International cooperation between politics and practice: how Dutch Indonesian cooperation changed remarkably little after a diplomatic rupture

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CHAPTER 1
A decision and a riddle: the redefinition of Dutch-Indonesian cooperation in 1992

Introduction

For nearly four hundred years, Indonesian and Dutch people have known each other; in different capacities, in different contexts and with mixed feelings. The Dutch were first known as red-haired merchants, later as large-moustached colonisers, then as longhaired development workers. Dutch views on the people in the Indies changed accordingly: from an exploitable people still living in feudal structures to a vast number of potential consumers in a newly democratising and industrialising nation. This research attempts to gain greater understanding of cooperation and bilateral policymaking between the Dutch and Indonesian governments after the restoration of diplomatic ties in 1964. A diplomatic clash between the countries in 1992 appeared to unsettle all forms of cooperation built up in the post-colonial era. I will propose an exploratory expedition to understand what was lost, what remained and what changed in the relation between the countries.

This book is a policy-oriented study on the bilateral policies in which both countries cooperated over a period of 30 years. Policy, from the formulation to its implementation is seen as one of the many manifestations in which the relationship can be described. One could also describe the relationship by listing the cultural manifestations or personal ties between the peoples of the respective countries. Or define the relationship in terms of trade and investment. Not in the least, as many have done before me, the relationship is described as a historical process. As said, my choice is to understand the relationship from the perspective of a policy analyst. The focus will be on the actual manifestations of policy-making: projects, in which representatives of both countries cooperated. The contents of, changes in and opinions on these projects can be seen as a reflection of the bilateral cooperation and relation. The policy oriented approach used in this book also presents another way of understanding how foreign policy is designed.

The choice for a policy-oriented study is simple: I am a student of politics, policy and public administration. The escapades made to other disciplines, when I indulge in historical or psychological analyses are the guilt-free vices for a policy scientist: he or she may and must make use of the insights of other disciplines. But as we soon will see there are other less trivial reasons for seeing the relationship from the angle of policymaking. I will be arguing that the approach followed in this study is equally worthwhile and adds insights for other students of such a bilateral relation.

This first Chapter sketches the situation that has led to this research in a cinematographic manner. First some events in 1991-1992 are recounted; then a flashback in his-
tory is made to depict the context of the events that took place in a turbulent time in Dutch foreign policy and the Indonesian domestic situation. In the subsequent sections, the oddities of what happened afterwards are presented like a riddle. The quest to solve this riddle is the red thread throughout this book.

An ‘incident’ leading to another incident

On 12 November 1991, as has happened on a regular basis since the Indonesian annexation in 1975, human rights were violated in East Timor, which was at the time a province in Indonesia. The Indonesian army shot hundreds of Timorese people after the burial of a Timorese youth in Dili. The massacre, euphemistically called ‘incident’ by the Indonesian authorities, proved to be of more significance than the victims and authorities involved assumed it would be. Because an Australian reporter was shot and a BBC-reporter filmed the shootings, the incident/massacre received major coverage of the media. The Dili incident was noticed by the otherwise not too interested members of parliaments all over the world. The actions of the Indonesian government were denounced and an investigation by the United Nations was demanded. The Dutch parliament spoke out their utter shock and ordered minister of development cooperation Jan Pronk to suspend all new projects with Indonesia. The Canadian government suspended their aid as well. The parliaments in Canada and the Netherlands pressed their fellow nations in multilateral organisations take punitive measures against the government of Indonesia. Denmark followed the Netherlands in its decision to postpone all aid to Indonesia, because earlier it had decided to follow the chairman of the European Union in its position towards Indonesia; at the time the Netherlands chaired the EU.

President Soeharto was just returning from South America as the chairman of the Non Aligned Movement (NAM) when he heard of the decision of the Dutch parliament. He was not amused. More so, this decision was the last drop that made the cup run over. At that very moment, miles in the air, he decided that Dutch meddling in the domestic affairs of his country had to end. Although he knew that other countries were stepping on his toes on this particular subject as well, he was firmly decided about striking back the Dutch. He thought of a plan to teach those ignorant and arrogant Dutch parliamentary members a lesson, but most of all the Dutch minister of Development Cooperation Jan Pronk, who chaired the donor syndicate IGGI for Indonesia as well. The Dutch seemed to have forgotten with whom they were dealing: the apex of power in the fourth biggest country in the world, the One with Distinguished Power, father of some very wealthy children and not in the least, soldier in the army that defeated the Dutch in Yogyakarta! His pride was hurt. The national pride of Indonesia was at stake. And if one country should not touch the national pride of Indonesia, it was the former coloniser, the Netherlands.

