

19

SUKARNO'S INDONESIA

Heinz made his reconnaissance of Indonesia in October–November 1964. The lengthy diary that he kept and later published (in edited forms) shows how eager and delighted an academic visitor he was. It reveals idealism, optimism and great enthusiasm, but not zealotry or gullibility. His eyes were fresh, he went without preconceptions, and he travelled without hindrance.

On what in those days was a rather long flight from Sydney to Jakarta, Heinz spent much time trying to learn the Indonesian language. He had begun this task in Canberra, with the help of conversation classes and Yale language tapes. During his time in Indonesia, he adopted the discipline of reading, with the help of a dictionary, a local newspaper for half an hour every morning. He also constantly badgered his various Indonesian hosts and helpers for words and conversation. But—as is the fate of all passing visitors—he never really learned to converse in Bahasa Indonesia. As he wryly wrote: ‘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’ (Arndt 1985:53).

Culturally, however, Heinz found Indonesian people congenial—‘so much easier to be with than Indians’. He felt that the lack of urgency in the culture, despite its exasperating side, ‘made for a friendliness which readily extended to foreign visitors’. He found the weeks of travelling through various islands of Indonesia’s archipelago tremendously exciting and enjoyable, notwithstanding the poverty and abject mismanagement of the Indonesian economy.

Sukarno’s Indonesia had problems aplenty. Not only was average income abysmally low; the country’s roads, shipping and infrastructure were run down, the manufacturing industry was working at less than 20 per cent of its capacity, foreign trade was throttled by a complex of regulations and multiple exchange rates, and foreign debt had risen to a level that promised certain default. On top of all this, inflation had risen to an annual rate of more than 600 per cent, and endemic corruption further eroded domestic and foreign confidence in the economy. One anecdote of Heinz’s epitomised the intellectual bankruptcy of the country’s leadership at that time.

In 1964, the effective head of government under Sukarno, Dr Subandrio, banned the publication of the budget or any related statistics. A little later he called a meeting of university economists. When he addressed them for 40 minutes on the 'Newly Emerging Forces', one of the economists asked whether they might be allowed to draw his attention to some of the country's economic problems. Dr Subandrio rounded on him and said: 'The fact that you think economic problems important shows how your mind has been corrupted by Western liberalism' (Arndt 1985:52).

The parlous conditions and repressive attitudes under the Sukarno regime were daunting for economic research, especially when foreigners were attempting it. Heinz refused to give up. He soon realised that he would have to begin by working diplomatically and carefully around the edges of the system. Therefore, he sought to establish viable connections with Indonesian officials, Indonesian university economists and the handful of foreign economists still working in the country. His first efforts with local officials, promoted with the help of Mick Shann, the Australian Ambassador, ultimately came to nothing because the 1965–66 change of regime removed Sukarno's men from office.

With academic economists, especially the younger ones at the University of Indonesia in Jakarta, Heinz had better luck. Sukarno's apparatchiks tended to regard them with some suspicion, because many of them had recently returned from postgraduate studies in the United States. They included Professors Mohamed Sadli and Widjojo Nitisastro, as well as Ali Wardhana, Emil Salim, Rahmat Saleh and Soehadi. Most of them achieved importance as senior economic bureaucrats in the Suharto government. So did Dr Jusuf Panglaykim (alias Pang Lai Kim), of whom more afterwards.

Among the precious few foreign economists left in the country, the one most helpful to Heinz was Don Blake, an American who specialised in studying labour markets. An old Asia hand, Blake gave Heinz great assistance in breaking the ice locally, and he and Heinz got on well. Heinz mentions a handful of other foreign economists: a group from the University of Kentucky, led by Howard Beers, based at the Institut Pertanian Bogor (IPB, the agricultural university) and working under the auspices of USAID, the main American aid agency; Ingrid Palmer, a doctoral candidate from ANU, who researched the textile industry; David Penny (an Australian); and Shamsheer Ali (an Indo-Fijian). Heinz later recruited Penny and Ali to the Canberra end of the ANU's Indonesia project. How different was all

this from the last years of the Suharto regime when Jakarta was swarming with economists from the World Bank, the IMF, other international agencies, foreign governments and merchant banks.

