

Graduate School of Business

**COLONIAL, ECONOMIC RATIONALIST,
OR COLLEGIAL?
INDONESIAN BUSINESS LEADERS' PERCEPTIONS (2001)
OF
G7 BEHAVIOUR**

Peter Daale

**This thesis is presented for the Degree of
Doctor of Business Administration
of
Curtin University of Technology**

July 2003

Declaration

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgment has been made.

Signature:

Date:

Hans Daale

(1923 – 2001)

Helena Johanna Leotine Daale-Thunhorst Tours

(1926 –)

This research project is dedicated to the memory of my father and mother,
who always encouraged me to pursue my dreams ... and continue to do so!

I love you.

Acknowledgements

It has been an absolute privilege to study at the Graduate School of Business. When I first approached Professor Margaret Nowak, the Director of the School, I received every encouragement to take on the challenge and proceed with my research project. Eventually, Professor Nowak became chairperson of my academic supervisory committee. Other key members on the committee were Professor Mohammed Quaddus, Dr John Walsh, and Professor Alma Whiteley.

Professor Quaddus acted as principal supervisor and was my constant reference point throughout my research and thesis writing periods. His patience, insight and good advice ensured I never faltered in my belief that completion was eminently feasible!

Dr John Walsh agreed to be associate supervisor during the formative stage and exploratory study of the research project before his departure to Zayed University in Abu Dhabi (UAE). His depth of knowledge of socio-political issues, both current and historical, was extraordinary and challenged my views on many occasions.

Professor Whiteley acted as alternate chairperson during times Professor Nowak was abroad but more to the point, she taught me essential research skills, demanding a critical and lateral thinking approach to the identification and development of valid research. Professor Whiteley's advice in gaining candidacy was crucial.

Other key university staff, who I must acknowledge are Ms Jenny Lalor from the Centre for Educational Advancement (Curtin University) and Dr Brenda Scott-Ladd (Murdoch University). Ms Lalor and her staff patiently transferred all my field research data for the pilot and final stages of the research project onto SPSS data files, and provided me with the necessary texts (SPSS and EQS) to commence meaningful interpretation.

Dr Scott-Ladd was heaven-sent in demystifying EQS programming language and in teaching process, a skill not easily gained by reading only.

I sincerely thank Mr Purwanto Danusugondo (Director – Australindo Advisory Services Pty Ltd), Dra Ime Andriani (Director – Corporate Finance GE Indonesia, Jakarta), and Mr Richard Lindsay (General Manager – Toka Tindung Gold Mine, Sulawesi) for their introduction to key Indonesian business leaders during the exploratory stage of the project. The views gained during the exploratory interviews from these business leaders significantly assisted in shaping the research questions and hypotheses. For their time and valuable discussion I am grateful to Mr Agus Suherman (Board Member – Indonesian Chamber of Commerce and Industry KADIN), Drs Wisnu Lohanatha (Executive Director – PT Prisma Agung Realty, Jakarta), Mr Ngurah Switasomiya (Golden Village Hotel & Resorts, Bali), Mr Frankie Rungkat (Sulawesi), Mr Hartono Wibisono (Managing Director – Kembla Copper/PT Prima Bintang Indorejeki, Jakarta), Dra Hermien Sarengat (President Director – PT GE Technology Indonesia), and Drs Otje Soedioto SH (Ministry of Foreign Affairs, RI).

Once the research reached the pilot and final stages, I could not have done without the valuable assistance of Mr Teddy Setiady and Ms Eva Setiady who assisted me with data collection in the field and with communication to companies in Jakarta. For those who are familiar with Indonesian business protocol and Jakarta as a bustling metropolis, to have well-experienced, knowledgeable local individuals on your side is a blessing!

Last but certainly not least, I want to acknowledge the unfailing support I received from my family. Susan my darling and beautiful wife, whose insight

and knowledge of the complexity of Indonesian culture and language has been simply amazing, I thank unreservedly. Her patience and support for me not being there for periods of annual leave, evenings and weekends on end for nearly five years I consider extraordinary.

In their own unique ways, my daughters Sophia (5 years) and Saskia (3 years) have also encouraged me, with their faces glued to the window each time I was expected home! My apologies to them both for the time that I really should have been at home.

Peter Daale

March 2004

Abstract

This research project aims to determine Indonesian business leaders' perceptions of G7 behaviour towards Indonesia after Independence (1945/1949), at a time when the country is experiencing a severe financial and economic crisis (1997-2001).

Is G7 behaviour considered colonial, economic rationalist, or collegial? Additionally, Indonesian business leaders' perceptions of economic and social development in Indonesia are measured, exploring a possible connection with perception of G7 behaviour.

Within the context of this project, the researcher assumes that attitudes in Indonesia are significantly shaped by the impact of an increasingly competitive and sophisticated global free-trade environment today versus one of exploitation and domination under past European colonial rule.

The research questions on which the project is based emerged after detailed consideration of a large and varied number of publications concerning related historical and contemporary socio-economic, political issues *and* examination of recent inter-country comparative performance indicators (1996 to 2000). The background for the research project is framed within the context of Modern World-Systems theory which rose to prominence in the early 1970s, earlier theories about Intentional Underdevelopment, Dependency and Geography, and the more recent hypothesis on Enlightenment and Institutions theory, all attempting to explain why some countries are so poor and others are not.

An exploratory study (Study 1) precedes the positivist research paradigm of the principal study (Study 2 – Stages 1&2), which is comprised of a pilot and a final stage. The theoretical model put forward and corresponding final stage

cross-sectional survey data of the second study are subjected to structural equation modeling (SEM) analysis, to test hypotheses and theory about the associations between theoretical constructs of the model. SEM is a relatively new multivariate technique, which combines aspects of multiple regression and factor analysis.

The results of the research show that the impact of colonial rule, the associated exploitation and consequent poverty are still remembered by Indonesian business leaders and as such may have the potential to negatively impact on bi-lateral and multi-lateral negotiations for much needed structural reform in Indonesia, particularly if key influential participants (such as the G7 and the international institutions they control) ignore historical legacies and associated cross-cultural sensitivities.

Final stage results provided strong support for two out of the five key hypotheses offered. The findings clearly suggesting that intensifying G7 behaviour as defined in this thesis would invariably further heighten existing perceptions of colonial behaviour. Less encouraging test results were obtained for the remaining hypotheses and overall only qualified support could be given to the proposed theory. The extent of which can be summarized as: *“G7 behaviour is perceived as colonial, by Indonesian business leaders; and is significantly influenced by their perception of social development in Indonesia”*.

The research project was conceived in the absence of scholarly investigations into the historical impact of colonialism in Indonesia on present day attitudes and cultural values with respect to ready acceptance of predominantly Western concepts of globalisation, free trade, open markets and the need for crucial reform. Reforms, which often are *imposed* on developing nations during times of crisis by way of IMF - Structural Adjustment Programmes (SAP), harshly impacting on local populations.

Table of Contents

Table of Contents	IX
List of Tables	XIV
List of Figures	XVIII
Chapter 1 – <u>Overview</u>	1
1.1 Purpose and Objectives of the Research Project	1
1.2 Basic Premise of the Research Project	3
1.3 Scope of the Research Project	4
1.4 Research Questions	5
1.5 Significance	6
1.6 Definition of Terms	9
1.7 Assumptions and Limitations	12
1.8 Summary	13
Chapter 2 – <u>Literature Review</u>	15
2.1 Introduction	15
2.2 Exploitation	31
2.3 Colonialism	48
2.4 Globalization	68
2.5 International Financial Institutions	89
2.6 Capital and Labour	116
2.7 Nationalism	130
2.8 Civil Society	146
2.9 Income, Poverty, and Debt – Some Facts	164
2.10 Schools of Thought	171
2.10.1 World-Systems Theory	172
2.10.2 Intentional Underdevelopment and Dependency Theory ...	181
2.10.3 Geography Hypothesis and Enlightenment Approach	187
2.10.4 Institutions Hypothesis	193
2.11 Summary	201

Chapter 3 – <u>Indonesia – Observations</u>	206
3.1 Independence – Terms and Key Issues	206
3.2 Economic and Social Development – Issues	208
3.3 Governance – Issues	216
3.4 Reform – Issues	220
Chapter 4 – <u>Theoretical Framework</u>	224
4.1 Introduction	224
4.2 Framework and Theoretical Background	226
4.3 Proposed Theory, Identification and Operationalization of Theoretical Constructs and Key Dimensions	230
4.4 Research Questions, Objectives and Hypotheses (theoretical justification)	238
4.5 The Theoretical Model	245
Chapter 5 – <u>Methodology</u>	249
5.1 Research Paradigms	249
5.2 A Research Reference Matrix	251
5.3 Ontology, Epistemology, and Methodology	252
5.4 Research Design and Method	257
5.4.1 Sample	258
5.4.2 Data Collection	259
5.4.3 Questionnaire Development	261
5.4.4 Data Analysis	263
Chapter 6 – <u>Study 1 - Exploratory Stage: Analysis of Results</u>	268
6.1 Introduction	268
6.2 Interview Indicators and Open-Ended Semi-Structured Questions (theoretical justification)	269
6.3 Sample Selection – Demographic Data of Respondents	278
6.4 Method of Analysis	280
6.5 Significant Findings	284
6.6 Summary	288

Chapter 7 – Study 2 - Stage 1 (Pilot Stage): Analysis of Results

..... **290**

7.1 Introduction 290

7.2 Questionnaire Development (theoretical justification) 291

7.3 Emic-Etic Considerations 293

7.4 Sample Selection – Demographic Data of Respondents 296

7.5 Method of Analysis: 297

 7.5.1 Factor Analysis by Individual Construct 297
 (A Pseudo Confirmatory Approach)

 7.5.2 Reliability Analysis 298

 7.5.3 Construct Validity Analysis 299

7.6 Results: 301

 7.6.1 Construct 1 – G7 Behaviour 301

 7.6.2 Construct 2 – Economic Development 308

 7.6.3 Construct 3 – Social Development 316

 7.6.4 Construct 4 – Colonial Behaviour 323

 7.6.5 Construct 5 – Economic Rationalist Behaviour 331

 7.6.6 Construct 6 – Collegial Behaviour 338

7.7 Double-Check (a posteriori) 345

7.8 Summary 352

Chapter 8 – Study 2 - Stage 2 (Final Stage): Analysis of Results

..... **353**

8.1 Introduction 353

8.2 Questionnaire Development (update) 354

8.3 Sample Selection – Demographic Data of Respondents 356

8.4 Sample Size 360

8.5 Preliminary Method of Analysis and Results: 363

 8.5.1 Confirmatory Factor Analysis (SPSS & EQS) 364

 8.5.2 Construct Validity 364

 8.5.3 Reliability Coefficient (Cronbach Alpha) 366

 8.5.4 (Standardized) Loading and
 Individual Indicator Measurement Error 367

8.5.5	Construct (Composite) Reliability	369
8.5.6	Variance Extracted	370
8.5.7	Summary	371
8.6	Method of Analysis and Results:	372
8.6.1	Structural Equation Modeling	372
	8.6.1.1 Some Definitions	372
	8.6.1.2 Causal Modeling or Not	374
	8.6.1.3 Method: A Two-Step Approach	374
	8.6.1.4 Measures of Fit	374
8.6.2	Measurement Model	378
	8.6.2.1 Model Identification	378
	8.6.2.2 Model Estimation	380
	8.6.2.3 Standardized Loading and Indicator Measurement Error	384
	8.6.2.4 Discriminant Analysis	386
	8.6.2.5 Goodness of Fit	388
	8.6.2.6 Reliability Coefficient (Cronbach Alpha)	389
	8.6.2.7 Construct Reliability (Composite)	390
	8.6.2.8 Variance Extracted	391
	8.6.2.9 Summary	392
8.6.3	Structural Model	393
	8.6.3.1 Hypothesized Model	393
	8.6.3.2 Model Identification – Degrees of Freedom	395
	8.6.3.3 Goodness of Fit	396
	8.6.3.4 Model Modification	399
	8.6.3.5 Hypotheses Testing	400
	8.6.3.6 Summary	405

Chapter 9 – Conclusions, Implications and Recommendations for Future Research

9.1	Research Project Summary	408
9.2	Overview of the Results of Analyses	409
9.3	Limitations of the Research Project	413

9.4	Implications of the Results	416
9.5	Reflections on Methodology, Design and Method	418
9.6	Recommendations for Future Research	419
9.7	Conclusion	420
	References & Bibliography	422
	Appendices	450
	Appendix 2-1	
	Comparative Indicators	451
	Appendix 6-1	
	Interview Questions: Open-Ended ~ Semi-Structured	458
	Appendix 6-2	
	Content Analysis – Notes [1]: Interview Extracts	464
	Appendix 6-3	
	Content Analysis – Notes [2]: Statements	489
	Appendix 6-4	
	Content Analysis – Notes [3])
	Grouping of Statements by <i>Chunks of Meaning</i>)
	Grouping of Statements by <i>Construct & Question Number</i>) 511
	Appendix 6-5	
	Content Analysis – Notes [4])
	Grouping of Statements by <i>Construct & Chunks of Meaning</i>)
	Grouping of Statements by <i>Construct & Question Number</i>) 539
	Appendix 7-1	
	English Version – Pilot Questionnaire & Covering Letter	567
	Appendix 7-2	
	Indonesian Version – Pilot Questionnaire & Covering Letter	592
	Appendix 8-1	
	English Version – Final Questionnaire & Covering Letter	617
	Appendix 8-2	
	Indonesian Version – Final Questionnaire & Covering Letter	626

List of Tables

Table 2-1	Private Export Trade & VOC Export Trade 1640 to 1775	44
Table 2-2	Neo-liberalism Leads to Crisis	121
Table 2-3	Two Co-ordinating Structures of Society	160
Table 2-4	Civil Society <i>versus</i> Economic Rationality	161
Table 2-5	Comparative “ <i>Performance</i> ” Indicators Some Facts (1996)	451
Table 2-6	Comparative “ <i>Performance</i> ” Indicators Some Facts (1996)	452
Table 2-7	Comparative “ <i>Performance</i> ” Indicators Some Facts (1996-1999-2000)	453
Table 2-8	Comparative “ <i>Performance</i> ” Indicators Some Facts (1996-1999-2000)	453
Table 2-9	Comparative “ <i>Performance</i> ” Indicators Some Facts (1996-1999-2000)	454
Table 2-10	Debt and Consumption Indicators – Some Facts	455
Table 2-11	Distribution of World Income (1993)	456
Table 2-12	Developing Countries’ External Debt (billion US\$)	456
Table 2-13	Use of IMF Credit by Eligible Countries 1947-1989	457
Table 2-14	Trends in Dependence of the Periphery	186
Table 2-15	Scope and Incidence of Tropical Diseases 1990	189
Table 3-1	Poverty Line and Number of Population Below the Poverty Line	208
Table 3-2	GDP Per Capita in 1990 International Dollars	211
Table 3-3	GDP Per Capita in 2001 US Dollars	211
Table 3-4	Urban-Rural Disparities in Indonesia: 1964 to 1993	213
Table 3-5	Trends in Public Debt and Debt Service Payments in Indonesia, 1911-1990	214
Table 4-1	The Basis of G7 Behaviour	232
Table 4-2	The Basis of Economic Development in Indonesia	233
Table 4-3	The Basis of Social Development in Indonesia	234

Table 4-4	The Basis of Colonial Behaviour	235
Table 4-5	The Basis of Economic Rationalist Behaviour	236
Table 4-6	The Basis of Collegial Behaviour	237
Table 5-1	Quantitative and Qualitative Paradigm Assumptions	253
Table 5-2	Reasons for Selecting a Paradigm	254
Table 5-3	Constructs, Hypotheses, and Items on Survey (Final Questionnaire)	264
Table 6-1	Construct Initial Parameters and Indicators	270
Table 6-2	Demographic Data – Exploratory Stage	280
Table 7-1	Pilot Questionnaire – Emic	295
Table 7-2	Random Sample – Pilot Population	296
Table 7-3	Correlation Matrix – G7 Behaviour	301
Table 7-4	Anti-image Matrices – G7 Behaviour.....	302
Table 7-5	KMO and Bartlett’s Test – G7 Behaviour	303
Table 7-6	Communalities – G7 Behaviour	304
Table 7-7	Eigenvalues – G7 Behaviour	304
Table 7-8	Component Matrix (3 factors extracted) – G7 Behaviour ...	305
Table 7-9	Rotated Component Matrix (3 factors extracted) G7 Behaviour	306
Table 7-10	Reliability Analysis – G7 Behaviour	307
Table 7-11	Construct Validity Analysis (Correlations) G7 Behaviour	308
Table 7-12	Correlation Matrix – Economic Development	309
Table 7-13	Anti-image Matrices – Economic Development	310
Table 7-14	KMO and Bartlett’s Test – Economic Development	310
Table 7-15	Communalities – Economic Development	311
Table 7-16	Eigenvalues – Economic Development	312
Table 7-17	Component Matrix (3 factors extracted) Economic Development	313
Table 7-18	Rotated Component Matrix (3 factors extracted) Economic Development	313
Table 7-19	Reliability Analysis – Economic Development	314
Table 7-20	Construct Validity Analysis (Correlations) Economic Development	315

Table 7-21	Correlation Matrix – Social Development	316
Table 7-22	Anti-image Matrices – Social Development	317
Table 7-23	KMO and Bartlett’s Test – Social Development	318
Table 7-24	Communalities – Social Development	319
Table 7-25	Eigenvalues – Social Development	319
Table 7-26	Component Matrix (4 factors extracted) Social Development	320
Table 7-27	Rotated Component Matrix (4 factors extracted) Social Development	321
Table 7-28	Reliability Analysis – Social Development	322
Table 7-29	Construct Validity Analysis (Correlations) Social Development	323
Table 7-30	Correlation Matrix – Colonial Behaviour	324
Table 7-31	Anti-image Matrices – Colonial Behaviour	325
Table 7-32	KMO and Bartlett’s Test – Colonial Behaviour	325
Table 7-33	Communalities – Colonial Behaviour.....	326
Table 7-34	Eigenvalues – Colonial Behaviour	327
Table 7-35	Component Matrix (3 factors extracted) Colonial Behaviour	328
Table 7-36	Rotated Component Matrix (3 factors extracted) Colonial Behaviour	328
Table 7-37	Reliability Analysis – Colonial Behaviour	329
Table 7-38	Construct Validity Analysis (Correlations) Colonial Behaviour	330
Table 7-39	Correlation Matrix – Economic Rationalist Behaviour	331
Table 7-40	Anti-image Matrices – Economic Rationalist Behaviour	332
Table 7-41	KMO and Bartlett’s Test Economic Rationalist Behaviour	332
Table 7-42	Communalities – Economic Rationalist Behaviour	333
Table 7-43	Eigenvalues – Economic Rationalist Behaviour	334
Table 7-44	Component Matrix (3 factors extracted) Economic Rationalist Behaviour	335
Table 7-45	Rotated Component Matrix (3 factors extracted) Economic Rationalist Behaviour	335

Table 7-46	Reliability Analysis – Economic Rationalist Behaviour	336
Table 7-47	Construct Validity Analysis (Correlations)	
	Economic Rationalist Behaviour	337
Table 7-48	Correlation Matrix – Collegial Behaviour	338
Table 7-49	Anti-image Matrices – Collegial Behaviour	339
Table 7-50	KMO and Bartlett’s Test – Collegial Behaviour	340
Table 7-51	Communalities – Collegial Behaviour	340
Table 7-52	Eigenvalues – Collegial Behaviour	341
Table 7-53	Component Matrix (3 factors extracted)	
	Collegial Behaviour	342
Table 7-54	Rotated Component Matrix (3 factors extracted)	
	Collegial Behaviour	343
Table 7-55	Reliability Analysis – Collegial Behaviour	344
Table 7-56	Construct Validity Analysis (Correlations)	
	Collegial Behaviour	345
Table 7-57	KMO and Bartlett’s Test – <i>Exploratory Factor Analysis</i> ...	347
Table 7-58	Eigenvalues - <i>Exploratory Factor Analysis</i>	348
Table 7.59	Pseudo Confirmatory & Exploratory (a posteriori) Factor	
	Analyses Results – A Comparison	351
Table 8-1	Constructs and Measured Variables	
	Final Questionnaire	355
Table 8-2	Gender – Random/Convenience Sample	
	(Final Questionnaire)	357
Table 8-3	Age Group – Random/Convenience Sample	
	(Final Questionnaire)	357
Table 8-4	Ethnic Background – Random/Convenience Sample	
	(Final Questionnaire)	358
Table 8-5	Company Size based on Number of Employees	
	Random/Convenience Sample (Final Questionnaire).....	358
Table 8-6	Company Size based on Annual Turnover (US\$)	
	Random/Convenience Sample (Final Questionnaire).....	358
Table 8-7	Industry Sector – Random/Convenience Sample	
	(Final Questionnaire)	359
Table 8-8	Geographic Location of Company Activities	

	Random/Convenience Sample (Final Questionnaire).....	359
Table 8-9	Construct Validity (Correlations) – Preliminary Analysis ...	365
Table 8-10	Reliability Coefficients – Preliminary Analysis	367
Table 8-11	Standardized Loading (Factor/Construct) and Individual Indicator Measurement Error – Preliminary Analysis	368
Table 8-12	Construct (Composite) Reliability Preliminary Analysis	370
Table 8-13	Variance Extracted – Preliminary Analysis	371
Table 8-14	Multivariate Kurtosis – Model Estimation	381
Table 8-15	Largest Standardized Residuals – Model Estimation	382
Table 8-16	Multivariate Kurtosis and Largest Standardized Residuals ..	383
Table 8-17	Standardized Loading and Indicator Measurement Error ...	385
Table 8-18	Correlations Among Latent Constructs	386
Table 8-19	Discrimination Between G7 Behaviour and Colonial Behaviour	387
Table 8-20	Goodness of Fit – Measurement Model	389
Table 8-21	Reliability Coefficients – Measurement Model	390
Table 8-22	Composite Reliability – Measurement Model	391
Table 8-23	Variance Extracted – Measurement Model	392
Table 8-24	Goodness of Fit – Structural Model	397
Table 8-25	Goodness of Fit – Structural Model [Adjusted]	397
Table 8-26	Structural Relationships (Construct Equations)	401

List of Figures

Figure 2-1	World Income Distribution	100
Figure 2-2	Transnational Corporate Penetration and Underdevelopment	185
Figure 2-3	GDP per capita and Population Density	195
Figure 2-4	GDP per capita and Urbanization (1500)	196
Figure 2-5	GDP per capita and Urbanization (1995)	196
Figure 3-1	Indonesia (2000-01)	217
Figure 3-2	The Netherlands (2000-01)	218

Figure 3-3	United States (2000-01)	219
Figure 3-4	Australia (2000-01)	219
Figure 4-1	Theoretical Model	247
Figure 5-1	Research Design and Method	
	Stages of Development	257
Figure 7-1	Pilot Questionnaire – Extract	292
Figure 7-2	A Relationalist Perspective of G7 Behaviour	300
Figure 8-1	Measurement Model – Free Intercorrelation Set Up (Confirmatory Factor Analysis)	379
Figure 8-2	Hypothesized Model for Testing Indonesian Business Leaders’ Perception of G7 Behaviour.....	394
Figure 8-3	Structural Model – Adjusted	398
Figure 9-1	Significant Associations – Structural Model	412

Chapter 1

Overview

1.1 Purpose and Objectives of the Research Project

The purpose of this research project is to investigate Indonesian business leaders' perceptions of *G7 behaviour* towards Indonesia since Independence (1945/49), at a time the country was experiencing a severe, extended financial and economic crisis (1997-2001). Perceptions measured include leaders' views about economic and social development in Indonesia, exploring a possible connection to G7 behaviour in terms of progress or hindrance.

Throughout the research project, it is acknowledged that these perceptions are taking shape within an increasing global free-trade environment today, versus one of domination under a European colonial power in the past. Hence, concepts such as colonialism, economic rationalism and collegiality are explored and how these might relate to Indonesian business leaders' perception of G7 behaviour.

The *G7* referred to in this research project represents the *group of countries* consisting of the *United States of America, Canada, United Kingdom, Germany, France, Italy and Japan*. Occasional reference is made to the G10, which incorporates the G7 plus the Netherlands, Belgium, Sweden and Switzerland. Russia is sometimes also included into a group called the G8. Most of these countries offer a significant colonial past.

With this purpose in mind, the literature review (Chapter 2) and exploratory work (Chapter 6) allowed the researcher to propose a specific theory (Chapter 4), which reflects the purpose and basic premise of the research project. Testing the theory (Chapter 8) through a series of hypotheses further enabled the researcher to examine possible reasons behind the Indonesian business leaders' perception of G7 behaviour.

The findings are intended as constructive criticism (Chapter 9) to improve the manner in which implementation and push for acceptance of structural adjustment is pursued by members of the G7 individually or as a group *and* by the international financial institutions under their control (such as the World Bank and the International Monetary Fund), when dealing with developing countries in times of crisis, particularly if those countries were relatively recent former colonial territories (post 1945).

The findings may also prove helpful for OECD country private sector companies to understand the importance of cultural sensitivity and historic legacy, when formulating possible business expansion strategies and foreign direct investment decisions in developing countries with weak infrastructure, a significant dependence on foreign aid, and a colonial past.