As soon as he got home, he called in his close advisers for political and economic affairs in a limited cabinet session. He wanted all Dutch influence that was left after
de-colonisation out of his country, away from his policies. This implied that all development aid projects had to end and, most of all, Dutch chairmanship of the IGGI. Because, apart from the irritation caused by the Dutch attitude, high economic stakes were involved as well. If the Dutch, as chairman of the IGGI and chairman of the EU in the first half of 1992, would succeed in convincing other governments to reconsider their aid disbursements, Indonesia’s economy would be in big trouble. The Netherlands was, as small as it is, an influential actor in Indonesia’s foreign aid affairs. His close advisors could not convince him to change his decision. What they did instead was make thorough preparations to have this decision executed in the smartest possible way, so that neither aid disbursements would be risked, nor international support would be lost.6

The limited cabinet group needed time to prepare the implementation of the decision and postponed the annual bilateral discussions on bilateral aid projects which were to be held the 22nd of January 1992. ‘Technical matters’ were the explanation for the delay. The acceptance of the letter of accreditation of the new ambassador to Jakarta, Mr. Van Roijen, was postponed as well. If he was not accredited, Van Roijen did not have access to important information, such as the actions of the Indonesian close advisors. When he finally was received at the palace of the President, he underwent a harsh speech by president Soeharto, in which the Dutch attitude was attacked as being colonial.7 In January and February the Indonesian minister of Foreign Affairs, Ali Alatas paid visits to Japan and the office of the World Bank. According to some, he undertook missions to the largest donors, to find out whether they would be willing to continue their membership in another donor-syndicate. The Indonesian top officials interviewed denied that he was preparing for a new syndicate, but it is a fact that only days after the announcement to the Dutch government to end the chairmanship of the IGGI, a new syndicate was established.

The Indonesian Minister of Economy, Finance, Industry and Supervision of Development (EKUIN)8, Radius Prawiro, took up another part of the preparation. He had some hundred fax machines installed in the department and sent notice to all Indonesian embassies in the world that on the 25th of March, they would receive a fax. Ambassadors should immediately make an appointment with the departments of Foreign Affairs in the respective countries. According to Mr. Prawiro, this well prepared information device was necessary, because nobody should know beforehand of the decision. The fax, which was sent all over the world on the 25th of March, contained a letter of explanation to all governments about the decision. The Indonesian ambassadors had to make appointments with the ministers of Foreign Affairs in the countries where they were posted. By explaining the decisions and the motivations for it, it was hoped that internationally Indonesia would be understood and keep the support it had enjoyed.9

From a domestic point of view, it was high time that the president should display his authority again. National elections were about to be held and as is often the case and as his predecessor Sukarno had done many times, an attack on an issue of foreign policy could strengthen popular support for Soeharto’s politics. To gain a fuller
understanding of the significance of what happened in 1991-1992, a short account is given of some 400 years of the bilateral relations between the Netherlands and Indonesia. Then it becomes clear what it means when people from both countries speak about a ‘special’ relation. After this flashback the story continues in March 1992.

A brief history of Dutch-Indonesian relations

From 1596, when the first Dutch traders set foot on Banten in West Java, until 1798 the archipelago was an overseas trade area for the Dutch. This is the first period in the relation between Indonesia and the Netherlands, which consisted only of trade relations. From 1830 onwards, the Dutch government put more effort in exercising rule with the so-called Cultuurstelsel on Java. This system of rule was meant to extract crops from the Javanese villages. An administrative system was set up to ensure the collection of crops and taxes. The archipelago was submitted to one centre of power: the Dutch government in The Hague ruling via the capital city Batavia, which is now Jakarta. The islands were thus transformed to a full-fledged colony of the Netherlands. However, the Dutch administrative system of rule left the local and feudal structures of power intact. This second period in Dutch Indonesian relations was closed in 1945, when on August 17, Sukarno and Hatta proclaimed the independent Republic of Indonesia. The Dutch did not accept this self-proclaimed independence. They sent troops to ‘restore the peace’ in Java and Sumatra (Rickleffs 1981: 200-221).

In 1947 Dutch troops drove the Republican troops out of Sumatra and most of Java. In 1948 two military actions were launched, with the euphemistic name ‘policing actions’ and in military terms ‘Operation Product’. These military actions met fierce resistance, internationally as well as in the Netherlands. How could the Dutch defend their presence in Indonesia while they themselves had just been freed of German occupation? Besides, all nations around them were de-colonising (De Kadt 1949/1989; Ide Anak Agung Gde Agung 1980: 221-236). The United Nations Security Council agreed that the power should be transferred to the Republican government. The US government in Washington threatened to withhold Marshall Plan funds if the Dutch would not recede (Gase 1984). December 27, 1949 the Dutch formally acknowledged the sovereignty of Indonesia with the establishment of the Dutch-Indonesian Union. Both countries would cooperate in finance, economic and cultural affairs, defence and foreign affairs. It was also stated in the statutes that the island of New Guinea was to stay under Dutch rule for one year, to be settled afterwards.

The withholding of New Guinea became a serious impediment in Indonesian-Dutch relations after independence. Three conferences on the status of New Guinea failed and more and more Indonesians wanted to end the Union, that was one-sided and benefited mostly the Netherlands. The Dutch government had not given an inch in the negotiations between both countries. The general belief of the Dutch political elite was that granting Indonesia full independence was premature and bad for the international community and the Dutch economy (cf. Gerbrandy 1950). Dutch min-
ister of foreign affairs Joseph Luns was perhaps the staunchest believer in withholding the colony and even played tricks to his own diplomats to gain support domestically (Huydecouter van Nigtevegt 1990).