Once Shann and David Evans at the Australian Embassy had welcomed Heinz to Jakarta (along with Palmer and Blake), he spent almost two weeks in and around the city, with a lot of time to himself after the initial introductions were out of the way. He stayed at what was then the prestigious Hotel Indonesia, something of a flagship for Sukarno, who also lavished on the capital a rash of monumental statues in parks and at major intersections. In his leisure time, Heinz explored the streets, markets and shops (especially bookshops), experimenting with local food and reading or writing in his room at the hotel. He observed the poor condition of the city streets, the muddle of traffic (cars, trucks, trishaws, bikes, buses and military vehicles of every sort), the modern hotel and office buildings, and the comfortable older houses with their well-kept gardens. On Jalan Thamrin, the main dual carriageway that bisected the city, he noted 'an astonishingly thick flow of motor traffic, plenty of smart American cars, also Mercedes and smaller ones. Every so often a screaming siren from a motorcade which precedes and follows a large beflagged car carrying some general or one of Sukarno's ministers' (Arndt 1987:60).

Also on Jalan Thamrin, Heinz saw slogans painted in huge letters on posters, billboards, fences and walls. Many read 'GANDJANG MALAYSIA' (crush Malaysia), in reference to the Sukarno policy of *Konfrontasi* towards Malaysia, which the president regarded as Imperial Britain's lackey, and hence contemptible for any self-respecting independent Asian nation. *Konfrontasi* was in a sense the bellwether of Indonesia's relations with Australia at the time. Of course, Australia wished to remain a firm supporter of Malaysia, its newly independent ally and fellow Commonwealth member. At the same time, it feared an open rupture of relations with Indonesia. That it avoided such a rupture was due in many respects to the exceptional diplomacy of Shann and his team at the Australian Embassy. These staffers also did much to ensure that Heinz pursued his research not only unhindered, but sometimes with active Indonesian assistance.

While staying at the Hotel Indonesia, Heinz dined with Dr Panglaykim's family, as well as with Blake, Palmer and George Hicks. This last figure was an Australian volunteer graduate who was working with the planning agency Bappenas. An able, independent thinker, Hicks always maintained good relations with Heinz, and had a distinguished subsequent career as an economist and commentator in various parts of Asia.

Most evenings, Heinz, left to his own devices, chose to spend his time reading and writing before going to sleep rather early. On one evening, however, he wandered into a vast hall next to the hotel. There he found himself in the middle of a large function organised by a local student association. The hosts made him welcome and he found the event pleasurable. Speakers included Ali Sastroamidjojo, a former prime minister, and General H.A. Nasution, the Commander-in-Chief of Indonesian forces. Ali worked the room 'like a French politician' (according to Heinz); Nasution was earnest and sober. After the speeches, entertainment and fraternising with the student leaders, Heinz met Nasution and his handsome wife, as well as Sukarno's daughter, Megawati, herself destined to become President 37 years later.

Heinz's important objectives in Indonesia included collecting current economic data and establishing channels to transmit to Canberra future relevant economic information and statistics. The Indonesian contacts he made in this quest enabled him to obtain copious data for use in the *Bulletin of Indonesian Economic Studies* (BIES), which first appeared in an 80-page pilot issue in 1965. Heinz founded the BIES (of which more in the next chapter) and produced it in his Canberra department. It has continued, without interruption, since then. Today it is recognised as the premier academic journal about the economy of Indonesia.

During his travels—not only in Jakarta but through rural Java, Sumatra and Sulawesi, then widely called the Celebes—Heinz made contact with Indonesian academics and officials in various universities and provinces. He introduced himself to several faculties and government departments by giving lectures and conducting seminars. He concentrated from the beginning on the topical subject of inflation (then, as already mentioned, rampant in Indonesia), which he approached from the theoretical side. Trying to strip away the veil of money from considerations of real income and asset values, he aimed to get his listeners to think about the underlying real resources. For example, he noticed that some peasants managed to hoard real resources, despite the accelerating inflation.

Inevitably, the discussions on these occasions turned from theory to the particularities of Indonesian inflation, and thence to Indonesia's general economic condition, above all its balance-of-payments difficulties.

Despite the great shortage of foreign exchange, Heinz noticed everywhere a profusion of imported goods. Not only were the shops in Jakarta well stocked, including with the latest television sets, so were shops in the provinces. In the northwestern Sumatran city of Medan, Heinz saw a grocery store in the main street with 'shelves to the roof laden with every kind of luxury food, bottles of liqueur, whiskey, smoked ham etc.' (Arndt 1987:93). Everywhere the well-to-do lived very comfortably. Who pays, and how, he wondered, for all those sleek new Mercedes and Chevrolets?

