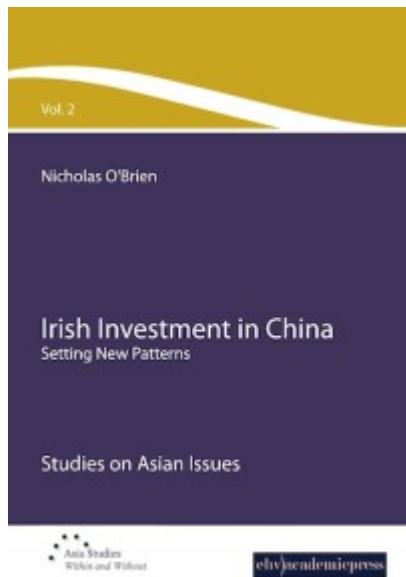


Chapter 5: Irish FDI In China ~ Evidence, Potential And Policy ~ Irish Investment In China. Setting New Patterns



Introduction

Having set out the locational advantages and disadvantages which China possesses, this chapter will explore the non-applicability of Irish FDI in China to Barry et al's (2003) model for developed economies, and will attempt to explain why there is such a divergence. It can be argued that there is a view which equates outward FDI with the re-location of jobs abroad. In order to address this perception, the effects of outward FDI on the home economy will be explored. Acknowledging that our sub-hypothesis holds and that the investment climate in China is different from that

faced by Irish investors in developed economies, we will explore our prescriptive research question, namely the role which exists for government in supporting potential investors who wish to enter the Chinese market.

Barry's Model

Barry et al's (2003) model states that Irish outward FDI is disproportionately horizontal in nature and oriented towards non-traded sectors. This model is based on an analysis of Irish FDI in the traditional destinations for Irish FDI, namely the US and UK, both of which are developed economies. This research analysed Irish FDI in China, a developing economy. While accepting the limited nature of this research, it was found that 82% of FDI is in the traded sector and only 18% in the non-traded sector. It can be said, therefore, that this finding is at variance with the model for developed economies, as set out by Barry et al (2003). Secondly, in relation to the horizontal or vertical nature of Irish FDI in China, this research identified 55% as being of a horizontal nature and 45% as being vertical. Barry et al's model states that Irish traditional FDI in developed economies is "disproportionately horizontal in nature". 55% could not be described as

‘disproportionately horizontal’. Accordingly, this finding also deviates from Barry et al’s model. Accepting the difficulty of measuring the true level of horizontal versus vertical FDI, as highlighted in the literature review, the figure of 55% is below the level of 70% which Moosa (2002) contends may be the general order of horizontal FDI. This points to the level of horizontal Irish FDI in China being somewhat lower than the norm and not as strong as would have been anticipated had it been in accordance with Barry et al’s model.

We can say that this research indicates that the current wave of Irish FDI in China is predominately in the traded sector and marginally horizontal in nature. Accepting that the sample size for this research is limited, it is nevertheless an accurate reflection of current investment patterns by Irish MNEs in China.

Table 5: A comparison of Irish investment in the US and China by sectoral composition (in percentage terms)

Sector	Irish Investment in China(rounded)	Irish Investment in the US
Food, drink and agribusiness	20	17.5
Print, paper and publishing	10	16.2
IT, telecoms and electronics	20	4.0
Chemical and pharmaceuticals	10	9.5
Other manufacturing	20	5.8
Construction, property	10	22.2
Financial services	0	22.5
Services (consulting, retail etc)	10	2.3
Total	100.0	100.0

Table 5: A comparison of Irish investment in the US and China by sectoral composition (in percentage terms)

Irish FDI in China and Barry’s Model

It is also interesting to examine whether the limited Irish investment in China diverges or conforms to the sectoral composition identified by Barry et al (2003) for developed economies. Using the categorisation of Irish investment in the US put forward by Barry et al (*see table 3 in previous chapter*), the following comparisons can be made (*Table 5*):

The percentage for food, print and chemicals is not greatly different between both categories. IT, telecoms and electronics are considerably more important in the case of China. Significant deviations can be identified in ‘other manufacturing’, financial services and construction to a lesser degree. Notably, the Irish financial service sector is absent from China. Again acknowledging the small sample size of this research, current Irish investment trends into China show a divergence from

patterns identified for investment in the US.

Why then does Irish FDI deviate from Barry et al's model and also diverge in sectoral composition from that identified in traditional destinations for Irish outward FDI? There may be several possible explanations.

Recalling that firms invest abroad because they possess ownership and internalisation advantages, Barry et al (2003) suggest that R&D and superior product differentiation through advertising are generally found to be the most important firm-specific assets associated with multinationality; but Irish MNEs do not appear to follow the standard pattern associated with multinationality. Instead, they propose that the predominant proprietary assets which Irish firms possess are in the fields of management and expertise, mainly in non-traded sectors. However, this research found that the composition of Irish MNEs investing in China is largely in the traded sector. It is possible, therefore, that because the expertise of Irish MNEs largely lies in the non-traded sector, this is inhibiting current levels of FDI in China, given the largely manufacturing and traded nature of the Chinese economy at this point in time.

Secondly, the structure of the Irish economy can be broadly defined as highvalue output with little high-volume low-value manufacturing. (This results from the relatively high cost structure of the economy, as compared with developing economies). While Barry et al point out that the Investment Development Path hypothesis is silent on the distinction between vertical and horizontal FDI, they claim that as production costs rise there is an incentive for domestic firms to engage in vertical FDI, moving labour-intensive components to countries with a locational advantage in low-cost labour. This opportunity was identified by a very limited number of Irish MNEs. While China's low wage cost environment may facilitate some Irish investment, market opportunity remains the primary investment objective.

Barry et al point to a large increase in outward investment by Irish firms in the US in hi-tech sectors such as information technology and the pharmaceutical industries. There has been limited investment by the Irish information technology industry in China and none by the pharmaceutical industry. IPR is a substantial component of ownership advantage in both of these industries. This research identified the risk to intellectual property rights (IPR) which investing in China may pose. This view was reflected not only among Irish MNEs which have invested in China, but also among executives of Irish MNEs which have invested

in Eastern Europe. The threat to IPR was identified by the latter category as the most significant reason not to invest in China. The absence of predictable contract law was also cited. This was also evidenced by Irish investors in China in the food and chemical industries in China. Therefore, the information technology and the pharmaceutical industries may not be willing to commit to China until they are assured that their primary ownership advantage, namely IPR, will be adequately protected.

A factor possibly underlying the high level of investment in traded sectors may be the rapid emergence of China's consumer base. In the case of China, the development of a critical mass of high-spending consumers has occurred in a relatively short period of time. It is possible that indigenous firms have not developed adequately to respond to the demands of consumers. However, with the focus in Irish industry on the service sector, Irish firms may not be well placed to take advantage of current consumer trends in China. A fifth possible explanation is that China's service sector is in the early stages of development, whereas this represents a strong component of Irish industry. Therefore an explanation for the divergence in Irish investment in China from that identified by Barry et al for developed economies could be that it is the Irish manufacturing sector which is predominately investing in China, as against in developed economies.

The reasons advanced for the divergence between the results of this research and that of Barry et al (2003) point to the under-developed service sector, the lack of respect for legal norms, and the large manufacturing component in the Chinese economy. Du Pont (2000) has identified the emergence of the service and construction sectors. This may present additional locational advantages for Irish investors. By analysing industries in which Irish MNEs possess ownership and internalisation advantages it would be possible to identify which sectors may be keen to exploit China's locational advantage in the coming years.

Table 6: Asia Strategy - Targeted Sectors

Economic Sectors	Targeted Asian Priority Countries
SERVICES EXPORTS	
Information Technologies	Japan, Korea, China, Singapore, Malaysia, Thailand, Vietnam, India, Australia/NZ
Telecoms Applications	Japan, Korea, China, Singapore, India, Australia/NZ
Financial Software and Services	Singapore, India, Australia, New Zealand, China
eLearning	China, India, Australia/NZ
Education Services	China, Korea, China, India, Malaysia, Singapore, Australia/NZ
Construction Services	Japan, Korea, China, India
Consultancy Services	China, India
Others – for example, Aviation, Security, Biometrics	Japan, Korea, China, Singapore, Malaysia, Thailand, Vietnam, India, Australia/NZ
GOODS EXPORTS	
Healthcare Devices and Pharmaceuticals	China, Japan, India
Biotechnology	Japan
Agricultural Machinery and Veterinary Pharmaceuticals	Australia/NZ, Korea,
Electronics and Industrial Goods	Japan, China, India
Consumer Products	Japan, Australia/NZ
Nanotechnology	Japan
Food, Drink and Seafood	Japan, China, Hong Kong and other Asian markets

Note: Although Australia/NZ are not included in the Asia Strategy, they are included in the above chart.

Table 6: Asia Strategy – Targeted Sectors

Note: Although Australia/NZ are not included in the Asia Strategy, they are included in the above chart.
Source: Government of Ireland (2005)

The Potential for Irish Investment

The Government of Ireland's (2005) Asia Strategy provides assistance is seeking to identify which sectors of the Irish economy are likely to possess the ownership and internalisation advantages required to exploit China's locational advantages and overcome potential locational disadvantages. While the focus of the Asia Strategy is trade, it can be argued that these sectors are also likely to succeed in the investment domain, given the strong relationship between trade and investment. *Table 6* sets out the Government's recommendation as to which sectors of the economy should intensify their efforts in particular Asian economies.

The major sectors highlighted for the Chinese market in the goods sectors are healthcare devices, electronics, and food, drink and seafood. In the services sector, the categories are information technology, telecoms, financial software, education, and construction. Of these, Irish MNEs have already invested in the electronics, food, information technology and construction categories. In the case of the four remaining sectors, non-Irish MNEs were included in this research so as to capture the experience and perceptions of executives from all eight

industrial sectors which are suggested as target sectors for developing economic links with China. The following section will consider issues of note raised by the executives from these industries and potential areas for investment will be highlighted. However, an in-depth analysis of the sectoral opportunities for investors lies outside the scope of this research.

Within the goods sector, the need to strengthen IPR protection was identified as a locational challenge by the executives from the electronics and food sectors. The food MNEs which have invested in China have decided to participate in the business-to-business sector and not the retail sector. They identified this as a stronger means of protecting intellectual property and also recognised the high cost of entry barriers to the retail market in terms of advertising costs. One food sector executive also spoke of the MNE's plan to service the market in the west coast of the US from its Chinese plant rather than from Europe, which is what it does at present. This locational advantage for European investors was not highlighted in the literature on European investment in China. A food sector executive also spoke of the lack of national treatment. The electronics executive identified the critical mass of electronic MNEs in China as a key consideration in deciding to invest.

Barry et al (2003) point to the increase in the number of Irish IT MNEs investing abroad since 2000. This research identified a divergence of views between the executives of the Irish and the non-Irish IT MNEs, with the former citing IPR risk as being at the same level as in other markets, whereas the latter spoke of the significant risk which IPR violation poses. An executive of an Irish IT MNE which has invested in Eastern Europe cited the potential risk to IPR as a reason for not investing in China. McDonnell (1992) argues that if a sufficient return accrues to the parent firm to compensate for this risk, then the location of R&D overseas is deemed worthwhile. It would appear that if a firm is manufacturing retail software in China, there is a potential risk of IPR violation. This risk is reduced when the MNE operates in the business-to-business sector exclusively.

There is currently no Irish investment in the telecoms sector in China. There is a high level of state control in the telecommunications industry. 'As the reform of state-owned telecoms continue, the market is not creating opportunity for foreign actors as understood under China's WTO commitments'. (European Union Chamber of Commerce in China, 2005: 223) The fixed line and mobile network is state owned and there is scope for investors in the telecoms equipment sector

only. No particular locational disadvantages were identified in this sub-sector.

The financial sector was identified as one of strong regulation, but also one of opportunity. China's growth over the past 25 years has been achieved within the context of a closed banking system. This worked by channeling individual savings into state-owned banks which were used to fund state-owned enterprises. With the opening up of the banking sector in 2006 in response to WTO obligations opportunities will increase for foreign banks to offer loans to profitable private and state-owned enterprises. This presents an opportunity for niche market lending. It also offers significant financial service opportunities as the state-owned 'big four' banks will be obliged to restructure and modernise. The banking executive identified a skills deficiency in Chinese banks. This represents a locational challenge for foreign investors who wish to establish banking operations in China, but a market opportunity for providers of specialised financial services.

The education sector in China is closely regulated, as identified by an executive from this sector. If Irish investors wish to enter this sector, it would seem that the optimal route is to co-invest with a Chinese minority shareholder. Because of the risks which joint ventures pose to ownership advantage, as identified in this research, this structure is best avoided. It is also important that education providers appreciate the changing structure of the Chinese market. 'China graduated a million technicians and engineers in 2001. That figure leapt to 2 million in 2003 and will go still higher. And the quality of engineering training has improved to the extent that fewer Chinese are now going to the United States for engineering degrees because they can obtain excellent education more cheaply at home'. (Lieberthal and Lieberthal, 2004: 4-5) This trend points to fewer Chinese students being willing to make the investment associated with studying abroad. If this trend continues, education providers from developed economies need to re-focus their efforts and seek to create strategic partnerships with Chinese colleges and, in addition, to consider the direct provision of education services in China, rather than seeking to attract Chinese students to study abroad exclusively. An option which several Irish third-level institutions have successfully established is one whereby students study in both the Chinese and Irish institutions e.g three years study in China and one in Ireland.

As identified by Barry et al (2003), the construction sector is one of the most active in Irish outward FDI. Xianming (2004) gives an indication of the size of this

sector in China. 200 million metric tons of cement are produced every year in Western Europe. In China the figure is 1,000 million metric tons. Irish construction multinationals have already displayed their ownership and internalisation advantages and have an overseas presence. China would seem to be the appropriate next stage of investment, given the nature of the expanding industry in China and the locational advantage which this confers.

In addition to these sectors, some Irish firms may wish to examine the opportunities for moving low-value manufacturing to China and strengthening their head-office operations at home. This could have the outcome of placing the firm on a stronger financial footing in the medium term. The reality is that it is becoming increasingly difficult for Irish companies to profitably manufacture lowvalue products in Ireland, given the relatively high cost base as compared with Asia. If a firm wishes to protect its ownership advantage, it may have to evaluate its internalisation advantage and examine the option of creating a manufacturing subsidiary in China whilst retaining the higher-paid jobs in the home economy e.g. finance, design etc. This practice is sometimes portrayed as the relocation of jobs, but the reality is that it is difficult to continue such manufacturing in developed economies. In the medium term, the result is the retention of higher paid and more skilled jobs in the home economy.

Home Country Effect

‘People take national pride when their MNEs do well in Fortunes’ ranking of the largest firms in the world, but they worry when they see their companies closing domestic plants and opening up new ones in cheap-labour countries. Feelings are mixed because the issue is intricate’. (Navaretti and Venables, 2004: 217) Responding to this argument, O’ Toole (2007: 397) argues that ‘the small number of studies that examine the productivity effects of offshoring production at an aggregate economy wide level suggest that it has a positive impact in the long run, particularly for small countries like Ireland’. In the same vein, Forfás (2001) argues that outward FDI should not be seen as an indication of economic decline, but a restructuring into higher value-added activities that will form the basis of long-term growth in competitiveness, exports and employment.

While by no means conclusive, overseas studies suggest that outward direct investment has been broadly beneficial for the ‘home’ economies concerned, boosting domestic exports, employment and wages, and providing a catalyst for restructuring of the domestic economy into higher value-added activities... Where

key drivers in the business environment, such as taxation, infrastructure and the availability of skilled workers are supportive of high value-added activities being located in the domestic economy, then outward direct investment acts as a positive force in economic development, leading to the creation of high-skilled, highly paid employment. (Forfás 2001: Foreword)

Outward FDI is seen as having effects primarily in the areas of employment, taxation, and technology transfer. There is still considerable debate among economists about the employment effects of FDI in both the host and the home economies. In particular, the effect of outward FDI on employment levels at home is a controversial issue. (Moosa, 2002) Critics argue that outward FDI diminishes employment levels at home as the output of foreign subsidiaries becomes a substitute for output from the parent firm in the home economy. However, proponents of outward FDI contend that FDI creates jobs in the domestic economy because domestic firms export more when they have foreign subsidiaries.

Blomstrom et al (1988) analysed the employment data of Swedish MNEs, which showed that MNEs with subsidiaries abroad have higher levels of employment in head office operations when compared with firms which have not invested abroad. Head and Ries (2001) conducted research on 932 Japanese manufacturing firms over a 25-year period. They confirmed a complementarity between FDI and employment. The relationship, however, varies across firms. They found substitution when firms are not vertically integrated and assembly facilities in foreign countries are not supplied by intermediates produced at home.

Forfás (2001) clearly does not subscribe to the notion that outward FDI is a relocation of Irish jobs that will damage Irish industry.

Despite fears that outward direct investment by Irish companies may lead to a 'hollowing out' of industry and loss of exports, studies of countries with long experiences of high levels of outward direct investment all indicate that outward direct investment and exports are broadly complementary. According to one OECD study of member countries, each \$1 of outward direct investment was associated with \$2 of additional exports and a trade surplus of \$ 1.70. (Forfás, 2001: 4-5)

Forfás also points to the international evidence which suggests that outward FDI has broadly positive effects on employment and wage levels in the domestic

economy. Research commissioned by Forfás shows that 'overseas investment by Irish companies has created demand for high-skilled employment at their respective head offices in Ireland e.g. for accountants, managers and marketing specialists'. (Forfás, 2001: 5)

In support of this view, the executive of an Irish MNE specifically argued that the company's investment in China has added value to global operations and not threatened jobs at the Irish parent firm. Indeed, it was argued that having an R&D facility in China has helped the firm acquire new clients in China and grow global operations. The literature on the effect of outward FDI on employment in the home economy is far from conclusive. There appears to be some evidence that vertical FDI may complement domestic activities, whereas horizontal FDI may have a substitution effect. 'These results contrast with the general belief that investments in cheap-labour countries weaken home activities, whereas those in other advanced economies enhance the national presence in foreign markets.

The reason is probably that vertical investment reduces production costs for the MNE as a whole, therefore raising output and employment of complementary activities at home or at least preventing them from declining'. (Navaretti and Venables, 2004: 44) This research established that Irish FDI in China does not follow the general trend identified by Barry et al and is not predominately horizontal. If vertical FDI is complementary to employment in a home economy, then Irish FDI in China may have less of an impact on employment in Ireland than outward FDI to other locations where horizontal FDI dominates.