In 1955 the last conference in Geneva failed: the Dutch delegation demanded guarantees for the Dutch trade and industry, while the Indonesian delegation wished to have separate negotiations on the New Guinea question. On February 13, 1956 the Indonesians terminated the Dutch-Indonesian Union. In the same year the Dutch credits were annulled and in 1957 more than 500 Dutch companies were nationalised. Anti-Dutch demonstrations broke out in Java and the diplomatic relation was ended. In 1962 the conflict resulted in a military confrontation. The United States supported the Indonesian government, fearing communist influence in this part of Asia. The 15th of August 1962 an agreement was reached in New York. The first of May 1963 New Guinea was handed over to the Indonesian government and it became Irian Jaya in 1969 (Esterik 1982; De Geus 1984).

The New Guinea issue had cost a lot of time, money and goodwill in both countries and had left a bitter aftertaste in the mouths of many Indonesian and Dutch people. President Sukarno had made the liberation of New Guinea his primary objective of foreign policy: his neglect of attention to Indonesia’s economy is partly attributed to the New Guinea affair. The Dutch didn’t really benefit from their last colony in Asia. Keeping it had only cost them money and almost the support of the United States. Here ends the third period in which both countries tried to form a relationship between an ex-coloniser and ex-colony. Arend Lijphart concludes in his dissertation *The Trauma of decolonization* that the motives of the Dutch government to withhold New Guinea were subjective and emotional: New Guinea served as a symbol of national power and imperial grandeur (Lijphart 1966).

Finding a new way to relate

Soon after settlement of the New Guinea dispute, the diplomatic relation between the two countries was restored in 1963. The Dutch had new reasons to restore the relationship with Indonesia. The department of Foreign Affairs had published a paper, in which it was stated that the Netherlands wished to play a special role in Asia, specifically in Indonesia. Indonesia is measured in population one of the largest countries and could be a large market for Dutch exports; Indonesia possessed many natural resources and many economic opportunities; at the time the Dutch had a wealth of knowledge on Indonesia available in the archives and libraries. Dutch companies saw, sooner and for other reasons than the government, the benefits of maintaining a good relation with the former colony. The so-called group Rijkens, a network of influential Dutch businessmen, had during the New Guinea crisis lobbied extensively for a more business-like manner of relating to Indonesia (Baudet & Fennema 1983). Furthermore, there were already many personal contacts between Indonesians and the Dutch, despite the anti-Dutch policies between 1945 and 1963. The emotional element in Dutch politics that Lijphart described had another side as well, that of feel-
ings of guilt and a 'debt of honour' (Locher-Scholten 1981; Van Deventer 1899). For Indonesia it was of the utmost importance to improve its financial situation. The Netherlands was, despite the past years of conflict, the first country to turn to for financial aid.

A year later, in 1964, the first General Agreement for cooperation in the new era was signed. The Agreement on Technical Cooperation provided in a framework for bilateral development assistance to Indonesia. The structure of a General Agreement is as follows: on a yearly basis delegates of both countries meet and discuss funding levels, projects and activities, which are recorded in either Memoranda of Understanding (MoU's) or Agreed Minutes. From the Dutch side, the delegation was headed by the Minister of Development Cooperation (DGIS). From the Indonesian side, delegates came from the Ministry of Finance, Economy and the Planning Agency Bappenas, depending on the organisational structure of the ministries. Once the principles were set on what included technical cooperation, on each individual project or loan, decisions were made in joint consultation by administrative arrangements.

However, the sheer magnitude of Indonesia's financial problems could not be solved with a bilateral agreement with the Netherlands. Contrary to many other developing countries, Indonesia did not have a donor-syndicate, a multilateral group in which several donor countries take seat and assemble a larger amount of funds for the development of a country. Indonesia was not particularly attractive for potential donors. First, Indonesia was a member of the Non Aligned Movement (NAM). Western countries were suspicious and sometimes even hostile to members of the NAM, because of its anti-colonial thrust and the membership of some communist countries (Anwar 1994a). In the 1950's and 1960's Indonesia had shown more affiliation to communism than to capitalism. Second, the refusal of aid from the United States, because of political conditions attached to it, did not much good for the trust of western countries in Indonesia. Third, the World Bank, the biggest potential donor, was not willing to chair a donor-group on Indonesia. Indonesia was in such a serious debt situation that it was not eligible for normal Bank loans but only for the very long-term, low interest loans. The Asian Development Bank (ADB) was just starting at that time, and supporting a country as big as Indonesia was not possible for the ADB. In sum, the situation for Indonesia seemed one of no way out, although the plans and the vision to get out of the situation were present in Indonesia (Posthumus 1971).

When Soeharto became president in 1967, the new government opened the country for foreign investment and foreign aid. Sultan Hamengku Buwono IX, the then coordinating minister of Finances and Economy, suggested asking the Netherlands to chair a donor-group on Indonesia. The Netherlands was a more neutral country than for example the United States or Japan. These last two countries were prejudiced towards each other; American chairmanship would mean that there would be no Japanese support. Everyone accepted the Netherlands. And, especially the Dutch would understand the Indonesians better than any other country. The Netherlands offered then to host an international meeting to consider the economic and financial situation of Indonesia and to exchange views on the possibility of assisting Indonesia in imple-
mentation of its stabilisation and rehabilitation programs. The first meeting with potential donors was held in December 1966 in Paris. In the Amsterdam meeting, February 1967, all donors expressed the same aim: to assist Indonesia as quickly and efficiently as possible. In June 1967 all financial assistance for 1967 was committed and the Inter-Governmental Group on Indonesia was founded (Sievers 1974: 261-263).