Hence, the objectives of this research project can be summarized as follows:

- To measure perceptions of G7 Behaviour, Economic and Social Development in Indonesia.
- To test theory: "G7 behaviour is perceived as colonial by Indonesian business leaders; and is significantly influenced by their perception of socio-economic development in Indonesia".
- To examine the reasons behind these perceptions.

- To apply findings as critical comment, to current G7 strategy for implementation & acceptance of Structural Adjustment Programmes (ie: demands for reform) in Indonesia and recipient countries with similar histories of colonial exploitation.

1.2 Basic Premise of the Research Project

The literature review and exploratory interviews clearly provide enough evidence that the capitalist world-economic system over the last 500 years has allowed considerable global socio-economic inequality in spite of continued and significant gains made in scientific knowledge, education, health standards, and economic development.

The literature review also demonstrates it is not simply a question of poor *and* rich alike achieving improved outcomes overall, because a significant percentage of the world population continues to struggle for their very survival every day. There is clear consensus most of the benefit of progress over the last 500 years continues to be enjoyed by a small group of OECD member countries, the pinnacle of which is represented by the G7 (G10) group of nations. With the exception of Japan, all the members of G7 are identified as leading Western nations and the majority with a significant past as a colonial occupying power.

The exploratory research reinforced findings of actual and perceived inequality, the impact of non-level playing fields (historically and presently), and what could be described as underlying resentment to foreign hegemony and interference in domestic affairs.

Hence the basic premise of this research project is expressed through the proposed theory:

“G7 behaviour is perceived as colonial by Indonesian business leaders; and is significantly influenced by their perception of socio-economic development in Indonesia”

1.3 Scope of the Research Project

The research project is represented by two distinct studies. The first study is purely exploratory and intended to complement the literature review. The second study represents the actual positivist research paradigm and consists of a pilot and a final stage (Chapter 5).

Whilst the ultimate target for the second study was an appropriately sized random sample representative of the *Indonesian business leaders’ population*, the exploratory study was based on seven in-depths interviews with a selected group of Indonesian business leaders (Chapter 6). The pilot stage of the second study surveyed a random sample of final-year Economics students at five leading Universities in Indonesia (Chapter 7) and the final stage (the core research) focused on a significantly sized *random* sample of Indonesian business leaders, representing a wide range of industries with activities across Indonesia (Chapter 8).

As Structural Equation Modeling (SEM) was the analytical technique of choice for the final stage (second study), a significant sample size (valid responses) of 200 respondents was required (Fan & Wang 1998, Bentler 1995, Tanaka 1987, Hair et al. 1998, Boomsa 1983). However, as ideal sample size proved to be a somewhat contentious issue, with no clear consensus apparent in the relevant SEM literature, considerable time was devoted to evaluate the various points of view (Chapter 8 – Section 8.4). Ultimately 680 Indonesian business leaders were approached at random, yielding a valid sample of 203 respondents, which proved both appropriate and sufficient.

Detailed demographics for each study are provided in chapters 6, 7, and 8.

1.4 Research Questions

The literature review offered significant support for a possible correlation between extent of socio-economic development in Third World countries and behaviour of former colonial powers (G7) towards those countries. Policies pursued by G7 nations in a global free market environment, individually and collectively appeared to be based primarily on economic rationalism, in line with a global economic capitalist world environment.

Current world income distribution data and Third World economic development patterns also appeared to provide little encouragement to believe that primary relations between the developed world (G7 and OECD countries) and developing countries / Third World nations were based on collegial, mutually beneficial behaviour. Issues of relative progress were less apparent.

Interestingly enough, whilst less-developed heavily indebted nations (often former colonial territories) appeared openly resistant to externally imposed (negotiated) structural reform programmes, which often have an immediate negative impact on the poorer sections of their community (a population majority in many instances), their elites equally focused on profit maximization. Hence, economic rationalism was revealed to be both applauded *and* rejected.

The literature review and exploratory interviews suggest a noticeable link between a rise in national sentiment and resistance to foreign hegemony, particularly when the latter force is perceived to influence and manipulate domestic policy and development. Numerous indications are provided that historical legacies do matter in times of crisis, and that cultural differences will complicate such issues as understanding and acceptance of necessary reforms, particularly if imposed from the outside. Cultural insensitivity appears to be common factor.

Based on the above, the researcher felt it would be valuable to test whether decision-makers in developing countries and particularly those in former colonial territories continued to perceive the actions of foreign hegemonic power groups (eg G7) towards them as colonial, exploitative, and detrimental to their socio-economic development. Hence, the following two research questions were formulated (Chapter 4):

1. Is G7 behaviour (ie: G7 influence over IMF & WB multi-lateral loans extended to Indonesia, IMF Structural Adjustment Programmes imposed on Indonesia, and G7 member bi-lateral loans to Indonesia) perceived as colonial (ie: exploitative & controlling), economic rationalist (ie: bipartisan, market driven & value free), or collegial (ie: beneficial & philanthropic) in nature by Indonesian business leaders?

And;

2. How does perception of economic and social development in Indonesia by Indonesian business leaders affect their view of G7 behaviour?

1.5 Significance

The prosperity that economic development brings (including access to better health care, education, food, housing, mobility, increased self-determination and control) has been inequitable at all times (Hoogvelt, 1997). When considered globally, this inequity becomes even more apparent. Viewpoints vary on whether this inequity is accidental or planned. Seabrook (1998, p4) suggests that the reward of economic development across the globe isn't the outcome of "an organic process, but [the result of] a carefully wrought ideological project". He argues that in this process there are clear winners and losers, and that the guiding force is *perpetuation of privilege*. Others suggest that deliberate encouragement and willingness by a society to question the status quo is the key

to progress and competitive advantage, whilst yet others will argue the dominant influence of geography on the shaping of destiny. Ultimately, over time a number of different theories have been put forward with the most prominent ones explored in the literature review (Chapter 2 – Section 2.10).

A significant contribution to existing theory by this research project then, is the suggested *integration* of several important aspects of existing leading theories on the question why some countries are so rich and others so poor, in a sense providing a new approach or model for understanding our world system. This approach suggests that it is not simply a question of economic and military dominance, or the creation of intentional underdevelopment and dependency, extractive institutions, geographic destiny, or enlightenment but rather that all these elements play a role in the destiny of nations. Additionally and significantly, this research project suggests that cross-cultural understanding and respect, national identity and self-determination, and the recognition of personal dignity should also be recognized as integral to any revision of current world systems theory.

Whichever theory is accepted though, including the integration of key aspects outlined in this research project, it appears well documented that the vast majority of wealth continues to be controlled by the G7 group of countries, most of which have a significant colonial history as occupying forces and with several enjoying past or current super-power status. Additionally, it is acknowledged the G7 group effectively controls most of the world's 500 largest global firms and fully directs two-thirds of all trade worldwide (Winters, 1996).

It is important then to understand that, 'dependent' countries (especially former colonial states, such as Indonesia) are likely to have different attitudes to rules of the global economic development game and free market behaviour. Behaviour, which may arguably be defended as impartial economic rationalism and even beneficial for all nations by foreign capital controllers (eg London and Paris club

members, IMF, WB, etc) but which could be considered as a renewed attempt at colonial domination by aid dependent, still developing countries. Potential factors such as the intentional perpetuation of financial and economic privileges may also not be discarded, irrespective of legitimate economic agenda.

Therefore it is crucial to understand the reasons behind Indonesian business leaders' perceptions of G7 behaviour (demands and actions), especially during times of financial & economic crisis if we are to strive for more ready acceptance of necessary structural reforms aimed at a more prosperous and equitable world. Understanding these perceptions and the reasons behind them is likely to keep structural reform processes on track, minimize potentially significant wastage of capital resources, promote beneficial trade across borders and prevent or reduce unnecessary dependency. One needs to recognize not only that which is apparent and obvious for all to see, but more specifically that which is unspoken, under the surface, deeply felt and certain to influence future international cooperation.

Thus in practical terms, this research project significantly contributes to a better understanding of Indonesian business leaders' perceptions of G7 behaviour vis a vis Indonesian development *and* the reasons behind their perceptions. This understanding enhances a real opportunity for more effective and practical cooperation to take place between Indonesian business leaders and their foreign counterparts, to increase mutual trust and respect. That this understanding is not widespread is witnessed by the continued and regular statements made by Indonesian and other Asian leaders about continued colonial behaviour shown by Western powers generally and G7 nations in particular.

Hence the significance 'in practice' of this research project lies in better understanding Indonesian business leaders' perceptions of G7 behaviour and underlying reasons in the context mentioned above. New knowledge, which offers an opportunity to enhance requests/demands for reform by the international community, capital controllers, and foreign companies seeking to develop

international trade opportunities in Indonesia by conducting negotiations in a more culturally sensitive and supportive manner.

In summary, a significant contribution of this research project to knowledge is that *history matters*; that the ‘one-size fits all’ kind of form agenda of international financial institutions applied to developing nations (particularly in times of crisis) supported by the G7 countries and donors are *ahistoric*.

Finally, although minor, an additional contribution to existing theory is the application of Structural Equation Modeling (SEM) to the proposed theoretical model (Chapter 4 – Section 4.5). SEM is a *relatively* new technique (dating back to the late 1960s) in comparison to regression and factor analyses and this research project significantly demonstrates the usefulness of Structural Equation Modeling applied to cross-cultural perception measurement research and theory evaluation.

1.6 Definition of Terms

Throughout the research project key terms have been clearly defined. Nonetheless, some of the principal definitions are:

G7 Behaviour: The *actions* of the G7 group of countries in pursuit of global *and* local economic development and profit, apparent through their (multi-lateral) influence exercised through the international financial institutions, their bi-lateral relationships with developing countries and Third World nations, their control and influence over international capital flow and investment, and their influence over negotiations with respect to negotiated/imposed structural reform programmes for Third World and developing countries in times of crisis.

Economic Development in Indonesia: Development measured by comparative benchmarks (between countries) such as GNP and GDP per capita, external debt

as a % of GDP, external debt growth rate, average disposable income, Gini coefficient, consumption, etc.

Social Development in Indonesia: Development measured by comparative benchmarks (between countries) such as incidence of male and female illiteracy, life expectancy, % Internet users, Tertiary school enrolments and graduates, etc.

Colonial Behaviour: Behaviour identified with that of past colonial powers, based on military conquest and financial domination, racial prejudice, assumed superiority, and above all gross economic exploitation of weaker peoples.

Economic Rationalist Behaviour: Capitalist behaviour which is market-oriented, impartial (not personal), focused on economic development and above all on pursuit of profit.

Collegial Behaviour: Behaviour characterized by unconditionality, mutual benefit and sincere assistance to improve the socio-economic condition of people (countries) in need, helping to achieve sustainable progress and financial independence.

G7 Group of Countries: United States of America, Canada, United Kingdom, Germany, France, Italy, and Japan.

Developing Countries: Countries striving to attain *economically developed* country status (OECD member status) and which can be recognized by a GNI (gross national income) per capita at the turn of the century (year 2000) of less than US\$2,000. Their essential infrastructure is developing but insufficient to meet demand. Although key services such as banking, transport, communication and legal reform (private property and bankruptcy laws) almost invariably require dramatic improvement, the overall environment is usually flexible and progressive enough to attract serious foreign direct investment (FDI).

Third World Nations: Usually, heavily indebted poor countries (HIPC), aid dependent and with foreign debt at such levels which are most likely to classify them as bankrupt. Third World nations can be recognized by a GNI (gross national income) per capita at the turn of the century (year 2000) of less than US\$500. Their infrastructure is often considered non-existent by Western standards, grossly inadequate to meet demand, and insufficient to encourage meaningful foreign direct investment by private sector companies to ensure economic development or to meaningfully exploit foreign development aid.

International Financial Institutions: Those international financial institutions (IFIs) usually identified to be at the centre of multi-lateral lending and development aid initiatives to non-OECD countries, both in times of crises and for planned economic development assistance. The primary IFIs referred to in this research project are the International Monetary Fund (IMF) and the World Bank (WB). Other IFIs occasionally referred to are the Asia Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD).

Indonesia: The sovereign Unitary Republic of Indonesia (1996 population: 197.2 million), which consists of an archipelago of more than 13,000 islands and proclaimed independence from Dutch colonial control 17 August 1945. Formerly known as the Dutch East Indies.

Indonesian Business Leaders: Indonesian citizens who own and/or manage companies classified *medium* to *large* according to reported turnover and staff establishment (refer to Chapter 8 – Section 8.3 for detailed demographic classification).

Structural Equation Modeling: A methodology (statistical analysis technique) for specifying, estimating, and testing hypothesized interrelationships among a set of substantively meaningful variables (Chapter 8 – Section 8.6.1.1).

1.7 Assumptions and Limitations

The assumptions are that the results will be generally applicable to perceptions held by business leaders of other developing nations which experienced colonial occupation in the recent past (pre 1945) and, that notwithstanding the considerable cultural differences between these nations (including disparate ethnic groups within nations), basic values with respect to a nation's sovereign right to determine its own future are shared. Additionally the assumption is made, based on the premise of a shared interest to build a global civil society, that the findings will equally be of value to leaders in developed (OECD, G7) countries as to leaders in developing and Third World countries.

Whilst limitations were discovered during the research process (refer Chapter 9 – Section 9.3), three clear limitations were known at the start of this research project:

(1) The KADIN data-base (Indonesian Chamber of Commerce and Industry – Jakarta), which was chosen initially as the primary distribution channel for the final questionnaire (Chapter 9) only reflects companies with a registered (head) office in Jakarta (Java). Whilst this does not automatically imply a skewed sample, or a sample un-representative of the term 'Indonesian', it is likely to be biased towards the centre of power. Demographic analysis of the research database (*final stage* valid questionnaire responses) was intended to address and clarify this concern.

(2) Considering the treatment meted out by the Indonesian government and as a consequence mimicked by many native Indonesians (pribumi Javanese, Balinese, etc) to Indonesian citizens of ethnic Chinese origin during peace times *and* particularly times of crisis, it is likely that perceptions between these groups may vary. This issue is not addressed by this research project, as it would imply multi-level SEM techniques, requiring a considerably increased sample size.

Considering the difficulty of obtaining accurate data in Indonesia, time and associated costs, this was considered beyond the scope of this research project.

Counteracting this concern is that all groups are integral to Indonesian society and their business leaders form part of the business development process in Indonesia.

(3) Depending on one's point of view and understanding of Indonesian culture, the *timing* of the research project (and questionnaire delivery in particular) could unduly influence the outcome. This observation is based on individuals likely to respond differently during times of crisis than in times of prosperity and booming development. The view of the researcher is that *perceptions* of a nature we are trying to determine and understand, are more critical in times of crisis than in times of prosperity. The timing of the research project is therefore intentional.

There are further obvious limitations such as more detailed ethnic differences, considering Indonesia represents more than 150 different ethnic groups. Geographic impact and (relative) industry size definition. The fact that the research project will not distinguish between owner-operator and manager-operator, gender and age imbalances with respect to random sample outcomes and more. Nonetheless, the researcher is of the view that these limitations, whilst worthy of further examination are not considered to negate the basic premise of the research project.

1.8 Summary

The scale and scope of the research project were considered realistic by the researcher, and although some unexpected and innovative decisions had to be made during the data collection process, the overall design and *integrity* of the research project remained intact throughout. Whilst the following chapters will detail each step of the research and corresponding outcomes, it is fair to highlight that the cost and time of conducting the field research in Indonesia were underestimated.

The Structural Equation Modeling (SEM) technique chosen for the final stage of the second study (Chapter 8) proved to be an appropriate choice and is recommended by the researcher to others contemplating studies with a similar research design, hopefully building on the findings of this particular research project. Once mastered, SEM based on the EQS programme turned out to be a flexible tool and simple to administer. Whilst sample size was the only contentious issue, the available literature was informative enough to provide much-needed guidance to reach a satisfactory decision.

Whilst all research projects will encounter their unique challenges, all Indonesian participants showed a keen interest and support for the research conducted.

The research question was generally well received and acknowledged by many Indonesians to touch a sensitive point.

In the light of global developments post 1999-2001 (the time when the project was conceived and the research carried out), particularly the Al Qaeda-linked event of September 11 (2001), the Bali bombings and current Iraq conflict, the researcher is of the view that the principal research question formulated back in 1999 has attained even greater relevance today when considered in a wider global context.

Chapter 2

Literature Review

2.1 Introduction

The theory in this research project (Chapter 4 – Section 4.3) proposes that:

“G7 Behaviour is perceived as colonial by Indonesian business leaders; and is significantly influenced by their perception of socio-economic development in Indonesia”

The theory suggests that colonial behaviour is undesirable, based on well-documented historical data and still remembered experience about the exploitation of former colonial territories by their respective administrations at the time. Indeed, *colonialism* remains formally defined in the Oxford Dictionary as the “alleged policy of exploitation of backward or weak peoples by a large power” (Fowler & Fowler 1976, p.237) and the “belief in and support for the system of one country controlling another” (Cambridge International Dictionary of English 2001, <http://dictionary.cambridge.org>). The theory also suggests that the G7 group of nations (all, former colonial powers with the exception of Canada) continue to exercise undue control over developing nations (Indonesia, in this instance), negatively manipulating socio-economic development as a direct result of perceived and continued exploitation.

The review will explore in detail these very issues by considering the leading literature and research on exploitation, coloniality and decolonisation, the impact

of globalization and the role of international financial institutions such as the International Monetary Fund and World Bank, the power of capital and its relationship to labour, nationalism as a reactive force to foreign hegemony in the market place, and ultimately the relevance of civil society. To conclude, the literature review will examine the principal schools of thought with respect to exploitation and understanding the disparity of wealth and poverty between nations. Section 2.9 will reflect some key historical quantitative socio-economic data, including debt relief data, which will stand-alone. The Summary (Section 2.11) will introduce the case for the theoretical framework of Chapter 4.

Access to information, knowledge, communication systems, technology development, evolving transport systems, and capital, just to name a few key factors, all have the potential to diminish local-national-regional barriers and promote global commonwealth. Yet as recently as 1995, the world having available not only the economic/ financial means, natural and human resources, continues to tolerate extreme disparity between rich (eg G7 nations) and poor (eg Third World and developing nations) with some "15 per cent of the world population controlling close to 80 per cent of total world income" (Chossudovsky 1998, p.38). Accessibility and equity continue to be severely compromised as some "56 per cent of the world population representing the group of low-income countries (including India and China), with a population of over three billion people, received in 1993 approximately 5 per cent of total world income, less than the GDP¹ of France and its overseas territories. With a population of more than 600 million people, the gross product of the entire sub-Saharan African region was approximately half that of the state of Texas (20 million people plus).

¹GDP = Gross Domestic Product

Together, the lower and middle-income countries (including the former socialist countries of the former Soviet Union) representing some 85 per cent of world population received approximately 20 per cent of total world income” (World Bank 1995, pp.162-163).

Why is this the case, why does it happen? Explanations vary but whatever is considered as the most likely explanation, theory if you like, about disparities in wealth and poverty, all of mankind does share some basic characteristics irrespective of ethnic origin, culture, wealth or poverty, gender and age. The question is explored whether it is possible that these shared characteristics contribute both positively to global commonwealth *and* negatively to such perpetuation of disparity and subsistence poverty.

Adam Smith (1776, Book IV – Chapter V) argued that “*the natural effort of every individual to better his own condition ... is so powerful, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations*”. By and large this sentiment resonates around the globe and across cultures (individualistic and collectivist) but the concept of ‘society’ it refers to, is more likely local rather than trans-national or global by nature. When it is more than local, it often shows a tendency to remain *exclusive* and is expressed in concepts such as the G7, the Catholic Church, Islam, NAFTA, ASEAN, etc. Even bodies such as the United Nations, the International Court of Justice and the International Monetary Fund for example, specifically set up to represent and serve a global society, are regularly criticised for selectively representing the rights of the most powerful players, nations and/or trading blocks.

In fairness to Adam Smith (1776, Book II – Chapter V), he did recognize this restriction to a certain degree when he wrote, “the great object of the political economy of every country, is to increase the riches and power of *that*

country". Implying not only self-interest but the concept of *national* self-interest. And today, his further comment that, "what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole ... and no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable" (Smith 1776, Book I – Chapter XIII) whilst written during the time of empire (British), has direct application to the 21st century world with respect to the existing continued disparity in wealth and poverty between nations. Should society be viewed as global today, then to be 'flourishing and happy' is likely to demand a concept of truly *international* self-interest.

The literature review will explore the concept of self-interest and its impact on the wealth and poverty of nations, with particular attention paid to the disparity in wealth and power between industrialized developed nations such as the G7 group (United States, Canada, UK, Germany, France, Italy, Japan) and developing nations like Indonesia. The G7 group is singled out as a significant power block representing a colonial past (with the exception of Canada) and its continued relationship with / influence over developing and Third World nations, which experienced colonial administration (eg Indonesia).

The review will explore and seek insight into the issue of developing trading opportunities in faraway places with more or less equitable outcomes for all participants versus a policy of intentional exploitation of possibly backward and weaker peoples through the use of organized force (financial/economic and military), to achieve domination and alter the balance of trade primarily for the benefit of a single party. The mercantile, colonial and empire periods were certainly (but not exclusively) Eurocentric in character, eventually leading to an ethnocentric view, which considered that the developed industrial (capitalist) world was *the* model for the rest (Third World and developing countries) to follow in an almost unilineal fashion, ie learn and catch-up! It is crucial therefore to distinguish between a level playing field through the exploitation of ever

shifting comparative advantages in the market place, where all participants learn and progress more or less equitably, and a market place where some participants may experience conquest, exploitation and some may argue an intentional creation of underdevelopment (Frank 1971) and indebtedness.

Colonialism as a policy of economic exploitation of weaker peoples by use of superior force (financial, economic, military) has seen many different phases. During the nineteenth century, the age of Europe's industrialization, which engendered the technological revolution, simply accelerated the search for colonial possessions overseas. "Colonies, in the simplest form, were seen as essential elements in the economic pattern that required the supply of raw materials to the industrial countries of Europe. Once processed these raw materials could be sold to the markets of the world, including, if possible, the colonies from which the processed materials originally came" (Osborne 1997, pp.84-85). This economic pattern of inequity, or at least the original plan for expropriation of property and ownership, was established long ago. The Catholic Church, once supreme in European affairs, officially sanctioned the division and exploitation of the (then) new world in 1494. The Treaty of Tordesillas assigned the East to Portugal and the West to Spain. In the course of time, the Dutch, English, and others became successful interlopers and catholic Iberia eventually lost out. Throughout these times, the populations indigenous to the new world were never consulted.

Eventually colonialism ran its course, became politically incorrect and unacceptable. Some considered its demise assured, shortly after the conclusion of World War II.

"When the United Nations was established in 1945, 750 million people – almost a third of the world's population – lived in Territories that were non-self-governing, dependent on colonial

Powers. Today, fewer than 2 million people live in such Territories”
(United Nations 2002, www.un.org)

As recently as 1999, the United Nations (2002, www.un.org) quoted the Secretary General Mr Kofi Annan:

“The decolonisation movement has brought about one of the signal transformations of our century ... More than 80 nations whose peoples were formerly under colonial rule have joined the United Nations as sovereign independent States since 1945”

Others however have argued that, the demise of colonial administration has only been the demise of its outward form of expression or appearance (ie the traditional picture of a colony, with local people under the direct and visible rule of a foreign power). That reality is closer to a metamorphosis of former colonial administrations, owned and controlled by the world’s economic core power groups (such as the G7) into politically correct forms of expression, acceptable in today’s environment. An environment, which strives to achieve a global trade environment governed by global capitalism, argued to flourish best in a *laissez-faire* economic approach to the global market place. Public fora for legitimacy to promote this change are considered to be the institutions/engagements such as GATT, NAFTA, WTO, UN and many others. That this strategy is successful, on a global basis, could be reflected on by the intense pursuit and desire for ‘membership’ of these institutions, including by high profile and intensely independent countries such as China.

The literature review appears to suggest that metamorphosis of colonialism could be a sustainable argument and that the playing field remains far from level. In support, leading printed media (such as The Australian Financial Review, New York Times for example) also report almost daily key discussions between countries to reduce tariff and trade barriers, to open up markets and reduce

protectionism. Very often the term ‘between countries’ refers to the USA, or G7, and other. The reader primarily discerns two different levels of playing field. One is between equals (or largely equals) such as the USA, the European Union, and Japan. The second is between very disparate economic powers, such as any of the three mentioned and the rest of the world. Successful interaction is measured by actual and potential economic outcome. Non-compliance, by the less powerful party (often a former colonial territory), is usually followed by ridicule of that party by the international financial/economic press and/or by economic isolation and pariah status. Naturally all of this is fluid, as the game continues to unfold and former delinquents are praised and embraced by the international financial community, once they have seen the light of open markets and global capitalism.

Influence is also exercised less directly. International financial institutions (IFIs) such as the International Monetary Fund (IMF) and the World Bank (WB), whilst multi-lateral in nature and focus, are effectively guided/controlled by its largest stakeholders. Often, IMF proposed rescue plans require US Senate endorsements, which are usually conditional to particular demands for structural reform by recipient countries, favouring reductions in tariff and trade barriers. The financial crises in Mexico (1994), Indonesia (1997 to date), and Argentina (2002) are prime examples. Bi-lateral loans are similarly subject to influence and scrutiny, albeit on a more limited scale.