Even if commentators hold differing views on this issue, there is a public perception that outward FDI involves the relocation of jobs to a third country. Perhaps this is an issue which needs to be addressed by commentators. While it may not be the most popular issue to address, the Irish economy is in a state of transition, having recently become a net exporter of FDI. From an economic governance perspective, it is important that issues surrounding this development are explored and policies enunciated.

Outward FDI also has an effect on taxation. Feldstein (1994) considers the effect of outward FDI in both the host and the home economies on taxes and tax credits. He argues that in the event of outward FDI the national income of the home economy will be affected, depending on the magnitude of the loss of tax revenue to the host economy and the use of foreign debt. He analyses these two factors, assuming most national savings remain in the home economy. He points out that

the payment of tax to the host government by a subsidiary of the investing firm represents a loss of revenue by the home government. If investing firms receive tax credits for these payments, as they would do if a double taxation treaty exists, the firm will be indifferent to where the tax is paid. The firm will remain indifferent until the after-tax rate of return on the foreign investment is equal to the after-tax return on domestic investment. Another pertinent issue is whether or not outward FDI has an impact on technology up-grading and investment in R&D in the home economy.

Technology transfer to the host economy can take place through the adoption of foreign technology and the acquisition of human capital. FDI by MNEs is considered to be a major channel for the transfer of technology to developing economies. (Moosa, 2002) However, multinational enterprises will invest in technological research or the adaptation of their technology or in up-skilling local labour only to the extent that such investment holds a clear prospect of profit. The gains which accrue to the host economy are largely incidental, arising from the fact that it is in the multinational's interest for such transfers to take place (McDonnell, 1992). Moosa (2002) argues that the benefits of technology's accruing to the investing firm and the host economy are substantial.

From the perspective of the home economy as a whole, rather than the individual firm, there is an interest in retaining the key technological components at home. What may be of value to the home economy is exporting slightly obsolete technology to the host economy, which can be used to increase market penetration.**[i]** In order to maximise long-term growth, technologically advanced countries need to protect high-value technology. However, the individual firm is a profit-maximiser and will be indifferent as to where it locates its intellectual property as long as the ownership advantage can be adequately protected.

While there will be understandable adverse comment on individual factory closures in developed economies when manufacturing facilities are relocated to lower-cost economies, the evidence would appear to indicate more positive than negative effects. 'Foreign investments are more likely to strengthen than to deplete home activities... Comparing firms investing abroad and national firms just operating in the home country, we find that investing abroad enhances the productivity path of investing firms'. (Navaretti and Venables, 2004: 239)

Acknowledging that research on home country effects is limited, the material available indicates that it is in the long-term interests of the home economy for its firms to invest abroad because of the potential for market expansion or the

production of goods at a lower cost. In the case of Ireland, a detailed econometric model would be required to accurately predict the likely outcome. One of the problems identified by Moosa (2002) is the lack of data to adequately assess the impact of outward investment on employment.

Irish Public Policy

The sub-hypothesis under study has been found to be valid, as this research has indicated that the business environment in China is relatively different from that experienced by Irish investors in traditional destinations for Irish outward FDI. Given this challenging environment and the presence of imperfect market conditions, the question arises as to the role which exists for state intervention in ameliorating these market imperfections.

There is no enunciated government policy on outward FDI. While there are understandable emotive connotations associated with outward FDI, in today's globalised economy national governments evaluate their economic strategies and policies on an on-going basis. With Ireland now a net exporter of FDI, perhaps it is opportune for a policy debate on this economic governance issue.

Ireland is an extremely open economy and subject to external economic pressures. The degree of transnationality of host countries, as measured by UNCTAD's Transnationality Index,^[ii] shows that the most transnationalised economy in 2003 was Hong Kong, which was followed by Ireland in second place. (UNCTAD, 2006) In addition, Forfás and Enterprise Ireland (2004) point out that companies supported by Enterprise Ireland supported over 23,000 workers in overseas operations in 2003. This figure is equal to 17.5% of total employment in these companies. Given the positive effects of outward FDI, particularly in strengthening high-value wage employment at the head office, such developments have policy implications and require consideration.

Table 7: FDI Promotion Programmes of Industrialised Countries

Country	Information	Match-making	Missions and Seminars	Sectoral Studies	Feasibility Studies	Project Development and Start-up
Austria	X		X			X
Belgium	X	X	X	X	X	X
Canada	X	X	X		X	X
Denmark	X	X			X	X
Finland	X		X	X	X	X
France	X				X	X
Germany	X	X	X	X	X	X
Italy	X	X	X	X	X	X
Japan	X	X	X	X	X	X
Netherlands	X	X	X	X	X	
Sweden	X	X			X	
Switzerland	X	X	X	X	X	X
United States	X	X	X	X	X	X

Source: International Finance Corporation (1997: 23)

Table 7: FDI Promotion Programmes of Industrialised Countries

Source: International Finance Corporation (1997: 23)

Indeed, governments in a number of other developed economies accept that market imperfections exist in the case of outward FDI, and operate investment promotion programmes to help national firms that wish to invest abroad. These programmes are generally focused on the provision of information on the target country, sponsoring missions of potential investors, matching potential investors to projects, and giving financial support for feasibility studies. Small- and medium-sized enterprises are normally targeted on the assumption that they lack the resources to seek out investment opportunities. The International Finance Corporation (1997: 23) argues that 'the use of public funds is justified by a market imperfection, in this case the cost and difficulty of securing information about investments in developing countries'. *Table 7* sets out the range of services available to potential outward investors in 13 developed economies.

In an interview with a senior executive of Enterprise Ireland it was confirmed that assistance may be provided to outward investors if it could be shown that outward FDI would not adversely affect employment in the Irish firm's operation and would add value to the Irish firm. Assistance in gathering information would be offered on this basis. Also, it would be possible to include such companies in trade missions, but not to provide a specific investment focus. Perhaps consideration could be given to formalising such arrangements. Understandably, government agencies must operate within very careful parameters and not be seen to assist any company relocating and shedding jobs in the home economy, but they do work with companies who need to outsource certain activities which will make the company's overall position more secure and help make it more competitive at home.

Currently no individual state agency has responsibility for outward FDI in the manner in which Enterprise Ireland is charged with promoting Irish trade and the Industrial Development Agency is responsible for attracting inward FDI in Ireland. Understandably, facilitating Irish outward FDI is a sensitive issue but, as argued above, such FDI should be developed if Ireland is to further develop its economy.

This research identified market imperfections in the Chinese economy, which investors must deal with. Economic theory makes provision for state intervention

when market imperfections exist. (Mulreany, 1999) Drawing on the findings of this research, potential areas of state support could be explored with a view to ameliorating the impact of China's market imperfections. Barry et al (2003) suggest that Irish MNEs do not exhibit the normal proprietary assets associated with the horizontal multinationalisation of the firms. They point to the difficulties facing firms in late-developing regions in surmounting FDI entry barriers. This strengthens the case for government intervention in facilitating investors and seeking to reduce the impact of imperfect market conditions.

Perhaps the first objective of any government intervention must be based on an informed and constructive debate on the impact of outward FDI on the Irish economy. As argued above, this is an important dimension of economic governance, given Ireland's status as a net outward investor of FDI. Responding to concerns that outward FDI is the relocation of Irish jobs to a third country, arguments proposed by commentators such as Navaretti and Venables (2004) to the effect that outward FDI actually strengthens economic activity in the home economy could be drawn on. The case of the US could be cited. It is the source of most outward FDI, yet it is the largest global economy. Arguments could be advanced that the goal of assisting Irish firms to invest overseas would be to protect the higher value, more skilled employment, with a focus on maintaining head office, R&D and core functions in Ireland.

Consideration might also be given to the expansion of the Government's Asia Strategy to incorporate the facilitation of outward FDI. IBEC (2006: 63) argues that 'Asia clearly shows potential for increasing outward foreign direct investment by a number of Irish companies'. The focus of an expanded Asia Strategy could be on providing information and assistance to medium-sized firms that wish to invest overseas, sponsoring missions of potential investors, matching potential investors to projects, and giving financial support for feasibility studies. All forms of international activity are management intensive, foreign investment particularly so. Information gathering, a crucial part of the feedback process, is particularly time intensive. IBEC (2006) found that China scored the highest of the twelve Asian countries included in its research on a lack of market intelligence. The comment by one executive of a firm which has invested in Eastern Europe but not in China, that the management team did not feel competent to deal with the challenges associated with investing in China, points to the desirability of some form of government assistance. In addition, 'small firms face a high degree of risk

in going international, it is likely that the proportion of resources committed to a single foreign direct investment will be greater in a small firm than a large one'. (Buckley, 1997: 35) Consideration could be given to putting in place a range of services for investors, similar to those identified in table 8 above, with a view to providing market intelligence and support for those Irish firms which wish to invest in China.

All Irish and non-Irish participants bar one saw no role for the home country government in providing financial support to investing MNEs. They were of the clear view that it was inappropriate for home governments to subsidise investment overseas and that investment should be undertaken based on clear economic rationale. However, all executives envisaged a role for home government 'soft' supports to varying degrees.

Utilising the analytical framework of state supports employed by the IFC, as set out in table 8 above, the executives of Irish MNEs interviewed within the framework of this research identified the need for a greater provision of information by state agencies. In addition, the lack of assigned responsibility to any state body for the provision of assistance for outward investors was identified. The lack of a specific focus on outward investment in 'trade missions' was raised, as were the lack of potential 'match-making' and funding for feasibility studies. With a very slight re-focussing, the introduction of these services would assist Irish MNEs in their endeavours to invest abroad.

Specific issues of note were also identified by this research. The most significant locational challenge identified by executives is the potential threat to intellectual property, which investing in China poses. Government has a role to play in lobbying for greater protection for this ownership advantage. It is probably fair to say that most lobbying on this issue is undertaken by the European Commission on behalf of EU member states, and by the European Chamber of Commerce. Perhaps a role exists for concerted lobbying by individual EU governments in addition to the role played by the European Commission. There is a temptation to leave issues such as this to the European Commission, as trade is a competence of the European Commission. However, concerted action is likely to lead to stronger results. Lobbying at governmental level is also required when national treatment is denied to foreign investors.

Managing government relations is an important dimension of investing in China which Irish investors would be unfamiliar with. While China is a transition

economy, it maintains many of the hallmarks of a centrally-planned economy. Government tends to intervene in the economy to a greater degree than in western economies. (Robins, 1996) Osland (1994) argues that, when operating in an economy with an element of arbitrariness in decision-making, maintaining good relationships with officials is critical to long-term success. Robins (1996) points to the close involvement which the Chinese authorities maintain in the economy and their willingness to intervene and manage markets.

All executives acknowledged and were deeply appreciative of the role played by diplomatic missions and state agencies in assisting entry into the Chinese market and in facilitating contact with relevant Chinese officials. The location of diplomatic missions should be reviewed periodically to assess if additional locations are required to reflect emerging Irish investment location patterns in China. The findings of this research are supported by IBEC (2006: 63), which found that 'over half of the companies surveyed found the support offered by Diplomatic and State Agency offices important or critical'. It was also found that these supports were perceived as relatively more important to companies doing business in Asia than elsewhere.

The policy of providing limited venture capital merits further consideration. An Irish MNE specialised textile manufacturer found it difficult to raise capital. It was only after the state agency responsible for the promotion of trade decided to invest that it proved possible to raise the required capital. The State may be required to take on such a role on a case-by-case basis. Enterprise Ireland commonly takes a shareholding in start-up companies in Ireland. There may be a need to extend this practice and actively take a shareholding in firms which wish to invest abroad, but only in cases where this would result in the maintenance and strengthening of the Irish base of operation. Such an investment should be undertaken only in firms which can exhibit that they possess ownership and internalisation advantages.

Governments also have a role to play in providing the legal infrastructure to facilitate FDI. At the end of 2006 there were 2,944 double taxation treaties globally (International Bureau of Fiscal Documentation), pointing to the importance which governments attach to this issue. Jun (1989) identifies three channels through which tax policies affect the decisions taken by MNEs. First, the tax treatment of income generated abroad has a direct effect on the net return on FDI. Second, the tax treatment of domestic income affects the profitability of

domestic investment. Finally, tax policies affect the relative cost of capital employed in FDI. By using an inter-temporal optimisation model, Jun shows that an increase in the domestic corporate rate of tax leads to an increase in the outflow of FDI.

What is important is the existence of a double taxation treaty with the country in which they are investing. Ireland has 41 double taxation treaties, including one signed with China on 19 April 2000. (Department of Finance, 2006)

However, Ireland does not have a Bilateral Investment Treaty (BIT) with China. In fact, Ireland has only one BIT, which was concluded with the Czech Republic in 1996. In comparison, 19 of the EU's 25 member states have BITs with China. In fact, of the EU15 (member states prior to the May 2004 enlargement), all of the other 14 have BITs with China. (UNCTAD, 2007) Ireland's policy relating to Bilateral Investment Treaties was discussed with a senior official in the Department of Enterprise, Trade and Employment. He set out the Government's general policy that multilateralism is the preferred framework for issues of this nature, given our membership of the EU. He stated that there are many EU trade and competition regulations which impinge on investment treaties and which have to be taken into account. When third countries suggest a bilateral investment treaty (BIT), the Department declares its preference that the country should negotiate a comprehensive agreement with the EU, which will have legal effect in Ireland.

The Chinese authorities attach considerable significance to the signing of international agreements as a visible expression of friendship between two nations. The author has witnessed this penchant for signing Memoranda of Understanding during trade missions. While there are very valid reasons why Ireland does not negotiate BITs, perhaps consideration could be given to evaluating the potential merits of such a treaty with China, given its status as the prime location for inward FDI.

The challenge facing the Irish Government is to manage the impact of the increasing levels of outward FDI in order to ensure that core technology remains in Ireland and that higher value employment is created, while at the same time strengthening Irish companies to enable them to compete in the global economy. The Government can assist by providing information and expertise to companies which wish to invest in China's challenging market. This should not be seen as advocating the movement of large tranches of the Irish industrial base to China. Rather it is a recognition of the market opportunities which China offers to Irish

indigenous companies which possess the required ownership and internalisation advantages, as a means of further strengthening the Irish industrial base.

Conclusion

As indicated above, Irish FDI in China does not conform to Barry et al's (2003) model that Irish outward FDI is disproportionately horizontal and largely in the non-traded sector. Irish FDI in China is predominately in the traded sector and marginally horizontal. While it is difficult to precisely identify trends, it is clear that there has been no significant change in this pattern since 2007 and there is unlikely to be a shift in the near future. In the medium term there is the possibility that the nature of Irish FDI will alter as the service sector develops in China. The extent to which Irish MNEs can exploit this development depends on the level of ownership and the internalisation advantages which firms in these sectors possess.

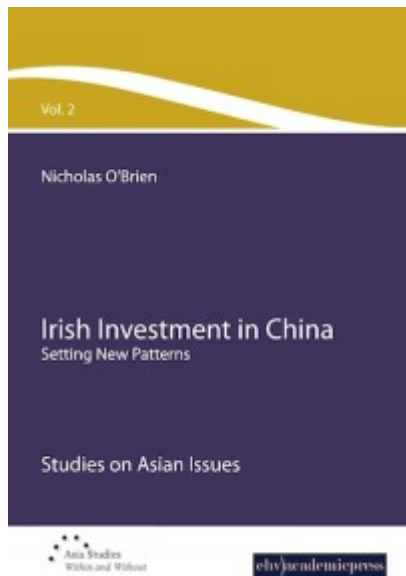
Based on the locational disadvantages which China poses, the market imperfections which exist, and the potential to expose the ownership advantages of Irish MNEs to risk, a role exists for state intervention. There is merit in the government's engaging in a policy debate on the nature and impact of Irish outward FDI, particularly in view of Ireland's recently-acquired status as a net exporter of FDI. Given China's pre-eminent ranking as the largest recipient of inward FDI, the effect of outward Irish FDI to China, as well as FDI to traditional FDI destinations, merits further consideration.

NOTES>

[i] An example of this is the relocation from Europe and the US of moulds for the production of obsolete car models for sale in the Chinese market. Given the substantial cost involved in producing moulds, this represents a saving to car manufacturers.

[ii] This is measured by an average of four shares: FDI inflows as a percentage of gross fixed capital formation for the past three years; FDI inward stocks as a percentage of GDP in 2003; value added by foreign affiliates as a percentage of GDP in 2003; and employment of foreign affiliates as a percentage of total employment in 2003. (UNCTAD, 2006: 11)

Chapter 6: Conclusions & Bibliography ~ Irish Investment In China. Setting New Patterns



Introduction

Based on research undertaken on Irish outward FDI into the US and UK, both of which are developed economies, Barry et al conclude that Irish FDI is disproportionately horizontal and oriented towards non-internationally traded sectors. As China is now the largest global recipient of inward FDI, and is a developing economy, research was undertaken among all Irish MNEs which have invested in China to ascertain if current Irish FDI into China conforms to the model identified in the case of Irish FDI into the US and UK. Accepting that the level of Irish FDI in

China is at a relatively low level, the value in considering this hypothesis is that Irish FDI in China will presumably increase, given China's pre-eminent role in inward FDI.

While there are several investment theories, Dunning's eclectic paradigm was chosen as the optimal framework within which to conduct this research, as it facilitates simultaneous analysis of the advantages enjoyed by both the MNE and the host economy.

Desk-based research and semi-structured interviews were conducted to explore the nature of Irish FDI in China. The decision to use semi-structured interviews to obtain data on the perceptions of executives can be considered appropriate, as the executives provided rich data on the rationale underlying the investment decision and the locational advantages and disadvantages which China poses.

Executives of non-Irish MNEs which have invested in China were interviewed in addition. The inclusion of non-Irish MNEs provided an opportunity to corroborate the views of executives of Irish MNEs and provided a broader pool of expertise from which to gather perceptions on the locational advantages and disadvantages which China poses for investors. Executives from Irish MNEs which have invested in Eastern Europe were interviewed separately to gain an understanding of why

the level of Irish FDI into China is relatively low.