The IGGI was not an institution with an expert staff, but was an aid coordination mechanism. Expert advice came after 1969, given by IMF and the World Bank. Many people have noted the success of the IGGI. Because of the steady progress Indonesia made every year, the donor-countries were confident that their aid was spent well. They were willing to answer the requests of Indonesia for higher amounts and the total amount of loans went from US$ 200 million in 1967 to almost US$ 470 million in 1991. Another factor that can be taken into account for the relative success of the IGGI was the fact that from the beginning on, Indonesia was a partner in the negotiations. For example, Indonesia was never asked to leave the meeting so that the donor countries could consult among themselves. An effort was also made by the donor-countries not only to judge Indonesia’s policies, but also be critical towards the policies of the donor-countries. This, and also the many friendships that existed between Indonesian and Dutch representatives created a good climate for the negotiations of the IGGI (Posthumus 1971). For Indonesia Dutch chairmanship of the IGGI was from a financial important aspect of the relation it had with the Netherlands.

Next to the Agreement of Technical Cooperation and Dutch chairmanship of the IGGI two other Agreements in Dutch-Indonesian relations can be seen as building elements in the formal framework of bilateral cooperation: the Agreement on Economic Cooperation and on Cultural Cooperation. Such General Agreements are renewed and filled in (bi)annually with several projects and activities. They were agreed upon in 1968, when the conflicts of the previous decade seemed far away and forgotten by the new leaders of both countries.

These bilateral agreements themselves do however not say much about the actual relationship between both countries. If we would merely study them, the principles and the discussions taking place between governmental representatives, we would get a diplomatically correct, but empty picture of the state of the relationship and we could not explain what would happen in, and after 1992. Something must have happened in the context or implementation of these Agreements. Let us now move to the actual day 25 March 1992, a black day for Dutch politics, a victorious day for Indonesian nationalism.

March 25, a black and a victorious day

In the morning of 25 March 1992, the Indonesian ambassador Bintoro Tjokroamidjojo received a fax from his government and the order to bring it as quickly as possible to the Dutch Prime Minister Ruud Lubbers. As soon as he had delivered the fax, he speeded off in his car again. The contents of the fax were reason for the Prime Minister
to call for an extra session with his ministers. It was a letter of the Indonesian government, requesting the Dutch government to terminate the chairmanship of the IGGI and cancel all development aid projects and repatriate its development workers within a month. The letter was a painful reminiscence of the late president Sukarno, who had told the United Nations to 'go to hell with your aid'. A lengthy quote from the letter tells more on the Indonesian stance and directs us to the central question of this study.

‘... relations between the two nations have recently deteriorated sharply as a consequence of the reckless use of development assistance as an instrument of intimidation or as a tool of threatening Indonesia.

It is reminded that the two nations have exerted tremendous endeavours to build a relationship on the heap of ashes of an exceedingly painful historical past resulting from centuries of inhuman colonial subjugation as well as from barbarous atrocities carried out by colonial forces during the war of independence only less than fifty years ago. None would like to see the flourishing economic, social, political and cultural relations being torn into pieces. But as long as the exaggerated eagerness to resort to the use of Netherlands development assistance as a tool of intimidation continues, relations between the two nations will further erode more rapidly.

The Indonesian government does not wish to be a party to letting relations between the two nations degenerate towards a complete breakdown. Nor has the Government of Indonesia any desire to watch the Netherlands Government be put repeatedly in an awkward predicament as a consequence of not being able to put an effective break on an exaggerated eagerness to continue utilising development assistance as an instrument of threat to Indonesia.

Since this exaggerated eagerness to resort to the use of development assistance as an instrument of intimidation seems to continue unabated, the only remaining option to prevent further erosion of relations between Indonesia and the Netherlands is to terminate completely all development assistance from the Netherlands to Indonesia.

The complete absence of development assistance from the Netherlands to Indonesia will result in the complete absence of the use of development assistance as an instrument of threat to Indonesia. It will definitely lead to improved relations between the two nations and will prevent the Netherlands Government from being put repeatedly in an awkward positions.\(^{18}\)

The letter ends with a call for the future to continue exerting endeavours to build a strong relationship between the two nations based on mutual respect and mutual benefit. In the press-communiqué the following was added:

‘The Government of Indonesia is now reviewing development projects whose activities are financially assisted by the Netherlands to determine their status for continuation. There will be projects to be continued with development assistance
This epistle is one of the finest examples of how a diplomatic message can be written, it is honest, emotional, and direct. The letter starts with harsh, bitter words. Dutch development assistance is presented as the biggest detriment in the relations and should therefore be ended altogether. The Dutch attitude brought back memories of the colonial past. In the preceding months minister Jan Pronk had been presented in the Indonesian press as a colonial administrator. Striking were the pictures of minister Pronk, either dressed in safari suits or in casual clothes with his hands in his sides, or towering over a small Javanese woman. It was clear, all neo-colonial development aid had to end. On the other hand, the letter specifically stated that all other relations – economic, social, political and cultural – should remain. The government-to-government cooperation should be conducted in a new spirit, to mutual benefit and based on equality. The principles of mutual benefit and equality were emphasised in the ministerial missions in the following months.