The literature review will explore such new global expressions of power and discourse, which may be used to unduly influence Third World and developing countries’ behaviour now that colonialism has officially disappeared as a political and economic acceptable discipline in global trade relations. Some findings appear to support a metamorphosis of colonial administration/behaviour through the emergence of a three-pronged strategy: (1) a dominant global philosophy promoting ‘free’ markets, (2) the creation of credible international institutions such as the United Nations, the International Monetary Fund, the World Bank,

and others, and (3) the undisputed recognition of the legitimacy of the power of global capital, as distinct from former military might.

The establishment and triumph of a global philosophy, promoting a free market system, would appear to have been an essential prerequisite for the re-invention of colonial administration to discipline developing countries and former colonial territories, once the old formula became politically unacceptable. The free market philosophy was further strengthened with the subsequent collapse of the former Soviet Union, which served to reinforce the road of the former colonial powers. Whilst some pockets of resistance still remain (eg North Korea, Cuba, etc), the world today has generally accepted a philosophy that financial benefits are synonymous with the concept of a free market system and that economic decline and/or poverty are linked to closed markets, ie those not participating in the global environment. In reality there are many shades of grey, as many countries continue to practise some form of protectionism, the former colonial powers – as main promoters of the free market philosophy – also being no exception. The free market philosophy has ensured *continued access, on favourable terms* to former colonial territories' and third world countries' resources by the most powerful groups today such as the G7. Whilst national sovereignty provides an opportunity for unilateral protection (eg Malaysia's financial foreign investment regulations and currency control during the 1997/99 financial crisis), the reality is that the free market system and global capitalism have become powerful enough to make or break any non-compliant developing and/or third World nation.

The review will consider that some already referred to vehicles, to provide an extended platform and legitimacy for this new discipline alluded to, are world/international institutions such as the United Nations (UN), the IMF, WB, and trade specific bodies such as GATT, NAFTA, WTO and many others (the review specifically considering the roles of the IMF and WB). Many of these internationally recognised institutions provide an opportunity for debate, complaint, and resolution through internationally binding decisions. That the

multi-lateral finance/lending institutions IMF & WB are also majority funded by the former colonial powers, principally represented by the G7, may not appear coincidental. For the G7 represent the core of global capital controllers and are able to influence decisively the strategies pursued by these international financial institutions (eg through the US Congress and the London & Paris clubs), effectively or potentially ensuring the promotion of their continued economic interest in the developing world. IMF and WB recipient nations, once reaching financial dependency status with respect to foreign debt servicing, continued development and government budget funding, may become inescapably subject to an apparent neo-colonial discipline.

Implementation (enforcement) of such discipline is exercised through the structural power of capital and the influence it yields, its almost instant mobility and its silent operation. Indonesia today, can be considered a clear example.

The literature review will explore the effect of the lending policies of the IMF and WB against their original intent. Both institutions were formed in 1944 at a meeting of Allied powers held at Bretton Woods in New Hampshire. The WB was initially designed to support the reconstruction of Europe after WWII and later had its role extended to become the leading development bank for large-scale economic development projects in newly developing nations and the Third World. The IMF in contrast was developed to provide short-term loans to countries, which had run out of foreign currencies needed for international trade and is supposed to "regulate and maintain a smooth functioning of the global economy in order to advance international trade and investment. It works at the level of the economy as a whole. Its objectives are to encourage a country *to live within its means* and to economise on its use of international currency reserves" (St Columban's Mission Society 2002, www.colomban.org.au).

When a country borrows more than its quota or has reached a level where repayment of capital and/or interest is at stake due to international interest rate rises, recession and local currency devaluation (ie a situation where the country's earnings have severely declined and it is receiving less than ever for its exports and paying more than ever on its loans), the IMF and WB become lenders of last resort and impose strict requirements for structural adjustment before further essential commercial bank loans and development aid are given to keep its economy going. This gives these G7 (G8) controlled institutions tremendous power.

Ferraro and Rosser (1994, www.mtholyoke.edu) point out that "structural adjustment programs are designed to address balance of payment problems that are largely internally generated by high inflation rates, large budget deficits, or structural impediments to the efficient allocation of resources, such as tariffs or subsidies. The IMF structural adjustment programs highlight productive capacity as critical to economic performance and emphasize measures to raise the economy's output potential and to increase the flexibility of factor and goods markets. A fundamental assumption in a structural adjustment program is that current consumption must be surprised so that capital can be diverted into more productive domestic investments. A further assumption of an IMF stabilization program is that exposure to international competition in investment and trade can enhance the efficiency of local production. In practice, these programs involve reduced food and transportation subsidies, public sector layoffs, curbs on government spending, and higher interest and tax rates. These actions typically affect the poorer members of society disproportionately hard".

Further, whilst a clear distinction exists between financial-economic and political power, governments (including, through legislation) actively assist in the protection of private property rights and *capital* and overtly aim to facilitate free

market growth. Non-compliance in today's global environment is no longer primarily pursued through military intervention but is apparent through financial & economic manipulation (from apparent voluntary structural adjustment accepted by debtor countries, to economic and financial isolation directed & implemented by donor administrations). The review follows this line of enquiry.

Indonesia, like many other developing countries, which are highly indebted today, "is edging closer to bankruptcy (public debt US\$140 billion > 90% of GDP, as at 31 March 2002). The government is paying about 40% of its annual revenue on interest payments" (Dodd 2002, p.12). It owes foreign creditors (multi-lateral [IMF & WB] and bi-lateral [G7]) so much money that the payment of the interest bill alone is forcing the country to reduce expenditure on essential infrastructure, health and education. It borrowed heavily (foreign currency denominated loans) and invested unwisely, undermining its own development, particularly during the oil and aid boom of the 1970s, contributing to a lazy and corrupt fiscal regime. The question which the review explores, are the reasons behind the continued encouragement of Western governments and the IFIs, in particular with respect to issues such as the creation of moral hazard, intentional indebtedness and the concept of continued coloniality.

Developing nations and Third World external debt viewed in perspective vis-a-vis global wealth and poverty, had by 1992 reached roughly "US\$1.7 trillion, owed to Western Governments, multi-lateral institutions, and commercial banks" (Bandow 1994, p.31), roughly equal to what rich countries earn in a couple of weeks. Drawing on IMF (1992) economic data, Ferraro and Rosser (1994, www.mtholyoke.edu) state: "For the Developing world as a whole, in 1991, the total external debt was US\$1.362 trillion, which was 126.5 percent of its total exports of goods and services in that year, and the ratio of debt servicing to the gross domestic product of the developing world reached 32.4 percent". The list of severely indebted countries by the year 2002 included 44 nations and the number is growing. A country becomes classified as severely

indebted when “either of two key ratios reaches above critical levels: [1] present value of debt service to GNI² is = or > than 80 percent and; [2] present value of debt service to exports is = or > than 220 percent” (World Bank 2002, www.worldbank.org). This list includes all HIPCs (heavily indebted poor countries) and many former colonial territories, including Indonesia.

It is worth noting that the World Bank in its *1999 HIPC Review* (www.worldbank.org) included some key statements concerning a “rationale for debt relief:

- debt should be forgiven because it perpetuates the *dependency* of the poorest countries;
- debt should be forgiven since it came about from *historical* circumstances beyond the control of current governments;
- some debt should be categorized as immoral or *illegitimate*”.

Should, from an HIPC’s and/or former colonial territory, global players such as the G7 be perceived to effectively influence and/or direct the economic development and prosperity of weaker nations, then it may not be unreasonable to expect a rise in nationalist sentiment as a reaction against foreign domination, real or otherwise, particularly if the outcome experienced by the majority is hardship and perceived exploitation. The literature review explores this particular issue, within the context of foreign hegemony in the global market place, including control of capital flows and labour restrictions, from the perspective of developing nations and former colonial territories. It is an important point because the forces of nationalism tend to be inward looking and can potentially give rise to protectionist policies, which could be detrimental to a developing nation’s economic development in a competitive global trade environment.

²GNI = Gross National Income

In an attempt to provide a broad framework for the research project and a possible explanation for such issues as poverty and (common)wealth, exploitation or fair trading, civil society and others briefly discussed, the review will examine a number of leading hypotheses or theories.

Of particular interest will be Modern World-Systems Theory championed by Wallerstein (1974) since it considers a *holistic* world-system, which incorporates the interaction between history, economics, sociology, politics and scholarship. This theory endeavours to explain ‘how’ states and parties, firms and classes, status groups and social institutions operate within a framework and constraints of a world-system. The modern world-systems perspective presents “a framework for understanding and explaining long run, large-scale social change...originally developed to comprehend the patterns of development that emerged with European hegemony over the last six centuries. There being two key ideas: (1) societies are importantly constrained and affected by their interactions with one another, and (2) the modern world-system has been structured as a core/periphery hierarchy in which economically and militarily powerful core states have dominated and exploited less powerful peripheral regions as the Europe-centred system expanded to incorporate all areas of the globe” (Chase-Dunn 1999, p.xi).

Crucial to this theory are the central role of global capitalism and key objective of profit maximisation in a market place, which according to Pearson (1988) unite the world through a system of exchange relations. Modern world-systems theory characterizes strong states (ie: a core to which surplus [wealth] is transferred) by the presence of skilled labour, tenancy or self-employment, and high wages; and, weak states (ie: a periphery and semi-periphery from which the surplus [wealth] is extracted) by unskilled and frequently coerced labour and low wages.

Also of interest will be Dependency Theory. Dependency theory, like modern world-systems theory, also takes a holistic world-view with similar outcomes but

from a somewhat different starting point. Dependency theory focuses on the power of capital and considers that poverty and underdevelopment are not an early stage of development to be overcome on the road to modernization, but rather that they are the product of the historical world of capitalism. A world which involves the intentional ‘creation’ of underdevelopment in the third world. Key advocates of the dependency debate such as Andre Gunder Frank (1971) go as far as defining concepts of “*development of underdevelopment and the creation of poverty*” (Pearson 1988, p.6) and argue that economic development and under-development are inextricably linked and related (the opposite faces of the same coin).

Frank based his view mainly on data from Latin American countries and found an exploitative relationship between the metropolis (similar to Wallerstein’s ‘core’) and the satellite (ie Wallerstein’s ‘periphery’), which began as soon as the Spanish conquered South America (Christopher Columbus, 1492). This relationship was designed to extract the surplus from the satellite and move it to the metropolis. And within each satellite he found a mini-version of the same relationship, a replication of unequal exchange (eg: such as the relationships between Aceh, Riau, Irian Jaya and the central government of Indonesia in Java). Dependency theorists such as Frank, argued that the problem of underdeveloped nations “was not their poverty, for often they were naturally rich; the problem was that their wealth ended up in the metropolis. So neither poverty nor traditionalism in the satellites could be blamed for third world underdevelopment, the problem was international capitalism” (Pearson 1988, p. 6). Jan Kieniewicz (1983), the well known Polish scholar supports this view and observes with specific reference to Asia, that contemporary poverty and underdevelopment are a direct result of *colonial conquest* rather than the other way around.

Another pathway the literature review explores is the so-called *Enlightenment Approach* taken by researchers such as Landes (1998). Landes firmly argues for

the ultimate advantage and beneficence of scientific knowledge, innovation and technical capability. He discards the notion that the European contribution of invention and modernity should be seen as accidental, recent, or that a Eurocentric global history is arrogant or oppressive. Landes argues for a Western intellectual tradition, which encourages dissent to the status quo, economic advancement and a willingness to use knowledge to shape people and things. He recognizes that the world is unequal and diverse and argues against an artificial levelling of society for the greater common good. The review will consider enlightenment as a counter balance to modern world-systems and dependency theories. It will also explore research critical of this view.

A somewhat older but still credible school of thought to be explored is the Geography Hypothesis, which claims that differences in economic performance and the wealth and poverty between nations on a global scale, is largely due to differences in geographic, climactic and ecological characteristics. The most common view of geography hypothesis, commented on by many writers and researchers such as Machiavelli (1519), Montesquieu (1748), Marshall (1890), Huntington (1945), Landes (1998) and others, is the effect that climate has on the work effort, infectious diseases management, and underdevelopment.

To conclude, the literature review explores the Institutions Theory. This theory argues that societies with good social organization and institutions, which provide encouragement for investment, will prosper. It is of particular relevance to this research project, because of its focus on the arguably deliberate strategies pursued by historical colonialism and the current disparities in global commonwealth.

Leading proponents of the Institutions Theory such as Acemoglu, Johnson and Robinson (2001, p.29) argue "good social organization and institutions (ie institutions of *private* property) ensure that a broad cross section of society has effective property rights" in contrast to a society dominated by "extractive institutions, where the majority of the population faces a high risk of

expropriation by the government, the ruling elite or other agents” (Acemoglu, Johnson & Robinson 2001, p.29). And, that historical evidence suggests “European colonialism led to the establishment of, or continuation of already existing, extractive institutions in previously prosperous areas and to the development of institutions of private property in previously poor areas. Therefore, European colonialism led to an *institutional reversal*, in the sense that regions that were *relatively prosperous* before the arrival of Europeans were more likely to end up with extractive institutions under European rule than previously poor areas” (Acemoglu, Johnson & Robinson 2001, p30).

The institutions theory is of particular interest with respect to the roles of the International Monetary Fund and the World Bank, as international financial institutions perceived by developing nations to be under the considerable control of G7 interests.

In summary, the literature review will provide a framework for the research of this project (Chapter 4), to explore whether or not it is reasonable to propose the theory:

“G7 Behaviour is perceived as colonial by Indonesian business leaders; and is significantly influenced by their perception of socio-economic development in Indonesia”

It will provide the framework for the identification and initial operationalization of the corresponding necessary theoretical constructs and key dimensions plus a background to the theoretical justification of the research questions, hypotheses and theoretical model of this research project.

2.2 Exploitation ³

Emeagwali (1998, <http://user.aol.com/afriforum/>) describes colonialism as "a system of administration, a *process of exploitation*, and a production system geared towards the creation of capitalist relations" inhibiting the development of indigenous technology and creating captive markets, all for the benefit and prosperity of the colonizer.

The All-African People's Conference (1958, www.fordham.edu) passed a resolution on *Imperialism and Colonialism* declaring that:

- "All African peoples everywhere strongly deplore the economic exploitation by (European) imperialist countries (Britain, France, Italy, Belgium, Spain and Portugal) reducing Africans to poverty in the midst of plenty;
- The *political and economic exploitation* of Africans by imperialist Europeans should cease forthwith".

Naseem (2000, p.3) commenting on the role of the IMF and WB, and the ulterior motives of its key stakeholders, wrote "although the East Asian crisis (1997) is now perceived to be over it has been achieved at a tremendous cost in terms of poverty and other social and environmental cost of adjustment. The case of Russia and other transitional economies has been far worse and the shock therapy advocated by the IMF and the World Bank has succeeded in creating mass poverty and social distress on an unprecedented scale and of nurturing a class of capitalists who have proved *Marxian exploitation theories* beyond doubt".

³Refer: Daale, P. 2000, *Peripheral Decolonization and Global Coloniality – Perspectives from the core and periphery, with illustrations from Indonesia*, Asia Pacific Researchers in Organization Studies 2000 Conference on 'Organizing Knowledge, Economies and Societies [World-Systems Session], University of Technology Sydney.

The above extracts are an indication of many perceptions from different sources (East and West), linking the former world of colonialism and the actions of the present day international financial institutions (and principal controllers, former colonial powers) directly to a strategy of intentional exploitation of Third World countries and developing nations (often former colonial territories).

For the purpose of this research project, it is important to determine whether *exploitation* of countries, peoples and markets by strong nations/entities has always been intentional and for the benefit of a few, or whether strategies for economic development are primarily based on a philosophy where the pursuit of self-interest is considered to lead to the highest common good (Adam Smith 1776). If the latter, it should be reasonable to expect a considerable and continuing improvement in the distribution of *common wealth* and *equity* around the globe, particularly in the light of the considerable gains made in knowledge, communication technology, health, transport systems, etc. This section of the literature review examines the work of a number of researchers/writers from different countries around the world.

Hoogvelt (1997, p.xi) examined *why*, today, there are "over 1.2 billion people living in absolute poverty and misery *and why* their number is growing?" He observes, "the gap between the richest and poorest quinquile of the world's population is twice as big today than it was 30 years ago" (Hoogvelt 1997, p.xi).

Hoogvelt argues that a transformation of global political economy has been (and still is) taking place, more intense than ever before but more recently accompanied by a process of disintegration of old socio-economic and cultural, political structures. He finds that the gap between rich and poor is largely a result of this transformation experience, which results in the Third World and developing countries (at varying times) being expelled from successful economic interaction, development and prosperity.

Hoogvelt (1997, p.17) considers the impact of historical legacy (four phases), ultimately describing a post-colonial economic condition of exploitation, which is largely inescapable and appears to be based on a concept of zero-sum game:

- "1500-1800 mercantile phase: transfer of economic surplus through looting and plundering, disguised as trade;
- 1800-1950: colonial period: transfer of economic surplus through 'unequal terms of trade' by virtue of a colonially-imposed international division of labour;
- 1950-1970 neo-colonial period: transfer of economic surplus through 'developmentalism' and technological rents;
- 1970-present post-imperialism: transfer of economic surplus through debt peonage".

Hoogvelt (1997, p.29) is also highly critical of the imposition of the international division of labour under formal colonialism and its apparent continuity. Observing that it had an "indirect effect of laying the foundations for continued economic control and domination over colonial resources" even after the cessation of direct political overlordship and administration. He also appears to have limited faith in mankind's ability to reject once and for all a bell-curve type philosophy, referring to Rudyard Kipling's discredited concept of white man's burden to civilize the rest of the world, and Benjamin Kidd's equally offensive notion, that it is a task of great difficulty to govern the inferior races of mankind from a distance.

Osborne (1997, p.2) in similar vein writes "there is a familiar readiness to discount the achievements (and value) of unfamiliar civilizations by comparison with the presumed importance of our own society and cultural traditions". In colonial times "exploring Europeans and their successors, the administrators, missionaries, planters and men of commerce, had not the slightest doubt about their own superiority" (Osborne 1997, p.81). Could such

prejudice consider exploitation of weaker peoples as justified? Although no clear answer is found, Osborne certainly indicates that exploitation clearly occurred. "Although Southeast Asia's economic transformation from the seventeenth century onwards involved the essential participation of its indigenous population, there is no way of avoiding the conclusion that great change took place because of decisions taken by the colonial administrations that ruled over all but one of the countries in the region. In terms of the interests of the indigenous populations, many of the changes that took place were negative and it was rare indeed that the colonial power placed the interests of the indigenous population above their own" (Osborne 1997, p.82).

Osborne's (1997, p.83) research emphasizes the Dutch gained (largely by force) "a monopoly of the spice trade in Southeast Asia, more exactly in Indonesia, and so controlled the supply of these commodities for the European market". In doing so, "they commenced a process of peasant impoverishment in the Indonesian world that has left its mark to the present day... and whilst ... it would probably be an error to suggest that Java, the Spice Islands, and the other sections of Indonesia that had become part of the Dutch colonial economic system had been plunged irretrievably into economic disaster ... a pattern of economic development nonetheless had been clearly established that placed the interests of the exploiting power, and its agents, above all else" (Osborne 1997, p.84). In contrast to Hoogvelt (1997), Osborne (1997, p.183) makes it clear, even within the context of the time, "colonial rule was *never* introduced or maintained in the interest of the colonised country or people".

Rigg (1997) argues that from a local perspective, the effects of modernization should be assessed in terms of dependency, vulnerability and what he labels super-exploitation. He questions the 'miracle thesis' (nb: prior to the 1997 crisis), which explains success exclusively from a macro-economic point of view and

tends to ignore social and environmental measures of failure. His research indicates that the "HPAEs (high performance Asian economies) of Southeast Asia are not success stories, nor exemplars to the rest of the developing world, but indicative – and therefore a warning – of the dangers of over-rapid, export-led, capitalist growth ... referring ... to a pattern of development with strongly negative socio-economic consequences in terms of inequality, unevenness, cultural fragmentation, and a negative impact on women and the environment" (Rigg 1997, p.23).

Even though Rigg appears to argue that the Western development push is a Trojan horse for commercialisation, a process, which eventually makes people dependent on the market and increasingly subservient to Western interests, multinational capital and exploitation, he does find evidence for 'some cumulative gains' to the majority of populations of developing countries investigated. However, he also points to the widening gap between rich and poor, urban and rural, and the social tensions this has created. As many ordinary people in these countries are becoming more convinced that this market-driven development process is creating winners and losers in spite of the overall gains, he concludes that future emphasis should be on "making development fairer" (Rigg 1997, p.282) with greater respect for / and more inclusive of existing traditional systems.

Ferraro and Rosser (1994, www.mtholyoke.edu) when researching the effect of global debt and Third World development found that "the economic debts of the developing world will not be fully repaid (ever), quite simply because the people who live in the developing world cannot afford to repay them ... The hunger, homelessness, illness, and suffering of the poor in the developed countries must be multiplied a thousand times, in some respects a million times, to begin to reflect the scope of poverty in the world's poorest nations". They observe that aside from specific development aid, it was also this extreme poverty, which was the general motive for borrowing. Whilst their research did not focus on exploitation, they did find that when many

of these poorer developing nations were caught up in the devastating debt crisis of the 1980s they became (and continued to be) subject to significant outflows of capital to finance their debt. "According to the World Bank – Before 1982 the highly indebted countries received about 2 percent of GNP⁴ a year in resources from abroad; since then they have transferred roughly 3 percent of GNP a year in the opposite direction. In 1988, the poorer countries of the world sent about \$50 billion to the rich countries, and the cumulative total of these transfers since 1984 is nearly \$120 billion. The problem became so pervasive that even agencies whose ostensible purposes included aiding the indebted countries were draining capital: in 1987 the IMF received about \$8.6 billion more in loan repayments and interest charges than it lent out" (Ferraro & Rosser 1994, www.mtholyoke.edu). Conspiracy theories aside, there is a need to question whether this could be defined as exploitation of weaker peoples?

Ferraro and Rosser (1994, www.mtholyoke.edu) clearly found that for the developing world, debt crises have their own self-reinforcing dynamic. "Money that could have been used to build schools or hospitals in developing countries is now going to the advanced industrialized countries" such as the G7, for what appears almost perpetual debt servicing purposes. Noting that education and health, as foundation stones for development and participation in future global common wealth are set back significantly or neglected altogether.

Whilst they acknowledge that debt crises are very complex in terms of management and repayment, Ferraro and Rosser (1994, www.mtholyoke.edu) conclude that some of the most indebted nations they studied, clearly ought not to repay their debt and point out "the current emphasis of forcing the poor to pay with broken lives and broken spirits (ie a life without hope) is demeaning to both rich and poor, and ill-serves the long-term interests of rich as well as poor".

⁴GNP = Gross National Product

It is worth noting that out of the fifteen developing nations, which formed the core of their research, thirteen (87%) were former colonial territories, whilst the remaining two were under direct control of the Russian empire and later the Soviet Union.

Arrighi (1999) exploring the future of global markets, comments on the historical role of British leadership in the liberalization of trade in the Western world. He observes "the global market that came into existence in the second half of the nineteenth century through the extension of the industrial revolution to long-distance transport and communication was an expression of Britain's unparalleled and unprecedented global power. In the Western world this power was largely based on consent – on the perception that British dominance served a general Western interest. In the non-Western world, it was based largely on coercion – on Britain's capacity to forcibly extract resources from non-Western peoples" (Arrighi 1999, p.203). Britain, jointly (and often in competition) with the other major European colonial powers intentionally worked to "establish political control over the sources of raw materials and outlets for products" (Arrighi 1999, p.204). European powers pursued revived mercantilist tendencies in the form of "protectionism at home and imperialism abroad" (Arrighi 1999, p.204).

When European power waned and the United States's waxed in the global market place, the balance of power whilst tilting remained firmly under Western control. Arrighi (1999, p.218) concludes his research on the future of the global market by stating "the British-centered global market was built from the bottom up on the basis of Britain's mastery of the European balance of power and leadership in empire-building in the non-Western world ... Under US hegemony, in contrast, the global market was rebuilt from the top down as a conscious act of world government premised on the double supersession of balance-of-power politics and Western colonialism in the non-Western world. Integral to this conscious act of world government was

the creation of supranational organizations (most notably the UN and Bretton Woods institutions) that extended sovereignty rights to non-Western peoples (thereby legitimating the ongoing process of decolonisation) but simultaneously deligitimated the balance-of-power mechanisms that had previously guaranteed the sovereign equality of states. The *sovereign equality* upheld in the charter of the United Nations for all its members was specifically supposed to be legal rather than factual – the larger powers were to have special rights ... commensurate with their superior capabilities”. The special rights ensuring a policy of continued exploitation where the majority of economic ”burdens are borne by the vast majority of the world’s population and (the) benefits are reaped by a minority” (Arrighi 1999, p.221).

Chossudovsky (1998) describes the impact of the IMF rescue packages and World Bank development loans on recipient Third World and developing nations. He focuses on demands made for economic reform and the consequences of imposed/agreed to structural adjustment programmes (SAPs). From his research, an ‘apparent development cycle’ of emerging nations appears, which makes an intentional IMF rescue strategy almost inevitable, strongly suggestive of *financial re-colonization* and *exploitation* by Western powers (G7 nations).