Of course, Indonesia's archipelago was perfect for smuggling, which was conducted quite brazenly. The abundance of expensive motor cars proclaimed the extent of corruption in official and financial circles and the very phrase 'black market' was a misnomer, since the relevant transactions were carried out so openly. Heinz wrote that 'the government system of economic controls is so inefficient that a (black) market functions reasonably effectively', and he quoted Panglaykim's marvellous remark: 'Professor, we are the most *laissez-faire* socialist economy in the world' (Arndt 1987:63). For foreign currency, the black market exchange rate on the streets of Jakarta in October 1964 was up to six times the official rate. This posed a moral problem for Heinz: where, and at what rate, should he convert his ANU allowance into Indonesian rupiah? He spoke of the problem but never revealed his solution.

As well as inflation, Heinz gave talks on other subjects: 'Central banking in less developed countries' and 'Foreign aid and economic development'. He delivered the latter lecture, by specific request, at Hasanuddin University in Makassar, on the west coast of Sulawesi. The rector of the university, Arnold Mohonutu, was a wily old politician who had turned his coat from the Dutch to the nationalists, become a friend of Sukarno and served as Ambassador to Peking. He was said to have been appointed to Hasanuddin to influence students and other groups increasingly hostile to Sukarno. Apparently, he had set up Heinz for a fall.

Before Heinz began his lecture, the rector delivered introductory remarks, in Indonesian and English, lasting some 40 minutes

...giving me the official version of Malaysia and Confrontation, claiming that the West (including Australia) was out to 'crush' Indonesia by bringing about her economic collapse, arguing that all Western foreign aid was motivated by imperialist designs, warning me and Australia that we must choose between 100 million

Indonesians and 10 million stooges of the British, reminding me of Indonesia's strong armed forces, quoting China's atom bomb as a great triumph of Asians over Europeans comparable in importance to the victory of the Japanese over the Russians in 1904, threatening, cajoling, shaking his finger at me, addressing 'Professor Arndt' over and over again with heavy irony etc, etc. (Arndt 1987:82).

The next evening, Heinz went, with some foreboding, to dinner at the rector's house. The outcome was more tolerable than he expected. He and the rector proceeded to enjoy an animated conversation—virtually excluding the three other guests—on all sorts of subjects.

In Medan, after spending time at the Faculty of Agriculture of the state university, Heinz visited the city's private, fee-paying, Lutheran institution, Nommensen University. There he successfully gave a theoretical lecture on the Swan diagram, to illustrate policies for the pursuit of both internal and external balance. He also went to other colleges outside Jakarta: the Institut Pertanian Bogor (at Bogor, Java), Padjajaran University (Bandung, Java), Sriwidjaja University (Palembang, Sumatra) and Gadjah Mada University (Yogyakarta, Java). During the couple of days at Yogyakarta, Heinz enjoyed visits to the wonderful sights of nearby Borobudur and Prambanan. He owed the Prambanan tour to the friendly and obliging Jack Golden, another old Asia hand, who was then helping at the Jefferson Library (recently taken over by the Indonesian government).

While being driven through Java's lush countryside and pleasant villages, Heinz remarked frequently on how fertile the island was. There was tea, coffee, paddy and fruits of all descriptions: 'hardly a square yard without something growing, a delightful sight.' He added: 'Pre-war Poland or Greece or Turkey looked *much* poorer, which makes the mess in which this economy now finds itself only the more incongruous' (Arndt 1987:71). Not only was the land fertile, so too was the population. Every woman of 15 years or more seemed to be carrying a baby.

After a month in Indonesia, Heinz spent a few days enjoying the view—political as well as scenic—from the other side of the Straits of Malacca. He went first to Singapore, where Param Ajit Singh, a former master's degree student in the ANU department, met Heinz and acted as his chaperon. Heinz was instantly impressed by Singapore: 'how clean, civilised, busy, booming and handsome after Jakarta!' He also noted the relative inconspicuousness of the military; the fact that many large

buildings were not government offices; the vast infrastructure construction everywhere—roads, overpasses, tunnels; the rash of industrial plants and the thousands of new flats for the fast-growing population. Professionally, he called on Finance Minister, Goh Keng Swee, as well as several government economists and his academic friends in their then pleasant surrounds on Nassim Road. As always, he also found time for shopping, in this case primarily to search for information and catalogues about electric guitars. This was presumably for his son Nick, who was then performing in Canberra as part of a group called The Bitter Lemons. Heinz joked: 'I used to be known in Canberra as a university professor, but nowadays it is as the father of a Beatle.'