Main Findings

Barry et al (2003) analysed the nature of Irish outward FDI and observed an increasing level of Irish outward FDI. The main destination for this FDI is developed economies, particularly the US and the UK. It is suggested that Barry et al made a significant contribution to the research into Irish outward FDI by their identification of Irish outward FDI as being disproportionately horizontal and oriented towards non-internationally traded sectors. This research builds on their model and extends the knowledge of Irish outward FDI by examining the nature and scope of Irish FDI into China, a developing economy. The value in studying FDI in China lies primarily in its status as the principal recipient of inward FDI globally. Since the introduction of the 'opening-up' policy in 1979, economic reforms in China have created an increasingly favourable climate for inward FDI. However, considerable challenges still remain with inadequate legal protection and challenges to intellectual property rights.

But Beijing's desire to expand the service and private sectors, combined with its willingness to allow foreign firms to compete nearly across the board, means that the China market is now becoming a real opportunity just as the purchasing power of Chinese consumers is beginning to increase. And China is likely to remain the world's fastest growing major economy for the coming decade and beyond ...Understanding how to do well in China and with Chinese resources will become a critical component in a global competitive strategy. (Lieberthal and Lieberthal, 2004: 11)

In order to deepen our understanding of the nature of Irish FDI and specifically the nature of Irish FDI in the largest global recipient of inward FDI, this research has examined the hypothesis that the nature of Irish outward FDI, as identified by Barry et al, varies in the case of China. This research has contributed to our understanding of Ireland's investment development path by introducing a study of Irish outward FDI in a developing economy for the first time.

The research was undertaken among all Irish MNEs that have invested in China. The aim was to identify initial trends and patterns, while relating this to the existing, albeit scant, literature on Irish outward FDI. While accepting that this is a small sample size, the results of this research indicate that Irish FDI in China is predominately in the traded sector (82%) and is marginally horizontal (55%) as opposed to vertical (45%) in nature. This represents a deviation from Barry et al's

earlier findings in the case of Irish FDI in developed economies, namely the US and UK. It can be said, therefore, that current Irish FDI into China is chiefly in the traded sector and marginally horizontal, and that Barry et al's model does not apply to the current wave of Irish FDI in China. In addition, the sectoral composition of FDI in China varies from that in the US, as identified by Barry et al. IT, electronics and telecoms have a higher proportion of investment in China than in the US. However, FDI in financial services and construction is at a lower level in China.

The question has to be asked why Irish FDI in China deviates from that in the traditional destinations for Irish FDI. This research found that perhaps the most significant locational disadvantage which China poses is the challenge to the preservation of intellectual property rights. Barry et al point to the strong growth in outward FDI in Irish IT and pharmaceutical industries. However, the potential risk of IPR violation may be restricting FDI in China in these sectors.

This view is supported by research undertaken among executives of Irish MNEs which have invested in Eastern Europe. Another possible explanation for the relatively low levels of Irish FDI in China is the relatively under-developed nature of the service sector in China, which is particularly strong in the Irish economy. Given the large manufacturing base of the Chinese economy, it is possible that investors in Irish manufacturing sectors are in the first wave of Irish FDI in China. They may be followed by MNEs from the service sector, as this sector gathers pace in China.

Structural changes are occurring in the Chinese economy, with a reduction in manufacturing and increases in construction, utilities and the service sector. The shift in the composition of industry should be of benefit to potential Irish investors, given the largely non-traded element of Irish outward FDI in developed economies. It can be speculated that as the importance of the nontraded sector increases in China, more Irish MNEs may invest. This could alter the composition of Irish FDI in China, increase the non-traded component, and move Irish FDI in China closer to Barry et al's model.

In order to deepen our knowledge of Irish investment into China, this research also examined a sub-hypothesis and, on this basis, advanced some prescriptions regarding the role of public policy. It is hypothesised that the business environment in China is different from that experienced by Irish investors in more traditional destinations for Irish outward FDI. On the basis of this, an additional argument was made that consideration should be given to ameliorating these

market distortions through public policy.

Before summarising the findings of this research in relation to locational disadvantages, it is important to identify the locational advantages which China offers investors. The principal locational advantage identified by investors is market opportunity. There is recognition of the existence of a growing and affluent middle class, which will drive consumer spending. Of the Irish MNEs which have invested in China, over 80% described market opportunity as the rationale underlying their investment in China. The focus of Irish MNEs on market opportunity confirms that Ireland conforms to the categorisation of investors in China as proposed by Li and Li (1999), who found that MNEs from developed economies will focus on market opportunity in China, whereas MNEs from developing economies will be attracted by the low-wage environment. The investors also identified the importance of investing in China if an Irish firm is supplying another MNE which decides to invest in China, as a means of preserving existing supply contracts. Irish MNEs did not identify the incentives available from the Chinese authorities as particularly pertinent to their decision to invest. While the literature on incentives is inconclusive, the views of Irish MNEs support Devereux and Griffith (1998), who argue that incentives do not influence the decision to invest abroad, but once the decision has been taken, they play a role in the choice of location.

Research among the executives of MNEs which have invested in China identified locational disadvantages which China may pose. The principal locational challenges are in the areas of the protection of intellectual property rights (IPR) and the enforceability of contract law. The threat to IPR is significant for MNEs in the high-tech sector. One executive pointed out that IPR is the core asset of the MNE and, should this ownership advantage be compromised, a threat to the operation of the MNE would be posed. Regarding contract law, an apparent contradiction among executives was identified. While the executives pointed to the difficulty in legally enforcing contracts, they also spoke of negotiating detailed contracts which sought to cover all eventualities. This apparent contradiction results from the executives seeking to set out responsibilities in some detail so as to use this level of detail to negotiate solutions, should difficulties emerge. Lawyers were interviewed as part of this research to seek their views on this issue. They pointed to the historical context within which the Rule of Law issue must be seen. The focus of the Chinese Government since the reform process

commenced in 1979 has clearly been on the creation of an environment conducive to economic growth and they have been spectacularly successful in this regard. Allied to this is the strong cultural heritage which China exhibits, particularly in the area of guanxi. One of the effects of the pervasiveness of Chinese culture is that the Rule of Relationships rather than the Rule of Law dominates. (Jones, 1994) Jones suggests that this occurrence supports the view that China is replicating what has happened in the other four Dragon Economies in Asia, where the Weberian concept of the Rule of Law has not developed.

While executives seek to negotiate detailed contracts, there is also the realisation that relationships and not legal documents are the fundamental basis upon which business is conducted. This finding supports Macauley's (1963) seminal work on the nature of contract law. Indeed, in this respect conducting business in China is not dissimilar to conducting business in any other country.

A common thread that emerges from the research is the strongly regional nature of China. Provincial and municipal governments have considerable powers and offer competing incentives to attract inward FDI. However, the principal regional variation is in purchasing power parities. The developed eastern seaboard has the highest levels of disposable income, making this the most attractive location for investors seeking to exploit market opportunity. The potential consumer market is not one in five of the world's population but approximately 350 million people located in the cities along China's eastern seaboard, who have been the main beneficiaries of the opening-up policy.

Lieberthal and Lieberthal (2004) identify management shortcomings as a constraint on the competitiveness of indigenous Chinese companies. They see the problem as embedded in the economic system because of the dominance of state-owned enterprises in the major manufacturing and service industries, which dominance has resulted in greater emphasis being placed on political skills than on modern management techniques. This presents an opportunity for Irish investors. Irish MNEs which have the ability to invest overseas will have developed ownership advantages within the context of Dunning's eclectic paradigm. These ownership advantages often involve management skills.

In addition, if economic growth in Ireland is to be sustained, one of the contributory factors will be proactive outward FDI focused on developing economies such as China. '[R]ises in future economic welfare will depend

primarily on increases in productivity. FDI can enhance the productivity of the Irish economy, by allowing Irish firms to focus on areas where they have a comparative advantage, by creating new market opportunities for a firm's existing products and by promoting the creation of new dynamic firms'. (O'Toole, 2007: 397)

There is an understandable hesitancy to engage in a debate on outward FDI as it can be presented in an emotive manner as the relocation of Irish jobs to low-cost locations overseas. While the literature on the effects of outward FDI on employment is not conclusive, the evidence points towards vertical FDI's being complementary to employment in the home economy. There is an argument that society should engage in a broad discussion on Irish outward FDI. Given the increasing levels of outward FDI, with Ireland now a net exporter of FDI, this issue is likely to require attention in the coming years. In order to have an informed debate, there is a need for the creation of a broader statistical database on FDI.

Consideration might be given to an extension of the current high range of services provided to exporting MNEs to those Irish MNEs which wish to invest in third country markets. Consideration might also be given to the negotiation of a Bilateral Investment Agreement with China. It would also be necessary to continue to lobby the Chinese authorities in the areas of protection of IPR and national treatment.

The insights gained from this study are a contribution not only to the academic debate on Irish FDI in China but will hopefully stimulate the study of Irish FDI in the other important developing economy, namely India. This would allow a comparative dimension to be explored and facilitate the development of a model for Irish FDI in developing economies.

Conclusion

This research identified a divergence in Irish investment patterns in China from that in the traditional destinations for Irish outward FDI. The nature of FDI in China is different, with most of it being in the traded sector. Challenges associated with investing in China were also identified, with China's legal environment posing locational challenges. Failure to take due account of such challenges, through the appropriate exploitation of the MNE's internalisation advantage, could pose a threat to ownership advantages.

It is easy to set out here the challenges that investors face, as these have been

highlighted during the performance of the research. However, what cannot be over-emphasised is the enormous potential which China offers. Those MNEs which moved into China early are now reaping the benefits. China is simply too large a market and too important a market for MNEs to ignore, if they wish to develop an international footprint. If Irish MNEs would engage in China more deeply and in a more sustained manner, their efforts would be sure to contribute to the strengthening of the Irish economy.

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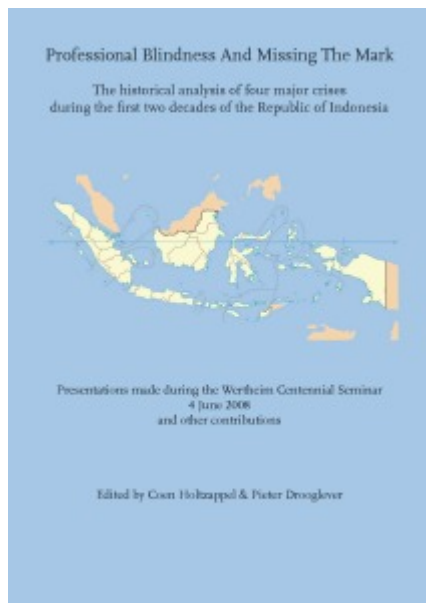
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Professional Blindness And Missing The Mark ~ Preface



The articles contain the edited versions of the presentations discussed during the Wertheim Seminar, held on June 4, 2008 in the International Institute of Social History (IISH) in Amsterdam. The subject was Blind Spots and Preoccupation in the research on Post War Indonesian Political Crises. The seminar was part of the 3-day Wertheim Centennial. It was hosted by the International Institute of Social History (IISH), the ASIA Platform of the University of Amsterdam and the International Institute of Asian Studies (IIAS) and organized by a team from the Wertheim Foundation, i.e. Ibrahim Isa - secretary,

Farida Ishaya - member, Jaap Erkelens - member, and Coen Holtzappel - chairman and convener of the Wertheim seminar. The speakers, guests and audience honored the legacy of Professor Doctor Wim Wertheim with this event, the distinguished academic who after World War II founded the Amsterdam school of the historical sociological analysis of modern Asian history and political development. Wertheim also played an important role in the Dutch and international resistance against the murderous war on Indonesian communism, which President Suharto started after the 1 October 1965 Affair, and his destruction of Indonesia's Sukarno legacy. The seminar was opened by Emil Schwidder, research staff member of the IISH, with a special task on the China collection. He reminded the audience of the close professional relationship that Professor Wertheim and IISH maintained during his life, and the fact that Wertheim's children donated their father's correspondence, publications and other documents and tapes to the institute. The IISH was founded in 1935 and has become one of the leading institutes in the world to rescue, conserve and register important archives of socialist social movements. Before the Second World War, archives were rescued from Austria, Germany and Spain, including papers by Karl Marx and Friedrich Engels. War archives from Eastern Europe, Turkey, the Middle East and Asia followed. The collection of Wertheim's personal and official correspondence, publications, personal and press photographs is now part of the archives.

Coen Holtzappel, convener of the seminar and chairman of the Wertheim Foundation, thanked Emil Schwidder for his kind opening words and welcomed the speakers, the audience, and the special guests. He called to attention the

subject of the seminar, i.e. the disturbing role of political and social ignorance, taboos, neglect and denial in the study of historical events and phenomena. They should not be mistaken for “white spots” in our knowledge of the world; i.e. not yet discovered domains of research and phenomena. The real focus is on subjects and domains of knowledge that governments and political elite groups close for research, for example to hide specific aspects of their political behavior, such as crimes, irresponsible wars, blunders, and crimes against humanity. The speakers of the seminar would discuss examples of such disturbances they encountered during their studies of major political crises in and between the Republic Indonesia and the Netherlands during the first two decades of Indonesia’s existence. For many Indonesians, the Netherlands is still the former colonizer and occupier. For many Dutch people Indonesia is the former Netherlands East Indies. They call Indonesian food “Indies food.” According to Wertheim, such ‘blinkers’ have a history. In authoritarian states they are the products of carefully maintained systems of political myth formation, created by elites. To cite the closing statement of Ben White’s chapter in this book, which stems from Wertheim’s *Elite and Mass*, “The blind and the ignorant, in general, are not busy making themselves or others blind and ignorant. What Wertheim drew our attention to, in contrast, was a process by which elites, and scholars, *choose* to describe societies and history in ways which made both themselves and others blind to social reality.” In other words, the sources of blindness and ignorance that we should pay attention to, are the elite groups and scholars that use their power and influence to make people look at the things they want them to see and refrain them from looking at things they want them to ignore or deny.

Although I am convinced that such tyrants also exist in people’s personal life, bringing others to crime and suicide, in social and political history we are primarily interested in the political and public social level at which political tyranny occurs. The level where political and religious leaders program people to follow their prejudice and abstain them from using their innate human capacities to study the unknown. In this respect the chapters presented in this book reflect an effort to tackle the problem of how to approach the prejudices in the Dutch-Indonesian discourse about the history of the first decades of Independence War and subsequent decolonization. Instead of the dislikes that burden Dutch and Indonesian views of each other, we should work on a value free and neutral historiography of the shared process of separating Indonesian and Dutch households and interests, and the development of their own ways of continuance.

Central in this effort should be the urgent advice to historians, social and political academics to base restudies of past crises and events on the primary sources and eye witness reports. It is the only way to stay as close to the past as possible.

The subjects covered by the seminar are as follows:

[1] The ignorance in Dutch and Indonesian literature regarding the role of the Republican Pemuda units as protectors of Indo-Europeans after the Japanese capitulation. The findings of Mary van Delden appear to challenge conceptions that still exist on both the Indonesian and the Dutch side,

[2] Coen Holtzappel calls attention to General Nasution's analysis of the roots of the Madiun Affair of 1948 as exposed in Part 8 of his 10 volume *Publication on the Indonesian Independence War*. Instead of delivering a tale about how he crushed the communist Madiun coup, Nasution went back to his notes, and the available Indonesian and Dutch sources. He produced a study of the registered and unregistered events that caused the Indonesian military Madiun uprising of 1948 and the communist support of it.

[3] Pieter Drooglever emphasizes the ignorance regarding the roots and meaning of Papua nationalism during and after the conflict about the international status of Netherlands New Guinea between the Netherlands and Indonesia.

[4] Holtzappel uses the minutes of the first two martial law trials against two leaders of the Thirtieth September Movement of 1965 to show that Western and Indonesian analysts ignore the conflict that ignited the movement. Their focus is too much on the view of "winner" General Suharto and ignores the view of the "losers" which reveals a different story.

[5] Saskia Wieringa turns our attention to the ignorance and denial after the Reformasi of 1999 of the use of sexual slander against the communist women's organization Gerwani by General Suharto. Sexual slander was used to stigmatize communism, and communist women in particular; and to legitimize genocide in order to destroy President Sukarno's political and social legacy. Apparently, Reformasi has not created the clean break with the Suharto past many had hoped for in 1999. There still is no room for reconciliation and truth finding, unlike other countries with a communist past and a dirty war against it.

[6] Ben White points to the conservative roots of a renowned American anthropologist's unwillingness to analyze the massacre, which fitted existing standards of scientific knowledge and morality. Referring to outsiders in order to explain the massacre as having cultural roots shows elitist escapism. It asks the question but leaves the answer to the anonymous and politically disabled victims

and the perpetrators.

Four special guests participated in the seminar. Dr. Ruth McVey, pioneer of international 1965-studies, chaired the afternoon panels, and Mr. Martin Sanders, board member of the Bilateral Dutch-Indonesian Chamber of Commerce, chaired the morning sessions. We also welcomed Jan Breman, one of Wertheim's best-known pupils and intellectually closest to the model of historical sociology as established by Wertheim during his academic career in Amsterdam. Last but not least, we welcomed Benny Setiono, winner of the Wertheim Award 2008 for his interesting evaluation of the long-term history of turmoil experienced by the Chinese communities in the Indonesian archipelago during their stay in that area.

We picked Preoccupation and Blind Spots as a theme for the seminar, better known under the label Ignorance when it emerged in the early 1970s. Although in daily English parlance Ignorant means "behind the times", "rude" and "improper behavior", the methodological Ignorance movement refers to the fact that prejudices and lack of knowledge, as well as lack of the proper concepts and instruments of observation, can blind researchers to features and properties of their subject.

After the 1970s, the Ignorance concept developed into a constant component in the detection of observation errors and mistaken arguments in psychology and social science. At the end of his academic career, Wertheim also dived into the Ignorance hype. He pointed to the fact that Ignorance as a subject of methodological research had a predecessor in the Sociology of Knowledge. Karl Marx, Friedrich Engels, Lukacs and Karl Mannheim were its founders and main protagonists, and focused on structural societal causes of ignorance, like Ideology, the religious concept of the Chosen People and Class. They studied the societal forms of false consciousness that hamper the development of true knowledge about social phenomena and their causes, in particular the bias caused by the social inequality between researcher and informant. Moreover, the founders identified groups in society like the ruling and middle class, which would structurally be unable to understand what people in lower and/or higher echelons of society feel, see and think. The recent experiences with Dutch movements like the Party for Freedom, and Proud of the Netherlands, the following of which belongs to the new emerging middle class, expose these features as well. With the exception of some scholars of the Mannheim School who developed techniques for the interviewing and observation of German war criminals, and Post

Structuralism, the founders were generally not involved in developing the technical side of observation and concept formation.