Ending Dutch chairmanship of the IGGI was another important step to be taken: the dependency relationship that still existed by having the Dutch chair the donor syndicate had to be altered. Besides, the World Bank had long ago said that it would be willing to chair the IGGI, Dutch chairmanship was a ‘left-over’ from a period in international history that did not exist anymore in the post Cold War era. Foreign aid was still required, but Dutch chairmanship over the syndicate was evidently not.

One could say that statements such as made in the letter are commonplace in international politics: to pose a threat the one day and continue business as usual the other day. Studying what happened before and after this decision would concentrate on the factual implications, if any. However, this letter voices strongly the irritations and emotions that apparently have been bothering the Indonesian government for a long time. The letter is a firm statement on how new relations and subsequent policymaking between the two countries should look like in the future. New principles were set, aims were reformulated and some suggestions were made on the means on how to achieve the common goals of mutual benefit and equality.

The addition in the press-communiqué refers to the development aid projects. All projects would be reconsidered. This massive review of the 111 on-going projects is the particular interest of this study. As was stated, Dutch development aid and the way it was abused stood for the relationship that had to be ended. The specific mentioning of projects is quite uncommon in a ‘high-politics’ letter such as this. Why should these projects be mentioned if it had been the Dutch government which had used development assistance as a tool of intimidation? Were the Dutch people working in these projects also guilty of the colonial attitude the Dutch government had displayed? Were these projects the embodiment of inequality and one-sided benefits? And if projects were continued, with other foreign funds, or Indonesian funds, does that mean that these were not characteristic of the Dutch virus? Why were some continued and...
others not? This is a riddle, which should be easy to solve by just looking at what happened with the projects.

The letter leads thus to several questions for the interested policy-maker who wants to understand if and how political decisions can change the practice of bilateral cooperation. In the next section the events immediately happening after March 1992 are described, to try to obtain a first understanding of how the decision affected bilateral cooperation and asses what kind of changes were made. While at first sight a description of what was supposed to happen seemed a simple task, it led to more questions than answers.

### A riddle, some assumptions and a bit of exegesis

Common sense knowledge helps us to understand what happens in daily life, but to be able to analyse more complex processes we need models of the real world. Decision-making for the greater good, i.e. political decision-making requires analytical models to understand the complex interaction between state and society. Essential elements in models of the political process are the demands that the political system receives from society, the process in which such demands are transformed into political decisions and the communication of those decisions, as policy, to society. David Easton’s model of the political system is a well-known overview of how the political system works (Easton 1965). The systems approach and many other models for understanding the political process are based on two important assumptions. The first assumption is that humans attempt to realise what is in their interest. The competition of interests is the driving force for the political actors on the stage. Easton’s definition of political events presumes that interests are the driving forces when he says that politics is the ‘authoritative allocation of values for a society’ (Easton 1965: 30-32). The model assumes actors realise their interests through making a rational choice in available options of (political) behaviour. If we know what interests are being pursued and how these are transformed in the political system, then we could more or less predict and explain afterwards how the political events in 1992 led to the outcomes.

Secondly, a division in powers is assumed. The division in powers between the elected parliament, the appointed executive and the independent judiciary the basis of most models of the policy process in democracies. Furthermore, politics and administration are two distinct processes, of which the administration-part is the technical and neutral entity that carries out of the decisions made by the legitimate authorities. In the case of Indonesia, this delineation was even more simple during the reign of president Soeharto. The president decided and the rest of his fellow-Indonesians made the decisions happen, civil servants and citizens alike.

If the assumptions about the rational pursuit of interests and a division in authority hold true in reality, then the decision of the Indonesian government must lead to predictable outcomes. After all, the letter said what the principles and aims should be, albeit that the precise meaning of the principles mutual benefit and equality is yet to
be determined. The assessment of whether a project or arrangement matches the principles and aims should be a matter of administrative, technical analysis and with some logic of inference we should be able to determine what the meaning of the principles was by observing the actions following March 1992. Let us try to solve the riddle why some projects were continued and others not. I start puzzling by recounting what happened after the decision and keep in the back of my mind the two basic assumptions on the policy process: the rational pursuit of interests and a hierarchy in politics and administration.

A successful reshuffle in international relations

Executing the decision to end Dutch chairmanship of the IGGI worked out just fine for Indonesia. The 1.9% that the Dutch bilateral aid added to the total amount of aid was negligible and the donors of new donor-syndicate Consultative Group on Indonesia (CGI) made more financial pledges than ever before, US$ 5 billion. This message was clearly understood by the Dutch government as well. For the Netherlands, the ending of IGGI chairmanship and the development aid to Indonesia proved to be a learning experience for its foreign policies (Hellema & Vos 1998). Peter Malcontent writes that since 1992, both the relation between the minister of Foreign Affairs and the minister of Development Cooperation has changed in favour of the minister of Foreign Affairs, who prevails in the decision-making on international affairs. He refers to the conclusion of development sociologist Jan Breman who asserts that the leverage of the Dutch minister of Development Cooperation has been curtailed by the successive Dutch cabinets (Malcontent 1999: 236).

