 downloaded articles in the

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24 Gordon, *Indonesia Project Independent Review ...*, p 5.

25 <http://www.tandfonline.com/toc/cbie20/current#>, accessed 6 April 2015.

26 'About BIES', <https://crawford.anu.edu.au/acde/bies/>, accessed 31 December 2013.

27 <http://www.tandfonline.com/toc/cbie20/current#>, accessed 9 April 2015.

28 Ironically, Kenward in his 2012 Review of the Project reported that some critics had said that the *BIES* was 'too economic'. He concluded, however, that 'this criticism is somewhat outdated'. Kenward, *External Review ...*, p 10.

period 2008–12, three were Surveys of Recent Developments. Of the top five cited articles during the same time period, four were Surveys.<sup>29</sup>

The other primary output of the Project is the annual Indonesia Update conference. The success of this enterprise can hardly be questioned. It is now the best-attended conference on Indonesian affairs held anywhere outside Indonesia, and probably inside the country too. Recognising, perhaps, the value of this model, the ANU now has Updates for many other Asia Pacific countries, including China, India, Malaysia, Myanmar, the Pacific, Papua New Guinea, the Philippines, Thailand and Vietnam. Edited proceedings of the Indonesia Updates are now published the following year, and launched in Canberra and Jakarta, and on occasion in other cities. Topics covered in recent years have reflected the diversity of interests now represented in the Project, including education, international relations, employment, Islam, the environment and women.<sup>30</sup>

Which of these two activities – the *BIES* and the Updates – is the most valued of the Project's activities depends a bit on where you sit. Virtually all the Indonesian scholars interviewed for this monograph cited the *BIES*: something that can be accessed as readily now in Indonesia as in Australia. 'If it disappeared', said one, 'there is nothing to replace it'.<sup>31</sup>

The Australians interviewed, however, almost unanimously cited the annual Indonesia Update conference. True, the papers are subsequently published, and available in Indonesia, and live streaming of Update sessions began in 2014, but the informal interactions that are often seen as so valuable are generally available only to those who can physically attend. The only significant exception has been the Mini-Update and Update book launch held in Jakarta in collaboration with CSIS every year since 1998, with attendances usually in the 50–100 range.

The Project has been particularly successfully in recent years in extending its network of participants and events in Indonesia. It was perhaps a little slow to do this, but today Indonesia and Indonesians are central to the Project's life in ways they were not 20 years earlier. In part this was an almost inevitable result of the declining interest in Indonesia

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29 Confidential data: Project files.

30 See Daniel Suryadarma & Gavin W Jones, eds, *Education in Indonesia*, ISEAS, Singapore, 2013; Anthony Reid, ed, *Indonesia Rising: The Repositioning of Asia's Third Giant*, ISEAS, Singapore, 2012; Chris Manning & Sudarno Sumarto, eds, *Employment, Living Standards and Poverty in Contemporary Indonesia*, ISEAS, Singapore, 2011; Greg Fealy & Sally White, eds, *Expressing Islam: Religious Life and Politics in Indonesia*, Singapore, 2009; Budy P Resosudarmo, ed, *The Politics and Economics of Indonesia's Natural Resources*, ISEAS, Singapore, 2003; Kathryn Robinson & Sharon Bessell, eds, *Women in Indonesia: Gender, Equity and Development*, ISEAS, Singapore, 2002.

31 Carunia Firdausy, interview, Jakarta, 20 May 2014.



amongst academic economists in Australia. But it was the result of deliberate policy choices too, a recognition by Project leadership that Indonesians needed to be central to the Project's activities if it was to retain its legitimacy in Indonesia and to justify its public funding.

Indonesia-based activities of the Project range from the FKP meetings, involving primarily academics and researchers, through to the High Level Policy Dialogues, which draw participants from the ranks of senior economic and financial policy makers in Jakarta and Canberra. One of the key characteristics of all of these activities is that they have invariably been undertaken by the Project in collaboration with Indonesian counterparts.

The Project has enjoyed close access to senior Indonesian policy makers for virtually the whole of its 50 years, though it has consciously decided not to act as a consultant to the Indonesian government, nor to the Australian government either, for that matter. The influence of the Project on academic activities and economic policy making in Indonesia is difficult to measure with any certainty. Indeed, in some senses it is in the nature of the work of the Project that its influence is diffuse and difficult to define with precision. At the very least, the Project has acted as a link between Indonesians and Australians, sharing common concerns if not necessarily common solutions; and as a link that functions independently of governments in either country.

There is no doubt that for most Indonesians with direct exposure to the Project and its activities, the experience has been overwhelmingly positive. Most Indonesians interviewed for this history, including several in senior bureaucratic or political positions, cited two aspects of the Project that had impressed them very favourably.

One was the academic rigour with which Project members approached their work, and the commitment they brought to it. Half measures were never enough. Many observed that Project members knew more about the Indonesian economy than any Indonesian economists did. This position is perhaps most clearly articulated by the late Hadi Soesastro, former Executive Director, CSIS. He wrote:

It is ironic that the best institution that undertakes and produces high quality research on the Indonesian economy is not in Indonesia but is to be found in Australia, at The Australian National University (ANU) in Canberra.<sup>32</sup>

Under other circumstances, this might have caused some resentment: and in some circles it may have done. But Soesastro reflected the mood of most of those interviewed:

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32 Cited in Jayasuriya, Jayasuriya, *Assessment ...*, p 5.

Indonesians should be unhappy about this, but in the absence of the Indonesia Project at ANU, there will be a huge void in scholarly activities on the Indonesian economy the world over.<sup>33</sup>

The moves by the Project to centre more of its work in Indonesia, greatly increasing the involvement of Indonesians in these activities, has further eroded any residual concern.

The other aspect of the Project mentioned by Indonesian interviewees was more personal: they cited the warmth and friendliness of the relationships they developed with Project members. Arndt himself set the example here, in the ease with which he mixed with people ranging from Cabinet ministers to postgraduate students, to night watchmen and drivers.<sup>34</sup> Other members of the Project took the same approach. For them, Indonesia was more than just a subject of study: their commitment to the place had an emotional edge to it as well.

The Indonesia Project might have been an unlikely and risky venture in 1965, but it has established itself as the premier international centre for the study of Indonesia's economy, and the *BIES* as an authoritative international source. The study of the Indonesian economy has always mattered for Australia; it matters even more now, given that Indonesia has become a democratising, middle-income nation and a member of the G20.

Over and above its fundamental commitment to academic rigour, good policy analysis and fruitful collaboration, the Project continues to make a significant contribution to good relations between Australia and Indonesia. In 1965, when the Project was founded, Australian troops were stationed on the border with Indonesia to defend the newly founded nation of Malaysia. Over the years diplomatic relations with Indonesia have waxed and waned, but the bilateral and international networks that the Indonesia Project represents have not just endured but matured and thrived. The professionalism, mutual respect and trust behind this achievement may be intangible, but they have had impact and influence far beyond the Project's modest finances and staffing, and are things in which all associated with it can take pride.

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33 Cited in Jayasuriya, Jayasuriya, *Assessment ...*, p 5.

34 Arndt recalled the pleasure he derived from playing chess in Indonesia: 'I never had any difficulty finding a partner, often the ... night watchman ... or one of the transport drivers of the Australian Embassy, all of whom played with enthusiasm, with Musa, the tall, friendly driver to the Ambassador, as their champion'. Arndt, *A Course ...*, p 58.

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