In his article, *The State and the Dialectics of Emancipation*, Wertheim took Emancipation as the opposite and only sensible alternative to social inequality and the related ignorance phenomenon. He defined emancipation as follows: “any form of collective struggle of groups that feel themselves to be treated as ‘underdogs’, fighting against the privileges of the ‘upper dogs’”. In this sense, emancipation includes a whole range of social groups struggling for recognition as being at least equal to those who thus far exercised political, economic or social power over them. One may think of emancipation of laborers, peasants, middle class, colored nations, racial or ethnic minorities, women, youth and many other categories (Wertheim 1992: 257-281). In *Mass and Elite*, Wertheim devoted two chapters to the Ignorance theme, in which he related Ignorance to the conservative political restoration movement that developed in Europe immediately after the bloody French Revolution and Napoleonic Wars. During the 19th and 20th century this reactionary elitism developed into a structural source of people’s ignorance and deception, which fiercely condemned and fought any deviation from the way to restoration of class, status and elitism. Typical for that elitism is that it divides society in worthwhile and worthless subjects and events, in wise and dumb, and strong and weak people, in born leaders and born losers. It blocks any view of the people or what the elite judges to be not worthwhile knowing. It also blocks any efforts of people fighting for emancipation, i.e. to liberate people from social inequality and physical, social and intellectual oppression. It is interesting to note that at the end of his life Wertheim positioned either deliberately or unwittingly the elite-mass distinction as basic of all forms of Social Inequality. Indeed, reading Wertheim’s book about Elite and Mass leads to the conclusion that elitism is present in communism, socialism, fascism, Nazism, Stalinism, racism, ethnicity, ideology and religion, i.e. in any social movement, transcendental or inner worldly in nature, that claims to hold the eternal truth about the Chosen People.

Wertheim’s last Masters’ Course in the academic year 1972/1973 was devoted to the theme of Ignorance and contained a serious warning against the at that time emerging form of structural ignorance – Neo Liberalism. This movement dismissed the empirical value of Marxism, Structuralism and Historical Sociology as leftist constructions and intellectual fancies, and threatened to refer

established empirical knowledge about structures and institutions to the garbage can. However, most of Wertheim's examples regard colonial capitalism in the Netherlands Indies that served the rich in the colony and at home, and forgot to properly reward the serving indigenous part of colonial society. The colonial government's cover up of Rhemrev's 1904 report about the bad labor relations in East Sumatra's plantations is one example of many instances of colonial and Dutch neglect of bad labor relations in Indonesia's plantation areas. In 1992 Jan Breman published a long-term study on these relations in his book "Koelies, planters en koloniale politiek: Het arbeidsregiem op de grootlandbouwondernemingen van Sumatra's Oostkust in het begin van twintigste eeuw (Coolies, Planters and Colonial Politics: The labour regime in the plantations of East Sumatra at the start of the 20th century)." New in this field of interest is Breman's study *Kolonial Profijt van Onvrije Arbeid. Het Preanger stelsel van gedwongen koffieteelt op Java, 1720-1870*. Amsterdam University Press 2010. [Colonial Profit from unfree labour. The Preanger scheme of enforced coffee culture on Java, 1720-1870].

At the proposal of the late Frans Husken we chose the concept of Ignorance as discussed by Wertheim in his *Elite and Mass* and his last Master Class of the 1973/1974, and looked for colleagues that could provide new Ignorance material. That material is contained in these articles, which also aim to show that research of primary sources, contemporary to the revisited events and crises and preferably produced by them, is a basic requirement in revisiting the past.

The discussions during the seminar showed that these subjects and issues still draw attention. About 50 people participated in the lively discussions between speakers and attendees about the new data, insights and interpretations presented. The discussions whet the appetite for more news about these subjects.

The discussions

As might be expected from a seminar about the effort to search for material and insights that until now remained outside the attention of mainstream analyses about Indonesia's early postwar political and social history, most discussions served to link the audience to the subjects by informative questions and using related issues to get started on the subjects. Mary van Delden was asked to what extent her study differed from existing camp studies, or complemented them. She explained that the archive material in her study had never been used by other

authors, regarding camps that had never been studied before. Pieter Droogleever was questioned about the facts he revealed and the extent to which the Dutch effort to prepare the Papuans of Netherlands New Guinea for independence was immoral in light of the Indonesian Irian war theater. He answered that in his exposition he did not touch upon moral issues. His endeavor was to demonstrate that Papuan nationalism was a direly underestimated force, not only by the Indonesian administration, but by most foreign participants in the dispute as well. There was also discussion about the question to what extent the presentation of Nasution's view ignored the political dimension of the Madiun Affair, i.e. the ideological confrontation it was part of, and the subordination of the military problems to the political struggle that the Indonesian government fought in and outside Indonesia. Coen Holtzappel repeated that General Nasution wrote about the period in which he was chief of staff of Supreme Commander General Sudirman and his efforts to counter the urge the Dutch put on the Indonesian government to demobilize its troops. Nasution focused on the technical military problems he had to solve in contact with the field; on the military preparations for an uprising to force the government into an all-out assault on the Dutch; and on the meetings of the Indonesian parliamentary committee. His story showed how the so-called communist coup attempt exploited from the outside, and for its own interests, violent inter service problems. Of course these were political problems, but the military, and in particular the local militias, viewed them as existential problems. They pragmatically sought support from those sides that promised to serve their interests best. For many of them, ideology was for primarily a support device, not a class station yet. Ruth McVey commented that in the given situation of a young country fighting for its life, the standard differentiations between political and military affairs as we know them in our Western world are irrelevant.

The afternoon discussions did not focus directly on the subjects presented but instead focused on the 1965 massacres and the number of victims and their suffering, the role of the CIA in the massacres, and the option of reconciliation and illumination by national discussions and research. Ruth McVey opened the panel discussion asking if there were questions from academics or activists – for example, why academics tend to be silent about the massacre whereas the activists are not very effective. An Indonesian man stood up and asked if Ben White could say something about CIA activities during his stay. White answered that he is not an expert on Indonesian communism, the Indonesian killings and Indonesian politics since he is happier counting chickens and coconuts and things

like that, and that is what his research is about. He was talking as a non-expert who wanted to see what the experts had to say about the massacre. As to the CIA involvement, he did not know. He knew that someone from the US Embassy who operated on his own account, had handed over a list with names of communists to the Army. No one told him to do that. But it was also known that the embassy gave fifty thousand US dollars to carry out the anti-PKI campaign in Central and East Java and in Bali. This was revealed by a telegram sent to Washington and these telegrams recently became publicly accessible, albeit with some names deleted. Ruth McVey replied that she knew that the CIA's role in events always excites people. She also knew that before 1 October 1965 some generals had contacts with the CIA about money and sources of money, just to ensure themselves of the backing of some Western powers in the future. Suharto had contacts with the CIA, the British and the Japanese. In the period after the coup, it was important to get the Americans on your side. Nasution, who survived the coup, was the highest in rank in the armed forces and officially the man to deal with. Both Nasution and Suharto sent emissaries to the US Embassy saying "I am the man to deal with." The embassy very quickly decided that they were dealing with Suharto. Therefore, Nasution was cut out.

Ruth McVey continued that if we are looking at foreign relations, almost everyone had a finger in the pie. However, that does not necessarily mean that the origins of the massacres rested outside Indonesia. Saskia Wieringa continued that she fully agreed with Ruth McVey. It is very clear that it was very much an Indonesian coup. The CIA intervened afterwards and gave their support to those who surrendered people to the killers and so on. However, it was easy to find them. The PKI operated in the open; they had their signs in the front yard of their offices. Holtzappel remarks that talking about THE army as the agent active in the aftermath of G30S is just too easy. As most of the combat ready troops were either consigned for the Malaysia campaign or stood at the frontiers with Malaysia, Java was more or less short on troops ready for combat. At the time, there were four units that were strike ready. Three of them participated in G30S and one of those chose Suharto's side afterwards. Hence, as to the American decision about whom to deal with, the choice was easy. Suharto could do something; Nasution had no troops, since he was a bureau man. He had nothing to strike with against the PKI. This automatically disqualified him for a leading position.

Ratna Saptari returned to Ben White's story of a renowned anthropologist who refused to speak out about the foreign, political, military and moral side of the massacre. As for the recent Indonesian discussion about 1965 and the massacre, she had two comments. First, she pointed out that the activist and academic discussion in Indonesia generally takes place outside the universities, and is open to debate. Second, several platforms have been created that feature sharp and good discussions. She teased Ben White about whether he agreed with her that counting chickens and coconuts in a country like Indonesia can also be considered a blind spot. Ben White replied that it was his job to do so.

Ruth McVey ended the seminar with some closing comments. The discussions covered two subjects on two different levels, i.e. the massacres and the question Who Did It. The massacre discussions produced two main points, [1] whether it should be made a principal discussion and head for a judicial procedure or leave the matter to die out, and [2] who did it. As to the last issue, everyone loves a good puzzle, and the best approach might be to allow everyone's story to be told. If there is a lesson to be taught by the seminar, then it is that new ways of research need a constant effort of reporting about it and that we should build on the recently gained insights.

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Professional Blindness And Missing The Mark ~ Internees From The Republic



Introduction

‘Blind spots and preoccupation’ is the leading theme of our seminar of today. As a basic phenomenon in historiography, it is applicable to nearly every subject, but it springs to the eye more so when one touches upon controversial matters. As such, I want to discuss in the present paper^[1] the matter of the internment camps for Europeans, mainly Eurasians, installed by the Indonesian Republic during the Bersiap period in the early years of its existence. I will narrow down two closely interrelated questions. My first question is if the Republican leadership

intended these camps to intimidate the Eurasians and keep them as hostages in the oncoming struggle with the Dutch, or whether they were meant to protect them from insurgencies by rebelling youths. The second question is, how and by who have these questions already been addressed and, if there are any marked differences, how come?

I will start with a short survey of events that led to the setup of these camps in the second half of 1945. The proclamation of a new state calling itself the Republic of Indonesia – broadcast on August 17, 1945 by Sukarno and Hatta – took the Dutch by surprise. They had been the dominant power in the archipelago for more than three hundred years – and wanted to continue what they considered ‘their task’ in the Indies. However, that would prove to be no easy task. In 1941/42, they had participated in the war against Japan with the United States, the United Kingdom and Australia, and had made a worthwhile contribution. After the initial Allied defeats, the other Allies had managed to regain strength in order to continue the war, and bring it to a happy end. The Netherlands, however, was no longer in a position to contribute to a considerable degree. After the German invasion of the mother country in Europe in 1940 and the Japanese occupation of the Netherlands East Indies in 1942, they lacked the means to do so. After the

German defeat on 5 May 1945, they had to rebuild military power from scratch. At that time they were very much the junior partner in a war that was running to its end in Asia as well. For the Dutch, the proclamation of the new Indonesian Republic would prove to be a serious threat.

In Potsdam (15-17 July 1945), with the defeat of Japan in sight, the Allies agreed that the responsibility for taking over all Southeast Asia, excepting the Philippines, should be entrusted to Lord Louis Mountbatten's South East Asia Command (SEAC).**[ii]** He therefore had to accept the Japanese surrender, rehabilitate the Allied Prisoners of War and Internees (APWI) and restore law and order in Indo-China, Siam, Malaya, Burma and the Netherlands East Indies. As far as the Dutch were concerned, the limited forces available to them operated within the SEAC organization. Meanwhile, Dutch civilians balanced on the edge of starvation in concentration camps, and Prisoners of War (POW) of the Royal Netherlands Indies Army (KNIL) were awaiting evacuation in camps outside the island of Java. Inside the Indonesian archipelago, about 180,000 Eurasians (Dutch nationals of mixed race) were living together with the Indonesians in appalling conditions in impoverished cities and in the countryside. Most Eurasian families had not been interned, as a consequence of the Japanese policy on Java, which considered them to be a distinct group of people. Being the offspring of Asians and Europeans, they were to co-operate with the administration set up by the Japanese 16th army and would be treated like the indigenous inhabitants.**[iii]** However, this policy failed. The Eurasians were proud of their Dutch nationality and resented being placed at the same level as the native population. The Indonesians themselves had no sympathetic feelings towards the Eurasians, who they felt had been sheltered under the colonial umbrella. At the same time, nationalist and anti-Western feelings increasingly found their way to the surface, incited by the Japanese. These contradictions were the uncertain position of the Eurasians at the time the Indonesian revolution started.

Since Mountbatten was initially unaware of the real situation in the Indies and preferred to deploy his troops elsewhere, it was more than a month after the Japanese capitulation before the first British-Indian troops were ordered to move from occupation duties in Malaya to Java. This delay resulted in a power vacuum and an atmosphere of tremendous enthusiasm among the Indonesian youth. Many 'pemuda' joined the newly organized People's Security Organization (Badan Keamanan Rakjat - BKR) or established numerous irregular bands grouped

around older nationalists, religious teachers (*kiyai*) or gangsters (*jago*). Anxious to contribute to 'merdeka' (freedom) these youngsters raised red and white flags everywhere, organized mass-meetings and demonstrations, and began to look for arms to defend their 'merdeka' against the returning colonial power. Until then the atmosphere had been rather quiet, but by the end of September 1945, the situation rapidly deteriorated. Chaos, anarchy, lawlessness and violence predominated.

Initially the Netherlands-Indies authorities regarded the resistance as the aftermath of the Japanese occupation and the militant youngsters as hooligans. However, they soon found out this was a severe underestimation of the situation. During the occupation, most of these militant youngsters had received Japanese military training, which had emphasized fighting spirit and physical endurance. Such courses had been given to trainees in the Volunteer Homeland Defense Army, the police and the navy. Crucial for the developments afterwards was the fact that these courses were given in the districts and sub districts, resulting in revolutionary outbursts simultaneously starting all over Java. **[iv]**

The Allied command watched the revolutionary uprising with concern. The last thing it wanted was to get involved in a colonial war. Mountbatten decided to alter his policy drastically. Instead of re-occupying the whole of the Netherlands East Indies, he switched to a key-area strategy. For Java, this initially meant the re-occupation of two major coastal cities: the capital Batavia (Jakarta) and the marine-base Surabaya. On second thought, the re-occupation was extended to Semarang and Bandung, where many APWI were concentrated. Besides, Mountbatten was determined to persuade the Dutch to negotiate with the Indonesians in order to reach an agreement.

The internment into republican camps

The violent developments took the leading figures in the newly formed Indonesian government by surprise as well. They rejected murder and bloodshed and wanted to gain international support for their independence by means of diplomacy, especially from America. They realized that continued looting, kidnapping and murder would not earn them international credit. For them this might have been the reason to take the initiative to set up camps for the safety of Dutch/Eurasian men, women and children who until then had been living amidst the Indonesian population. For this thesis, support can be found in the fact that on October 9, 1945 Sukarno wrote in a letter to the British commander, Lieutenant General

Christison, in which he emphasized that the Indonesians were ideologically opposed to Dutch rule. He reminded him of the fact that a Dutch/Eurasian population of well over 250,000 men, women and children were scattered all over Indonesia, surrounded on all sides by Indonesians. Quite rightly, he wondered who was going to guarantee the safety of these non-combatants when mob psychology would replace ideological arguments. All of them would then also be in danger. Actually, he was able to point out that there was already ample evidence of such fighting - even in that early state - demonstrating all the undesirable features of a race-war. (NIB I, pp. 285 - 290) **[v]**

It was not left at that. Soon after the writing of this letter, that is to say between 11 and 19 October 1945, all over Java and Madura, the internment was set in motion. Though there is no proof that it happened upon the orders of Soekarno himself, the fact that it was initiated by the newly appointed local authorities (KNI-Komite Nasional Indonesia) indicates some central order. The KNI's ordered the local BKR, pemuda-groups or police to pick up the people from their homes or require them to assemble at certain places under the pretext of a registration or meeting. This strongly suggests that the republican leaders had more influence over their following than is commonly assumed. It also proves that one should be careful calling all the Pemuda violent, since many Pemuda-groups brought the Dutch nationals, in a more or less friendly but sometimes frightening way, safely to their camps. The situation however differed from place to place. On several occasions, men lost their lives when large-scale slaughter parties took place such as happened in the Simpang club and Kalisosok prison in Surabaya and Pledang prison in Bogor.

When the internments started, initially only men and older boys were taken into custody in most places, while women and children were left behind for the time being. So one has to wonder if the idea of protection was the one and only motive. From the second half of September on, skirmishes had increasingly taken place between groups of Eurasian boys and men and the Indonesian Pemuda, especially in the larger cities like Batavia and Surabaya. The spirit of the Bersiap was one of attack upon an ill-defined enemy, and these Eurasian boys and men were the first at hand. It has to be added that the latter, too, often acted in a provocative and aggressive way, and that in some places a regrouping of former KNIL-units took place. By isolating these men, they were out of reach and general unrest could be prevented. Put in these terms, internment was a measure of a military or a

policing nature. However, with the Bersiap gaining strength, Dutch and Eurasians, as well as Amboinese and Chinese people, were increasingly under attack. Moreover, the large majority of the Eurasian population lived scattered throughout the country. They formed relatively small, unarmed groups, surrounded on all sides by Indonesians. It has to be noted that in a few residencies where violence ran high, like Ceribon, Pekalongan, Buitenzorg and Banyumas, women and children were interned at once, some in the same camp as the men, and some in different locations. In all these cases, internment clearly served their protection.

According to several interviews, questionnaires and documents, it seems that in most residencies the women were relatively safe. The way they were treated differed from place to place, but the sometimes unfriendly or aggressive attitude of the population didn't necessarily mean their lives were in danger. In places such as Malang, Solo, Yogyakarta and few places near Bandung in West-Java, they were even allowed to bring clothes, mattresses, food and medicines to their imprisoned male relatives. Only in the months November and December 1945, when heavy sustained fighting occurred between the British and Indonesians in Surabaya and Central-Java - which had the potential to incite the Indonesian masses to violence - the majority of women and children were concentrated in republican camps. It is conceivable that the Indonesian leaders decided to intern them as a measure of prevention.