Chossudovsky’s work clearly outlines the role of the IMF and WB as international financial institutions ensuring Western financial dominance through the intentional and deliberate economic manipulation of Third World countries and developing nations. The West utilising free market reform and democracy to enslave weaker nations ensuring access to cheap labour pools and control over their natural and other resources. He writes, “the IMF’s hidden agenda consisted of supporting the creditors while at the same time weakening the central State. Ninety billion dollars in interest payments had already been paid during the 1980s, almost as much as the total debt itself (US\$120 billion). Collecting the debt, however, was not the main objective.

Brazil's international creditors wanted to ensure that the country remained indebted well into the future and that the national economy and the State would be restructured to their advantage through the continued pillage of natural resources and the environment, the consolidation of the cheap-labour export economy and the taking over of the most profitable State enterprises by foreign capital.

State assets would be privatised in exchange for debt, labour costs would be depressed as a result of the de-indexation of wages and the firing of workers. Inflation was directly engineered by the macro-economic reforms. Poverty was not only the result of the reforms, it was also an explicit condition of the agreement with the IMF" (Chossudovsky 1998, pp.176-177).

With respect to indebted developing nations, a key observation by Chossudovsky (1998, pp.78-79) is that "the decomposition/recomposition of the national economy and its insertion into the global cheap-labour economy is predicated on the compression of internal demand (and of the levels of social livelihood): poverty, low wages and an abundant supply of cheap labour are *inputs* on the supply side. Poverty and the reduction of production costs constitute the instrumental basis (on the *supply* side) for reactivating production geared towards the external market", earning export income to service foreign debt. Chossudovsky may appear at times to be influenced by conspiracy theory but he does have a point when considering macro-economic indicators of global poverty and long-term impact of IMF and WB loans to developing and indebted nations.

Ashraf (1997, www.iranian.com) within a Persian context explains that, conspiracy theories are "a complex set of beliefs attributing the course of (a nation's) history and politics to the machinations of hostile foreign powers and secret organizations" often focused on "supposed plots by Western colonial powers" (Ashraf 1997, www.iranian.com), blaming historical *colonial exploitation and Western political interference* for current day economic failure

and difficulties in Iran. Whilst Ashraf does not subscribe to the validity of conspiracy theory with respect to economic success or failure, he effectively highlights its social impact on local society, "limiting or hindering their capacity to respond effectively to external and internal social and political challenges" (Ashraf 1997, www.iranian.com). Perceptions do matter.

Ashraf also comments on cultural influence and that of Persian Muslim society, which are inclined to nurture a belief in conspiracy theory where evil (Western, former colonial) powers are considered to direct the course of history. His research on the Persian mindset covers the colonial period (the division of Persia into two zones of influence – 1907 Anglo-Russian Convention) to modern times.

Bandow and Vasquez (1994) researching the role and impact of the World Bank and the IMF find a long history of financial mismanagement and inappropriate lending strategies, which have not succeeded in eradicating poverty or creating sustainable economic development in the Third World. To the contrary, their conclusion is that the actions of these international financial institutions have actually perpetuated poverty, largely due to the absence of responsible *market based criteria* in their decision-making process, which in turn has facilitated moral hazard, the emergence of corrupt client recipient-nation elites, inefficient state owned enterprises, inefficient bureaucracies and more. Additionally, the intentional maintenance of trade protection barriers by industrialized nations (G7), which control the international financial institutions, have contributed to the ongoing inability of developing nations to significantly exploit any comparative advantages they may have. Finger (1994) supports this argument and observes foreign direct investment (FDI – investment, guided by market based criteria) would be infinitely more effective in creating sustainable development in the Third World. They found, by researching trade restriction figures of the 1980s that, "developed countries' import restrictions reduced developing countries' national income by about twice as much as developing countries received in aid" (Finger 1994, p.317).

What is interesting though, whilst Bandow and Vasquez (unlike Chossudovsky 1998) argue about inefficient and inappropriate IMF/WB strategies and *not* exploitation, developing/recipient nations investigated by Ayittey (1994) did express strong views about exploitation experienced (and perceived) at the hands of former Western colonial powers. They reported "one of the charges African nationalists levelled against the colonial powers was that colonialism failed to promote credible social and economic development for Africans ... After independence, African nationalists settled down to the task of developing Africa – in its own image. No more would Africa be relegated to the inferior status of 'hewers of wood and drawers of water', producing raw materials to feed the industries of Europe. Colonialism was exploitative, and, since the colonialists declared themselves to be 'capitalist', the nationalists believed that ... capitalism too, was exploitative" (Ayittey 1994, pp.125-126). The nationalists considered that "colonialism raped and plundered Africa ...and argued that ... it was the responsibility, in fact the moral duty, of the West to repair the damage, return the booty, and rectify injustices perpetrated against black Africans" (Ayittey 1994, p.127). Other scholars (eg Roberts 1994) noted Latin American countries, former colonial territories, also expressed similar sentiments.

Rempel (2002, <http://mars.acnet.wnec.edu>) when describing mercantilist policies by European powers between 1600 and 1800 points out that "merchant ... sea power was necessary to control foreign markets ... which would ... add to a nation's prestige and military power". With enhanced naval and military power, territories could be conquered and new colonies could become cheap sources of raw material and captive markets for manufactured goods.

"The first territorial empires of Europe appeared in the New World, and American Indians could hardly resist European encroachment. True, there was chronic conflict along frontiers, but as the frontier advanced, the less technologically equipped society had to retreat. European colonies planted

in America tended to duplicate the society of the metropolitan powers. Things were somewhat different in Asia. There a handful of Europeans dominated native populations in colonies designed to exploit trade and agriculture, not to reproduce European society overseas” (Rempel 2002, <http://mars.acnet.wnec.edu>). This in turn could reflect greater exploitation in the Asia region relative to socio-economic infrastructure building efforts for the benefit of civil society, locally. Rempel stresses that irrespective of location, colonies were always designed to be economically complementary to the occupying colonial power home country.

Nagtegaal (1996) in his research into the social, economic and political impact of European trade companies on Asian societies (particularly the impact of the Dutch East Indies Company [VOC] on Indonesia) finds that Indonesia around the year 1900 was poor when judged by European standards and its economy decidedly underdeveloped. He assesses different theories for this underdevelopment, from the consequences of colonial rule and exploitation, the results of inherently small-scale nature of rice economies, to the focus on the cultural basis of Indonesian society being geared exclusively to “religion, tradition and the communal spirit rather than economic progress” (Nagtegaal 1996, p.8). He questions whether Indonesian (Javanese) society was market-oriented or focused on self-sufficiency and the degree to which the VOC was able to use the Javanese state for its own ends. He finds “the degree to which the Javanese economy had been made to serve Dutch interests was seldom equalled in other parts of Asia or Africa” (Nagtegaal 1996, p.15) but, that unlike English imperialism, the VOC was primarily motivated by profit, not conquest or territorial expansion.

Nagtegaal also observes that the Javanese elite was deeply divided, engaged in power struggles and ready to profit from VOC cooperation when the opportunity arose. From a Javanese cultural perspective the Dutch were perceived as arrogant,

readily believing they were the only force which could bring peace and order to Java. "This element of self-justification was common among the Dutch; without them, the theory went, chaos would triumph utterly" (Nagtegaal 1996, p.32). It must have grated the Indonesians at the time to be considered such an infantile culture, even though their own society and state as a social network was kept together largely by "self-interest and coercion" (Nagtegaal 1996, p.71).

Nagtegaal (1996, p.71) argues convincingly that in spite of local disadvantages with respect to civil society, the Dutch were unwilling to rule directly over the Javanese state instead preferring to push local despots and regencies into a "position of dependency, by which means the VOC could pluck its economic fruits without having to bear the burden (and cost) of administration". This meant that each regency was gradually "transformed into an instrument of colonial exploitation" (Nagtegaal 1996, p.71). By 1706, the Governor-General Johan van Hoorn formally launched a "comprehensive project of economic exploitation, in which Java would be transformed into a protected production area of valuable cash crops" (Nagtegaal 1996, p.84). This included the local regents having to sign onerous taxation treaties, which further entrenched the dependency of the Indonesian state.

Trade figures confirm a picture of exploitation and wealth extraction. Nagtegaal (1996, p.123) writes "nothing would substantiate the *underdevelopment* theory more conclusively than figures showing a direct link between the VOC's actions and a fall in total (indigenous private trade) exports". As an example he quotes the export tonnage figures from the Day Register in Batavia (Dagregister Batavia) for private export trade and the Principal Journals of the Chief Book-keeper (*Generaal-journalen van het Archief der Boekhouder-general* and the *Inkomend Briefboek van Batavia*) for export trade of the VOC during the period 1640 to 1775 [Table 2.1]:

Table 2.1: Private Export Trade & VOC Export Trade – 1640 to 1775

Source: Nagtegaal, L. 1996, *Riding the Dutch Tiger: The Dutch East Indies Company and the NorthEast Coast of Java, 1680 – 1743*, Koninklijk Instituut voor Taal-, Land- en Volkenkunde, Leiden, p.124

	Private	VOC	Total
1640	4,110	0	4,110
1675	5,380	7,747	13,127
1685	5,180	3,625	8,805
1695	4,874	5,457	10,332
1705	2,805	4,383	7,188
1716	2,470	7,895	10,365
1725	2,160	10,405	12,565
1735	2,485	13,668	16,153
1775	6,500	12,200	18,700

Nagtegaal finds similar patterns emerging when analysing the rice and salt trades. His thesis ultimately concludes "The VOC laid the foundations, in the period 1680-1740, for the system of colonial exploitation that would grow to full maturity in the nineteenth century" (Nagtegaal 1996, p.232).

The British Indonesia Committee (1974, p.9) observes that modern Indonesia is an island archipelago about "3½ times the size of France, with a population of about 120 million [2002 update, 204 million] and is potentially one of the richest countries in the world; most of its islands are extremely fertile and contain rich raw material deposits. Yet, this wealth has not provided any real basis for domestic economic development". The reason is that the country's "raw materials – petroleum, tin, bauxite, nickel, etc – are increasingly expropriated in one form or another by foreign concerns" (British Indonesia Committee 1974, p.9).

One of the British Indonesia Committee members, John Taylor is more specific when he summarizes the historical perspective of this developing nation. He writes "the Indonesian economy has been dominated and exploited by the West for almost four hundred years; although the forms of domination have changed, the exploitation has remained constant.

In the seventeenth century, the Dutch East India Company forcibly established a trading monopoly in Indonesia, and then reinforced this with slavery and a rapacious land tax which forced the peasantry to hand over their crops or make cash payments to the Company. In the nineteenth century, the Dutch Colonial State took over the Company's role, and, faced with a declining economy in Holland, reinforced existing patterns of exploitation, supplying Dutch industry with crucial raw materials through the use of forced labour. This government-based exploitation then gradually gave way to private exploitation; the Dutch Agrarian and Sugar Laws (1870) gave private planters access to the peasantry's rice fields, and this rapidly produced a total transformation in the pattern of land ownership; peasants were uprooted from their land and forced to become wage labourers on the planters' estates, and land previously used for the cultivation of rice for domestic consumption was now utilised to produce sugar for export to western markets. Inevitably, however, the private planters were replaced by large corporations, who intensified the process of land alienation" (British Indonesia Committee – Taylor 1974, p.13).

Similarities are found in the colonial histories of France, England, and Germany.

Williams (1968, p.5) researching the rival empires in European colonialism argues that the maritime nations of Europe took "full advantage of (their) superior technical skills and military resources to dominate vast areas of the world". He makes the case that the primary motive was an economic one, "the determination of individuals, companies and nations to enrich

themselves by overseas trade and settlement was the mainspring of European expansion" (Williams 1968, p.5).

Whilst each maritime (colonial) empire had its own distinguishing features and each varied in their relative balance between economic reciprocity towards territorial populations and their exploitation for the benefit of the home country, most can relate directly to Williams's (1968, p.9) observation of the Spanish Colonial Empire: "From an economic point of view the Spanish empire long remained the envy of Europe. The magnificent churches and public buildings of the cities were visible evidence of the wealth accumulating in Spanish hands. From the plantations of Cuba to the grassy pampas of Argentina stretched great tracts of productive land. Exports of sugar, cotton, tobacco, hides and dye-woods probably exceeded in value even the vast quantities of precious metal shipped to Europe. But it was the latter which caught the attention of Europe. 'The wealth of the Indies', as far as the popular imagination was concerned, lay in the holds of the treasure-fleets which crossed the Atlantic year after year".

Holland presents a similar image with its Golden Age built on the trade and riches from the Spice Islands. Equally so, Britain, with respect to the amazing resources brought home from India and Africa. By the time Williams examined the Spanish, Portuguese, Dutch, English and French empires, a picture of expansion, domination and exploitation has emerged.

Lee (1989) in his research on colonial France and its exploitation of China during the period 1885-1901 observes that the European powers resolved their economic and social tensions primarily through domination of weaker societies. His work covers an interesting period because he finds that France, partially as a consequence of the industrial revolution in England during the 19th century and partially in response to the increasingly efficient financial/economic infrastructure across the British Empire, largely transformed its policy "from a territorially based imperialism into an economically based imperialism" (Lee 1989,

p.267). This is an important point when considering the influence of the G7 nations today vis a vis that of the developing world and the influence exercised through international financial institutions such as the IMF and World Bank.

Reeve (1987) editing several essays on exploitation theory within a more modern context, which includes Marx's political theory on exploitation and its relevance to labour markets and social institutions, promotes the continued validity of ideals of social justice. He questions the circumstances in which the "fact of agreement between parties to a transaction can guarantee the rightfulness of the outcome of the agreement" (Reeve 1987, p.2), a notion particularly pertinent to mercantile, colonial, and empire periods when agreements were often given under the shadow of military might and/or economic strangulation. The edited essays highlight the importance of property arrangements and individual freedom with respect to conditions of exploitation.

Of particular interest is the research by Steiner (1987, p.133) who argues that the concept of exploitative exchange "is one which issues from an unfair distribution of bargaining power" and often leads to rights-violations. A timeless definition.

Goodin's (1987, p.167) research, equally pertinent to this study, makes the point that "only persons (or agents more generally, if our concept of agency stretches beyond persons) can exploit anything", including *other people*.

In summary, considerable research exists which appears to acknowledge substantial exploitation by European nations of former colonial territories. It also appears that this exploitation is not a past historical experience but continues today, unabated, possibly in different format. The literature suggests that financial re-colonization may be evident during present times through increasing financial dependency of the developing world and the extraordinary influence yielded by the industrialized nations (such as the G7 group), through their control over

international financial institutions like the IMF and the World Bank, capital flows and world markets.

The literature review indicates only people have the capacity to exploit and if unequal world income distribution figures and enduring poverty are taken as benchmarks, that exploitation is enduring.

2.3 Colonialism⁵

As stated in the introduction (2.1), the Concise Oxford Dictionary of Current English simply defines *Colonialism* as "the alleged policy of exploitation of backward or weak peoples by a large power" (Fowler & Fowler 1976, p.237).

However, the literature review on colonialism quickly reveals this definition is somewhat limiting as colonialism is closely related to, and intertwined with concepts such as imperialism, post-colonialism, neo-colonialism, post-imperialism, and neo-imperialism.

The review suggests that these concepts have shared and uniquely distinguishing features, and are complex and difficult to understand in isolation. It also becomes clear that researchers and writers often vary in their definition and at times merge one or more of these concepts.

Osterhammel (1999), reviewed by Sahadeo (2001), recognised these distinct features and defines at least six different modes of colonization within the context of colonialism and imperialism alone. His research also reflects that whilst colonialism and imperialism show a complete and wilful disregard for the culture

⁵Refer: Daale, P. 2000, *Peripheral Decolonization and Global Coloniality – Perspectives from the core and periphery, with illustrations from Indonesia*, Asia Pacific Researchers in Organization Studies 2000 Conference on 'Organizing Knowledge, Economies and Societies [World-Systems Session], University of Technology Sydney.

and society of conquered peoples in favour of the economic interests of the foreign and usually distant dominating power, complex interactions occur some of which have both destructive and creative effects for the colonized territory.

Osterhammel (1999, <http://muse.jhu.edu>) contends that unexpected creative effects are primarily due to leaders of a colonial state being virtually given incompatible tasks "to exploit the colony economically while pacifying the indigenous populations. The challenges of running the colonial state often attracted imaginative solutions and highly talented functionaries, who opened up new avenues of governance. Indigenous populations interacted in complex ways with the colonial state, (also) trying to exploit certain features, particularly laws, that benefited them. Collaborators (such as an indigenous elite), however, are in the end betrayed by the colonial state, which ultimately seeks to exploit the local land and populations rather than to assist in their development".

Gouda (2000, <http://muse.jhu.edu>) in her research on mimicry and projection between cultures during colonial times (particularly the Dutch East Indies) recognizes this relatively recent concept of complexity beyond straightforward exploitation and argues that most current research on colonialism and imperialism has "abandoned a unilateral model that represented the history of colonial rule as emanating from a monolithic Western world that inflicted its superior power and economic greed upon innocent native victims in either Asia or Africa". She argues that colonialism and imperialism (including post- and neo- manifestations) are as much an intended policy as a consequence of inevitable socio-economic and political competition between nations, and that local elites are implicated. Gouda (2000, <http://muse.jhu.edu>) finds "a tentative consensus has emerged, proposing that, although Western imperialism exerted an indelible and detrimental influence on colonized countries in Asia and Africa, it often resulted from a process of contestation or

accommodation, or both, through which local elites made their own contributions to the hybrid nature of colonized societies”.

Whilst this observation may have a bias towards cultural issues of mimicry, the economic impact of local elites to the detriment of their own indigenous population is evident. An issue which remains relevant today, when assessing degrees of dispossession in developing nations and Third World countries.

Gouda’s work is important, because it allows for an improved understanding as to how colonial behaviour might be viewed from a (previously) colonized nation’s point of view, also dismantling some hackneyed clichés about colonialism and the evil West. Nonetheless, Gouda does concede a justified enduring concept of *detrimental influence*, and intentional policies aimed at establishing the *civilizing process of native peoples*, which implied a sense of superiority (eg: such as French definitions of the nation’s civilizing mission – *mission civilatrice*).

Césaire (1955) represents a more traditional view of colonialism but speaks from personal experience in Martinique, a French colony since the 17th century.

Needham (2001, <http://muse.jhu.edu>) analysing Césaire’s, when interviewed by C. James in 1974 (Binghampton, New York) recalled his “tremendous attack upon Western civilization ... in particular, the colonial adventures Europe undertook over several centuries. Indeed, *Discourse* drives home the point that colonization and civilization are, by definition, incommensurable: colonization is neither evangelization, nor a philanthropic enterprise, nor a desire to push back the frontiers of ignorance, disease, and tyranny, nor a project undertaken for the greater glory of God, nor an attempt to extend the rule of law. Instead, the decisive actors here are the adventurer and the pirate, the wholesale grocer and the ship owner, the gold digger and the merchant, appetite and force”.

Césaire's (1950, <http://muse.jhu.edu>) critique in *Discours sur le colonialisme* centres on "(1) How colonization works to *decivilize* the colonizer and how Nazism, far from being an aberration of the war years, is, in fact, the fundamental modality of colonization that applied only to non-European peoples before, has, by a boomerang effect returned to haunt the Europeans themselves: the very distinguished, very humanistic, very Christian bourgeois of the twentieth century has Hitler inside him ... Hitler is his demon; (2) What colonization has destroyed and the need, therefore, to replace the dishonest equations *Christianity = civilization, paganism = savagery* with *colonization = thingification*; (3) The implication not only of colonial functionaries-governors, bankers, etc, - but also journalists, theologians, academics, ethnographers, the paternalists, the corruptors, the back-slappers, the lovers of exoticism, in the evils of colonialism. The dossier against colonialism, as Césaire reminds us over and over again, is indeed overwhelming".

This is powerful stuff and is worth reading in an attempt to understand how colonialism might have been (and possibly still is) viewed by those at the receiving-end of colonialism. Aimé Césaire was the founder of the *Négritude*, a movement among black French-language writers that celebrated traditional African culture as both valid and independent.

Ajayi's (2000) keynote address at the United Nations International Day for the Abolition of Slavery – 4 December 2000 entitled *Unfinished Business: Confronting the Legacies of Slavery and Colonialism in Africa* acknowledges that since the conclusion of WWII, the relationship between colonizers and the formerly colonized has changed and improved significantly. He points out though, that while colonialism included some positive developments, much harm was done which has negatively and significantly affected Africa's ability to compete in a modern and global world. His argument was that "development remains elusive in Africa, not merely because of the misrule and warped

personalities of many African leaders, but because Africa has been *damaged severely*, first by the slave trade, then by the colonialism, which grew out of the slave trade. Further, that Africa cannot rejoin the development train of the world until the damage is repaired (by the former colonial powers) as much as possible” (Ajayi 2000, p.2 – Note: Professor Ade Ajayi is the editor for the UNESCO General History of Africa).

Ajayi however is pessimistic about the process of decolonisation and reparation. He refers to a continued and deliberate policy of economic and financial imperialism, which shows little mutuality by former colonial rulers to present Africa. He defines their current behaviour (primarily G7) as neo-colonial and concludes that Africa remains in a situation of dependence “created by colonial rule, in which you are granted political independence only to discover that you do not have control over your economy and cannot implement your own policies but must consult various powerful outsiders who directly or indirectly control the policies” (Ajayi 2000, p.7).

Ajayi clearly explains his experience and understanding of the change process from colonialism through decolonisation to present day neo-colonialism (and neo-imperialism). “The economies of the different countries were already integrated into the economies of the metropolitan countries during the colonial period and under colonial exploitative terms, and the colonial powers were unwilling to surrender their advantageous positions. Agents of the World Bank and the IMF began to replace former Residents and District Commissioners as supervisors of the independent economies in the former colonial territories. Globalisation meant that the World Bank and the IMF could impose drastic devaluation of the currency and other measures of Structural Adjustment Programmes that impoverished the people and brought no visible economic returns. In pursuit of such policies, countries were encouraged to amass huge debts, and managing the Debt then became another weapon of control to compel continued

compliance with policies of the World Bank and IMF. But it needs to be emphasized here that the debt of African countries is only a pittance compared with what the international communities owe to Africa” (Ajayi 2000, p.7). This finding could be applied to most former colonial territories.

Parenti (1995, www.michaelparenti.org) in his research on the effects of imperialism is very clear when he argues that “imperialism has been *the* most powerful force in world history over the last four or five centuries, carving up whole continents while oppressing indigenous peoples and obliterating *entire* civilizations”. He defines imperialism as the dominant economic and political interest of one nation by which it expropriates for its own enrichment the natural resources, land, labour and markets of other nations. He argues that the top 400 multinational companies today, owned primarily by the G7 group of nations (most, former colonial powers), control close to eighty percent of the capital assets of the global (free) market. He views colonialism, the intentional policy of underdevelopment, the objective of dependency, imperialism and neo-imperialism, all as expressions of the same policy, sanitised over time to comply with the requirements of political correctness of the day.

Parenti makes a compelling argument for the darker side of human nature, which he views without change over time. He refers to an apparently unyielding social dynamic and states “wealth does not necessarily have to lead to luxurious living. A higher portion of an owning class’s riches could be used for investment rather than personal consumption. The very wealthy could survive on more modest sums but that is not how most of them prefer to live. Throughout history, wealthy classes generally have shown a preference for getting the best of everything. After all, the whole purpose of getting rich off other people’s labour is to live well, avoiding all forms of thankless toil and drudgery, enjoying superior opportunities for lavish lifestyles, medical care, education, travel, recreation, security, leisure, and opportunities for power and prestige. While none of these things are really

necessary, they are fervently clung to by those who possess them – as witnessed by the violent measures endorsed by advantaged classes whenever they feel the threat of an equalizing or levelling democratic force” (Parenti 1995, www.michaelparenti.org). Indonesia in colonial *and* postcolonial times could be considered a prime example.

Parenti observes that in the transition to independence for a former colony, especially one which is well-integrated into the economy of the colonial power, the installation of an indigenous client elite (a comprador class) is the first essential requirement. A client elite is one that “cooperates in turning its own country into a client state for foreign interests. A client state is one that is open to investments on terms that are decidedly favourable to foreign investors. In a client state, corporate investors enjoy direct subsidies and land grants, access to raw materials and cheap labour, light or non-existent taxes, few effective labour unions, no minimum wage or child labour or occupational safety laws, and no consumer or environmental protections to speak of. The protective laws that do exist go largely unenforced” (Parenti 1995, www.michaelparenti.org).

Parenti concludes that the developing and Third World is akin to a capitalist paradise, offering the G7 a continued and in some cases improved degree of economic control, when compared to what they enjoyed during the nineteenth century in particular.

If this is considered extreme, it is worth revisiting the World Bank statistics concerning commonwealth, income and equity briefly discussed in the introduction to this chapter (2.1), which clearly pointed out the continuing and extreme asymmetry in wealth and disparity between the rich and poor nations, *and* the parallel pattern with colonial times.

Busia (1967), examining the views of several African leaders (President Senghor of Senegal, and President Houphouet-Boigny of the Ivory Coast) with respect to colonialism and development after independence, finds some acknowledgement about potentially positive contributions made by the former occupying colonial powers. He comments, in spite of the widespread agreement expressed that conquerors sow ruin in their wake, "they also sow ideas and techniques that germinate and blossom into new harvests" (Busia 1967, p.47).