The repeated warning of ‘the awkward position the Dutch move themselves into when they use development assistance for intimidation and threatening’ by the Indonesian government was understood. The principle of conditional foreign aid has been sparsely mentioned since 1992 and ‘silent diplomacy’ was opted for, especially with regard to Indonesia. This part of the decision is a clear example of the rational pursuit of interests and a well considered decision-making process. Available options to secure international assistance had been assessed and the international community cooperated in a fruitful way with the new situation. The Dutch government was kept out of the CGI-discussions, thus avoiding the possibility of ‘awkward situations’. However, while the international reshuffling of positions worked out well, the situation with regard to bilateral cooperation proceeded not so smooth and crystal clear.

Chaos and uncertainty in bilateral relations

Some preliminary answers are considered to the question what factors determined the aftermath of bilateral projects. The answers as to why some projects were ended and some not were suggested by several people and in several sources. The press, the documents of the Dutch department of Foreign Affairs and people who were at the time...
involved in handling the decision: embassy personnel, officials from Bappenas and Indonesia-observers.

There is little written information available in the Netherlands on the continuation or discontinuation of the 111 Dutch development projects. The Dutch Department of Development Cooperation (DGIS) had a special bureau for Indonesia, because much of the Dutch development efforts were directed to Indonesia. This bureau had to administer all projects affected by the decision: take care of all development workers who had to return or find employment elsewhere and make the last accountancy reports. There was limited time available, the bureau had to be closed by the end of the year. In the final report of the Dutch embassy of December 1992 a count was made based on the information that the embassy could gather. 49 Protocols of transfer were received. According to the information they had then, 36 projects were continued with Indonesian or other foreign funds, on 23 projects negotiations were still being held, 16 projects were not continued and the status of 36 projects was not known. The embassy admitted that it was quite burdensome to complete the status-reports: the counterparts who actually implemented and administered the projects were scattered all over Indonesia and the Netherlands. In this report it was concluded that the Indonesian government did not seem to have a clear preference for projects in specific policy areas. The only area in which more projects were discontinued than in the other policy areas was rural development, but at that time negotiations about the majority of these projects were still ongoing. After submitting the report the Indonesia bureau was dissolved and administering of the aftermath of projects was not a task of the DGIS anymore.

No report or study tells why some projects were continued or discontinued, or what the considerations of Indonesian government were to continue or discontinue projects. I asked some people who were directly involved what they thought the criteria were. The Dutch deputy ambassador to Indonesia explained the continuation and discontinuation of projects as a matter of time: most of the projects that were ended were in their final phase anyway. It would have been a waste to end the other ones untimely. According to him there were no specific policy interests: all projects were relevant, because the Indonesian planning agency Bappenas had approved them. I also asked two officials from Bappenas what the criteria were to continue or discontinue projects. Both Saleh Affif, the chairman of Bappenas at the time and Hinu Situhardjo, who in that time dealt with the Dutch delegations said how difficult it was to even conduct an assessment of Dutch projects. They were amazed that the Dutch bilateral aid consisted of so many extremely small projects. These projects were indeed scattered over Indonesia and involved virtually every ministry and lower echelons of it. The bilateral aid of donors such as France and the United Kingdom is concentrated in a few large-scale projects. According to the Bappenas officials, the main criterion was urgency, which had to be proven by the departments that acted as official counterparts for the projects. All Indonesian departments were asked to review projects and activities in which Dutch aid was involved. They had to submit their report as soon as possible to Bappenas. In principle, if the departments wanted, the
projects could be continued with their own budgets or find other foreign donors to continue. If they could prove that a project's continuation was urgent and that the department really could not fund it, then Bappenas would consider including a project in the national Rupiah budget. Thus, what was urgent was defined at the departments. But what does urgent mean?

In Indonesia nobody knew precisely what 'urgent' meant and how the decisions should be interpreted. Ambassador van Roijen called the period after March 1992 a 'grey zone', while others spoke of utter chaos. It was noted in the media and at the Dutch embassy that the Indonesian State Secretary (Sekneg) assumed the most stringent interpretation of the decision. One official of Sekneg had sent out a letter saying that all Dutch people working in development projects had to leave the country within a month. This caused great confusion in the Dutch community, because many of the project leaders were still in negotiation with departments about some form of continuation. Saleh Affif himself had to officially denounce the contents of the letters. Dutch companies, who had nothing to do with DGIS or Dutch government support, noted that there was a hostile climate in Indonesia. They lost their tenders and their phone calls to their Indonesian business-partners were not returned.

Other observers disagreed with the statements of Bappenas and the embassy that policy priorities had not been a criterion. At the university of Twente an assessment was made of the kind of projects that were (dis)continued after 1992. According to Martin van der Wijck most of the projects discontinued were concerned with rural development, research and education, culture, women, and environment. He based his conclusion on the same document of the embassy (Van der Wijck 1993). Nico Schulte Nordholt stated that a set of projects under the Co-Financing-program was discontinued because of the involvement of critical Indonesian Non Governmental Organisations (NGO's). Another set of projects was discontinued because they were of less relevance for Indonesia's development policies. Another set of projects was continued because they were highly relevant for the interests perceived from the viewpoint of Indonesia's development policies (Schulte Nordholt 1994). According to Dirk Vlasblom, the foreign correspondent of a Dutch newspaper, there were no criteria: 'what was allowed to continue was not the result of well-considered policy but the result of negotiation and networks. People made use of the situation to get what they want if they were in a position to do so.'