From this limited survey of the internments during the Bersiap one may conclude that motives from the Republican side may vary, but that the element of protection decidedly got the upper hand as time went on. Central guidance may be induced from the scale of the operation and the way it was executed. Within three months, about 46,000 people, most Eurasians and about 4,500 ex-Japanese Prisoners of War and Internees, the so-called APWI, were put up in whatever shelter was available.**[vi]** They often lived squeezed together in schools, prisons, warehouses, hotels, convents, mansions, bungalows, sugar factories or barracks. Scattered all over Java (and Madura) were approximately 400 camps, with the number of internees ranging from ten to seven thousand (Malang-camp De Wijk).**[vii]** However, even when carried out with the best of reasons, for those concerned the internment more often than not was forced upon them against their will, which contributed to a negative opinion. The inhabitants more often than not considered them places where they were kept hostage by the Republic. The Indonesians, from their part, called them 'kamp-kamp perlindungan'

(protection camps), and for good reasons. Some internees as well told me that they were convinced that they were being protected and had chosen to enter the camps voluntarily.

Operation POPDA (Organization for the Evacuation of Japanese and APWI)

These mass internments in the last months of 1945 happened outside the small regions controlled by the British. Most of them took place without their connivance but when detected, they accepted the camps, as a matter of fact. Nevertheless, they had to fulfill their Allied commitments to repatriate the Japanese troops and to recover all APWI, of which according to their estimates ca. 4,500 people were still out of reach in Republican area in Central and East Java. Since the British wanted to leave the Indies as soon as possible, they did not waste any time. As early as the end of 1945 and without informing the Netherlands Indies authorities, they had entered talks with the Republican government to co-operate in transporting the APWI to the British key-areas, and the Japanese army to Galang, an island in the Riau-Archipelago. Indonesian seamen, educated by the Japanese themselves, shipped out the latter. Two formal bipartite meetings were held in Batavia on 9 and 17 January and in the first week of April 1946, the so-called Jogjakarta-Agreement was reached.**[viii]**

In fact, according to their commitments under the Potsdam Agreement, the British military authorities were mainly interested in the APWI that had been interned by Japan. For the British, these were the 'genuine' APWI, but they declared they were willing to receive all the newly interned Eurasians from republican camps wanting to evacuate to the Allied-occupied cities as well. They put pressure on the Indonesians, pointing out the negative effects on world opinion if they refused to cooperate, but they need not have done so. For the Indonesians, it was an interesting proposal. First of all, their political and military leaders were well aware that it offered them an opportunity to show the world that they were not the 'unorganized extremists' the Dutch continuously called them. By restoring order after World War II, they hoped to gain international support for their independence. Second, since the newly established Indonesian republican army (TKR - Tentara Keamanan Rakyat - People's Security Army) would execute both tasks, it implied recognition of this army with the additional advantage that the British would supply them with much needed armaments and means of transport. Third, the Indonesian leaders undoubtedly enjoyed the fact that the British excluded the Dutch from these negotiations, which greatly added

to Indonesia's international status. They strongly insisted on keeping the Dutch out, instead preferring to make the arrangements concerning visiting and supplying camps with the International Red Cross instead of the Netherlands Indies Red Cross. Fourth, the sooner the Japanese and Allied internees could return to their rightful places, the sooner the British troops would leave the island.

However, the Indonesian leaders realized that they faced great risks due to internal problems. In the hinterland, the situation was unstable. The army, which in principle stood behind the government, had just been established. Laskars (local desa militia) went their own way, and army-units and Laskars were fighting each other. Under these unsteady circumstances, the army had to properly uphold the agreement. In November and December 1945, Sukarno and the Sjahrir Cabinet made strong efforts to calm down the mass uprisings that took place in Surabaya and Central Java. Though not without effect, an uneasy calm could only be effectuated after heavy fighting by the British troops, at critical moments assisted by Japanese units, in Semarang and Surabaya.

From March 1946 onwards, things changed. The Dutch troops entered Java on a larger scale and gradually took over from the British. The practical aspects were discussed in a series of talks between the British, Indonesians and the Dutch. By then it was obvious that the Dutch no longer could be kept at the sideline. At the same time, negotiations started up between the Sjahrir Cabinet and the NEI authorities under leadership of the Lt-governor general Van Mook. A marking point was the Batavia Concept of 25 March 1946, which contained a first sketch for a political solution of the conflict. Although the discussion about evacuation and political affairs went through different channels, they were interrelated nevertheless. A few weeks afterwards, on 3 April 1946, the Republican minister of Defense Amir Sjarifuddin announced in a press conference the withdrawal of Japanese and internees from the interior under allied British supervision. By then, the matter had been thoroughly discussed between the Dutch and the British mediator Clark Kerr. The evacuation would be carried out by the TRI. It would get technical support, transport facilities and the armament for two battalions from the Allies to protect the internees during their voyage. The whole operation would take two or three months to complete.

And so, in April 1946 the evacuation of the internees from the interior started. The task was entrusted to a special organization, the *Panitia Oeroesan Pengangkoetan Djepang dan APW* (POPDA). The Indonesians promised the British

to deliver the internees in 'good order' in the key-areas Batavia and Semarang. The Republican government appealed to large pemoeda-organizations not to interfere with the evacuations, in order to show the world that Indonesia was capable of executing a task in which the British had failed.**[ix]** Pemuda-leaders recognized the importance of 'Operation POPDA' and offered their co-operation. The headquarters of the Islamic Hisbullah-organization, ordered its divisions not to be provocative and to follow the orders of the army.**[x]** Even Sutomo, a radical leader in Surabaya, pointed out the importance of a successful evacuation and announced that everybody who disturbed the transports would be punished.**[xi]**

POPDA took no half measures. The strategically situated city of Solo in Central Java was chosen as its headquarters (POPDA I). Malang, as POPDA II, became the center for assembling internees from East Java, while the coastal cities of Tegal, Central Java (POPDA III) and Probolinggo, East Java (POPDA IV) were suitable for shipping out the Japanese army. Because the Indonesians lacked sufficient locomotives and carriages to transport both Japanese and internees at the same time, the evacuation of the internees slowed down soon. A situation made worse by a serious shortage of coal. The British found this system of transport too slow and at a meeting in Solo on May 10, 1946 they proposed the use of aircraft. The 31st Squadron of the Royal Air Force (RAF) flew six days a week from Batavia to the airfield of Panasan (near Solo), the destination for POPDA transported evacuees from different residencies. Between May 20 and July 24, 1946 the RAF succeeded in transporting 19,490 evacuees either to Batavia or to Semarang, using four, later six Dakota's.

On July 25th, the evacuations suddenly came to a standstill. It appeared that a number of incidents had irritated the Indonesians. A POPDA-boat transporting evacuees from Madura to Probolinggo, was detained by a Dutch destroyer in the Straits of Madura and forced to hand over the evacuees. Another Dutch destroyer stopped POPDA-chief Major General Abdoelkadir at sea for twelve hours, on his way to inspect the republican camps in Madura. However, the Indonesian tolerance ended when the Dutch bombed the city of Banyuwangi (East-Java) and a ferry in the Straits of Madura. In a speech, delivered in Solo on July 27th, Sukarno announced that he had ordered to stop the evacuations.

At the same time, he promised Republican leaders and the Allied Headquarters would do their utmost to come to a solution. On 3 September 1946, the representatives of the parties involved met in Cirebon and on September 12, it

seemed that the deadlock had been solved. By the end of the month, evacuations started again. This time, however, the use of aircraft had not been permitted by the Indonesians, which slowed down the whole process considerably. In the following eight months another 16,000 Eurasian internees were evacuated from the interior, together with some 10,000 Chinese. It may be noted that these were the months in which the Dutch-Republican negotiations on the Linggadjati Agreement and its aftermath took place. Evacuation-matters were discussed in a special Dutch-Indonesian subcommittee on Evacuation and Contact. By the end of May 1947, POPDA closed its activities, – as it turned out – a few weeks before the first military clash. The organisation had successfully completed the evacuation, transporting about 40,000 Japanese and 37,000 Dutch/Eurasian internees in turbulent times, thanks to the determination of many people involved.

Back to the questions: blind spots and preoccupation

In the period 1984-1994 I worked for the Dutch Government in the field of recognition and support for civilian victims of war in the former Netherlands East Indies – including the Bersiap time – and as such I was well aware that many ex-internees from the republican camps still considered themselves hostages. They firmly opposed the word ‘protection camps’ and often used the word ‘hostages’. In October 2007, I published my dissertation on this subject. My book was announced in a newspaper with the headline, ‘Sukarno protected Dutch nationals’. This was a shock for many ex-internees. Being protected by Sukarno was not what many of them wanted to hear and consequently I received a lot of mail, suggesting revisions to my research in order to make it more “scientific”. Furthermore I was accused of having a one-sided view which was called ‘een beetje dom’ (a bit stupid). Others told me that hunger and humiliation in their camps had nothing to do with protection by Sukarno and so on. I was also informed that this headline had led to many angry telephone calls to ‘Indische’ organizations, representing the repatriates from the Netherlands Indies in the Netherlands.

However, headlines do not tell the whole story, and in my dissertation I made it clear that the matter of the evacuations was more complicated than mere transportation. Indeed, as emphasized in this article, protection certainly was the central element in them. In the context of the theme ‘blind spots and preoccupation’, the first question is why until this day ex-internees deny that the camps were intended for their own protection. Some of the answers have already been given in the preceding pages. Most of them did not enter internment by

their free will, and the memories they have of the time they spent in the camps do not correspond with protection. They remember the way they were taken and sometimes humiliated, locked up in small cells or poor shelter and the lack of clothing and medicine and especially the poor food rations. It took place in an atmosphere of enmity towards the Republic. Since ex-internees do not associate their lives in the camps with protection, most of them will not accept the idea that Sukarno - in order to prevent more murder and bloodshed - organized isolation of this vulnerable group for their own safety. They may have good reasons to consider themselves victims of the Bersiap period, but tend to forget that things might have been worse without the protection offered by the camps.

The second question is internees' own story of being kept hostage. My research, based on extensive interviewing, and search in the archives, reveals that there are no indications of the deliberate use of internees as hostages, either at the time of internment or during the evacuations. Both for political and humanitarian reasons, the Republican rulers had ample reasons to do what they did. However, the installation of the camps in 1945 and the POPDA operation of 1946/47 did not take place in a vacuum but in a political context, and this necessarily influenced the way the operation was carried out. Moreover, the steering power of the Republican government was under attack, especially so in 1945. Both factors tended to disturb the process. After the initial discussions with the British in December 1945 for instance, it cost Sjarifoeddin a lot of time to get the first batches of internees actually on the move. It was no easy task to convince the largest irregular pemuda-groups to give their full cooperation.

Although the relationship between politics and Popda was evident, the subject was discussed apart from the political negotiations as much as possible, to prevent it becoming a factor in the *do ut des* of the negotiations. Yet, it was inevitable that mutual irritations hampered a smooth continuation of the process. Such was the case in July 1946 when Soekarno brought POPDA to a standstill because of Dutch bombardments of a ferry and the harbor of Banyuwangi, and a few other matters that in Soekarno's opinion violated the Yogyakarta-Agreement. One may also ask why the Indonesians made such a fuss about air transport, with the help of which the evacuations could have been carried out much faster than was the case. They must have had good reasons for doing so, but at the same time, the Dutch had good reasons to be annoyed as well. Moreover - although positive information on this subject is lacking - according to Dutch reports

demand for more coal, transport and medicines was an ever returning matter in the ensuing discussions between the parties involved. 'Keeping hostages' is not the right phrase, and it was never used during the high-level negotiations between the Indonesians and the Dutch. Nevertheless, evacuation matters were certainly discussed on the lower level of the special subcommittee, and the mutual irritations can be read from the reports. It is worthwhile to note that in the final report of the chairman of the Dutch section of the subcommittee, Van den Wall Bake, these irritations were not only explicitly summed up, but the chief negotiators were explicitly advised to make them public too.**[xii]**

With this advice, we touch upon the subject of propaganda and public opinion, which necessarily has its effects on history writing as well. After all, the evacuation issue was only one part of a much larger conflict, in which serious issues were involved at both sides. It was serious enough to wage a war for it, which implied propaganda as well. It was in this context that the terms 'internment' and 'hostages' came in use. For the Dutch authorities, the sentiment of Dutch internees, held captive by the Republic as long as two years after the end of the second world war, certainly was too convincing an argument not to use. This is normal behaviour in cases of political conflict and war. The Dutch were fighting with the republic, and in those circumstances, it did not make sense to praise the enemy. They continued to do so up to 1949 in order to achieve two goals. Their first aim was to put the Republic in a bad light internationally; the second aim was to influence public opinion in the Netherlands. Sending soldiers to the Netherlands East Indies was widely opposed and with propaganda like: 'Save the hostages in Indonesian hands', or, 'Still thousands of hostages under the heel of the Indonesians,' the authorities tried to manipulate Dutch public opinion. However, there was a third and largely unintended side effect. The continuous use of the word 'hostages' in the media convinced the ex-internees, that they were indeed hostages. That is how they entered history. Moreover, in the following decades, historians adopted the idea of hostages from the archives, thereby 'confirming' the image of internees as victims of the republic, and giving rise to the blind spot, as far as Indonesian intentions were concerned.

I will finish this article with an example of disavowal on Indonesian side; not entirely representative, but nonetheless remarkable. I sent 18 books to my Indonesian host. After some time went by I phoned him to ask his opinion about my book. I could immediately hear from his voice that something was wrong and

after some urging, he told me that he disagreed – not with the contents – but with the subtitle, ‘A method in the madness’ – or as we say in Dutch – ‘Orde in de chaos’, because he said, there was no madness. I can probably explain to some former ex-internees that Sukarno was trying to protect them, but I could never explain that there was order in the madness during the Bersiap period.

NOTES

[i] The following is a revised edition of the original paper. I wish to thank Pieter Drooglever for his sound advice, which resulted in a better situating of *Popda* within the wider context of the British-Dutch-Indonesian relations.

[ii] Until Potsdam only Sumatra had been part of SEAC. The other Netherlands East Indies islands had been the responsibility of SWPA (South West Pacific Command) under the command of General MacArthur. The sudden change caused many problems for Mountbatten, since he lacked troops, ships and materials.

[iii] E.Touwen-Bouwsma, Japanese minority policy: The Eurasians on Java and the dilemma of ethnic loyalty. Unpublished paper presented at the Workshop on ‘The legacy of Dutch and Japanese rule in Indonesia: Myths and Realities’. Amsterdam/Leiden, 7-10 November 1994, p. 2.

[iv] Interviews with Indonesian veterans, among others: Army: Purbo S. Suwondo. Oetarjo, G.P.H. Djatikoesoemo, Imam Soepomo, Iwan Stamboel, A. Kosasih. Navy: Rachmat Sumengar, Haryono Nimpuno. Police: Hoegeng Imam Santosa, Moehammad Jasin, Mohammed Subekti.

[v] Despite Mountbatten’s order to stay in their ex-Japanese concentration camps, many people left for their former houses in the country (republican area). Next, they were interned anew; this time by the Indonesians.

[vi] During my research, I found approximately 400 camps, but they did not all exist at the same time. The number of camps constantly fluctuated, because people were transported to other locations, or camps were split up, joined or closed down because of the evacuation. Sometimes the internees had to make room for Japanese troops on their way home or for Indonesian troops.

[vii] NIB III, no 84 en no 123. Nationaal Archief, archief Algemene Secretarie, inv. no 2808, Recapitulatie evacuatie binnenland, 13 maart 1947.

[viii] NIB III, no 349; IV no 17.

[ix] Centraal Archieven Dépôt van het Ministerie van Defensie. (CAD), archief NEFIS 1946. FY5/27345, 16-04-1946, inv.nr. 29, AA11.

[x] CAD, archief NEFIS 1946. FY5/28707, 26-04-1946, inv.nr. 29, AA11.

[xi] CAD, archief NEFIS 1946. FY5/28707, 26-04-1946, inv.nr. 29, AA11.

[xii] NIB IX, no 193.

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Professional Blindness And Missing The Mark ~ The Year 1948 And The Madiun Affairs - A Year Of Cheat And Rumors



"The Reorganisation-Rationalization (Re-Ra) was the detonator of the explosion that struck the TNI and Indonesia and was abused by the Dutch and the PKI for their own aims" (Nasution II a: 5).

The year 1948 and the *Madiun Affair* were of decisive importance for both the existence of the young Republic of Indonesia, and the military career of

Lieutenant General Abdul Haris Nasution. He devoted several publications to the major events of that year, among them *Book IIa* of his *Memoirs*. I will use that book to present his view of the events, since he had a pivotal role in both their genesis as well as their aftermath. My interest in Nasution developed during my work in Indonesia, where my Chinese bookseller Liem regularly provided me with books that stemmed from libraries of former regional government officials and military who spent their retirement in Malang, East Java. Among these books were Mahmillub court martial notes and books that Nasution wrote during and about his military career, and the events he encountered. Back in the Netherlands, I began reading Nasution's books, as well as books about him. His history fascinated me, since he was a man who continuously had trouble with authorities and interest groups, but always managed to come back stronger than before, until his companion and opponent President Sukarno finally had to leave the political scene mid-1960s. In discussions with Wertheim, he objected to my fascination with the man, since he saw him as a liar and a cheat. In August 1993, I interviewed Nasution for a biography about him and met a charming and inspiring man who, just like Wertheim, had a photographic memory for people, events and books. Again, Wertheim condemned the effort and predicted a tremendous task in separating fact from fiction. I never had any inclination to adhere to his point of view, and started working on the biography. Gradually, and by checking Nasution's data and insights with existing and authoritative literature on the events he participated in, I realized that he had something important to say. His memories are relevant and his insights worthwhile to report to a larger public. In this chapter, I will use his memories of the year 1948; one of Indonesia's many Years of Living Dangerously. They are taken from Volume IIA of his *Memoirs*, called *Memenuhi Panggilan Tugas*, i.e. "*Doing My Duty*". Despite Wertheim's objections against my work on Nasution, he nevertheless remained interested in my work and supported me when and wherever feasible; for which I am grateful.