Busia observes that newly independent states are willing to focus on positive contributions made by colonialism rather than only on the economic damage inflicted over past centuries. Whilst he couldn't readily identify many positive contributions in agricultural and industrial development, he did find acknowledgement of meaningful developments in education through the establishment of schools and formal training provided to indigenous peoples for all levels of civil service, thereby creating national administrative capabilities. This kind of contribution was however not friendly to indigenous traditional power structures, which often were systematically undermined in the process, as colonial regimes were authoritarian and paternalistic. The legacy of colonial infrastructure, through the contribution in education and civil service, at least in theory, provided the seeds for democratic rule. It created a basic insight into "ideas of justice, of impartial and independent courts, ideas of freedom of speech, discussion, worship, and travel; ideas of the rule of law, and the idea of social justice" (Busia 1967, p.51).

Busia (1967, p.52) concluded, "what the colonial powers have left is a foundation of democratic ideas and techniques which can help a country whose leaders wish to establish a democratic form of government; they have also left institutional frameworks of centralized administration with a tendency towards authoritarianism which can be, and in some States have indeed already been adapted to that end".

It is worth observing that thirty-five years later, many former colonial states are effectively authoritarian, even though many claim to be democracies (eg Malaysia, Indonesia, Singapore, Zimbabwe, etc).

Nadel (1964), in his comparative research on colonial imperialism, finds that expansion of formal empire was as much driven by competition between European powers and the fear that annexation of commercially valuable overseas territories by one's enemies would tilt the balance of power in their favour, as it was by profit. He writes "merchants and industrialists in England tacitly approved or encouraged imperial expansion where their own interests might be involved" (Nadel 1964, p.17). Some nations such as France added an ostensibly beneficial justification, "the French lost no time in creating an elaborate mystique of empire. Implicit in such phrases as *la mission civilatrice* or *l'amitié protectrice* was the assumption of a relationship of mutual advantage. France needed colonies in order to enhance her *grandeur*; the colonies required French manufacturers and civilization in order to enter the modern world" (Nadel 1964, p.18). However, even for the French profit reigned supreme. One French Prime Minister, Jules Ferry, publicly insisted (1874) that colonies should only be established in those areas which would benefit the investor at home and the French settler overseas.

Nadel (1964, p.19) has no doubt that colonies were to be "subordinated politically, economically, and culturally to the mother country". Colonies were expected to service the needs of the occupying power, add to its economic and financial wellbeing "without in any way draining the (occupying) country's material or human resources" (Nadel 1964, p.19). *L'amitié protectrice* was perhaps not quite mutual.

Pearson (1988), exploring theories on Asian-European relations before colonialism clearly distinguishes between the notions of (world) economy and empire and makes the point that the latter manipulates and influences the former,

primarily for its own benefit. The seat of capitalism sits within the core of empire and dominates the world economy.

Pearson describes an evolutionary relationship between economy and empire, which highlights a shift from early economic engagement between distant parts of the world towards eventual domination on unequal terms. He argues "there is a distinction to be made between European expansion and European domination ... European expansion in the sixteenth to eighteenth centuries was very diverse, but was quite different from what happened in the period from the mid-eighteenth century. This latter was colonialism, and it included conquest, exploitation, and the creation of underdevelopment" (Pearson 1988, pp.55-56). His conclusion, that a distinction be noted between individual (company or national) effort in seeking and developing trading opportunities in far away places with more or less equitable outcomes for all players, and in the organized and overwhelming use of force to achieve domination and alter the balance of trade for the benefit of a single party.

Verzola (1998) writes about *the common colonial experience* from the point of view of a citizen of a former colonized country, the Philippines. He argues that the debates of today about the impact of globalization (akin to neo-imperialism) are reminiscent of the colonial experience and identifies a number of common features.

Verzola identifies:

- The imposition (influence) of new belief systems (economic, cultural, other) – preceding the use of force;
- The use of superior military might – to forcibly impose one's rule over others, regardless of human and environmental cost;
- The recruitment of local elites – to collaborate, in exchange for the enhancement and maintenance of their personal wealth (moral hazard);

- The subsequent process of wealth extraction and transfer – control of natural resources and cheap (possibly indentured) labour;
- Introduction of powerfully destructive technologies to maximize short to medium term profits – plantation agriculture, large-scale logging, large-scale mining, etc;
- Eventual loss of the right to self-determination through debt peonage, dependency and impoverishment.

Verzola (1998, www.igc.org) observes, "the colonial powers that took over the globe were mercantilist and, later, early industrial powers. Often operating their own State monopoly corporations, they scoured the globe in search of slaves, tradeable goods or raw materials, and bases for their colonial operations". He identified colonialism with the *first wave* of globalization and sees an enduring struggle for former colonized nations to achieve genuine freedom to chart their own destinies, guided by principles of social justice, self-determination and sustainable ecology.

Rigg (1997) researches the impact of modernization on development in Southeast Asia by analyzing economic development strategies initially pursued by the West (now global) and the exercise of its political and cultural hegemony. Throughout his work he maintains a valuable perspective between the pursuit of macroeconomic policies, justified from an economic rationalist point of view, and the practical outcomes and realities experienced by what he calls 'the little people'. He assesses the benefits of global economic development promoted by the modern industrial world (primarily G7 nations) and international financial institutions such as the IMF and World Bank, from a local and developing nation's perspective in terms of dependency, vulnerability and super-exploitation. He attempts to define the notions of poverty and wealth.

Rigg's work is extensive and also explores the influence of Islamic and Buddhist economic practices and the concept of Asian values. He ponders the concept of

poverty relative to wealth and the impact of consumerism. His analysis is valuable because it provides a less historical approach to causes of commonwealth and disparity, away from the widely researched legacies of colonial exploitation, focusing more on voluntary participation and choice in the current day development process.

Throughout his research, Rigg (1997, pp.111-112) points out that modern definitions of poverty are largely twentieth century constructs, certainly elastic and sometimes arbitrary, and have the power to change "ordinary people into 'poor' people requiring massive help and assistance. This change ... reconfigured the (previously) unknown world into the primitive; the primitive into the colonial world; and the colonial into the post-colonial and under-developed Third World. ...Poverty is a social status. As such it is an invention of civilization ... the poor are being conjured into existence by applying modernization criteria to their lives".

Rigg argues that a major shortcoming of the modernization and development debate has been the neglect of culture, regional distinctiveness and local context in favour of the overriding focus on income and consumption growth. He finds that modernization and development have created severe tensions in society, undermining traditional values and braking down previously existing and functional structures of authority.

Rigg appears to conclude that modern day outcomes with respect to development are more to do with 'how' people respond to the widening choice brought about by modernization rather than with the historical effects of colonialism. With respect to Southeast Asia he presses home the point that "it is hard to think of one indicator of human well-being that has not improved during the course of modernization" (Rigg 1997, p.279) and argues that those nations which have experienced the contrary, the reasons can be found in prolonged war (eg Vietnam 1945-1975), economic mismanagement (eg Burma 1962 to date), or failed

attempts at socialist/communist state development (eg Laos 1975-1986, North Korea 1945 to date).

Hoogvelt (1997) in her analysis of globalization and postcolonialism outlines a statistical portrait of world trade and capital flows, wealth and poverty, which is disturbing. According to Hoogvelt (1997, p.xi) the data clearly shows that "today there are over 1.2 billion people in the world living in absolute poverty and misery, and their number is growing ... the gap between the richest and poorest quinquile of the world's population is twice as big today than it was 30 years ago". She examines, why.

Like Verzola (1998) pointing to the impact of globalization as the continuity of a long-established historical process, Hoogvelt describes the aftermath and reconstitution of colonialism in the modern world. She describes the post-colonial world "as a state of being that is the combined outcome of external pressures (globalization, the post cold-war order, and so forth) and locally and historically specific characteristics and struggles arising out of the neo-colonial relation" (Hoogvelt 1997, p.xv). She identifies four types of post-colonial conditions for the developing world:

- *exclusion and anarchy* (Sub-Saharan Africa)
- *Islamic revolt and anti-developmentalism* (Middle East)
- *State-led developmentalism and regionalism* (East Asia)
- *democracy, civil society and postdevelopment* (Latin America),

the result of a variation of extractive processes applied by (primarily Western) dominating/occupying powers during four distinct phases or periods over the last five centuries. Hoogvelt (1997, pp.16-17) describes these as:

1. "1500-1800 mercantile phase: transfer of economic surplus through looting and plundering, disguised as trade;

2. *1800-1950 colonial (imperial) period*: transfer of economic surplus through 'unequal terms of trade' by virtue of a colonially-imposed international division of labour (and military might);
3. *1950-1970 neo-colonial period*: transfer of economic surplus through 'developmentalism' and technological rents;
4. *1970 to date post-imperialism*: transfer of economic surplus through debt peonage".

Within this configuration, Hoogvelt then explains the historical succession and current outcome. She argues that the periphery (ie the former colonial territories and current developing world / Third World countries) first served "as a source of primitive accumulation (in the mercantile period), financing the industrial revolution in the core; next, in the colonial period, it served as supplier of raw materials and foodstuffs; and, subsequently, in the neo-colonial period, it graduated to become modernising developmental states, providing export markets for late industrialism's producer goods" (Hoogvelt 1997, pp.12-13). The final stage, ie the transfer of economic surplus through debt peonage was facilitated through the Bretton Wood institutions.

According to Hoogvelt, equity and parity were never on the agenda.

Nagtegaal (1996) is critical of most research on colonialism which focuses too much on the paradigm of European conquest, exploitation and oppression of the overseas territories in the new world as a unilateral phenomenon. Through his research on the Dutch East Indies Company and Northeast Java (Utrecht University 1988 – PhD) he explains how the intricacies of local indigenous interests, which were many and varied and often coincided with those of the colonial power, in many instances facilitated and encouraged the colonial power's presence, growth and survival.

Nagtegaal (1996, p.230) states "what knitted the Javanese state together was the personal interests and loyalties of individuals within hierarchical networks (nb: Java never having had a homogeneous culture). The coastal regents were motivated to cooperate with the court of Mataram largely by a combination of self-interest and fear. Without such incentives, *most of them* were inclined to seek an alternative to the current situation". These different Javanese regents, at times and for different reasons "endeavoured to extricate themselves from (the court of) Mataram by becoming the direct vassals of the Governor-General in Batavia" (Nagtegaal 1996, p.230). At the same time, the Dutch preferred, where possible, to rule indirectly and not have responsibility for regional administration. It was not until the Chinese Revolt in 1741 that the VOC (East Indies Company) was forced to take more direct suzerainty/control over the Javanese coastal regents.

Nagtegaal argues, that a consequence of this forced suzerainty was an increased demand by the VOC on the *state* of Mataram to maximize its income. This in turn led several coastal regents to become "political entrepreneurs. They adopted a well-nigh industrial approach to administration, making it possible, for instance, to introduce the cultivation of new crops such as coffee, and the production of indigo. But these very men were also largely responsible for causing social unrest. The economic demands imposed by the VOC eroded the ties of patronage between the regent and his orang dalem (local subjects), which ultimately had a debilitating effect on the Javanese state" (Nagtegaal 1996, p.231).

Whilst Nagtegaal's research focuses on the VOC 1680-1743 period in Java, he advocates that his findings provide a significant argument to debunk the more traditional and popular concept of colonialism as an enduring exploitative force, exclusively the responsibility of foreign occupying powers. It also offers a different platform from which to approach and explain the notion of neo-colonialism, and, Indonesia's progress in a post-colonial world.

Ashcroft (2001) researching the cultural impact of colonialism and ways in which post-colonial societies have responded to colonial control describes a vibrant process of 'transformation' which cuts both ways. His focus is not on the economic consequences of colonialism but rather on the cultural evolution and enrichment of the colonizer *and* the colonized.

Ashcroft's approach does appear similar to that of Nagtegaal (1996) when describing a concept of engagement between two parties, both active and at times voluntary. He rejects a more classic definition of imperialism and colonialism, which incorporates the concept of domination over passive peoples and instead makes a case for shared power (albeit unequal). He argues, "the classic definition of imperialism as the establishment of empire by a nation which exerts a centripetal and hierarchical power over a number of colonial territories says nothing about the *circulation* of that power within the empire, nor anything about the transcultural exchanges involved, since it tends to see the subjects of empire as the passive objects of imperial domination" (Ashcroft 2001, p.210).

Ashcroft researches the often positive results of active 'engagement' but acknowledges that one can never be certain whether cultural (and economic) outcomes in terms of present-day positions might not have been better without colonial occupation. He observes that "there may have been much good, in medical, educational and technological terms, in the colonial impact upon the non-European world. But the simple fact remains that colonized peoples, cultures and ultimately nations were prevented from becoming what they might have become: they were never allowed to develop into the societies they might have been" (Ashcroft 2001, p.1).

In his attempt to describe a rich transformative process, Ashcroft remains aware of the power disparities and darker influences. He attempts to capture the concepts of colonialism and imperialism within the character of 'modernity',

which he describes as a mode of social organization that emerged in Europe from about the sixteenth century. He states, "modernity was seen to be a distinctive and superior period in the history of humanity, a notion which became habitual as successive generations saw their own 'present' as enjoying a prominent position within the modern. As European power expanded, this sense of the superiority of the present over the past became translated into a sense of superiority over those pre-modern societies and cultures which were 'locked' in the past – primitive and uncivilized peoples whose subjugation and 'introduction' into modernity became the right and obligation of European powers" (Ashcroft 2001, p.210).

Whilst not the focus of his research, Ashcroft researching post-colonial transformation, defines many aspects of colonialism which had a limiting influence on the welfare, freedom and economic development of colonized peoples.

Sartre (1964) in his complex analysis of colonialism and neo-colonialism also takes the view that subjects of colonialism and empire are not merely passive objects of foreign domination and abusive power relations but active agents. The central theme of his analysis is that conscious choice and freedom, as the central characteristics of the *condition of being human*, allow and encourage individuals to actively transform and improve their situation in life. If, to attain this condition of being human (one's humanity) violence is necessary, then so be it. This was a controversial point of view, for Sartre appears to have advocated revolution rather than evolution for the oppressed to attain their humanity.

Sartre (1964, p.2) viewed colonialism as a systematic and deliberate form of exploitation, based on controlled violence "put in place in the nineteenth century (when referring to French colonialism in Algeria), supported and maintained by a (capitalist) liberal ideology". Colonialism according to Sartre (1964, p.2) "denies human rights to people it has subjugated by violence,

and whom it keeps in poverty and ignorance by force". By forcing them into a state of sub-humanity, their condition of being human is denied.

Sartre (1964, p.33) describes colonial imperialism as a ruthless process "first of all overcome resistance, smash the (local) framework, subdue, terrorize. Only then will the economic system be put in place". In the predominantly agricultural society of Algeria (approximately 9 million people at that time), he describes the process of land acquisition and distribution to European owners through dispossession of the Muslim population, justified under the newly imposed French civil code. Sartre (1964, p.36) points out the scale of dispossession "in 1850, the colonist's territory was 115,000 hectares. In 1900, it was 1,600,000; in 1950, it was 2,703,000. Today (1964) 2,703,000 hectares belong to European owners; the French State owns 11 million in the form of 'State-owned land'; 7 million hectares have been left to Algerians. In short, it has taken just a century to dispossess them of two-thirds of their land".

According to Sartre, this process of native dispossession is essential to create purchasing power amongst the colonists (French settlers) to create a market for European imports. "The colonist must export (agricultural produce and raw materials) to pay for his imports: he produces for the French markets" (Sartre 1964, p.37). Native Algerians have their land stolen, are deprived of affordable staple foods and are reduced to servitude. "It has been said of the Algerians that they are the same men as in 1830 and work the same land; only instead of owning it, they are the slaves of those who own it" (Sartre 1964, p.36).

Sartre makes the point that this intentional exploitation and reduction of native human beings into animals does eventually guarantee the destruction of colonialism. He refers to human memory and the experience of imposed suffering, which fosters hatred "blind, still and abstract" (Sartre 1964, p.144)

ultimately leading the colonized to reject their animal condition through violent revolution. He emphasizes, the colonial power ultimately will experience that "in their time of powerlessness, murderous madness is the collective unconscious of the colonized" (Sartre 1964, p.145).

As a conclusion Sartre stresses, that, even when freedom is ultimately attained, the skills of exploitation will already long ago have been transferred/reflected from master (colonist) to servant (colonized) over several generations and the modus operandi of systematic oppression found institutionalised within native society. When freedom is ultimately attained, the new elite is maintained like "kinglets who derive their power solely from it (the French Republic) and who govern on its behalf" (Sartre 1964, p.41). Colonialism continues and the struggle takes on a new but predictable dimension.

In summary, colonialism is a very complex concept, which varies in definition. There appears an emerging focus on the collaborative and transformative aspects between the cultures of the colonized and colonist, some with positive outcomes. There appears a growing acknowledgement that subjects of empire were (and are) more than simply passive objects of imperial/colonial domination, and, that the interest of indigenous elites often facilitated the aims of the foreign power to the detriment of local populations. There is also a clear recognition that the last five hundred years cannot be divided simplistically into distinct separate periods. The different –isms, post- and neo- are all found on the same continuum.

However, for all the positive findings that focus on cultural transformation and enrichment, most researchers appear to recognize the concept of unvarnished sustained economic exploitation and the de-humanizing effect of many aspects of imperial/colonial domination. Some individuals from former colonies are advocating, perhaps surprisingly, positive engagement with former occupying powers. This may be due to a forward-looking ethic and a genuine desire to engage in the present, working towards a future global commonwealth as equal

partners. It may also be due to an essential and logical need for self-respect, to announce, celebrate and defend one's rightful condition of being human.

Some individuals from former colonial powers recognize an extraordinary damage inflicted on less powerful peoples and their nations, in the service of increasing economic opportunity and prosperity at home, and like Sartre, suggest revolution rather than evolution.

Most research is cognisant of unending economic competition between nations and recognizes this as inevitable within the human condition. Many acknowledge that concepts such as *l'amitié protectrice* and *mission civilatrice* were never really intended to be mutual or beneficial but simply served as justifying reasons at the time. Parallels are drawn between such concepts and the established, current roles of the Bretton Woods institutions. Are the structural adjustment programmes imposed on developing nations (former colonial territories) beneficial? Are development loans (bi-lateral and multi-lateral) beneficial, long-term? Do they represent genuine assistance or are they a continuation of economic and financial control by former key colonial/imperial players? Time will tell but memories of subsistence, exploitation and reduction to sub-human status through exclusion from commonwealth and prosperity are likely to endure and resurface in times of crisis.

..."In all the capitals of poverty, people scavenge. They scavenge in the soil and the subsoil; they gather round refuse bins; they slip right into the rubble: 'What others throw away is mine; what is no longer of any use to them is good enough for me'. On waste ground near (the city), the rubbish piles up. This is the refuse of the poor; they have sifted through everything, they have already rummaged through their own rubbish; they have only left, reluctantly, what is uneatable, unusable, unspeakable, revolting. And yet the flock is there. On all fours. They will scavenge all day, every day"... (Sartre – Colonialism and Neocolonialism 1964, p25)

2.4 Globalization ⁶

Globalization is often used as a buzzword and frequently discussed in reference to recent and present times. The literature soon reveals though, that globalization is not new and has occurred over many centuries. Definition is also varied. To understand it, one needs to distinguish between global (as in globalization) *and* international phenomena.

Globalization is a process which *transcends* the nation-state, whilst that which is international *relies on* the nation-state as the unit of analysis. Although globalization is more often identified with a process driven by the interests of the powerful and elite at the expense of the weak (capital over labour, the interests of multi/transnational corporations over local communities), it is actively influenced by all levels of society.

Globalization is of interest to this study because it represents a transnational global process, which incorporates the periods of mercantilism, colonialism, imperialism, and their current-day consequences. The question often arises whether the process of globalization today is increasingly *enabling* with respect to attainment of equitable global commonwealth compared to previous periods or whether it continues to sustain the disparities and exploitation witnessed during periods of colonialism and imperialism.

Manning (1999) argues that the most important dimensions of globalization are economic, political, and then cultural. She defines economic globalization as the "expansion and intensification of international trade and investment; political globalization as the organization of transnational governmental and regulatory institutions and the diffusion of liberal political ideology and

⁶Refer: Daale, P. 2000, *Peripheral Decolonization and Global Coloniality – Perspectives from the core and periphery, with illustrations from Indonesia*, Asia Pacific Researchers in Organization Studies 2000 Conference on 'Organizing Knowledge, Economics and Societies [World-Systems Session], University of Technology Sydney.

institutional forms; and cultural globalization, often but not always, as the spread of Western ideas and cultural practices” (Manning 1999, p.138).

Manning makes reference to a number of papers presented at the XIV World Congress of Sociology – The Future of Globalization (1998) and among others examines the work of Volker Bornschier (1998, p.138), who discusses “the strengths and weaknesses of the global market society in the wake of far-reaching changes in its economic and political context, including the demise of state socialist societies and the spread of democratic institutions. He identifies environmental destruction, (significant and continued) *inequality among market participants*, the continued coexistence of the market with undemocratic political forms, and the problem of expanding state coordination beyond the bounds of the nation-state as the *key failures that must be corrected if the global market is to contribute to peace and expanded prosperity*”.

Manning summarizes key points made by several other leading researchers:

- “Globalization of commerce and trade (British Empire-19th century & United States-20th century) is a product of the expansion of world production under hegemonic powers” (Arrighi 1999, p.139), which leads to over-accumulation of capital, speculative activities and globalization of financial markets. “Crises in rising centres, such as East Asia today, are a natural consequence” (Arrighi 1998, p.139);
- “On a global level, *structured* inequality of access to money and purchasing power” maintains disparities of commonwealth (Köhler 1998, p.139);
- “The consequences of globalization are mixed: openness appears to promote peace for wealthier countries, while undermining it for poor ones” (Gissinger & Gleditsch 1998, p.139);
- “The structural adjustment policies associated with global economic integration have disproportionately harmed women, especially poor

women” in developing nations and Third World countries (Moghadam 1998, p.139).

Held et al (1999) identify more diverse views of globalization. They loosely summarize globalization as a “widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life, from the cultural to the criminal, the financial to the spiritual” (Held et al 1999, p.2) and identify three schools of thought, each with their own attempt at definition.

The *hyperglobalizers*, who view globalization as “a new era in which peoples everywhere are increasingly subject to the disciplines of the global marketplace” (Held et al 1999, p.2). Hyperglobalizers can be neo-liberals, who champion individual autonomy and laissez-faire economic principles over state power, or radicals (neo-Marxists) who lament the dominant power of global capitalism. Both view the world in terms of winners and losers but for the former this is an evolving paradigm as different nations have fluid and changing comparative advantages. The radicals consider that global capitalism “creates and reinforces structural patterns of inequality within and between countries” (Held et al 1999, p.4), which become increasingly hard to shift over time.

The *sceptics*, who argue that globalization “is essentially a myth which conceals the reality of an international economy increasingly segmented into three major regional blocs in which national governments remain very powerful” (Held et al 1999, p.2). Within this group, there are those who view the economic internationalisation largely as “a by-product of the US-initiated multilateral economic order which, in the aftermath of the Second World War, created the impetus for the liberalization of national economies” (Held et al 1999, p.6) and others who explain “the recent intensification of worldwide trade and foreign investment as a new phase of Western imperialism in

which national governments, as the agents of monopoly capital, are deeply implicated” (Held et al 1999, p.6). However, both camps agree that ”internationalisation has not been accompanied by an erosion of North-South inequalities but, on the contrary, by the growing economic marginalisation of many Third World states as trade and investment flows within the rich North intensify to the exclusion of much of the rest of the globe” (Held et al 1999, p.6).

The *transformationalist*, who argue that ”contemporary patterns of globalization are conceived as historically unprecedented such that states and societies across the globe are experiencing a process of profound change as they try to adapt to a more interconnected but highly uncertain world” (Held et al 1999, p.2). They see domestic affairs being replaced by ‘intermestic’ affairs and advocate the creation of new social, economic and political frontiers, which will create new patterns of inclusion and exclusion. The familiar pyramid of world social structure is replaced with a ”three-tier arrangement of concentric circles, each cutting across national boundaries, representing respectively the elites, the contented, and the marginalized” (Held et al 1999, p.8).

Held et al conclude, with respect to the socio-economic consequences of current global development, the three schools define remarkably common outcomes.

Khor (2000) researching critical economic issues of globalization, explores whether developing countries which open their markets do actually benefit from the liberalization process. He examines the disruptive consequences on the societies and economies of less developed countries, which rapidly implement market liberalization policies often under considerable pressure from the International Monetary Fund and the World Bank.

Khor (2000, p.98) concludes that the pressure from the developed world (G7) on developing countries to participate in the globalization process are considerable and the process is fraught with risk, as many governments do not have "a clear idea of the conditions needed to successfully address the associated risks". He quotes the UNCTAD Secretary General's report to the ninth session of the 1996 UNCTAD Conference, which states that "the processes of globalization and liberalization can give rise to a number of potential negative consequences and challenges to development:

- loss of autonomy (the range of policy instruments available to developing countries has narrowed as a result of economic liberalization policies and stringent multilateral disciplines);
- financial openness and the risk of instability and disruption to development sentiments of external investors;
- the phenomenon of marginalisation (in which some developing countries, especially less developed countries, are unable to benefit from or meaningfully participate in globalization due to structural supply-side weaknesses and debt)" (Khor 2000, p.99).

Khor identifies a real risk in developing countries for local industry displacement through market liberalization by domestic companies being overrun by foreign products and companies, including multi/transnational ones.