Unexpectedly, it became clear in the months following March 1992 that not only Dutch development assistance projects (DGIS-projects) had to be ended. A fax from an employee of the Dutch Department of Education and Sciences was sent to the embassy, but not the Dutch embassy in Jakarta, but the Indonesian embassy in The Hague. The fax was a copy of a memo of the Dutch minister of Education and Sciences to his colleague of Development Cooperation, asking what should happen with the 20 projects under the responsibility of Education and Sciences, but financed by DGIS. To the Indonesian government it was clear that not only DGIS projects were contaminated, or haram, but that all Dutch government projects could contain the 'virus' of Dutch development aid. The range of what was halal (allowed, kosher) had
suddenly become much smaller. All bilateral projects in which the Dutch government funded the main part, whether they be under the General Agreements on Economic Cooperation, Cultural Cooperation or Technical Cooperation (foreign aid) were now subject to the decision of the Indonesian government. In practice this meant that the 20 projects in cooperation with the ministries of Education and Culture had to be reconsidered as well, because these were, factually and financially, assistance to Indonesian institutions of (higher) education. Added to the 111 projects under the banner of DGIS were 20 projects of the Dutch ministry of Education and Science. Apparently the Indonesian government had not realised, or forgotten that also bilateral projects with other Dutch departments than DGIS had partly been funded by DGIS. This inclusion of other bilateral projects added to the confusion in Indonesian and Dutch government circles and among the many people affected by the decision. Nobody quite knew how to interpret the decision and what it should mean for the bilateral projects and the relation in general.

Do 'mutual benefit' and 'equality' only refer to economic relations?

The desire of the Indonesian government, but equally so the Dutch government, was to find ways to realise the new principles of mutual benefit and equality. The first steps were soon taken. Indonesian minister of Trade, Arifin Sitanggang visited the Netherlands in April 1992 and opened amongst other the Indonesian Trade and Information Centre. This visit was returned by a visit of Mrs. Yvonne van Rooy, the Deputy Minister of Economic Affairs to Jakarta. She was even received in the private home of president Soeharto. Both visits were meant as a signal for the private sector that bilateral trade would not be hindered by the decision of March. After some problems in gaining orders for the Dutch companies, after 1993 trade between the two countries flourished again (see Chapter Six). However, the relative position of both countries in total trade is not that special: for the Netherlands, the EU countries and the United States are the main trading partners, while for Indonesia, Japan, the ASEAN-countries and the APEC countries come first. Opinions differ whether the renewed relation was a good thing for Dutch private companies or not. Companies depending on grants and subsidies of the Dutch government naturally suffered some losses. Some consultancy agencies had to reconsider all their activities in Indonesia. Other companies say that now the political stumbling blocks were taken away, trade and negotiations went much more businesslike. Funds from development cooperation that served the private business such as o RET were not allowed anymore, so the Dutch Ministry of Economic Affairs had to find ways to be able to compete with other western countries wanting to get a foot on the Indonesian market. Although the European Union forbids special grants and subsidies for companies trading abroad, only the Netherlands seemed to comply with the rules. In 1995 however, during the visit of Queen Beatrix to Indonesia, the minister of Economic Affairs Hans Wijers, accompanied by a large business mission announced that the Department of Economic Affairs would create a special fund for Dutch companies wanting to invest in Indonesia. In 1997 it was
already clear that so much use has been made of the ‘Two million of Wijers’ that the fund would have to be replenished again.\textsuperscript{35} Trade relations did indeed grow in the period 1992 to 1997 but Indonesian exports to Europe via Rotterdam attributed most to that increase.

Dutch Minister of Education and Sciences Jo Ritzen paid an official visit to Jakarta in September 1992. Like Mrs. Van Rooy he was received in the home of president Soeharto, which showed the appreciation of the president. During this visit the Cultural Agreement was reinvigorated. The discussions between both Ministers of Education and Culture Fuad Hasan and Jo Ritzen and between Mr Ritzen and Minister of Research and Technology Habibie were ‘fruitful and promising’. The Memoranda of Understanding mention a host of new initiatives, immediately on both sides administrative arrangements were made and the Dutch government allocated special funds for the renewed Cultural Agreement. All joint activities should breathe equality and mutual benefit. In practice that meant that the renewed Agreement was to consist of joint research projects, because rather than education, research would be of benefit for both countries. Quite a number of visits from both Indonesian and Dutch delegations followed. The question remains what has become of the agreements made during these visits. In the case of the Cultural Agreements, fewer projects than agreed upon have been started. It was more difficult than expected to start joint research and to have the Indonesian party contribute 50\% of the means (see also Chapter Five). On both sides it is asserted that somehow, the implementation of the renewed agreement is hampering.