Appeasement and its political problems

In [the preceding chapter](#) we have seen that Sukarno's policy of appeasement vis-à-vis the Allied Forces was intended to be positive for the former Eurasian prisoners of Japanese camps, and was even facilitated by *pemoeda* support. It served Sukarno's goal of appeasing the Western Allies by showing his good intentions regarding victims of the Japanese occupation. However, the political history of the year 1948 shows the growing dissatisfaction within the Indonesian

army, among the village militia and the political parties with the other facets of the appeasement policy. It is probably this history of dissatisfaction and mistrust, and its dramatic end in civil war and coup accusations, which has blinded subsequent Indonesian and foreign historiographers to the two sides of Sukarno's appeasement policies. In essence Sukarno was a Jacobin, which means that he changed camp whenever it served his interests. Before the Second World War Sukarno took the non-cooperative side of Indonesian nationalism, and continued that line during the Japanese occupation when he chose to side with Japan. After the Independence Declaration of 17 August 1945 he chose, for tactical reasons, to co-operate with the Allied Forces, whose support he needed in the Independence war against the Dutch. After the Republic and the Netherlands parted ways for good in 1956 after fruitless negotiations about the division of mutual interests in the archipelago and repayment of war damage caused by Indonesian military, Sukarno used the Western Allies once again in a campaign aimed at making the Netherlands stick to its 1949 promise of handing over New Guinea to the Republic of Indonesia. Without any clear reasons from the Dutch for doing so, that issue had been excluded from the Round Table Agreement. From 1964 on, and forced by Indonesia's miserable international financial debt, Sukarno relied heavily on support from Communist China. After October 1965, appeasement was not as important, and was replaced by Suharto's balancing act of looking inward and outward.

An independent analysis of the 1948 affairs

For an interesting Indonesian analysis of the 1948 events, I will use Part 8 of Nasution's 10 volume Publication on the Indonesian Independence War. The analysis is based on Nasution's personal memories and notes about his stay in Yogyakarta in 1948. At that time he was chief of staff of Commander in Chief General Sudirman and worked with him on an encompassing strategy plan that served two goals. On the one hand, a proper solution was needed for the relentless Dutch effort to destroy the Indonesian army after its infamous defeat against the first Dutch Aggression of July and August 1947. On the other hand, they were in search of a way to covertly rebuild a new and combat ready Indonesian army that would be able to conduct mobile strike operations at the regional and national level, and guerilla war at the local level. Nasution's analysis of the Madiun Affairs regard this effort and its complicated political context.

Nasution's memoirs were first published in 1983 by CV Haji Masagung in Jakarta.

I use the second, 1989 edition in which the original Volume II has been split up in two separate volumes, i.e. Volume II a, and Volume II b. Volume II provides Nasution's analysis of the preparations for guerrilla warfare against the expected second Dutch aggression. Chapter 2 contains the PKI Insurrection. It is a mixture of ideas, notes, and other materials from 1948, as well as personal memories, and as such it is still relevant to revisiting the 1948 crisis. Nasution sharply separates his military analysis of the 1948 events from his conclusions, in which he ventilates his anti-communist sentiments. Where necessary, I will augment his analysis with facts, documents and analyses from McTurnan Kahin's thesis on Nationalism and Revolution in Indonesia. This thesis is based on Kahin's experiences as journalist and member of the Indonesian Ministry of Information during Independence War. Although his exposition has some odd misses regarding the dates and order of events, it makes some interesting points. It focuses on the political side of the 1948 events, in particular the emergence of a strong leftist protest against President Sukarno's "sloppy" way of negotiating about peace and independence with the Dutch from February 1948 on. But it also builds on Siliwangi Intelligence which dominated the marshes of rumors circulating in and around the Ministry of Information in 1948. Solely for that reason, and despite the fact that so many years after the event it is difficult to check these sources, as a contemporary of Nasution Kahin's study is helpful for a historical analysis of 1948 with two starting points: the objectifying analysis of Nasution and the left leaning analysis of Kahin based on Siliwangi dominated information. Since this piquant confrontation deserves a much larger and broader analysis than this chapter permits, I will primarily use Kahin's English translations of Indonesian speeches and proclamations.

Contrary to the personal success story that Dutch and foreign studies ascribe to Nasution, and the bad image cultivated by contemporary left wing 'hate literature' in and outside Indonesia, he presents a nuanced and often troubled and grim story in his memories of 1948. They cover his bumpy career at the time, including his continuing and sharp discussions about strategy and tactics with his partners in battle, i.e. representatives of the village militias, called Laskar, as well as territorial commanders and rebelling army units, and last but not least his Commander in Chief General Sudirman. Each of these parties had their professional and existential interests and perspectives, which divided them so much they could not reach a compromise. Nasution's report also relentlessly shows his failure to adequately handle the task he was given by Sudirman, namely

to massage away the fears the Laskar village militias had of the policies of the much hated Hatta cabinet, and convince them to participate in a plan he conceived in 1948 while Chief of Staff. He opted for a combined attack on the enemy, whereas General Sudirman preferred an all-out guerilla war against the Dutch. Nasution's plan included the covert build-up of a small core of combat ready mobile troops and a large amount of stationary village militias. For Nasution, finding a way across all the obstacles was a painful experience but he describes his blunders and failures, as well as his final success, with candor. Despite his personal charm Nasution failed to get in contact with the Java based Laskar commanders, who revered General Sudirman. As a military man with a Western military education, he had no understanding of the emotive side of the Laskar motivation for entering the war against the Dutch, i.e. *semangat revolusi* (revolutionary fire). In the end, these failures as well as those of Sudirman, who had extensive connections with the rebelling troops and political parties, contributed to the final explosion, which in Western terms became known as "The Madiun Affair". The misunderstanding between the two commanders moreover enlarged the risk of what Hatta in August 1948 explicitly stated was to be prevented at all cost, i.e. a discussion about social revolution, which would not only trigger a struggle between ideologies and classes but also escalate it. For Hatta, on the eve of an expected second Dutch Aggression, national unity and strength had absolute priority over social revolution, which could only split the ranks; dissent had to be denied, and eventually suppressed. On the other hand, the PKI Musso as well as independent activist Tan Malaka, pushed the idea of class thinking. It found a willing ear with the village based Laskar units who felt confronted by Nasution who treated them, as they said, as *kelas kambing*, i.e. as peasants. Again, Nasution was quite honest about his failures and successes.

Nasution's analysis shows that the so-called communist Madiun coup was an accident in a long-standing loyalty conflict between army units and village militias, lumped together in the inlands of Central Java, and the government and the president. For the protesters the subject of the conflict was the expected impact of the policy of appeasement with the Dutch and the Allied Forces on their professional and family life. Kahin uses the same framework but is more oriented on the side of the National Front, the PKI and other political parties. For the Laskar commanders, the price of independence paid by the government was too high, i.e. submitting to Dutch and Western imperialist powers which condemned them to a marginal position in a federated Indonesia. Nasution's analysis shows

the military side of the Independence War and approaches that as the essence of the struggle. For the military, Nasution included, the war contribution was indispensable. Without it, the government had no legs to stand on. Whereas for the Central and East Java based units that conception was the reason to resist the government and push for a policy and personnel change; for Nasution and Siliwangi it was the reason to support the government. Moreover, in Nasution's opinion, fighting an independence war without unity of command and political leadership could never bring independence, only heroic and deadly defeat. For Sukarno, submission was the only way to get support for independence from the Allied Forces, which in its turn was the only way to reach Independence. For Nasution, the ideological difference regarding the loyalty issue between the nationalist PNI and the modernist Muslim Masyumi party which divided the KNIP parliament, and the protests from the Left Wing (*Sayap Kiri*) and the National Front of Amir Sjarifuddin, were serious mishaps. According to Nasution, the politicians involved missed any understanding of the disastrous impact that political dissent would have on the military defense against the forthcoming second Dutch aggression. The commanders that understood the backgrounds of the dissent, drew their lessons for the next two decades, i.e. do not let politics get a hold on military affairs. Local people are the army's only and basic ally, not the government. However, for tactical reasons Nasution maintained the connections with the government since they were needed to keep his Siliwangi Division upright and combat ready. The government had the money he needed to achieve that goal. The Central and East Javanese units were left behind in poverty, working with untrained and unqualified troops, because they did not have that link. They stigmatized Nasution as a traitor, a party pooper who sucked up to the government for his own private and Western interests.

Sukarno's accusation and the name of the event

The name "Madiun Affairs" was born when President Sukarno gave his 19 September 1948 speech of about the battle between loyal and disloyal troops in Solo Central Java and the presumed coup attempt in Madiun East Java, one day earlier. He opened his speech by stating:

"Yesterday morning the Communist Party of Musso staged a coup in Madiun and formed a Soviet government there under the leadership of Musso. They consider this seizure of power by force as a preliminary step in the seizure of the entire government of the Republic of Indonesia. From this fact, it is obvious that the Solo and Madiun incidents are not isolated events but are constituent parts of an

over-all pattern of action designed to overthrow the government of the Republic of Indonesia. To achieve this end, the rebels have used units of the Twenty Ninth Brigade, the former irregular force commanded by Lt. Col. Dahlan. By so doing, Dahlan has betrayed the country and has violated the oath of the army. Therefore I hereby dismiss Dahlan from the army.” (McTurnan Kahin 1970: 292).

The event he is referring to is the message that the Pesindo garrison commander Soemarsono of Madiun broadcasted in the night of 18 September with the headline “In Madiun starts the victory.” One hour and a half after Sukarno’s speech PKI leader Musso replied with a speech that was born out of despair, since according to McTurnan Kahin the events of September 18th had completely surprised Musso and had neither been planned and prepared by him, nor been ordered. Musso started his speech with the sentence:

“On September 18, 1948, the citizens of Madiun seized the authority of state in their own hands. With that the citizens of Madiun have done their duty in our national revolution, which as a matter of fact must be led by the people and not by any other class!” (McTurnan Kahin 1970: 293).

Musso continued by accusing those people in government and army who during the Japanese occupation had manned Japanese organizations (Sudirman) or had been Romusha slave dealers (Sukarno and Hatta), of selling out the country to the former colonizer; and so on and so forth. He talked about how the middle class nature of the cabinet and government was not very different from the bourgeois rule of the colonial time, and commented that only the labor class could wage an effective war against the aggressors. Musso ended his speech with a call on the Indonesian people to follow the example of the Madiun citizens and take their fate in their own hands.

Already on that first day, dissent arose over the question of what had happened in Madiun, which still continues today. Was it a coup? In the night of 18 September a local Pesindo commander named Sumarsono did broadcast a message titled “From Madiun victory starts”. According to the papers and Antara, the message called for a change of government by the people. In 2002, Sumarsono denied Sukarno’s accusation in an interview with Radio Netherlands. He denied having performed a coup but admitted to having taken measures against eventualities. These measures included the creation of a regional branch of the National Front (Front Nasional Daerah/PNI) that appointed him military governor of Madiun.

Contrary to what newspapers in Yogyakarta stated, there were no pro-PKI mass demonstrations in Madiun and no red flags. The Indonesian flag was not removed from government buildings. No commanders and town officials had been arrested or killed.

Sumarsono said that Commander in Chief Sudirman sent Lieutenant Colonel Suharto to Madiun to have a look and discuss the rumors. He arrived at night and accompanied Sumarsono on a tour through the town the next morning. After that tour, Sumarsono asked Suharto for his opinion and, when he agreed with Sumarsono about the real state of affairs, asked Suharto to write a letter to the president about his findings. It was important that the president should know what really happened, and not believe the Siliwangi controlled newspapers in Yogyakarta. Suharto replied that he indeed had seen nothing to worry about and Sumarsono should write the letter and he would sign it. Sumarsono wrote the letter, which Suharto indeed signed. Sumarsono also talked about a letter from Amir Sjarifuddin to the president, regarding the same issue. The Radio Netherlands reporter did not ask him about which letter Suharto took with him. Anyway, Suharto took a letter home, and later replied that on his way back he had been arrested by Siliwangi troops; the letter never reached the president who consequently went with the news as reported in the Yogyakarta newspapers (Kolom Ibrahim Isa in *Milis Nasional*).

Although Sumarsono did not specify the precise reason for his seizing power in Madiun, his actions come across as a local martial law proclamation in order to defend the town against the Siliwangi's hunt for disloyal troops and FDR and PKI officials. McTurnan Kahin did not commit himself fully to what he had heard about the coup message broadcasted by Sumarsono in Madiun on September 18th, because he could not find an authorized copy of the radio message, only a second hand version (Kahin p. 291 note 66). Hence, just like the public in 1948, we still depend on hearsay, and do not know for sure if there was a coup attempt. It looks as if Sukarno, in view of the rumors about risks and threats, and the Siliwangi Intelligence reports, decided to make a pre-emptive strike against the PKI Musso in order to prevent the man from exploiting the opportunity, and damage the defense against the expected second Dutch aggression by creating civil war. Whatever the case; in the 1950s and after, Sukarno refused to call 1948 the year of the PKI coup. He always referred to "the Madiun affairs", since he needed the PKI as his personal apparatus for spreading the message of Indonesian socialism to the peasants and laborers.

Nasution on the prologue

Survivors of the Madiun affairs who were part of the rebelling troops, still accuse Siliwangi and Nasution of having been traitors of the military and leftist resistance against the scandalous demobilization and reorganization of the Indonesian troops ordered and implemented by the Hatta cabinet. Within that framework, it is important to also get the view from the other side of the hill, i.e. Nasution's report about 1948. What was his view of the events, then and afterwards?

From Nasution's description of the events of 1948, it is quite clear that the source of all the fuzz was not the threat of a communist coup. During the preceding Amir Sjarifuddin cabinet, the PKI had supported the reorganization. But the Hatta cabinet triggered a change of course in the PKI. Hence, Nasution's focus is the serious dissent in the army about the government's demobilization and reorganization policies, because that was the problem with which he wrestled. He shows that the route to the Madiun explosion was much longer than the tensions of August and September 1948 between Siliwangi units present in Central Java and local and East Javanese units that had gathered in Central Java after the demobilization. Dutch and American studies usually focus on these tensions. However, Nasution shows that the Madiun explosion was the result of structural issues. The events in Solo were only the powder barrel of a fire that subsequently spread fast to other towns. The threat of disappearance as a result of the implementation of the first Hatta cabinet's plans, was cause for dissent among the militias. An important intensifying factor of dissent was the Siliwangi stand, which was loyal to the president, but also strived to move up in the ranks as an elite unit. This division was rewarded when Sukarno created a mobile strategic reserve brigade in 1948, which became the president's security force for the time being, and included Siliwangi. One outcome of this policy was that Siliwangi was spared a reduction of its manpower. The effort raised suspicion and jealousy among the Central and East Javanese units that apparently were not favorites of the president and Hatta.

The ReRa plans implemented the lessons learned by the General Defense Staff from the republican defeat against the first Dutch Aggression in August 1947, and the Dutch exigencies presented by the strangling Renville Agreement. Nasution had good relations with that staff, thanks to the former Chief of the General Staff Lieutenant General Oerip Soemohardjo. Both had a common KNIL background

and when in private, enjoyed common memories of their pre-war time in Bandung. However, both were also completely dedicated to the ideal of a professional, non-ideological oriented and combat ready Indonesian army. Though Oerip resigned after the defeat in 1947, he had accepted Sukarno's offer of becoming his military adviser. Unfortunately, Oerip died in November 1948, leaving Nasution in despair over how to close the gap to the president.

The Renville agreement which finalized the first Dutch aggression of July 1947 stipulated, just like the earlier Linggadjati Agreement did, a complete disarmament and demobilization of the Indonesian armed forces in the territories occupied by the Dutch. However, this time the Dutch forces would execute and guide the demobilization themselves. Second, the territory of the Republic was reduced to the inlands of Central Java and Sumatra. In its turn, the Indonesian defense staff reflected on the chances that the defeat offered for a new approach, for example abandoning the enormous but rather unorganized mass of lightly armed combat units that served before August 1947. It had proved to be only effective in some places and only at the *desa*-village level; as an army, it did not work. Within this framework, Prime Minister and Minister of Defence Amir Sjarifuddin had already made preparations for a plan of reorganization and rationalization of the armed forces in October and November 1947. It would make use of Dutch finances intended for the disarmament and demobilization operation, in particular pensions and social insurance, as well as Indonesian sources such as the textile industry and agriculture. Sjarifuddin thought that the design and implementation of these ideas should take place with the full support of the political parties in the appointed KNIP parliament, which since Proclamation had direct relations with armed units. His Biro Perdjungan would play a prominent coordinating role in these relations. In their turn, the army commanders regrouped their forces in Central Java, including Nasution who ordered the members of his Siliwangi Division to find their way individually and in small groups via the southern mountain areas of West and Central Java to Yogyakarta. He called it Siliwangi *hidjrah* (evacuation, reference to Mohammed's departure from Mecca).

When the KNIP parliament subsequently sent Amir's cabinet home in December, the Indonesian government had accepted the Renville Agreement, which reduced the republic to the inland areas of Sumatra and Central Java, cutting off the seaports. The constitution of a new cabinet that would implement the Renville

Agreement appeared to be difficult and as a result Sukarno appointed a presidential cabinet. Vice President Mohammad Hatta became Prime Minister and Minister of Defense. This new cabinet started work on February 22nd 1948. As for the reorganization, it was executed through the Defense or Baharuddin Law, based on the Baharuddin motion accepted by the KNIP parliament in December 1947, which was a call for government action. Based on that law, the reorganization pertained to a coup de frappe by the government, which gave operational and administrative command of the army to the government in order to fully control the military budget. Hatta based his policy on the plans of the preceding Amir Sjarifuddin cabinet but dropped the role of the political parties in the operational command designed by his predecessor. Regarding the military side of the reorganization, Hatta's concept used Nasution's design, created after the 1947 defeat and pertaining to the creation of a small core unit of well-trained and educated professional soldiers paid from Dutch and Indonesian sources, and the abandonment of the mass of unarmed or badly armed non-regular units. The core unit could function as the start of republican and federal armies, whereas the village militias would be functional in both. For Hatta, the rather chaotic collection of Laskar peasant militias and the multitude of other non-regular units which emerged since the Bersiap Time (1945-1946) was on the list for rationalization. Hatta's ReRa plans rendered Sukarno's 1947 Law on the TNI useless. That law regulated the creation of the concept of Tentara Negara Indonesia and the terms of TNI membership, and included the Laskar as regular part of the TNI. However, Renville stipulated that the TNI be disarmed and demobilized. Hence, the Hatta government took the Renville terms as an opportunity to get rid of all the non-professional units, which according to the defense staff had to take place anyway. This move was the main reason for the mistrust and disloyalty which haunted the Hatta cabinet. The implementation of Renville and the abolition of direct party political influence in the combat units made the ReRa effort a highly abject affair. It robbed the remnants of the TNI, and other combat units like the Laskar peasant militias, of the opportunity to seek support from parliament which until then had been an option for all Indonesian armed forces.