Khor also concludes from his research that, developing countries need to aim for better policy coordination and common positions, from a regional and global standpoint, to create an effective voice and counterweight to decisions made at international forums, which are currently decisively influenced by the considerably more powerful industrialized nations of the world and the international institutions they control. Without such an objective, he continues to view market solutions (from a global macro-economic perspective) to be often "ruthless to the poor" (Khor 2000, p.104). Khor (2000, p.102) states

"developing countries should have more rights of participation in decision-making processes in the IMF, World Bank and WTO, which should also be made more accountable to the public and to the local and poor communities. These institutions have been under the control of the governments of developed countries (such as the G7 nations) due to the systems of decision-making and governance. There has long been a perception that as a result of such dominance, the three institutions have tended to have policies or rules that are biased towards the interests of the developed countries, while developing countries have either benefited less or suffered from the wrong policies and biased rules".

At this point, it is worth recalling that most heavily indebted poor countries today are former colonial territories (ref: 2.1 Introduction).

Levitt (1992, p.225) describes the significance of technology within the globalization process and explains how technology "has made isolated places and impoverished peoples eager for modernity's allurements. Almost everyone everywhere wants all the things they have heard about, seen, or experienced via the new technologies". Whilst his research explores the emergence of new commercial realities in a global market, which promote the demand for standardization of consumer goods, a crucial side effect of technology is the growing discontent in developing countries through economic and consumer displacement. Communication technologies in particular, allow the individual to learn about, and experience, that which they may be unable to obtain, through the process of underdevelopment and economic exclusion.

Levitt (1992, p.226) makes the point that "worldwide communications carry everywhere the constant drumbeat of modern possibilities to lighten and enhance work, raise living standards, divert, and entertain". Modernity is no longer a wish but a demand. His thesis focuses on the obsolescence of the multinational corporation and the inevitable emergence of the global corporation

but his point about technology and the inextinguishable creation of demand is most relevant to the concepts of equity and achievable commonwealth on a global scale.

Levitt is surprisingly convinced that globalization is already relegating cultural preferences, national tastes and standards to the archives of history. He correctly argues that reality is not a fixed paradigm and "the world is becoming increasingly informed about the liberating and enhancing possibilities of modernity" (Levitt 1992, p.234) but he appears to conveniently skip over those more 'core products' such as education, health, and enabling technologies essential for meaningful shared economic development in Third World / developing countries, focusing instead on the penetration of more consumer type products like Coca Cola, McDonalds, Levi jeans, etc.

Ashcroft (2001) in his research on post-colonial transformation identifies common ground and continuity between the processes of colonization *and* globalization. He explores the issues of identity, place, cultural consciousness and habitation and asks such questions as "what happens to the concept of 'home' when home is colonized?" (Ashcroft 2001, p.15). Retrospectively, he observes that the coercive powers of colonialism and globalization are so powerful that these issues are hard to resolve and the questions almost impossible to answer. Yet these are important issues when attempting to define any possible degree of self-determination and active voluntary participation in the globalization process, particularly with respect to equity of access to economic opportunity and fairness of outcomes. They matter also with respect to the intended 'impact' of globalization by the dominant powers.

Ashcroft argues that in analysing the transformation of the colonial experience in post-colonial life we can come to understand the link between the local and global in contemporary society. He suggests that "the strategies by which colonized communities have coped with, resisted and consumed the cultural capital

presented to them by imperial culture are recapitulated on a global scale in local communities throughout the world. Globalization proves to be an endless source of cultural surprise” (Ashcroft 2001, p.206). Implying complexity, continuity and possibly a lack of predictable outcome. Ashcroft (2001, p.209) identifies a strong sense of agency by local communities (developing countries/former colonial territories) in response to global hegemony and observes that although the power dynamic “between North and South is very reminiscent of historical relations between imperial centres and dominated states, globalization has diffused the situation immensely”. Suggesting active participation by all actors large and small in global power relationships, including economic affairs.

Köhler (1999) attempts to define a concept of global Keynesianism within the context of globalization and a world-system perspective. He identifies important common themes in global Keynesianism to be “public management, democratic policies, the mixed economy, global income distribution, the management of global demand, investment and money, ecological sustainability and the importance of multiple levels of public management – local, national, regional and global” (Köhler 1999, p.226). He refers to the Brandt Commission Report of 1980, suggesting that global Keynesianism incorporate a kind of Marshall Plan approach for the Third World, to achieve commonwealth through transnational socialism.

Köhler emphasizes that within this context, greater level-income distribution and the analysis/management of global demand as *aggregate demand* appear particularly crucial. He observes that management strategies, which focus only on the demand side of single national economies, categorize the capitalist character of the existing market economy and cause half of humanity to be afflicted by hunger. Adequate/inadequate global demand “is an observation and judgement about an existential reality experienced by people” (Köhler 1999, p.231) reflected in their purchasing power and employment opportunity.

According to Köhler (1999, p.232), world equilibrium to achieve greater equity and fairness (which evades the current globalization process, based on a more neoclassical/neoliberal economic approach) "can only be overcome through public (management) intervention". The prevailing neoclassical approach to world economic management though, rejects this and argues that commonwealth is best achieved through the free play of market forces and a greater focus on the supply side.

Global Keynesianism suggests that the current globalization process perpetuates winners (eg European Union countries, G7, etc) and losers (most Third World and low income developing countries). Köhler does question the feasibility of global Keynesianism in the light of the prevailing 'Washington consensus' approach of global neoliberalism.

Gissinger and Gleditsch (1999) testing a global dataset for the period 1965-1993 consider the impact of globalization in terms of consequences of trade and foreign direct investment on such issues as welfare, distribution, and political unrest. In doing so, they try to assess whether a free market approach, strongly guiding countries into the global economy, leads to greater commonwealth and political stability or to increasing economic inequality, relative deprivation and conflict. They define globalization in terms of "high foreign trade and foreign direct investment in relation to GDP" (Gissinger & Gleditsch 1999, p.276).

Gissinger and Gleditsch (1999, p.275) observe, that in spite of the liberal line of reasoning which suggests that "nations with a high share of mutual trade in GDP are less war-prone (Manchester School) ... the number of civil wars has risen sharply since World War II". They also observe that significant increases in trade and foreign direct investment have gone hand in hand with a rise in income inequality.

Whilst proponents of liberal free market policies insist that increased trade and economic development boost political stability, dependency theorists/globalists argue that economic integration/dependence on external markets increases income inequality at home, which may lead to domestic conflict. Based on their analysis, Gissinger and Gleditsch suggest that both may be right but only partially as globalization is a very complex process.

Gissinger and Gleditsch (1999, p.296) conclude that:

- "foreign direct investment seems to have more negative effects on distribution and political unrest than does trade;
- the effects of trade and foreign direct investment depend on the structure of the economy;
- exports of agricultural products lead to lower economic welfare, inequality and political unrest;
- exports of manufactured goods lead to higher economic development, equality and political stability;
- countries that export primary products are often poor countries with weak states.

Thus, the globalization process may be positive for rich countries, whereas it may be negative for poor, agricultural societies". They suggest however, that in the longer term, both foreign direct investment and trade may lead to higher levels of global economic welfare, if more countries are involved in the globalization process.

Hoogvelt (2001) exploring globalization and the post-colonial world describes the key force of capitalism and its impact on economic development over the past two hundred years. Similar to Gissinger and Gleditsch, she focuses on issues of trade and investment to define the impact of capitalism and finds that "world trade and capital flows, while at first expanding to embrace ever more areas in the

world, gradually turned into a process of *involution* when capital relations became intensified within the core, while *selectively* withdrawing from the periphery. Meanwhile this process resulted in cumulatively growing differences in income between the rich and poor nations” (Hoogvelt 2001, p.xv).

Hoogvelt argues that the contemporary process of globalization is more economically intensive today than ever before but geographically more selective. She acknowledges more complex financial, cultural and social cross-border networks and observes that the contemporary globalization phenomenon is increasingly accompanied by processes of disintegration and transformation, as old structures of political power and social and economic organization are being eroded, and new ones are being formed. She finds exclusion, as “ever larger segments of the world population, both inside the advanced countries, but more numerous still inside the Third World, are being expelled from the emerging ‘thickening’ network of human social and economic interaction” (Hoogvelt 2001, p.261).

It is worthwhile to note then, that globalization appears to engender growing disparities in wealth (represented by economic, social, and power relations), not only between Third World nations/former colonial territories and the richer industrialized nations across the globe but also within nations. Reflecting a phenomenon of increasing relative disparity and dispossession within and between, core and periphery. Hoogvelt (2001, p.262) ultimately defines globalization as a growth regime born out of a “virtuous cycle of capitalist production and consumption ... that embraces only a globalized social minority and has no economic need for the excluded majority”.

Friedman (1999) discusses the experience of minorities in the process of globalization. He explores the loss of positive evolution among cultures previously in harmony with each other, describing it as their loss of

"*gemeinschaft*" (Friedman 1999, p.316). He finds a recurrent social reality of "real people struggling for control over their (very) conditions of existence" (Friedman 1999, p.316), increasingly for subsistence and even survival.

Friedman argues that cultural harmony has been sacrificed to economic determinants. Globalization has facilitated a "general inflation of cultural politics and ethnic conflict in the world, together with substantial increases in class stratification, economic polarization and major shifts in capital accumulation" (Friedman 1999, p.316).

Friedman (1999, p.316) concludes, in part, that globalization from a world-system's point of view leads to "an increasing fragmentation of identities, the break-up of larger identity units, the emergence of cultural politics among indigenous, regional, immigrant and even national populations ... There is simultaneously an increasing class polarization, an impoverishment at the bottom of society and an enrichment at the top. New elites are formed and new upper class identities are forged".

However, it is important to emphasize that Friedman does not consider globalization to be about de-localizing the local but about transforming it. In sociological terms, both the newly forming global and local identities (classes) remain experiential *local* phenomena.

Chase-Dunn (1999) analysing contradictory interests of powerful and less powerful groups, identifies several types/aspects of globalization and researches their development over the last one hundred years. According to Chase-Dunn, each type of globalization has its own set of temporal characteristics, and some show upward trends whilst others display more cyclical oscillations. Overall, he contends that "there is a lag between economic and political/cultural globalization, and that the latter needs to catch up if we are to convert the contemporary world-system of *casino capitalism* into a more humane,

democratic, balanced and sustainable world society” (Chase-Dunn 1999, p.177). Different types and important aspects identified are:

- economic globalization
- political globalization
- cultural globalization
- globalization of communication
- globalization of ecological risks

Chase-Dunn views globalization as a centuries long historical development process of the originally European, hegemonic, capitalist inter-societal system. According to Chase-Dunn (1999, p.179) ”the capitalist world-economy has experienced cyclical processes and secular trends for hundreds of years. The cyclical processes include the rise and fall of hegemons, the Kondratieff wave (a forty to sixty year business cycle), a cycle of warfare among core states, and *cycles of colonization and decolonisation* ... The secular trends ... long-term proletarianization of the world work force, the growing concentration of capital into larger and larger firms, the increasing internationalisation of capital investment and trade, and the accelerating internationalisation of political structures”.

Chase-Dunn explains how the hegemony of Western capitalism has resulted in systemic cycles of wealth accumulation in the core (eg G7) that have facilitated the power of money and markets to become most powerful regulating global forces, engendering *domination and exploitation*. One of his key observations is that the philosophy/ideology of European Enlightenment (ie science, progress, rationality, liberty, democracy and equality) ”has never been a major cause of exploitation and domination. Rather, it was the military and economic power generated by capitalism that made European hegemony possible” (Chase-Dunn 1999, p.190).

Chase-Dunn appears to suggest that equity, fairness, and mutual consideration are neither representative aspects nor priorities of the globalization process.

Arrighi (1999, p.200) describes the globalization phenomenon as a *discontinuous* process towards an integrated single global market "in which states are said to have no choice but compete intensely with one another for increasingly mobile capital" to achieve, maintain and enhance economic development. He draws similarities between the end of the nineteenth and twentieth centuries, referring to technologically driven advances and integration of the world's national markets "through trade, investment, borrowing and lending" (Arrighi 1999, p.200) but is quick to point out that these are superficial only.

Arrighi (1999, p.200) observes that underneath these similarities "we can detect a fundamental transformation that destroyed the global market as instituted at the beginning of the century and recreated it on new foundations. This process of global *creative destruction* occurred through unprecedented human cataclysms (wars, revolutions and counterrevolutions)", which have created a global system of potentially unstable unregulated (ie self-regulating) markets.

Imperial (including military/naval) regulating power according to Arrighi (1999, p.221), has been replaced by the power of capital and its instant mobility, creating a global market where benefits are increasingly enjoyed by a minority at the expense of the "vast majority of the world's population". Arrighi (1999, p.221) concludes that this imbalance is likely to foster a growing tendency "called *the self-protection of society* against the ravages of *the self-regulating market*", which might lead to another process of creative destruction.

Patten (2001, p.2) describes globalization as a not so new, continuous process, viewed by some as "benign and impersonal ... and by others as the technological equivalent of a Biblical plague". He points to similarities in

terms of capital and people mobility but also to their significantly shifting scale over the last 100 years. In 1914 "40% of Britain's national capital was invested overseas. No country comes anywhere near that today" (Patten 2001, p.2) and between "the early 1890s and the Great War, without passports, without work permits, without visas, people moved relatively freely between countries ... and ...36 million people emigrated from Europe" (Patten 2001, p.5) to all areas of the globe.

Patten argues that the concept of individual choice with respect to participation in the globalization process is irrelevant, as it is not something you can pick or reject. Every nation "has to work with globalization, not struggle against it" (Patten 2001, p.5). How well we can participate is another matter. He acknowledges that effects of globalization are not all good or happy for everyone concerned. "At its best, the globalization of economies and knowledge delivers greater wealth, increased liberty and stronger democracy. But I am the first to recognise that these benefits are not flowing to all people equally, or at least equally quickly, and that they risk being undermined by some less desirable effects" (Patten 2001, p.5). Patten (2001, p.6) identifies the undesirable effects of contemporary globalization to be "inequality, instability and unsustainability".

Patten (2001, p.6) focuses primarily on the inequality generated by the globalization process "as the devil among these demons, from which the others partly or wholly flow. The evidence is sobering. 10% of the world's population receives 70% of its income and produces 70% of its goods and services. Half of the population lives on less than \$2/day, and these 3 billion people produce just 6% of world output. One fifth of the population live on less than \$1/day. Meanwhile the world's three richest men have combined assets equalling the output of the world's forty eight poorest nations".

Confronting instability, Patten (2001, p.10) argues that the primary cause is "lack of responsive, transparent and democratic governance". Instability is fostered by corruption, manipulation, bad government and misinformation. He is optimistic however that improvement will ultimately come about "by growth-hungry governments fostering conditions to attract foreign investment and assistance, twinned with consumer-driven corporate social responsibility" (Patten 2001, p.12).

The third undesirable effect of unsustainability, Patten defines as the threat of environmental decay. According to Patten, this threat may have irreversible consequences in terms of the earth (natural resources) and people (disease and human suffering), which will foster extreme poverty and conflict if not urgently addressed.

Patten concludes that global trade rules and governance should be strengthened to harness the benefits of globalization, minimising its ill effects. He argues strongly that global trade should be made into an effective tool to promote growth in poor countries, so that rich *and* poor may benefit, and that development assistance should be better targeted. In support of the financially possible, he convincingly quotes the affordability of UN estimates to provide basic global education standards, access to water and sanitation, health and nutrition, and associated measures to lift the majority of the world's population out of poverty and equip them with the skills to modernize and successfully participate in the globalization process. Avoidance, according to Patten (2001, p.15), will lead to continued and increasing "violence and bloody breakdown".

Falk (1999) explores the strength of global capital versus that of governments with respect to economic development, human rights and the integrity of national sovereignty. He is concerned with "the effects of economic (predatory) globalization on the capacity of the state to contribute to human well-

being, first of all in relation to territorial matters, but also with regard to such wider goals as peace, security, and sustainability” (Falk 1999, p.1).

Falk (1999, p.2) questions the benefits of the Washington consensus (neo-liberal economic approach) and IMF strategies, which have “not only failed to rescue troubled economies but have actually aggravated the distress of society by insistence on capital-friendly adjustments as the condition for receiving billions of dollars of bail-out funds”.

Falk does not view the course and outcome of the globalization process as inevitable but based on choice and political preferences of economic elites (globalization from above) currently focusing too narrowly on their own material development at the expense of the majority of the world population. He examines counter-movements and activities (globalization from below) described as “issue-oriented social movements ... and ... cosmopolitan democracy” (Falk 1999, p.2), which aim to achieve greater equilibrium between state, people, and capital. Ultimately, Falk (1999, p.3) concludes that the present more predatory nature of globalization has eroded “if not altogether broken, the former social contract that was forged between the state and society during the last century or so”. Today, he considers the state unwilling to restore this former social, more compassionate contract as it shows increasing deference to (including partnership with) the discipline of global capital. Although not promising, Falk (1999, p.8) points out that the current situation continues to provide opportunities “for civil society to reassert progressive influences on political life”.

Warren (1973) although writing a considerable time ago, takes a macro-economic point of view when assessing the impact of globalization and analyzing progress in the Third World compared to OECD countries. He is critical of international financial institutions but less so of the often referred to and negatively perceived legacy of former colonial powers. He argues that “despite statements and predictions to the contrary, the underdeveloped world, considered as a

whole, has made considerable progress in industrialization in the post-war period” (Warren 1973, p.5). To support his argument in favour of globalization he looks at the ratio of manufacturing output between developed capitalist countries and the underdeveloped world from 1937 to 1959, showing a reduction from ‘nine to one’ to ‘seven to one’. Warren also makes the point that due to high population growth in underdeveloped countries vis a vis developed countries, total country output figures are far more relevant than per capita performance measures.

Warren does not deny the colonial imperial period had been exploitative, dominating and responsible for gross inequalities but stresses the point that in spite of this it made a substantial contribution to the capitalist industrialization of underdeveloped countries and in doing so significantly reduced their dependency. It is well to note that Warren (1973, p.4) defines successful capitalist development as development which provides “the appropriate economic, social and political conditions for the continuing reproduction of capital, as a social system representing the highest form of commodity production”. Singular measures such as basic population needs in terms of food, health-care access, etc are seen as more problematic and not entirely relevant to the argument.

Overall, Warren rejects the concept of neo-colonialism as misleading, suggesting it obscures the real gains made by the underdeveloped world with respect to significant and continuing reduction in inequality. He also argues on the basis of macro-economic indicators (eg: such as GDP, manufacturing and export indicators) that formal political independence has given underdeveloped countries a degree of manoeuvrability which has allowed them to play off OECD capitalist states and other powerful industrial blocs one against the other (nb: East [Soviet]-West [G7] rivalries) for their own economic advantage, suggesting increased institutional control over their own economies. As proof he cites (Warren 1973, p.12) the “very substantial growth of capitalist social relations of production throughout the Third World where they were previously non-existent or in a very primitive state”, and the stronger bargaining positions of developing

countries forcing international enterprises to accept more restrictive conditions than they were used to in the past.

In a global context, Warren is less clear about the distinction between powerful industrial countries' attempts and *ulterior* motives to ameliorate liquidity problems and balance of payment difficulties of underdeveloped countries and their control over international financial institutions. Citing Indonesia and South Korea as specific examples, Warren (1973, p.16) makes direct reference to the "collaboration by imperialist [capitalist] countries with rulers and exploiting classes in the Third World to suppress anti-capitalist movements. This can enable capitalism to survive and prosper, but it can have counter-productive economic effects, by giving more power to particularly corrupt and inefficient ruling groups. A last word should be added on the attempts by imperialist countries, often through international organizations, to improve the economic performance of Third World countries by advice, experts and training. The actual effects of such activity are very contradictory. The International Bank [World Bank] and the International Monetary Fund have fairly consistently given and enforced counter-productive advice ..."

Warren points out socialist writers argue that industrialization of the Third World through intervention of imperialist/capitalist countries merely leads to unavoidable dependency, preventing developing countries from achieving full employment, diversified industry and agriculture, adequate housing and a more egalitarian income distribution. Quoting Sutcliffe (Warren 1973, p.17), true independence in the Third World can only be achieved through the concept of 'independent industrialization', which is defined as:

- development based on the home market;
- development which includes a diverse range of industries;

- development which is not reliant on foreign investment (except where the recipient country can control the funds);
- development which includes significant local independent technological progress.

Whilst this may arguably be an ideal situation to strive for before considering entry into a competitive global market, Warren suggests that developing nations achieve this outcome anyway through open engagement with imperialist countries. He recognizes the individual hardship of poorer societies on the journey towards progress as real, but points out that genuine progress is made indisputably through international economic integration if one measures their total country outcomes. He further suggests by quoting (1960s) manufacturing industry outcomes, foreign direct investment, growing international reserves of developing countries, improved terms of trade and more, that global capitalism is a welcome force and concludes “if the extension of capitalism into non-capitalist areas of the world created an international system of inequality and exploitation called imperialism [neo-colonialism], it simultaneously created the conditions for the destruction of this system by the spread of capitalist social relations and productive forces throughout the non-capitalist world” (Warren 1973, p.41).

In summary, globalization is described by most researchers as a complex, long established, cyclical and transformative process. There appears to be a general consensus that the outcomes are not universally beneficial or equitable but some argue the benefits of increasing relative economic development and prosperity. Others are forthright in denouncing the disappearance of a more compassionate and humane society in a period when the world has more resources available than ever before.

Contemporary globalization appears increasingly driven by the power of capital, a small elite of capital controllers, and a neo-liberal approach to economic development. Whilst the financial/economic issue dominates, the political, social, and cultural elements also are defined as integral components of the globalization process.

Sovereignty of the state is often described as secondary to the power of capital and when government is in the hands of a corrupt elite, the outcome appears to speed up the process of economic dispossession and social disintegration. There remains however always an element of choice. Some researchers have explored grass-roots transnational movements, which provide opportunities to counter-balance the more negative aspects of the globalization process. Others such as Warren (1973) have argued that the spread of capitalist social relations and productive forces through the process of globalization will eventually lead to a more equitable and greater common wealth.

Thus whilst technological advancements, which facilitate economic development and prosperity, may represent the more positive aspects of globalization, the most pejorative aspect is identified as *inequality*, particularly when the subsistence level is crossed. The political will to change this aspect of globalization may not always be apparent but there is clear recognition that enduring extreme poverty is likely to lead to continued and increasing violence.

On global responsibility for our common future: ...”simply maximizing profits is not sufficient for the twenty-first century ... peace cannot be achieved without sharing”... (Bornschiefer – The Civilizational Project and Its Discontents: Toward a Viable Global Market Society 1999, pp173-174)

2.5 International Financial Institutions ⁷

In the pursuit of a global free market, power, wealth and prosperity, the world's leading industrial nations generally promote a neo-liberal approach to economic development. Integral to this approach is the role of capital, its control and mobility.

When we identify the key players since the close of WWII, we invariably come across the “G” groups (ie G5, G7, G8, G10, ... G77) and the Paris and London clubs. Significantly, we also identify their (our) international institutions, some relating to governance and security such as the United Nations, some to trade (World Trade, GATT, NAFTA, etc), some to military alliances (NATO, etc), some to finance & capital (IMF, WB, EBRD, ADB, etc), and others.

Because of the apparent decolonisation process since 1945 and the indisputable controlling aspect of capital with respect to economic development opportunity since, this research project is interested in exploring a possible link between direct/indirect influences of the most powerful “G” group (the G7) and the operations/decisions of international financial institutions (IFIs), particularly the International Monetary Fund (IMF) and the World Bank (WB), which are involved in maintaining financial stability in global markets and in the reconstruction and development of nations.

Whilst it is logical to expect that the wealthiest nations have the lion share of capital and therefore also control, it is valid to question whether whatever control may be exercised through these international financial institutions is done so for the long-term achievement of equitable global commonwealth or more exclusively for their own benefit.

⁷Refer: Daale, P. 2000, *Peripheral Decolonization and Global Coloniality – Perspectives from the core and periphery, with illustrations from Indonesia*, Asia Pacific Researchers in Organization Studies 2000 Conference on ‘Organizing Knowledge, Economies and Societies [World-Systems Session], University of Technology Sydney.

The latter would attract criticism of neo-colonialism and continued exploitation by former colonial powers (eg six out of seven G7 nations) if out of kilter with concepts of fairness, equity, and humanity.

The literature review reveals a complex answer. From an institutions (IMF & WB) point of view there are the clear guidelines laid out in their respective Articles of Agreement, which fit responsibly into a neo-liberal economic approach to market stability and development. These institutions, whilst openly acknowledging imperfections, clearly represent themselves as responsible corporate citizens within a civil society *and* dedicated to global stability and development. From a recipient point of view, particularly developing countries/former colonial territories and some highly indebted poor countries' (HIPC's), it may be different and more so if stringent structural adjustment programmes have been imposed on them as a condition for continued access to credit and essential financial disbursements. Issues such as need, choice, coercion or voluntary compliance, competitiveness, survival, default, etc all play a role. Different socio-economic strata within rich/developed and poorer/developing countries also view and experience the impact of IFI actions differently. Then there are mainstream influential committees such as the Bretton Woods Committee, the mediating/negotiating institutions of the London and Paris clubs, etc which are more openly protective of creditor/investor/donor interests. Increasingly heard are also the views of non-government (sometimes protest) organizations like Jubilee 2000, the US Network for Global Economic Justice, the Institute for Economic Democracy and many others, which these days unmistakably have significant issues with the existing system of capital control and strategies for global economic development and the role played by international financial institutions like the IMF and WB.