Questioning the individual officials or reading what is being said in the papers leaves one with the uncanny feeling that a lot of words are used to say that nothing really happens as yet. A number of critical observers note that since 1992 much of the ease in the relation has gone. Others say that now the extra funds of the Dutch government are gone, the Indonesian government and related parties do not turn to the Netherlands anymore. ‘The big bag of money’ seems to have been the only reason for the Indonesian government to engage in Dutch-Indonesian projects. However, this is a rather pessimist observation, because why would the Indonesian government still receive delegations, send delegations and make plans with Dutch parties? For example the Minister of Education and Culture Wardiman Djojonegoro (1993-1998) said that after assessing the possibilities with other countries, the Dutch system of vocational education would be the best system as an example for Indonesian vocational education policies. Another example, which is quite striking, is that the Indonesian government agreed on a project of cooperation with the Dutch department of domestic affairs on the education and training of civil servants. Assessing what was lost, what was gained after 1992 does in quantitative terms not seem to be much different. The policies that were enhanced after 1992 do at first sight not differ much from the ones before. If they did not seem to have changed much, would the differences – assuming that they do exist – then be found if the policies were studied in-depth?
Or does it mean cooperation without government involvement?

At the opening session of the Forum Netherlands Indonesia (FNI) Minister of Foreign Affairs Alatas delivered an interesting speech; he highlighted once more from the Indonesian point of view that equality and mutual benefit should be the new basis of the bilateral relation. He remarked on the role of government and private parties that the most promising field in the relations had been identified as the economic field: trade, tourism and investments. The key players would be the private entrepreneurs of both countries. Government however remains an important actor: it has been proven that the private sector, no matter how dynamic, cannot accomplish much in the absence of policies that encourage and facilitate its initiatives. In view of this, inter-governmental cooperation and co-ordination continue to be a necessary ingredient.

Alatas' argument for stimulating private-to-private initiatives was based on two principles. Such initiatives could be an effective way of dealing with political sensitivities but also with issues such as human rights, labour rights, democracy and the environment. Indeed, during the visits of Dutch Minister of Foreign Affairs Hans van Mierlo in 1995 these issues were not on the official agenda. In press statements it was said these issues were not anymore in the official meetings, but that 'interesting discussions off the record' had taken place. In a speech for the meeting of the same Forum in Rotterdam in 1996, Radius Prawiro said 'We set out to recast our relationship from that of aid-giver and recipient to one in which commercial and cultural ties between out two countries could flourish without excessive government intervention.' It seems like a *contradictio in terminis* that more official visits were paid after 1992, while at the same time it was advocated that the main carriers of the relation should be private parties. And it is still not clear how equality and mutual benefit should translate into practice.

Still puzzling

What I have tried to do in this section is to find clues that could solve the riddle, why some projects were continued and others not. The more we puzzled, the more questions arose: what was actually meant with equality and mutual benefit? How could the chaos after March 25 occur? People directly involved and outside observers have proposed some explanations:

1. there were no preferences, which was contradicted by the second explanation;
2. there was a preference for certain projects that served economic (industrial) development and a disfavour for projects concerned with rural development;
3. the phase in which the project was in 1992 mattered for its continuation;
4. budgetary constraints have been decisive;
5. the extent of urgency mattered, but what urgent meant was not clear;
6. politically sensitive projects, in which criticism on the Indonesian government was subsidised were specifically targeted and;
7. the continuing or ending of projects depended on the power of (influential) networks that took care of their interests.
The first two explanations are contradictory and should be seen as rivalry hypothesis. Only by having a complete list of projects and their objectives one or the other can be accepted. The third and fourth explanations derive directly from the common model of the policy process: they suggest that the objective criteria of phase and budget have determined the outcome of the evaluation made by the Indonesian government. The fifth suggests a process of interpretation: decision-makers must have assessed what was urgent, based on not specified conditions in Indonesia. The sixth explanation suggests that some projects must have changed in the course of time: apparently at the time of endorsement they were acceptable to the Indonesian government and in 1992 the government wanted to get rid of them. The seventh explanation directly contradicts the third and fourth explanation: it was not so much objective criteria or standard procedures that determined the outcome, but influential networks of people who perhaps had other interests than the government.

This list of explanations, and the information that was available at the start of this research could not give a satisfactory answer on the riddle. Many people involved said that the months after the decision were characterised by total chaos; nobody knew what the practical consequences should be. Apparently a neatly ordered implementation of the decision to end Dutch development assistance was not possible because the Indonesian (and Dutch) administrators did not know how to translate the criteria of mutual benefit and equality either.

The riddle remains a riddle when we must base the answers on information about the words and actions of politicians and the scant information that DGIS and the embassy could gather. The riddle will also remain a riddle if we keep looking for univocal interests or clear lines of hierarchy. The information gathered up till now cannot satisfy the demand to know which projects were continued and why and how the new principles redefined the practice of bilateral cooperation. There must have been something the matter with or in projects, something that cannot be found by analysing the words and actions of the politicians responsible for redefining the cooperation. If we want to know what mutual benefit and equality actually mean, or why some projects could continue in the new era of bilateral relations and others not, we must also look to the level in which the change in discourse is manifested in changed practices. In the next chapter insights from several studies into policy processes are discussed, and a different approach of the policy process to solve the riddle will be presented.