The start of the Siliwangi hidjrah from West Java, (in Pierre Heijboer: 105).

After the fall of his cabinet, former Minister Amir Sjarifuddin constituted in response to the emerging fear, anger and unrest among the troops and the militias, an additional parliamentary lobby of mostly Left Wing parties in parliament plus other organizations like his own Biro Perjuangan. This lobby was called Front Demokrasi Rakyat (FDR, People's Democratic Front). It had the explicit aim to support individual military and groups, and to put continued political pressure on the Hatta cabinet under to stop its ReRa policies. Hatta's scrapping of party political control of the reorganization as well as his creation of a support lobby split the parliament in a left wing of PKI, PSI, Murba and other groups, and a right wing consisting of PNI and the modernist Muslim Masyumi party. Whereas before Renville these wings cooperated on legislation and motions, from then on they went separate and increasingly opposite ways. According to Nasution, it created the climate for agitation against him and Hatta, which triggered the escalation that resulted in the Solo and Madiun affairs.

A further escalating factor was the cabinets trouble with creating the financial and fiscal frame needed for the planned massive demobilization and pensioning of soldiers and officers. The Dutch mobilization funds were too small to cover all the expenses. Moreover, government had to create or find new jobs for the demobilized military, which in most cases failed. Disarmament became a very controversial affair. Paying for it from Dutch funds aroused anger and made the cabinet look even worse.

In July 1948, when it became clear that Hatta would not give in to pressure to stop the ReRa operation, Amir made a plan B that provided for the mobilization of

military pressure against the government plans in case further political pressure would fail. It remained unclear for a long time what he meant by that. Moreover, the idea of mobilizing military pressure appeared dangerous and might trigger civil war. This was not in the interest of the Independence war and many commanders were suspicious of the idea, in particular Siliwangi and Police units.

Sjarifuddin made a list of units and commanders that might support military pressure. It was Amir's Plan B that caused Moscow to send pre-war PKI leader Musso to Java with the instruction to take over the FDR, bring it under the roof of the PKI and develop PKI into a people's party that would be able to attract mass popular support and take the lead in republican politics and military. Musso arrived in August 1948 and immediately took action by performing a coup within the party organization, with internal support from the Polit Bureaus younger generation. Aidit, Lukman and Sudisman constituted the new PKI top. The PKI had to be rebuilt from a small and old-fashioned Stalinist urban elite party to a large and popular party with a significant role in bourgeois democracy and the ability to solve Amir's dilemma regarding Plan B, namely the danger of civil war. Hatta's acceleration of the ReRa operation irritated Commander in Chief General Sudirman immensely. The policy ignored his design of a total popular war against the Dutch. Following long consultations with his commanders, Sudirman was ready for his famous STOP Order No 1 of June 6th 1948. The order was designed and edited by his Chief of Staff Nasution, and redressed all Hatta's schedules and implementations. It solidified Sudirman's position as Commander in Chief, by also making him Chief of the General Defense Staff of the ministry of Defense. It put him in charge of both the army and the ministry of defense. The order was a cunning Coup de Frappe with Sukarno's silent support.

Even though Sudirman's move came late, perhaps too late to be of any political impact, it was a definite signal to politicians that in wartime the army was essentially the people's and military affair, instead of a matter of fooling around with abstract economic calculations and political schedules (Nasution II a: Lampiran II). This fact would be driven home in the prologue and epilogue of the Thirty September Movement in 1965, which had a macabre and disastrous end in the murders of tens of thousands of helpless peasants.

It is important to note that in 1948 yet another dangerous situation surfaced. One very similar in motivation to the Madiun Affair, but that got quite a different response from the government. It took place in West Java, where Muslim militias

were just as angry about the government's ReRa operation and its dismissal of constitutional values and interests as their colleagues in Central and East Java were. They united in the Darul Islam movement and proclaimed Darul Islam, i.e. the Indonesian Islam state. This movement intended to replace the rotten Republic of Indonesia with a decent Indonesian Islam State. Whereas the so-called communist coup of Madiun got all the national and international attention, Indonesian and foreign parliaments as well as authors either ignored the D.I. event or treated it as a second hand affair.

In the 1950s the Darul Islam movement blocked communications with Jakarta and the surrounding areas in Java, as well as with the export areas in Celebes, and thus constituted a much larger and more sustained threat to the country's existence than the presumed coup attempt of Musso's PKI ever did. One cannot escape the notion that the Cold War climate determined domestic political and security priorities. This odd situation was made possible by the republican government's dependence on support from the Dutch and the Allied Forces, which were part of the Cold War against communism. Even Nasution mentions the Darul Islam emergency only once in his chapter on 1948, and he does not elaborate. His chapter on ReRa gives a clue to his ignorance. After the TNIs failure to successfully stand up against the Dutch army in August 1947, he moved to Yogyakarta. At the time of the emergence of the Darul Islam movement, he was highly involved with the regrouping of his demobilized Siliwangi division in Central Java. Moreover, in 1948, his work as chief of Sudirman's Army staff confronted him with the disastrous impact of Tan Malaka's campaign against him and Hatta, and against Western educated politicians and commanders in general, on his relation with the Laskar units in Central Java. The preparations for the expected second Dutch aggression also absorbed more of his attention than the Darul Islam event did. Nasution did not elaborate on the Darul Islam as a national threat in other publications either, unless its impact on the guerrilla capacity of the army demanded his attention. He never expands on the reasons behind his attitude.

The Sudirman/Nasution dissent

With the arrival of the Hatta cabinet, Hatta took Nasution's earlier plan for an independent Indonesian task force as a lead. It had to be implemented immediately and Hatta sent his orders to the commanders in the field to do the job. However, in view of the expected second Dutch aggression Nasution's plan

had to be redressed. Sudirman and Nasution discussed the nature of the defense strategy. Should supreme command stick to Nasution's scenario after the defeat, constituting a small core of mobile elite troops and a solid base of stationary village militias, or should they opt for a different concept that would allow all troops and militias to have a place in the defense? This last option had Sudirman's preference. The first scenario necessitated the rationalization of all non-regular and regular troops and militias, which did not fit the plan. Sudirman considered it a threat to a unified command structure since the troops in the field rejected the option, which made them unreliable and not combat-ready. The second scenario promised a place in the fight to all troops and thus ensured obedience and rest. Nasution's felt that in the remaining few months before the Dutch aggression, such a mobilization was unfeasible, since it would not have enough military spin off. Without a strong professional military core, Indonesia would not be able to maintain mobility, cooperate with the local militias and constantly strike back from unexpected and reliably defended local edges and angles against the suspected Dutch aggression. What remained was nothing more than an enormous landscape of local trenches and foxholes without a central command and strategy. A dualist approach was unavoidable. The position of the Laskar village militias had a central place in the debate. They had to hold on to their position against all odds, and lacked the possibility to travel around to evade Dutch aggression and strike from behind, a situation they were unhappy with. They felt victimized by Hatta's and Nasution's plans which, in their view, condemned them to exploiting their inferior class position, i.e. *kelas kambing*, the goats cabin in colonial/Indonesian trains where peasants with their livestock were forced to stay on their way to the market. Professionals had the opportunity to hit and run, the Laskar village militias had the freedom to stay behind and be bombed.

A painful period in the first half of 1948 was Nasution's failure to succeed in the task given to him by Sudirman - winning the acceptance of the Laskar units and commanders for his dualist planning of a mobile elite core unit and stationary village militias. The Java based Laskar units rejected the plans. After that defeat, Sudirman took the Laskar under his own wings and pushed further for Sukarno's support of his Total Guerrilla concept. He contacted the representatives of Sjarifuddin's Front Demokrasi Rakyat (FDR) and the Biro Perdjjuangan, in an effort to get them behind the concept. That connection, which was Sudirman's personal affair, was an effort to temper the anger among Laskar, FDR and PKI members over the Hatta plans, since they involved the elimination of the political

parties from the reorganization. Sudirman kept his political efforts to himself and left Nasution out. Thus, several scenarios were in the pipeline at the same time, with Hatta's scenario and Nasution's plans under attack and Sudirman's scenarios being discussed with field commanders, the Laskar militias and FDR and PKI oriented troops. It created a climate of indecisiveness and division of command, which led to several deep misunderstandings and clashes between Nasution and Sudirman. The continuing tensions between the two commanders exhausted both, and in Nasution's opinion hampered the establishment of a unified command structure. Another complicating factor was that the General Defense Staff at the Ministry of Defense had its own agenda and strived after its realization on its own. The situation as a whole made Sudirman announce his famous Stop Order, created by Nasution, in which he rejected the Hatta schedule and unified supreme command and general defense staff by putting both under his command. It had Nasution's full consent. Whatever scenario would end up coming to fruition, it was clear to both commanders that it needed political support and that they would need the freedom to act. To them, government was instrumental and not the leading branch, since politicians knew nothing about the military craft. Both commanders were also completely loyal to the president, in their eyes the only man who could keep the different interests and interest groups together. They viewed the government as an obstacle between the military and the president. This attitude remained intact until 1 October 1965, when six generals of the army top were killed at the command of Sukarno's security force, under the suspicion of preparing a coup. It meant the final blow to the military's trust in their president.

In hindsight, Nasution regretted his failure to win the Java based Laskar for his plans for a professional army core and a stationary Laskar base. In his opinion, his failure undoubtedly contributed to the clashes that eventually led to the Madiun affairs, in which the Laskar and other units under threat of rationalization considered Nasution to be part of Hatta's camp, which had to be wiped out. Nasution explained that failure as the outcome of being a Dutch educated citizen and military. He lacked an understanding of the emotive *semangat* spirit that reined Laskar militia behavior, as well as an understanding of their resistance against external top down command structures, which was not rooted in their small-scale group dynamics and did not have their approval. Sudirman in his turn understood the Laskar sentiments quite well, and met the Laskar objections appropriately. However, he could not prevent the explosion of anti-Nasution

sentiments and the accusations of being NICA agents against Hatta and Nasution which emerged in August and September 1948. According to Nasution, they focused on his KNIL past, his “Dutch behavior” and his loyalty to the Hatta cabinet. In Hatta’s case they focused on his Dutch past, and the arrogance of the disciplined and well-trained Siliwangi soldiers who supported the government’s political horse trade with the Dutch. At least that was Nasution’s feeling at the time. Hence, in his view, nationalist sentiments split the people in Java along the line of pro and contra Sukarno’s dealings with the Dutch, and pro and contra against the colonial Dutch educated legacy in the nationalist movement. The dissent did not hurt Sukarno immediately. He had a colonial education and many Dutch and Western contacts, and was a necessary part of the Independence effort. No one could replace him.

The Solo affairs

Nasution draws attention to the demographic and catering problems Central Java had to deal with after the regrouping of tens of thousands of demobilized troops in Central Java, which meant a multiplication of people who needed food. The problem was worsened by the fact that family members of the regrouped troops and other fugitives also followed, adding to the number of immigrants. In the rural rice economy of Central Java, which had been ruined by the Japanese demand for small and large cattle meat, Malthusian checks developed, i.e. violent rampage, starvation and civil war. There is no doubt these problems worsened the tensions between the military units.

Nasution reports that on September 14, a number of PKI-oriented Laskar units of the irregular marine Panembahan Senopati division attacked troops of Ali Sadikin’s Siliwangi Brigade in the Solo/Surakarta region. Commander in Chief Sudirman immediately ordered the fights to stop and approached Nasution to remove the Siliwangi troops from Central Java, send them to West Java and stop further escalation. Nasution was not prepared to do this. Subsequently, Sudirman went to Solo to meet with the fighting units. However, during the following days the skirmishes severed, revealing deeply rooted sentiments of mutual hatred. According to Kahin, on 17 September Sukarno ordered a first stage Martial Law in the Solo region and Semarang, i.e. the State of Danger (*Keadaan Bahaya*). Ali Sadikin’s Siliwangi Brigade remained in control of Solo city, whereas the rebelling units of the marine Panembahan Senopati Division remained in position at the city’s precinct. Actually, as Harry Poeze from the KITLV emailed me, Sukarno conceived the order on 16 September, and published and implemented it

on 17 September.

On that last date, Sukarno also appointed Colonel Gatot Subroto, Commander of the Corps Military Police, as military governor of Surakarta and Semarang. In that authority, Subroto issued his Decree No. 1, which mentioned and condemned the skirmishes in Surakarta, and ordered the fighting units to cease their fighting as soon as possible, ultimately at September 20, 12.00 hrs. He ordered all commanders to report to him in the Residency Office, in order to explain their position vis-à-vis the government and receive orders on how to restore order. According to Nasution, it was this decree that triggered the start of the Madiun affair the next day, 18 September 1948 (Nasution II a, 86). The final explosion came on 18 September, just as Siliwangi Intelligence had predicted. On that day, TNI units of Amir Sjarifuddin's Biro Perjuangan seized power in Madiun and arrested the Chief of the Defense Staff of East Java, as well as staff officers, District Commanders, and the regional commanders of Military Police and others, and killed several of them. They were replaced by FDR officers and administrators (Nasution II a: 81- 85). According to a 2005 interview with PSI commander Soemarsono, no killings had taken place. He had led the seize power of Madiun and it had no communist background, just a local defensive one against Siliwangi.

According to McTurnan Kahin the TNI units were PKI oriented Pesindo units. Nasution does not mention the background of the units. The rebellion showed how dangerous the construction of troops was under party political control and command. It split the army in a TNI part and a party political part, which in light of Amir Sjarifudin's plans to escalate the pressure on the Hatta cabinet by mobilizing the military units under the Biro Perjuangan, increased the danger of local civil war. Musso fed the public's fear of civil war, as well as Nasution's and the government's, by incorporating Amir's Plan B in his own plan of action. McTurnan Kahin reports that almost immediately, the Hatta cabinet started removing FDR and PKI oriented field commanders from their post by moving them to less dangerous positions or retiring them.

At the request of President Sukarno, in the night of 18 September, Nasution conceived a 'plan de campagne' for taking out the rebels and the communist party. In Yogyakarta, Colonel Suharto also did an efficient job. While the whole campaign lasted about two and a half months, in one night, he had abandoned and arrested the local branch of the communist party. Sudirman did what he had to do, and commanded the strike units that crushed the rebelling troops that

allied with FDR and PKI, but God heard him mourn. However, his call for a peoples' war was not heard again until 1 October 1965. Nasution took a breather and then restarted his work on his dualist strategy. In December 1948 the long expected second Dutch Aggression began. The Indonesian troops operated according to Nasution's plan of local flexible assaults, based on village militias and mobile units, cutting enemy lines and attacking from behind. Contrary to the first Aggression, the Indonesian forces operated in a more disciplined manner and according to plan, but they never reached the level of an army with a central command organization.

Conclusion

The Solo and Madiun affairs were immediate outcomes of the ReRa issue raised by the Hatta cabinet policy of bringing army command under total government control. It was the second time a large-scale conflict erupted between army and government; the coup attempt of 1946 which I did not discuss in this chapter, being the first. The 1950s would bring new conflicts, such as 17 October 1952, the 1955 affairs and the 1957 affairs. Whereas Western literature on the early republic focuses on the analysis of the 1948 events and in later years on the competition between army and PKI over political power, Nasution presents a different picture that shows the birth convulsions of the TNI and the inability of the Sukarno government to get permanent grip on those dynamics. He viewed that encounter as more serious than the competition between Army and PKI, because the 1948 situation concerned the rebuilding of a combat ready army as the one and only guarantee of defense against Dutch imperialism and retaliation. The 1 October 1965 affair was the last time army and government openly opposed each other. Under Suharto, any conflicts remained more or less invisible to the public. According to Nasution, quibbling between army and government about military matters was characteristic for the first two decades of the republic, as was the army command's fear of the PKI infiltrating the battleground again, like it did in 1948.

Nasution's reconstruction gives no answer to the question whether 1948 was a political or a military affair. Before 1948, politics and military command were heavily interwoven as far as planning and operations went. The political parties had direct access to the units and vice versa. However, Hatta's coup de frappe of making the military budget a cabinet matter and excluding the political parties from control over any military command, appeared to make army reorganization

an exclusive matter of cabinet and government. On the other hand, Sudirman's Stop Order of 12 July 1948 was another coup de frappe, bringing ministerial planning, financing and operational command under his personal leadership. This made the planning and countering of military action once again a primarily military affair. However, his move came too late to get a grip on both the growing unrest between loyal and disloyal troops, as well as the formation of a left wing front headed by the PKI, set up to support the protest of the disloyal troops against the ReRa plan. As mentioned above, the power struggle between army and government continued during the whole of Nasution's career. In the 1950s, and based on the experiences of the Independence War, army command was of the opinion that the army was the prime people's representative, standing beside and above the government, serving as watchdog. It followed Sudirman's line of taking initiative whenever needed. According to Nasution, the main problems were the birth convulsions of the TNI, which had great difficulty accepting government authority and a central military command. Consisting of a bunch of undisciplined units with bossy commanders, most of them without military academic qualifications, the army lacked the basic characteristics of a real army, and remained stuck in the legacy of the Independence War – a free military enterprise with a direct relation to the president. Nasution considered it his task to overcome the convulsions and build a proper combat ready republican army that could manage any foreign and domestic threat.

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Professional Blindness And Missing The Mark ~ Papuan Nationalism. Another Blind Spot



Stimulated by the closing lectures of professor Wertheim, we are in search of signs of ignorance in and on the Indonesian past this morning. Put in other words, we are looking for blind spots in the history of Indonesia during the first decades of its existence as an independent state. In historiography, it is a well-trodden path, which leads us from 19th century positivism to the peregrinations of post modernism and after.

In their daily practice, historians and social scientists have never fully embraced either one of these philosophies. After all, the first approach would have

led us to make ever-expanding lists of facts without offering understanding, the other towards an empty space crowded with ghosts we are unable to define. More often than not, historians have looked for what is relevant for their understanding of past and present, aware of the fact that both things are interrelated. As far as I understand, it is in this spirit that Wim Wertheim presented his farewell lectures here in Amsterdam, and it is in that same spirit that we have to look for blind spots today.