The International Monetary Fund (2002, www.imf.org) is an "international organization of 183 member countries, established to promote international monetary cooperation, exchange stability, and orderly

exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment”.

The IMF organization was established at Bretton Woods in 1946 and its Articles emphasize consultation, collaboration, avoidance of competitive exchange depreciation, adequate safeguards, international prosperity and equilibrium between members, offering “a framework for economic cooperation designed to avoid a repetition of the disastrous economic policies that contributed to the Great Depression of the 1930s” (IMF 2002, www.imf.org). Its published literature includes issues such as ethics, poverty reduction, debt relief, civil society and many others. It presents itself as acting for the common good, equitably, fairly and responsibly on behalf of all its member nations. Is this indisputable or can there be room for doubt? Let us explore its structure.

At present the Executive Board is made up of 24 individuals, eight of whom represent individual countries (USA, UK, France, Germany, Japan, China, Russia, and Saudi Arabia), the others representing groups of countries. Five out of the eight representing individual countries, are part of the G7 and control 39.28% of the vote; the other three 8.95%. Italy and Canada represent 6.22%, providing a total of 42.23% for the G7 group of countries. If we consider all Western economies together (IMF members), this provides at least 65% of the total voting power. The Executive Board is responsible for the daily operation of the IMF and meets at least 3 times per week. The Managing Director is traditionally American or European. The Board of Governors (a kind of supervisory body), represented by the ministers of finance or heads of central banks from each of the 183 member countries, meets only once a year at the IMF-World Bank Annual Meeting.

IMF resources come primarily from member countries’ capital subscriptions and are proportionate to each country’ economic output. This is directly reflected in

their voting power (eg USA 17.6%). In case of difficulty, the IMF can borrow further funds (SDR = special drawing rights), primarily from the G10 central banks. The G10 is represented by the G7 group plus the Netherlands, Belgium, Sweden, and Switzerland. Further, lesser facilities exist.

Although this review does not provide an answer, it is reasonable to ask the following question based on the IMF data. ‘If the lion share of IMF funding and voting power is contributed/controlled by the G7 countries and occasionally the G10, most of which (8 out of 11) are former colonial powers and subscribe to a neo-liberal approach to economic management, to what extent can the rights and equitable access to economic opportunity be guaranteed for less powerful members (representing in excess of 70% of the world population), many of which are former colonial territories and currently supply the most significant portion of cheap labour and raw materials to the world economy?’

Also, the IMF (2002, www.imf.org) clearly states that “it is not an aid agency or a development bank ... and ... IMF lending is conditional ... ensuring ... a country does not just postpone hard choices ... and ... streamlines its (loan) conditionality, focusing on macro-economic and financial policies”. Further, “IMF lending is temporary ... and ... the borrowing country must pay back (IMF loans) on schedule” (IMF 2002, www.imf.org) and subject to “market-related and/or concessional interest rates” (IMF 2002, www.imf.org).

Hartcher (2002, pp.1,11) reported in The Australian Financial Review “the G7 finance ministers meeting in Washington (April 20) endorsed a US plan that calls for the governments of poor countries to insert new *contingency clauses* into their debt instruments when they borrow money on world financial markets (including IFI funds) ... to restrict what borrowing countries could do when unable to service existing debt. The G7 declared this a *market-oriented* approach ... where the contingency clauses must

include ... *super-majority decision-making by creditors*". Such an approach would clearly compromise the disposition of sovereign assets, possibly to the detriment of the defaulting nation. This highlights the difficulty in reconciling equity and economic growth, particularly from a macro-economic neo-liberal viewpoint.

Indeed, Gupta et al (IMF Fiscal Affairs Division 1998) raise the very question whether economic growth and equity are complementary. Whilst they observe a broad consensus globally that extreme inequality of wealth, income and access to opportunity is considered unfair, they clearly find much less agreement on how this issue should be addressed. Lack of agreement appears due to different definitions of equity prevailing according to the type of society, cultural norms, current level of economic development, etc.

Gupta et al (1998, p.1) summarize that ultimately equity issues are hard to define, because "they are inextricably intertwined with" different societies' social values about fairness and justice. Equity based policy decisions also have moral implications with respect to present and intergenerational progress opportunities (ie medium to long-term outcomes measured in wealth, education levels, etc). They point out that subject to cultural sensitivities, effective pursuit of equity policies are desirable and "can boost social cohesion and reduce political conflict" (Gupta et al 1998, p.2). The downside however, according to Gupta et al is that equity-enhancing policies may run counter to macro-economic reform requirements in the short to medium term.

Gupta et al argue that labour market policies, social welfare and income redistribution policies, economic development policies (private and public sectors) all involve trade-offs, with the benefits viewed differently by different countries. Nonetheless they conclude, that equity and growth could be complementary in the longer-term if governments implement policies consistent with "deregulating the economy, setting up strong and accountable

institutions and a well-functioning judicial system, reducing opportunities for corrupt practices ..., and providing adequate access to health and education services” (Gupta et al 1998, p.8).

The World Bank Group (2002, www.worldbank.org) quotes in its opening statement (About Us): “The WBG is one of the world’s largest sources of development assistance. In Fiscal Year 2001, the institution provided more than US\$17 billion in loans to its client countries. It works in more than 100 developing economies with the primary focus of helping the poorest people and the poorest countries”. This certainly is considerable financial assistance and effort but it is somewhat diminished when we read Christopher Patten’s (2001, p.7) – the former Governor of Hong Kong and current European Commissioner for External Relations) – comment, that “last year (2000) in Europe and the United States we spent US\$17 billion on pet food”. Patten was quoting directly from United Nation’s data.

Similarly to the IMF, the World Bank (2002, www.worldbank.org) is owned by 183 countries and aims to “help each developing country onto a path of stable, sustainable, and equitable growth”. Its mission includes key words such as health and education, social development, governance, poverty reduction, environment, and “promoting reforms to create a stable macro-economic environment, conducive to investment and long-term planning” (World Bank Group 2002, www.worldbank.org). It also advises “of the 4.7 billion people who live in the 100 countries that are World Bank clients:

- 3 billion live on less than \$2 a day and 1.2 billion on less than \$1 a day;
- nearly 3 million children in developing countries die each year from vaccine-preventable diseases;
- 113 million children are not in school;
- 1.5 billion do not have clean water to drink” (World Bank Group 2002, www.worldbank.org).

With respect to the Heavily Indebted Poor Countries (HIPC) in 2001, the World Bank states that under its debt relief framework it provided US\$32 billion of debt reduction to 23 of its client countries. Significant certainly, but to quote Patten (2001, p.7) once more "in Europe alone (2000) we spent US\$11 billion on ice cream, ... US\$50 billion on cigarettes, ... US\$105 billion on alcohol". All, non-essential expenditure.

Describing its own role, "the Bank is a partner in strengthening economies and expanding markets *to improve the quality of life for people everywhere, especially the poorest*. Unlike aid programs, the Bank doesn't make grants. The Bank *lends* money to developing countries – and the *loans are repaid*" (World Bank Group 2002, www.worldbank.org).

The World Bank describes itself as a *cooperative* and is owned by its 183 member countries. "The size of a country's shareholding is determined by the size of the country's economy relative to the world economy. Together, the largest industrial countries (the Group of Seven or G7) have about 45 percent of the shares in the World Bank – and they carry great weight in international economic affairs generally. So it is true that the rich countries have a good deal of influence over the Bank's policies and practices. The United States has the largest shareholding – about 17 percent – which gives the United States the power to veto any changes in the Bank's capital base and Articles of Agreement" (World Bank Group 2002, www.worldbank.org).

Whilst the World Bank clearly has some functions which are uniquely different to those of the IMF, the underlying structure and process offer many similarities, raising similar questions to those discussed before.

The Institute of International Finance Inc (2002) [IIF] briefly describes the process and players involved in sovereign debt restructuring. When a country, usually a developing and/or Third World country, is facing default with respect to

bilateral and multilateral loans, they are subject to the deliberations of the London and Paris clubs.

The London Club (initially a 1970 concept) refers to a process for restructuring sovereign debt owed to commercial banks. It is ad hoc and formed "at the initiative of the debtor country and is dissolved when a restructuring agreement is signed" (IIF 2002, www.iif.com). The London Club's advisory committee is made up of key creditors and chaired by a world leading financial firm. The IIF provides analytical support, to determine appropriate terms and conditions.

The Paris Club (2002) is a more formal institution, established in 1956, offering a debt-restructuring process for defaulting nations with bi-lateral creditors. The Paris Club (2002, www.clubdeparis.org) consists of 19 permanent members, which are "governments with large claims on various other governments throughout the world (the claims may be held directly by the government or through its appropriate institutions)". Ten of its permanent members are significant former colonial powers, and include the entire G7 and G10 groups of countries.

Agreement reached between debtor country and the Paris Club is conditional to the existence (agreement to) of "an appropriate (economic structural adjustment) programme supported by the IMF, which demonstrates the need for debt relief" (Club de Paris 2002, www.clubdeparis.org).

These are very powerful processes (institutions), which are based on neo-liberal economic discipline.

The Bretton Woods Committee (2002, www.brettonwoods.org) describes itself as "a bipartisan non-profit group organized to build public understanding of international financial and development issues and the role of the Bretton Woods institutions – the World Bank, the International Monetary Fund, the

World Trade Organization and the regional development banks – in the global economy”.

The Committee is made up of prominent Americans (such as President George Bush and former presidents Jimmy Carter and Gerald Ford; the managing director of Goldman Sachs & Co Gerald Corrigan; the Advisory Director of Morgan Stanley, Richard Debs, etc) dedicated to maintaining and strengthening the global economic leadership of the United States.

The Committee actively participates in “policy development by sharing its views directly with the Secretary of the Treasury (US); other senior members of the Administration; Congress; and the management of the international financial institutions. The Committee convenes *private* gatherings where policy makers, legislators and officials of the multilateral institutions (IMF & WB) exchange views and ideas with Committee members who have a special interest or expertise on the subject matter” (Bretton Woods Committee 2002, www.brettonwoods.org).

One US delegate (Prof Raymond Mikesell - economist) to the 1944 Bretton Woods conference had this to say about the IMF’s Articles of Agreement: “The Articles did not represent the collective views of the representatives of the 44 countries participating in the Bretton Woods conference. Rather, the Articles were negotiated by American and British government officials *prior* to the conference in a series of *bilateral* meetings during 1943 and the final negotiations occurred at the Atlantic City meeting just prior to the Bretton Woods conference. The principal spokesmen at the bilateral negotiations were Harry White of the US Treasury and John Maynard Keynes representing the British government. When there were basic differences between the representatives of the two governments, the American position was almost always adopted. White argued that unless certain key elements were in the IMF Charter, the US Congress would not

ratify the agreement” (Bretton Woods Committee 2002, www.brettonwoods.org).

That this observation remains published by the Committee as part of the Bretton Woods’ vision, with adjustments to the IMF role only in so far as they are necessary to maintain consistency with current market requirements rather than global equity, is food for thought.

Barrett-Lennard (2001, p.16) reviewing the roles of the IMF and the World Bank within the context of (anti) globalization observes that “the IMF is a strong advocate of the *Washington Consensus*, a narrow view of the global economy based on *market efficiencies* and the free flow of capital, goods and services, which is also known as the Neo-Liberal or New-Liberal Economic Model”. He strongly argues that increasingly the World Bank works in tandem with the IMF, in terms of its lending policy (where and how much) and conditions.

A summary of his work, which describes the IMF and WB as integral to Western (and particularly US) hegemonic strategy, reads “the IMF and the World Bank were not then historically created as charitable institutions, but as part of an overall economic and military strategy in support of US imperialism, and neither institution was the product of a world at peace, they were products of a world at war and intense competition between nations” (Barrett-Lennard 2001, back cover).

To make the point that maintaining power, financial and economic control was always the objective of the leading group of nations behind the creation of the IMF, Barret-Lennard refers to observations already made in 1946 (Dr H.A. Cunningham – Auckland). That heavily indebted nations would ultimately be required “to commit themselves to (IMF and therefore US dictated) undertakings they would very probably be unable to fulfil; that it would

permit one nation (the US) to impose its will on others; and that it would be unwise to assume that the powers that the US has under the agreement were not put there to be used” (Barrett-Lennard 2001, p.99). Barrett-Lennard (2001, p.99) then quotes from another source (A.N.Field – The Bretton Woods Plot) describing IMF-heavily-indebted nations in the mid-1950s as a group of defaulters “on each of whom the Fund can put the screw to any extent it pleases”.

Barrett-Lennard is clearly controversial and takes a similar bleak view of the intent behind the World Trade Organization (WTO) and the Multilateral Agreement on Investment (MAI) negotiated by the OECD countries in 1995. He argues that the MAI was specifically designed “to extend the ambit of the WTO to effectively override all national (including federal, state and local) laws in regard to foreign investment and the environment. It was never about level playing fields but was about the owners of vast sums of capital to be able to maximise profits by being able to invest when and where they wished” (Barret-Lennard 2001, p106). Most other US/IMF linked institutions receive comparable treatment. Whilst his observations are clearly provocative, they are not necessarily incompatible with some of the statements published by the IMF and the World Bank in respect to the importance attached to market efficiency and the expressed doubts about compatibility between equity and economic growth.

Houtart and Polet (2001) aim, through a compilation of analytical essays considered at The Other Davos 1999 conference (immediately preceding the World Economic Forum in Davos, January 2000), to summarise valid alternatives to the current dominant ideology of neo-liberalism and what they refer to as the dictatorship of capitalism over global society. Alternatives to a system which, Houtart and Polet (2001, p.vi) describe, “privatises the world, exhausts nature and destroys life in the name of profit for a minority”. A system, where they identify the IMF and the World Bank (their policies) as key instruments of neo-

liberalism, which reduce "the greater part of humanity to the rank of useless masses ... and which ... does not hesitate to provoke a veritable genocide in order to promote the accumulation and global concentration of capital" (Houtart & Polet 2001, p.vi).

Houtart and Polet present the following graph of world income distribution (Figure 2.1), the data being somewhat similar to previous references made:

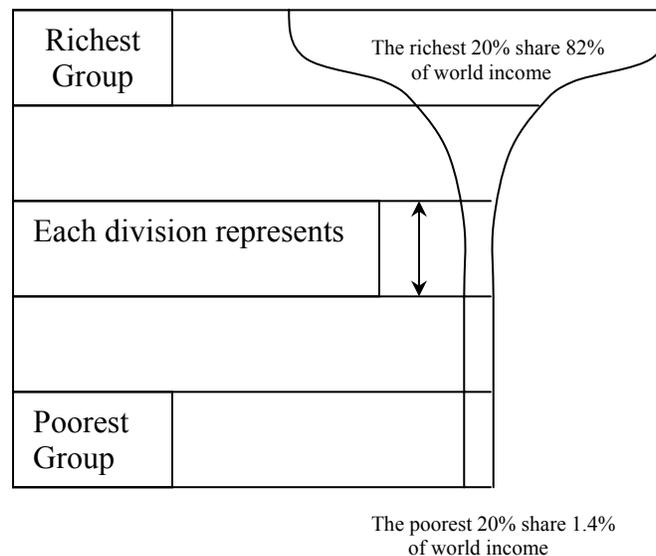


Figure 2.1: World Income Distribution

Source: Houtart, F. & Polet, F (eds) 2001, *The Other Davos: The Globalization of Resistance to the World Economic System*, Zed Books Ltd, London, p.x

Houtart and Polet (ATTAC essay) comment on the consequences of income inequity, increasing capital control/mobility, developing and Third World debt, and the role played by the IMF. They highlight the increasing coercion of heavily indebted governments (nations) to compete unrealistically to win the favour of investors (private and institutional) and maintain creditworthiness. Profit and income for the world's richest nations are increased (including through currency

market speculation/manipulation) without consideration to equitable production or trade in goods and services for the world's poorer nations, giving rise to economic insecurity and a growing pervasive poverty in the Third World. Houtart and Polet (2001, p70) indicate that the social consequences are even more severe, particularly for financially dependent (heavily indebted) countries subject to the dictates of IMF structural adjustment programmes (SAPs), as "debt service requires governments to lower social service budgets to a minimum and condemns societies to underdevelopment. Interest rates much higher than in the countries of the North contribute to the elimination of national producers; uncontrolled privatisation and denationalisation develop in search for the resources demanded by investors". Social rights increasingly take a backseat to the demands of market efficiency.

The common theme, which appears in all the essays, is well summarized in the discussion on mechanisms of economic exclusion. "The only international organizations which have any real influence on world affairs are those economic and financial organizations (the World Bank, the IMF, the WTO) where, often, decisions are influenced and even prepared by private organizations such as the International Chamber of Commerce, the Club of London (private lending banks), or the various committees dealing with norms and standards. Financially dependent on the developed countries, the World Bank, the IMF and the WTO are effectively under their political control" (Aguiton, Petrella & Udry 2001, p27).

Bailin (2001) argues that Western hegemony is not predominantly a US hegemony but since the 1970s a 'collective hegemony' of a *group* of great powers. She elegantly makes the case for institutionalised hegemony, "which synthesizes and extends hegemonic stability *and* institutionalism" (Bailin 2001, p.2). The group Bailin (2001, p.2) refers to is the G7, which acts as a united hegemon "to manage global economic crises and maintain the liberal economic order".

Bailin argues that this current group hegemony is unlikely to decline, because the great powers (the G7 nations) support the US-created Western order, and other large countries (external to the G7) have much to gain from the current capitalist world economy (eg aid, trade and foreign investment). She considers a war between G7 nations, which would destroy the group hegemon, as improbable. However, factors, which could threaten G7 unity, are described as extreme domestic strife, significant reduction in social welfare programmes, and increased unilateral protectionism.

According to Bailin (2001, p.26), the existence of institutionalised hegemony depends on "the fulfilment of six basic conditions: a concentration of global power; group identity; restricting membership to capitalist democracies; a preparatory process; a system of great power interaction; and documentation. A concentration of global power and group identity establishes a k-group (G7). Restricting membership to capitalist democracies and implementing a preparatory process result in mutual great power interests. The group can then more easily reach mutual agreements. A system of great power interaction and documenting the outcomes institutionalises great power relations". Bailin states, that, the gradual fulfilment of these conditions amongst leading Western capitalist democracies led to the formation of the G7 and ensured the continuity of the post-WWII liberal economic order.

Within this concept of collective hegemony, international institutions such as the IMF and WB are simply described as multilateral arrangements to facilitate cooperation, providing structures to govern issue-areas primarily for the benefit of the k-group. These institutions, as instruments of the collective hegemon, "prescribe rules and norms that pertain to particular issue-areas. These rules and norms form the foundation for countries to systematically coordinate their policies to achieve mutually beneficial outcomes. For instance, the IMF and World Bank provide the machinery for the

coordination of currencies and exchange rates and promote the flow of capital resources to individual countries. ... In short, international institutions now perform hegemonic functions on an everyday basis” (Bailin 2001, p.6). Outsiders wishing to access these institutions (capital & credit) and the system are encouraged/forced to conform or suffer the consequences of exclusion and likely capital flight.

Also, Bailin consistently emphasizes the importance of power for global stability with respect to trade and financial systems. She states that, “the main trade and financial institutions are inconsequential without the support of the most powerful countries. For instance, the G7 members, the largest economies in the world, are the main export destinations for most countries. The G7 countries also provide the bulk of funding for international institutions. The point here is that trade and financial sub-systems depend on the support and cooperation of a few, powerful countries and therefore, power plays a significant role in global stability” (Bailin 2001, p.6).

Bailin researches the topic of power dispassionately and with great insight. She expresses a clear link between power, global stability, capital, trade, economic policy, the pursuit of market efficiency, and the role of international institutions such as the IMF and WB, all managed through the collective hegemonic power of the G7 group.

The US Network for Global Economic Justice (2002) is a non-government lobby/protest group, which campaigns for institutional reform of the IMF and World Bank (*cri de guerre*: 50 YEARS IS ENOUGH!). This group is well connected globally and lobby for transparency and full accountability of the international financial institutions. They are critical of current neo-liberal economic policy, arguing it is grossly inequitable, unsustainable and environmentally destructive. They seek a 100% cancellation of outstanding debt by severely indebted low-income countries owed to the IMF and WB.

The Network claims that the IMF/WB debt relief PRGF initiative (Poverty Reduction and Growth Facility) is a sham. They state "many poor countries must devote huge portions of their national budgets to paying back foreign creditors (such as the IMF and World Bank) – often for loans that were made to or for dictators, wasteful military spending or boondoggle projects. The poor countries of sub-Saharan Africa, for example, owe more than \$200 billion in foreign debt – three times more than they earn annually in exports. About 20 percent of sub-Saharan African countries' export income (not counting South Africa) goes to service foreign debt" (US Network for Global Economic Justice 2002, www.50years.org). It is argued that as a result domestic economic growth and infrastructure development suffer, particularly affecting the education and healthcare sectors, which form the cornerstones for future progress.

The Network argues that the IMF and World Bank work on behalf of the G7, intentionally disempowering the governments of developing nations and resource rich Third World countries. The enhanced structural adjustment facility (ESAF) is singled out as a favourite IMF/G7 tool. "For developing countries with macro-economic problems such as rampant inflation, poor trade performance, and high indebtedness, the IMF offers ESAF loans, which are low interest, medium-term (5-10 years) loans. According to the IMF, these concessional loans provide financing to help a country meet its obligations in the short run, while in the long run, the economic policy measures attached to ESAF loans will restructure a developing country's economy and pave the way for long-term economic growth.

These economic policy measures are conditions of the loan, and are largely imposed on the developing country by the IMF (and World Bank). Failure to fulfil the conditions results in delays or cancellation of the loan program. The reality of ESAF is that cash-strapped developing countries desperate for money are forced to adhere to strict austerity programs.

Instead of paving the way for long-term growth, ESAF has benefited rich elites and companies in the export sector, while increasing poverty and accelerating environmental degradation.

IMF and ESAF conditions typically involve rapidly removing trade barriers, increasing exports to earn hard currency for debt service, and promoting foreign investment through privatisation and deregulation of labour and environmental laws. As a result of IMF conditionality, multinationals can then enter developing country markets, displacing nascent small and medium sized businesses. Their entry is facilitated by export promotion policies such as tax breaks and subsidies, by bargain basement privatisation sales, and by the lowering of wages through labour market deregulation. Governments are effectively forced to adopt these policies to meet the IMF's strict economic performance requirements.

IMF policies and conditions are largely formulated by the G7 countries, which make up a large portion of voting and influence at the IMF. Voting power at the IMF is determined by the size of a member's economy, and the G7 dominates the institution. IMF policies therefore foster the interests of the world's richest countries while under-representing the world's poorest. G7 corporations benefit from the influence they hold with their governments and consequently the IMF" (US Network for Global Economic Justice 2001, www.50years.org).

Most other international protest/lobby organizations (Jubilee 2000, Institute for Economic Democracy, Mobilization for Global Justice, S11 Alliance, Focus on the Global South, etc) share a very similar point of view.

Fischer (1999), evaluating the financial crises of Mexico 1994, East Asia 1997/8, and Russia 1998, discusses the need to rethink the structure of the international financial system since the breakdown of the Bretton Woods system in 1971. He

observes a growing need for international financial institutions (such as the IMF and WB) to increase and improve their surveillance of global capital flows, and for developing countries to adopt international banking standards, strengthen their national bankruptcy laws and promote transparency in financial dealings. Fischer (1999, www.imf.org) sees a need for lending institutions (IFIs) to incorporate borrowing country “default guarantees” (ie collateral) in lending contracts (letters of agreement) similar to those outlined originally by Walter Bagehot (1873) for a lender of last resort, in addition to significant penalty rates if appropriate. Fischer argues that the traditional IMF accepted collateral, ie the denial of capital market access to countries that would default, is no longer sufficient and should be replaced with internationally acceptable tangible assets, which are considered good during non-crisis periods. This, according to Fischer, would encourage potential borrowers to implement more responsible economic rationalist policies, pro-actively, minimize the danger of moral hazard, and considerably reduce the possibility of financial panic and contagion.

Fischer argues for a strengthened role of the IMF, to act as *the* lender of last resort, selectively lending *only* to countries which meet these new specified standards. If non-qualifying countries were to be considered, Fischer argues that this may only be possible with even tougher policy and asset conditionalities. Fischer was the former IMF Deputy Managing Director (1994-2001) and a committed supporter of economic rationalist policy.

Caufield (1996) describes the World Bank rather than the IMF as the leading lender of last resort, having provided in excess of a third of a trillion US dollars to governments of heavily indebted Third World nations between 1946 and 1996, who can't borrow money anywhere else. She describes the Bank, not as a passive body but one that actively participates in the decision-making process for economic development. "The Bank does much more than lend money; to a *great* degree it also decides how its loans will be spent. It proposes, designs, and oversees the implementation of the projects it funds. It

requires its borrowers to adopt the economic and domestic policies it considers conducive to successful development. Moreover, it has *enormous* influence over the decisions of other funders to support or abandon a project – or a country” (Caufield 1996, p.1-2).

Caufield (1996, p.2) quotes Prof Gustav Ranis (International Economics – Yale University): “Other lenders, public and private, may carp, resent, at times criticize, and occasionally even deviate from (the World) Bank position ... but there is little question that the Bank dominates the scene in virtually every dimension”. Caufield in her research points out that whilst the World Bank focuses on poverty alleviation, its character is formed in part by the international financial markets, which lend it hundreds of millions of dollars and is therefore by necessity a hard-nosed financial institution.