He then went on to Kuala Lumpur, on a pleasant late-afternoon flight of one hour from Singapore. He was met in Kuala Lumpur by Gordon Menzies, Deputy Governor of the Bank Negara Malaysia and a former student of Heinz in Sydney, Pierre Tu and myself, both graduate students from his ANU department, who were conducting field research in Malaysia. Heinz was quickly whisked away to Menzies' 'sumptuous' official residence in Kenny Hill, where he had only a little time to prepare for dinner, accompanied by Menzies, at the 'palatial' residence of the Bank's Governor, Dato Ismail bin Md Ali. Other guests included the Minister for Transport, the manager of Malaysia Airways and a few expatriate commercial bankers. The political flavour of the gathering was highly conservative, to Heinz's irritation: 'How pleasant and how disagreeable!' he wrote, and he attempted to provoke the others by referring with approval to his former acquaintance P.P. Narayanan, the firebrand organiser of the Plantation Workers' Union.

The next day began with a meeting of senior Bank Negara officials in their suite of offices in 'the old, grotesquely Moorish government office buildings which adjoin the cricket ground outside the Selangor Club—shades of Somerset Maugham!' Thence to the general offices of Bank Negara Malaysia, in those days situated in the upper floors of the handsome new Mercantile Bank building on Market Square. Heinz addressed an interested and interesting group of economists about the economic situation in Indonesia. As well as the Bank Negara senior and middle executives, the group included the distinguished Professor Arthur Bloomfield (University of Pennsylvania) and Warren Hunsberger (Rochester University, New York State). Bloomfield was assisting the Bank Negara and Hunsberger the government, and both were being supported in Kuala Lumpur by the Ford Foundation.

After a lengthy group discussion, Heinz enjoyed a private talk with Bloomfield before being taken to lunch with the Australian High Commissioner, Tom Critchley, and a small number of Malaysian government economists. Again, the talk was largely about Indonesia, including the interesting subject of the divergence of the Malaysian and Indonesian languages from their common root in Bahasa Melayu. After a quiet afternoon at the Menzies' house, Heinz dressed up for a splendid dinner, hosted by Gordon and Jean Menzies, at the super-elegant Lake Club. The other guests were Hunsberger, James Puthecheary, Siew Nim Chee, myself and our wives, and also Edgar Jones, formerly of the British Treasury and in Kuala Lumpur with the IMF.

The Siewes were a very astute couple, who made a fortune in the casino/hospitality industry after Nim Chee resigned from his senior economist job at Bank Negara. James Puthecheary and his wife were lawyers. He had been something of a revolutionary intellectual under British rule in Malaya, and was gaoled for his pains, but had then quarrelled with his erstwhile leader, Lee Kuan Yew, who finally expelled him from Singapore. Heinz greatly enjoyed this swell occasion and the lively and varied company. He summed the evening up: 'Excellent European dinner, talk, even a dance with Joan Drake.'

The next day, Sunday, Heinz put himself in the hands of his ANU students. Joan and I, Gavin and Margaret Jones and Pierre Tu took him by car via Klang to Kuala Selangor, where the party had lunch at a rest-house by the sea. Heinz observed the fine roads and well-kept rubber plantations, but he disliked the labour lines of the plantation workers 'with the characteristically depressing appearance of Indian poverty', and he thought the Malay smallholder villages distinctly poorer-looking than those in West Java. The party was back in Kuala Lumpur in time for dinner with the Menzies and Joan and myself, in the modest rented house we maintained at 7 Jalan Bunga Rampai, Setapak.

Heinz's final day in Kuala Lumpur began with pouring rain, which, happily, had ceased by the time I drove him to the University of Malaya in Petaling Jaya. There he renewed acquaintance with the handsome and charismatic Professor Ungku Aziz. He was given a quick tour of the Petaling Jaya industrial estate and was then driven to the airport for departure to Singapore and Sydney. He returned to Canberra, fired with certainty about his planned Indonesia project, and bursting with enthusiasm to get on with it.