Nationalism in the making

In their contributions, Mary van Delden and Coen Holtzappel have already discussed some of the events of the 1940s. Their focus was on the dispute between the different groups in the centre of the young Indonesian Republic about how to organize their state and wage their struggle for independence. In the afternoon, our attention will shift to the mid-sixties, and mainly to the same kind of questions. To bridge the gap in time and subject, I have decided to focus

on the New Guinea dispute. It enables us to shift our attention to the fifties and early sixties, to international affairs and, above all, to the way both parties handled the crucial matter of Papuan nationalism. I will say something about its origins, the way it popped up in the fifties and survived on the stage of history until the present day. Moreover it will give us a fine opportunity to test how the phenomenon of the blind spot works in policymaking and the process of history writing.

Nationalism, then, can be summarized as the political expression of a sense of collective identity. A special brand of it developed in the early twentieth century in the more progressively administered European colonies in Asia. Its development is aptly described by Dutch civil servant Jan van Baal in his small but penetrating booklet, *Mensen in Verandering* (Van Baal 1967, pp. 90-99). In such colonies, and he meant the Netherlands Indies, modern rule and economic exploitation demanded the creation of effective administrative structures and the accompanying paraphernalia of education, infrastructural works and means of transport. To man the colonial state, promising young men from the native elites received professional training and were put to work in various parts of the vast colonial domains. In doing so they transgressed the boundaries of their previous native lands and got to know the wider colony as their own country. It also meant partial adaptation to the culture of the European colonists. The latter, however, had difficulty accepting them as equals in the colonial enterprise. This confrontation led to the development of a new sense of identity, leading to the sprouting of nationalist movements everywhere. In Indonesia these found their focal point in the Youth Conference of 1928. Here, the new nation was provided with the symbols of a national oath, a flag, a national anthem and the acceptance of a common language. They were the symbols of the new nation on the road to independence in the second half of the forties.

That nationalism, however, did not spread equally over the whole of the archipelago. Its creation had mainly been the work of the Javanese-Minangkabau elites that had delivered the cadres for the colonial state. The people from the Moluccas had played a rather important role in this process as well. However, many local and ethnic groups only followed at a distance, especially in the eastern part of the archipelago. Of these groups, the Papuans had been left out nearly completely. They lived in some of the least developed areas and had hardly participated in the forming of the colonial state. Until well into the 20th century

the Papuans had no sense of having a common identity of their own. In this region, modern colonial development and the accompanying processes of acculturation had started late, and as a consequence the Papuans had missed the nationalist boat. None of them were present at the 1928 youth conference and everything that went with it. Even so, it is questionable they would have participated anyway, given the cultural distance between them and the rest of Indonesia.

In 1945 as well, when Indonesia's independence was declared, no Papuans were present. That is not to say that they were ignored without a word. Their future was rather extensively discussed in the meeting of the preparatory committee for Indonesian independence on July 11th 1945. Prominent nationalists discussed the territorial extent of their new state. Most prominent among them were Hatta and Yamin. The latter pleaded for the greatest possible territory, including the surrounding British possessions on Malaya and Kalimantan. In his opinion, Papua belonged to the Indonesian lands as well. Although the population differed from that of the rest of Indonesia, the Indonesians had dwelt there since immemorial times, which was sufficient to defend its inclusion in the new state. Moreover, the internment camps in Boven Digul had strengthened these ties in recent times. In this respect Yamin was warmly supported by Sukarno, who added that anybody who cared to cast a glance at the map of the archipelago, could see it lying there. So obviously, it was the will of God that New Guinea be a part of the new Indonesia.

One of the other speakers, the Sumatran economist Mohammad Hatta, took an opposite view and warned his audience against all too imperialistic propositions. Partly he did so for financial and organizational reasons. For the first decades to come, Indonesia would not have the means at its disposal to develop the backward lands of the Papuans. But he had a moral argument too, adding he was not convinced by Yamins arguments in support of uniting the population with the rest of Indonesia. In the end, it was left to the Papuans themselves to decide what kind of state they would prefer. It was an argument in favor of the right of self-determination, but Hatta did not find much support among his audience. When it came to voting, only 6 of the 66 members of the committee opted for his proposal to leave out West New Guinea. They obviously accepted another thesis of Yamin, that if the Papuans were no Indonesians yet, they could be made to become so. Thus, the preferences for a greater Indonesia were laid down for the future.

Conflict with the Netherlands

Another central decision of the preparatory committee for Indonesian Independence was that it laid out its preferences for a unitary state under strong presidential rule. It was to become the core of the ensuing conflict between the Indonesian Republic and the Dutch later in the year. After they had sufficiently made up their mind, the Dutch opted for self-determination and federalism as the central values for the making of a new Indonesia. That option served two ends. The first was to restrict the territorial extent of the Republic, the second to do justice to the wide variety of cultures and different stages of development within the archipelago. It led to the agreements of *Linggajati* and *Renville*, which were difficult to swallow for the Indonesian Republic. It resulted in the *Round Table Conference* of 1949, which created a federal Indonesia in which actual power was in hands of the leaders of the former Republic. However, it enabled the Dutch to reconstruct their economic position and left West New Guinea in their hands for the time being.

That RTC-decision marked the beginning of a 12-year conflict about the future of New Guinea. It stimulated the Dutch to begin a series of programs to accelerate development of the country. These were essentially the same development policies as applied in the Indies before 1942, but this time decidedly more based on the principle of self-determination. Thus they left open the possibility of a Papuan option for Indonesia from the beginning, but *within a changing perspective*. During the first few years, the development of New Guinea was seen as a long-term affair. On a practical level, relations between Indonesia and the Netherlands were still effective. Yet these deteriorated systematically, leading to increased pressure on the remaining Dutch interests in Indonesia. These developments were parallel to a decline of the Indonesian parliamentary system. When in the second half of the fifties all other options for putting pressure on the Dutch were exhausted, Jakarta began to mobilize any means at its disposal to remove the Dutch with force from their remaining position in New Guinea. From 1958 on, President Sukarno and his foreign minister Subandrio saw fit to exploit the Cold War to this end. Both the Soviet Union and the United States were incited to provide them with modern armament. They did so successfully. After a few years, Indonesia was in possession of a military might with the capability to beat the Dutch.

This military development was part of a broader phenomenon. The Cold War accelerated the process of decolonization all over the world. The United Nations played a crucial role in this process. In October 1960, the Soviet Union introduced

the General Assembly to a draft declaration declaring all colonialism an evil that had to be swept from the surface of the earth as soon as possible. It was eventually accepted on 14 December. The quality of the administration and the capacities of a population for self-government were no longer acceptable preconditions for independence. In doing so, the UN not only weakened the position of the Dutch, but that of the other European colonial powers as well.

Meanwhile in New Guinea, the Dutch were countering these developments with a flight forwards. Existing development programs were accelerated. More attention was devoted to the training of Papuan elite. Increasing numbers of Papuans entered the lower and middle ranks of the civil service. Moreover, regional councils were erected, giving the population a direct say in the running of its local affairs. On top of all this, a *New Guinea Council* was created in April 1961, partially chosen and provided with advisory powers on a wide range of topics. It was the beginning of an independent political life of the Papuans, which led to a flowering of political parties. To the Papua elite, it offered many opportunities to take initiatives of their own. Later in the year, they established a National Committee that voted for a national flag, an anthem and some other tokens of nationhood. It was a neat repetition of the *Sumpah Pemuda* of 1928. This time, however, not directed towards the formation of an Indonesian nation, but one of the Papuans themselves.

In its international policies, the Netherlands played the cards of the UN, trying to solicit the organization to take a direct say in the administration of the Papuans. It was an endeavour to surpass Indonesia in the fight against colonialism. Apparently, the Dutch were working for the sake of self-determination for the Papuans, while Indonesia stuck stubbornly to the proposition that they were already theirs. It was Indonesia, and not the Dutch that were the colonialists. That Luns-plan might have been a brilliant idea, but in a world divided in political and cultural blocks, it did not work out well. The Dutch minister failed to collect the votes he needed for the acceptance of his plan, not least by the subterranean but effective opposition from the United States. The result was an invitation from the Secretary General of the United Nations to the disputants to come together and resume their discussions on the fate of the Papuans, this time under supervision of a third party. In light of the Indonesian preconditions, acceptance could only mean acceptance of the Indonesian claims. Grudgingly the Dutch cabinet agreed. The meeting led to new negotiations. These took place under increasingly grim conditions of threatening war and continuing US pressure. On 15 August 1962,

the New York Agreement was signed which provided for the transfer of the administration to the UN as a step to an Indonesian take-over. The only concession to the Dutch was the option of an Act of Free Choice for the Papuans in 1969 under Indonesian administration. It was close to a failure of Dutch policies for self-determination during the previous 12 years.

For most Papuans as well, it was a bitter pill to swallow. At the time, a new future was starting to appear at the horizon as an independent state of their own, possibly linked together with the rest of the Papuan lands in a Melanesian Union. It led to heated discussions among themselves and with the flabbergasted Dutch. For the Papuans, these discussions took place in a spirit of a fervent new nationalism, and the possibility of declaring independence on their own initiative was seriously discussed. However, it was rejected in the end. Upon insistence of the Dutch, the Papuans accepted the agreement and decided to wait for the 1969s Act of Free Choice.

Two nations together

So far the story of rising Papua nationalism in a nutshell. It offered a striking parallel to earlier developments in the rest of Indonesia. Both stemmed from the first generations of Western trained cadres, and both were modeled along the lines of the modern national state that had developed in Europe in the 19th and early twentieth centuries. However, both nationalisms turned out to be detrimental to each other. Papua antagonism towards its western neighbors had its roots in the past. The wanderings of Yamin's ancestors had mainly consisted of slaving raids on their coasts. It was followed by condescending behaviour from Moluccan officials in service of the Dutch. Nevertheless, for many years the door had not been closed completely. Whatever their shortcomings, many Moluccan gurus and administrators had served them well. The developments in Indonesia after 1945 had been followed with interest, and had not been completely rejected. When the option of separation arose in 1949, some of the Papuans had hesitantly accepted it. After all, Indonesia would become the nearest neighbor, and good relations would be necessary for their own survival. Yet, developments in Indonesia soon widened the gap. The dissolution of the federal states and the war in Ambon had taught them that not much freedom for minorities was to be expected in Indonesia. When Yamin, as a member of a combined Dutch Indonesian fact finding committee, visited New Guinea in the summer of 1950, he had great difficulties in finding traces of sympathy for the Indonesian cause. It deteriorated in the following years. Dutch development policies were warmly

accepted by the Papuans, which widened their distance from Indonesia. So did hesitant cooperation with Australia, with its implicit promise of a future all-Papuan or Melanesian state. Still later, the impending war brought them to think of their Indonesian neighbors as foes. It was accelerated by Indonesian propaganda through radio Makassar and Ambon, threatening Papuans who assisted the Dutch.

Later experience was to confirm this trend. After 1962, right from the beginning the intruding Indonesian soldiers, behaved as hostile occupants. Every Papuan nightmare came true, and years of oppression followed. The Indonesian administration was marked by suspicion towards the Papuan elite, which was subsequently replaced by newcomers. All modern facilities crumbled away and they had to learn to live as third rank citizens in an impoverished and badly managed country. Those who dared to speak up for themselves were beaten, jailed and killed. When Indonesian foreign minister Adam Malik visited the country in 1966, he was shocked by the arrogance among the rulers, and the depression he encountered among the ruled. The Act of Free Choice was duly held, but manipulated by Indonesia from beginning to end. There has been continuing repression and exclusion from the rest of the world ever since.

Blind spots everywhere

The story of Papuan nationalism is a story of blind spots everywhere. They can be detected in the behavior of the Dutch, Indonesians, Americans and other participants in the UN. For any of these, explanations may be found. However, that exceeds the scope of this presentation. So let us concentrate on the blind spots of the main players in the field, that is to say: Indonesia, the Dutch and the Americans, and even those we will touch upon just lightly.

First *Indonesia*. We have to go back to the meetings of the preparatory committee for Indonesian independence of 1945. There, a large majority accepted the inclusion of the Papuans in the new state, without giving much attention to their wishes. For most of its members, it was quite evident that the Papuans would accept this without protest. If not, they could rely on the assurance of Yamin that the Indonesian state would be able to educate them in the spirit of its own nationalism. Thus, its leaders simply acted as if Indonesian nationalism was already an accomplished fact, and refused to accept it when this proved not to be the case. During the big campaigns of the fifties in support of the struggle for West Irian, the people of Java were made to believe that the Papuans were

already full-fledged Indonesian citizens, craving their liberation from Dutch rule. So when its soldiers and administrators entered the country in 1962, it came as something of a shock to them that they were not met with a warm welcome, but with suspicion. The Papuans recognized them as their earlier foes. As we have seen earlier, the new rulers did not much to improve that situation and continued to make it worse in the years after. To the Indonesian mind, Papuan nationalism was not an acceptable proposition. It was negated and repressed, as is done to the present day. If there was ever a blind spot for Papuan nationalism, it was here.

Next, there are *the Dutch*, about whom a word must be said. We have seen that they had pushed the cause of Papuan nationalism to the limits of its capacity. They had done so, not because they deemed the time ripe for it, but for political reasons. It was accepted in Papuan circles, though not without misgivings. The cleverest among them felt it was an initial maneuver by the Dutch in order to sneak out and eventually leave them in the dark with the Indonesians. This suspicion proved justified by the facts. Nevertheless, they played the game as best they could. However, chances for Papuan nationalism were over by the time it was born. In the summer of 1962, Dutch policies took their decisive turn. Since that time, Papuan nationalism did not suit them any longer and it was nearly completely forgotten. All attention went to the renewed friendship with Indonesia, but the Dutch never put pressure on this friend in order to make it keep its promise of fair treatment of the Papuans. During the Act of Free Choice, the Dutch kept quiet. On the road towards it, in May 1969, the Dutch and Indonesian ministers Malik, Luns and Udink met in Rome to pacify any remaining doubts. During that meeting they took note of each other's plans: the Indonesians promising a honest plebiscite, the Dutch direct support for the development of the Papuans through independent channels. They made it public in a solemn statement. However, when it came living up to the agreement, Indonesia backtracked. The plebiscite turned out to be a fake and any direct links with New Guinea through third channels were not acceptable to Indonesia. Any support for New Guinea henceforth went through IGGI and Bappenas, where Papuans had no say. Therefore, in the end they were left empty handed. It was accepted without visible protest. Their fate and ambitions have been a conspicuous blind spot in the Dutch-Indonesian relations ever since.

This was true as well for the United Nations and Australia, the most interested foreign countries. In the United States, policies were guided exclusively by the

demands of their Cold War with the Soviet Union; for Australia the wish to retain a Western power in New Guinea proved the underlying need for working relations with its northern Asian neighbor. The fate of the Papuans, let alone their political aspirations, was hardly a matter of relevance to the leading politicians of these states. If any, manifestations of Papuan nationalism in the early sixties were nearly completely dismissed as a result of rather opportunistic moves on the part of the Dutch. The end of the conflict and the transfer of West New Guinea came as a gift from heaven to most of the Western countries and it enabled them to settle their relations with Indonesia on a more stable foundation.

Finally a word about the academic world, especially in the Netherlands. The end of the conflict with Indonesia created new opportunities. A cultural agreement was reached, which was part of the *Program Indonesian Studies*. The program promoted academic cooperation with Indonesia between 1974 and 1992. But in this case as well, it was quite evident that Indonesia was not willing to accept special Papuan-programs that might have political implications. Therefore, the program remained limited to some anthropologist, linguist and bibliographical projects. This was also true for the Iris projects led by Stokhof since 1992. As far as I can remember, this restriction was accepted as a matter of fact by all academics involved. We were very happy as well with the new opportunities to cooperate with Indonesian institutes, and it was not hard to accept some limitations. After all, not much was heard about Papuan nationalism at that time.

Outside the sphere of direct cooperation, scholarly work on New Guinea concentrated on internal Dutch and international policies. The conflict with Indonesia about the future of New Guinea was studied as being the result of some deviations in the Dutch psyche, or as the outcome of international machinations. You can tell from the titles, running from Lijpharts *Trauma of Decolonization* to *De Nieuw-Guinea kwestie, aspecten van buitenlands beleid en militaire macht*, written in 1984 by the former Secretary of State for Defence De Geus. There were comparable publications from R. Gase and the journalists Van Esterik and Koster. Here the focus is on the behavior of Joseph Luns and his manipulation of American promises. Other works focus on the personal experiences of the Dutch soldiers and administrators in New Guinea. All of them fine works in their genre, but they remain silent on the fate of the Papuans. The only real exception is the work of former civil servant in New Guinea, Kees Lagerberg, who published *West Irian and Jakarta imperialism* in 1979. The role of Indonesia and the fate of the

Papuans were discussed in a factual and critical way in this book. No wonder the Indonesian government disapproved of the book. Lagerberg was called in at the embassy in The Hague, and was censured sternly for his foolish behavior of seeing things different from Indonesian orthodoxy. He was forbidden to enter the country for years. It certainly was no stimulus for others to tread the same path. And so, in Dutch academic circles, the subject of Papuan development, their ambitions and their nationalism remained a blind spot. With some exceptions, the same was true for the English speaking countries. Notable exceptions here were Nonie Sharp, Robin Osborne and Carmen Budiardjo. In Indonesia itself, John Djopari saw fit to place critical notes in his 1993 OPM study.

The surprise of 1998 and after

Under these conditions, the developments in West New Guinea in 1998 came as a big surprise, for Indonesia as well as the rest of the world. In that year, in the closing days of the Suharto regime, out of the blue the Papuans proclaimed themselves loyal to their earlier nationalism, waving the long forbidden flag and collectively singing their never forgotten anthem. They organized mass meetings and formulated their demands to the Indonesian government. They invoked their national rights, and asked for a reprisal of the sadly mismanaged plebiscite of 1969. They wanted to make history right, as the phrase rang. The result was that Indonesian president Abdurrahman Wahid spent the first day of the new millennium among the Papuans, promising them greater freedom and, if it came to that, even the right to secede from Indonesia. Ever since, the wheel of history has been turned back considerably, but not to the point where it all started. Talks about greater autonomy are going on, but pressure will be necessary to bring the Indonesians to real concessions. However it may be, the issue of Papuan nationalism is back on the agenda, and it deserves the attention of policymakers, historians and social scientists alike.

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