However, not all is well. Caulfield refers to many colossal mistakes made by the Bank (eg the Sardar Sarovar Dam project in India), the burdens of which continue to be carried by borrowing nations today. By the time James Wolfensohn took over the helm of the World Bank in 1995, it was at very low ebb. By that time the US Network for Global Economic Justice had “coalesced around the general view that the Bank has done more damage than good” (Caufield 1996, p.305). Some changes were implemented to make it appear to have a greater social agenda in poverty reduction through education, particularly for women. However, “the fastest-growing categories of Bank lending ... (continue to be) ... loans to the financial sector” (Caufield 1996, p.307). In addition, “the Bank has carved out a role for itself in many major international crisis. It has funded, among other things, demobilization of troops in Uganda, land-mine clearing in Bosnia, and efforts to find alternative employment for nuclear scientists in Russia and the Ukraine. ... The Bank has also been involved in the negotiations over Rwanda, the Middle-East, Cambodia, and Eritrea. On these occasions the Bank acts not as a mere lender but

as a deal maker whose advice and decisions can influence the shape of political agreements” (Caulfield 1996, p.308).

Caulfield (1996, p.338) concludes from her research, “the past half-century of development has not profited the poorest people, nor the poorest countries. Rather, they have paid dearly – and their descendants will continue to pay dearly – for the disproportionately small benefits they have received”. Caulfield points to the collusion between the World Bank and heads of government, who rule without the support of their people, indicating that a combination of bad WB-controlled development policy and client-elite corruption have had disastrous consequences, particularly for the poorer developing nations over the last fifty years.

Other mainstream economists intimately acquainted with the World Bank and the IMF such as Joseph Stiglitz and Jagdish Bhagwati are also sharply critical of the role played by the leading IFIs albeit from different standpoints.

Stiglitz argues that most international financial institutions and particularly the IMF formulate policies not from sound economic analysis and observation but rather from ideology, which then excludes their ability to recognize key facts ‘on the ground’ in countries on the development periphery. With respect to developing nations generally and the positions adopted by the IFIs, he suggests that a free market approach does not lead to prosperity and efficient markets, because in the Third World and developing countries people lack the essential information to make the most appropriate decisions and more often than not, key institutions such as efficient government, financial, regulatory and legal systems, which standard economic thinking take for granted, are absent or grossly inadequate.

According to Stiglitz, the hard-line textbook economics approach (neo-liberal ideology) taken by the IMF to developing countries most noticeably in times of

crisis, has only served to worsen their economic downturns. He frequently cites examples of structural reform demands which include significant tax hikes, elimination of food and fuel subsidies, tariff reductions and abolition of trade barriers, etc all which primarily affect the poor and often destroy nascent domestic industries.

In his recent work “Globalization and Its Discontents”, Stiglitz (2002) argues the IMF deliberately adopts “a cookie cutter approach in which one set of policies is right for all countries regardless of their individual circumstances ... and ... the misguided policies that follow from this curious blend of ideology and bad economics is responsible for worsening – in some cases, for actually creating – the problems it claims to be fighting” (‘Globalization: Stiglitz’s Case’, www.nybooks.com/articles/15630). Worse still, Stiglitz argues that the IMF systematically acts in the interest of creditors “and of rich elites more generally, in preference to that of workers, peasants, and other poor people” (‘Globalization: Stiglitz’s Case’, www.nybooks.com/articles/15630).

Stiglitz is not necessarily an interventionist but argues for a gradualist approach to the implementation of free market principles and systems for developing countries, each step adapted to their particular situation (ie ‘factors on the ground’). He advocates that the poor should not be sacrificed to creditor/donor countries’ interests.

Whilst Jagdish Bhagwati is often critical of Stiglitz and disagrees with his views on the IMF as monolithic and ideological, he nonetheless echoes some of Stiglitz’s concerns when speaking about a similarly powerful international institution ie the World Trade Organization, which is equally subject to the influence of Western financial interests. Bhagwati (2003), as a prominent advocate of free-market systems and globalization is clearly concerned about the undue influence that can be (and is) brought to bear by foreign capital and

multinational corporate interests vis a vis developing nations with respect to the politics of trade. He comments, it is “a maliciously lopsided power play in which the wealthiest industrial nations press the weak to accede to their terms or else get nothing back at the bargaining table, and very possibly lose their access to foreign capital or development aid. ...The developing countries are scared out of their wits, because they don’t understand what they’re being forced to sign. The agreements are going way outside the trade issues and involve things like access to oil, intellectual property and capital controls” (www.businesspundit.com/archives/000588.html). This concurs with Stiglitz view that developing nations’ people lack the essential information to make the most appropriate decisions and more often than not, the necessary key institutions such as efficient government, financial, regulatory and legal systems to protect their sovereign interests.

Ebbs (2002) citing IMF/WB involvement in a host of countries such as Argentina, Botswana, Brazil, Bulgaria, Egypt, Indonesia, Jamaica, Mexico, Russia, Papua New Guinea, South Korea and Thailand, presents compelling data which would indicate these institutions acting on behalf of/and in tandem with Western financial interests (including governments), are significantly implicated in the lead-up to financial crisis in non-OECD countries and in engineering their wealth transfer as part of subsequently enforced structural adjustment programmes. Programmes which ultimately lead to real and lasting damage in both economic and human terms as the developing world’s debt increases beyond repayment capability “ensuring [OECD] access to other peoples’ [non-OECD] raw materials and infrastructure on the cheapest possible terms” (www.feedback.nildram.co.uk/richardebbs/essays/gfinance.htm).

Ebbs outlines the IMF/WB enforced structural reform strategy applied to developing countries in crisis:

- “Privatising and liberalising the economy, including:

- liberalising import controls
- liberalising capital markets
- reducing financial and legal safety nets for businesses
- introducing a payment ethic for social services of all kinds
- Rescheduling existing debt
- Decreasing government spending, by:
 - ending subsidies and allowing the market to regulate prices
 - laying off workers
 - reducing education
 - reducing health care expenditure
- Increasing exports, by:
 - devaluing the currency
 - improving the terms of foreign investment
 - reducing or freeze wages
 - reducing worker power

... which according to data presented by Ebbs shows ...

In 1997 ... total foreign debts of all developing countries > US\$2 trillion and growing;

US\$400 [owing] for every man, woman and child in the developing world where average income ... is <US\$1 or <US\$2 a day;

In 1998 developing countries paid back US\$13 for every US\$1 they received in grants”

(www.feedback.nildram.co.uk/richardebbs/essays/gfinance.htm).

Ebbs argues that what we see clearly is 21st century colonialism and concludes that private capital interest works covertly with IFIs (nb the IMF referred to as their Trojan horse), to ensure that the wealthiest on earth can continue to take from the poorest with impunity. Where once “colonialism was forced upon the poor and the powerless of the world with vast armies, now the means are

the institutions of world trade such as the IMF, the World Bank, the World Trade Organization, NAFTA, and so on”

www.feedback.nildram.co.uk/richardebbs/essays/gfinance.htm).

Sadli (1999) analyzing the Asian financial crisis of 1997 is marginally less critical of the IMF. Whilst his focus is on Indonesia, Sadli does look for similarities with Thailand, South Korea, Malaysia, Singapore and several other neighbouring countries in the Asian region. He makes several key observations pertinent to the crisis:

- (1) the principal weakness in the Asian region leading up to the financial crisis (particularly in Indonesia) had been excessive borrowing by the private sector, establishing (unhedged, unsecured and often speculative) loans in foreign (US\$) denominated currencies;
- (2) when the international suppliers of capital eventually lost confidence in what had been a fast growing region (6 to 9% GDP annual growth rate), the financial crisis hit Asia as large scale outflows of loan, portfolio and other non-equity capital began almost overnight (ie the outflow of capital that is footloose and easily affected by manias and panics) leading to market collapse (“Indonesia in 1997 alone saw capital inflows of US\$10 billion replaced by a massive outflow of US\$12 billion” [Guerin 2004, p.3]);
- (3) once capital supplier confidence was lost, it was almost impossible to regain in the short term and several Asian nations were forced to call on the IMF;
- (4) less autocratic/more democratic regimes are considered more stable (offering better political fundamentals) and are likely to foster better socio-economic-civil society infrastructure (refer Section 2.8), which provides for better development opportunities and protection, facilitating faster economic recovery during periods of crises with less dependence on IMF imposed structural reform programmes.

Although Sadli places considerable responsibility for the crisis on local players, he does not let the IMF and Western interests off scot-free. Sadli (1999, p.21) notes when a country is in crisis, the IMF demands for strict compliance is often absolute to the extent “that national sovereignty can be said to be impaired. For nationalist sentiment this is humbling. ... The IMF prescriptions may also contain a hidden agenda which reflects the values or interests of its major shareholders. For instance, insistence on completely opening up to international trade, that is removal of remaining tariff and non-tariff barriers, which may decimate fledgling domestic companies”.

Finally, Boediono (2001), a former Minister for National Development Planning RI expresses his personal experience with the IMF and the structural reform agenda for Indonesia between October 1997 and July 2001. He believes the severe reforms were necessary to overcome the crisis but observes that the programme’s impact faltered already in the crucial early days as a direct result of President Soeharto’s rapidly waning confidence in the IMF when positive results were not becoming evident soon enough. The public service implementation and administration of the programme also faltered as the president started to search for potentially viable alternatives such as a currency board system. When Soeharto’s declining support for the programme became clear, considerable external pressure was brought to bear by the international community on the president to ensure Indonesia stuck to the reform agenda. Boediono points out how repugnant this pressure was to President Soeharto when ultimately forced to accept the *conditionality* of the IMF programme.

Boediono further explains how under presidents Habibie and Wahid the already significant list of demands for structural reform grew longer until ultimately it reached well beyond the government’s ability to deliver. Boediono reflects on how rifts developed between the government and Bank Indonesia with the bureaucracy paralyzed by uncertainty, and when the push for democratic reform continued unabated the relations between the government and the parliament

ultimately broke down further impeding effective structural reform implementation.

As a final point, Boediono (2001, p.7) stresses the importance of *ownership* of any reform program and observes that this should be “stronger in a democracy than in a more authoritarian state ... but ... in Indonesia today, that premise is not obviously true”.

In summary, there appears widespread acknowledgement that there exists considerable poverty in the world and major inequities in wealth and economic development. The major disagreement focuses on how this poverty and inequity came about and should be alleviated.

On the one hand there exists a Western dominated neo-liberal economic alliance, which incorporates key international financial institutional players such as the IMF and the World Bank, all apparently following a macro-economic approach to global economic development. The institutional players involved are significantly funded and influenced by core alliance members, which are all without exception politically, financially and militarily powerful liberal economic democracies (G7 - G10), and, most of which are former colonial powers. Decisions made and strategies implemented by this alliance are based on a stated belief that sound economic rationalist policies and management will ultimately lead to greater global commonwealth. Exclusion (to capital markets and consequent economic development) is based primarily on non-compliance with the rules of neo-liberal economic discipline. From time to time, the players are forced to recognize that mistakes have been made, to the detriment of developing nations.

On the other hand there are non-government organizations and networks, which stress that the neo-liberal economic approach to (global) economic development, particularly for developing and Third World countries has not only failed significantly to deliver prosperity and growth but has grossly accentuated the

disparity between rich and poor nations and condemned millions of people around the world to perpetual poverty. These organizations are advocating a radical overhaul of current financial and economic systems and call for a more humanitarian approach to economic development *and* in a manner which is environmentally sustainable.

There are also some compelling financial/economic outcomes, which provide a basis for some groups to argue that the contemporary approach to global economic development pursued by the G7 and other key OECD countries is nothing more than a renewed and continued attempt at colonialism and financial imperialism. These groups point out the link between former colonial powers and current G-group key players, former colonial territories and current developing and indebted nations, wealth, income and development disparities between these two, the emphasis on a global free market primarily benefiting capitalist democracies (G7/G10), and the control exercised by the G7 over the IMF and WB, and finance and trade related international institutions.

All approaches appear to capture part of the truth. Lasting economic development and growth cannot be achieved without strict financial discipline. Yet, entire generations should not be sacrificed for desired macro-economic outcomes in what is increasingly becoming a 'consumer' society, nor should they continue to carry the burden for now defunct inappropriate IMF imposed structural adjustment programs and WB controlled aid/development projects gone wrong. No approach is achievable and sustainable long-term with continued environmental degradation. It is questionable whether peace and global prosperity can ever be achieved without a fair degree of equity. However, perceptions and belief of what is the optimal approach to global commonwealth may very well be influenced by a nation's current position within the world economic order and its historical legacy. The point is also made that coercion rankles and a free market approach as promoted by the international financial institutions will not necessarily deliver positive or fair outcomes when imposed on countries with

underdeveloped legal, financial and other institutions, and where people generally do not have access to key information necessary to successfully compete in global and efficient markets.

2.6 Capital and Labour

Some insight into (1) the spirit of capitalism, (2) the relationship between capital and labour, and (3) neo-liberalism, is important to this research project. Because, within the context of economic development, growth and prosperity, it appears that man is dominated by the making of money. Wealth acquisition seems to have become the ultimate purpose in life. Consumption and GDP per capita are often mentioned as leading benchmarks for measuring success. We hear comments that rich countries are better than poor countries and we use terminologies to reinforce this by creating such labels as the Third World. Free market economies are described as clearly superior to closed economies, to command economies. Laissez-faire economics, unregulated capital markets, deregulated labour markets, modern capitalism, aggressive competition, etc appear to be the standard key words of today. We read that the Western free-market economic model is superior to the now discredited Soviet state-managed socialist style economic model. Neo-liberalism has triumphed over Marxism and communism.

But what does it mean and how is it relevant to a better understanding of the key topics under review such as exploitation, colonialism and globalization? The following writers/researchers may provide some insight.

Weber (1971, pp.54-55) exploring the spirit of capitalism, describes the capitalistic economy of today as "an immense cosmos into which the individual is born, and which presents itself to him, at least as an individual, in so far as he is involved in the system of market relationships, to *conform* to capitalistic rules of action. The manufacturer who in the long

run acts counter to these norms, will just as inevitably be *eliminated* from the economic scene as the worker who cannot or will not adapt himself to them will be *thrown into the streets* without a job. Thus the *capitalism* of to-day, which has come to dominate economic life, *educates and selects the economic subjects which it needs through a process of economic survival of the fittest*". This may imply that some individuals (and individual nations) are likely to be excluded or left behind.

Weber argues that the spirit of capitalism evolved over time. Core elements of acquisition, competition and the pursuit of self-interest, whilst always present, were initially publicly just tolerated, then recognised, and eventually celebrated. Indeed, he observes that during the Middle Ages, these core elements would generally have been described as pertinent to the lowest form of avaricious behaviour.

Weber recognizes the double standards between what is said and what is done in the pursuit of capitalism. "At all periods of history, wherever it was possible, there has been ruthless acquisition, bound to no ethical norms whatever. Like war and piracy, trade has often been unrestrained in its relations with foreigners and *those outside the group*. The double ethic has permitted here what was forbidden in dealings among brothers ... Absolute and conscious ruthlessness in acquisition has often stood in the closest connection with the strictest conformity to tradition" (Weber 1971, pp.57-58).

Weber (1971, p.75) emphasizes economic rationalism as a salient and overriding feature of capitalism and links this directly to the necessary subordination, organization, and productivity of labour "labour in the service of rational organization for the provision of humanity with material goods". He concludes that the spirit of capitalism is best understood "as part of the development of rationalism as a whole" (Weber 1971, p.76).

Nye (1988) exploring theories on neo-realism and neo-liberalism comments on the work of Richard Rosecrance (*The Rise of the Trading State*: 1986). He explores the link between war and trade and the theory that increased trade is likely to reduce the chance of war. He observes that, "in the past it was cheaper to seize another state's territory by force than to develop the sophisticated economic and trading apparatus needed to derive benefit from commercial exchange with it" (Nye 1988, p.247). He suggests that future chances for major armed conflict such as WWI and WWII are on the decline as the world is moving away from military-political systems toward economic-political systems, which increasingly subscribe to a neo-liberal philosophy. According to Nye, Rosecrance argues that commercial liberalism and macro-economic issues are the dominant forces today.

Nye argues that large-scale territorial expansion based on pre-1945 colonialism, guaranteed by military-political strength, is now proving far too costly as a strategy for national economic advancement. Though, he still considers military might as very important but more in terms of potential deterrent (terror) rather than actual action. Nye cites nuclear power and technology development as key drivers for the transformed balance-of-power system after 1945, which allowed the USA to become the dominant economic-political actor on the global stage. He also suggests, that Japan was able to become the second largest economy, not through independent action but while sheltering "under the American nuclear umbrella and spending only one percent of its GDP on defence" (Nye 1988, pp.246-247). Nye appears to concur with Rosecrance about the relevance of hegemonic stability theory, previously discussed under the heading of International Financial Institutions (Section 2.5: see Bailin 2001).

Wolfson (2000) researching the Asian financial crisis of 1997 concludes, that, neo-liberal policies and strategies pursued by the G7-group forced key institutional changes in the international financial and economic system, which

eventually were responsible for the Asian financial crisis and the ensuing contagion to Russia and Latin America.

Wolfson (2000, p.370) defines the neo-liberal objective as "the *pursuit* of unregulated markets almost everywhere for almost everything" and identifies five key policy/strategy dimensions:

- financial liberalization
- deregulation of domestic financial markets
- global factory
- investor confidence
- IMF as neo-liberal enforcer

Financial liberalization focuses on the removal of barriers to capital mobility (including repatriation of profits) worldwide. The argument being that this is necessary for maximum investor confidence. A negative consequence however, particularly for countries with low foreign currency reserves (often developing and Third World nations), can be financial fragility when they experience a rapid decline in investor confidence, which may lead to massive capital outflows, extraordinary currency devaluation, and inability to service foreign currency denominated debt.

The deregulation of domestic financial markets allows for foreign financing of domestic markets. When a developing economy becomes over-confident and domestic interest rates are high, the temptation to use foreign currency low-interest loans is great. During the Asian financial crisis in 1997 most of these loans were not hedged, and the ensuing default/inability to service and repay these loans allowed the IMF to dictate structural adjustment programs, by many perceived as undermining the borrowing countries' ability to choose their own continued domestic economic policy direction.

Wolfson (2000, p.376) argues that the global factory strategy directly attempts "to remove government protections for workers, and most other restrictions on business investments ... Production is carried out in those countries that provide multinational corporations with the greatest advantage. These advantages include access to markets and strategic location, but most importantly, low-cost workers". The negative consequence, according to Wolfson (2000, p.376) is an international *race to the bottom*, which, through increased labour supply due to coercive competition, continually "pushes down wages and living standards (particularly for less skilled and poorer workers) across the globe".

Investor confidence, according to the neo-liberal philosophy, can only be achieved through the dismantling of barriers to capital mobility. Hence, if a developing country wants to benefit from global economic growth, it needs to comply with largely G7 directed, and IMF imposed, macro-economic policy initiatives.

Wolfson points out that the fifth dimension to the neo-liberal policy agenda is to ensure the IMF acts in the role of *lender of last resort*. When developing countries get into financial difficulty, the IMF is then positioned to be the neo-liberal enforcer, allowing it to impose macroeconomic policies which cater to foreign investor confidence. In this position, the IMF can successfully require "further extensive market deregulation, the opening up of (domestic) financial markets to foreign investors, and government withdrawal from financial markets and business activity" (Wolfson 2000, p.376).

Wolfson's argument is summarized in the Table 2.2:

Table 2.2: Neo-liberalism Leads to Crisis

Source: Wolfson, M. H. 2000, 'Neoliberalism and International Financial Instability', *Review of Radical Political Economics*, Vol.32, Nr.3, p.377. Available: Curtin University Library and Information Service E-Reserve/dc60046261 [2001, August 1].

NEO-LIBERALISM	LEADS TO	CRISIS
Domestic Deregulation	Foreign Financing of Real Estate, Stock Market	Speculation
Global Factory	Overcapacity	Low Profits
Financial Liberalization	Capital Outflows	Falling Currencies
Investor Confidence Criteria	Restrictive Macro Policy	Ponzi Finance
IMF Policy	Austerity, Free Market	Debt-deflation

Rand (1984) defines capitalism as a social system based on individual rights, moral justification and justice. She writes, "the *moral* justification of capitalism does not lie in the altruistic claim that it represents the best way to achieve the common good (Adam Smith 1776). It is true that capitalism does – if that catch phrase has any meaning – but this is merely a secondary consequence. The moral justification for capitalism lies in the fact that it is the only system consonant with man's rational nature, that it protects man's survival *qua* man, and that its ruling principle is: *justice*" (Rand 1984, www.capitalism.org).

According to Rand (1984, www.capitalism.org), the pursuit of capitalism engenders wealth and "wealth is the result of man's ability to think ... applied to the sphere of production and trade". This ability to think offers man the opportunity to be released from collective mediocrity and create wealth. Rand's beliefs are based on a philosophy of rational individualism (objectivism) and she describes man "as a heroic being, with his own happiness as the moral purpose of his life, with productive achievement as his noblest activity, and reason as his only absolute" (Rand 1984, www.capitalism.org).

It should be noted that whilst objectivists appear to advocate laissez-faire capitalism, they also assume this system will ultimately protect each person's right to life, liberty and property through institutions of civil society and appropriate limited government. Global economic data, human rights abuses, hunger and armed conflict would suggest the objectivists' view of capitalism is an ideal to strive for rather than an existing political-economic reality.

Petras and Veltmeyer (2001) explore the dynamics of change with respect to capitalism and its influence over labour. They argue that by the 1960s the role of the government as an agent for industrialization, modernization, and responsible social redistribution of market-generated income, based on full employment, had come to an end. They explore the growing power of the transnational corporation (TNC) with respect to (1) the relocation of labour-intensive industries to countries offering significantly cheaper labour and less stringent labour laws, (2) the increasing financial deregulation and internationalisation of capital markets, and (3) the falling share of national income accruing to labour.

Using 1994 UNCTAD data, Petras and Veltmeyer (2001, p.15) observe that by 1980 "the world's top five hundred TNCs had an annual turnover exceeding \$3 trillion (US dollars), equivalent to almost 30 percent of gross world production and an estimated 70 percent of international trade. According to UNCTAD, 50 percent of these operations, in terms of their market value, did not involve the world market but consisted of intra-firm transfers".

To highlight the effect of financial deregulation and internationalisation of capital markets with respect to a shifting balance between productive capital (investment to extend trade and expand production) and speculative capital (investment capital without any productive function), Petras and Veltmeyer again quote from 1994 UNCTAD data. They observe, that with respect to speculative capital transactions "from the mid-1970s to the early 1990s the daily turnover of the foreign-

exchange markets climbed from \$1 billion to \$1.2 trillion a day, close to twenty times the value of daily trade in goods and services” (Petras & Veltmeyer 2001, p.15). They also quote Joel Kurtzman, the editor of the Harvard Business Review, who estimates that “for every US dollar circulating in the real economy, \$25-50 circulates in the world of pure finance. Less than five percent of circulating capital has any productive function whatsoever” (Petras and Veltmeyer 2001, p.15).

This increasing control over labour by the TNC and the overwhelming deregulated and speculative function of (international) capital, have significantly altered the relationship between capital and labour. Petras and Veltmeyer consider the dimensions of this relationship as highly volatile and comparable to those of a world war. “The campaigns and battles in this war can be traced out at the national and the global level in political terms, and structurally in the reduced share of labour (wages) in the benefits of economic growth (income). Since the widespread implementation of neoliberal programs of structural adjustment in the 1980s, the share of labour in national income has been drastically reduced” (Petras & Veltmeyer, p.17).

Petras and Veltmeyer argue that capital has consistently waged an assault on labour, which ultimately has reduced labour’s capacity to negotiate fair contracts and fair returns, particularly for less skilled workers in developing and Third World countries. They conclude that financial imperialism by the G7 group is alive and well and still gaining ground but offer a “collective project of economic and social development” (Petras & Veltmeyer, p.175), akin to a viable socialist economy, which includes the state as the key building block, to counteract the current inequities, believing it could lead to a fairer, more integrated and sustainable society.

Schwartz (1995) analyses John Roemer’s work (Exploitation, Force, and the Moral Assessment of Capitalism – 1987), where the notion of freedom, so crucial

to Karl Marx (Das Kapital - 1867), is replaced with the notion of justice. According to Schwartz, such an approach has the potential to obscure the coercive force which capital exercises over labour and diminishes the link between capitalism and its inherent aspects of unjust inequality.

According to Schwartz, Roemer, in contrast to Marx, argues that capitalism is not morally objectionable. Roemer argues that for capitalism to be defined as objectionable and exploitative of labour there needs to be a valid and feasible "morally superior alternative" (Schwartz 1995, p.1), which he recognizes does not exist but suggests could be a form of "democratic market socialism" (Schwartz 1995, p.14).

Schwartz observes that, Marx defined the exploitative nature of capitalism on the basis of labour theory value, which refers to an unequal (value) exchange of labour for goods. Roemer dismisses this theory on the grounds that capitalism could very well be defined as exploitative and labour as exploited but not that capitalism is the exploiter of labour. Roemer defines any differential value (between earning and purchasing power based on labour; and acquisition and sale prices with respect to profit) in terms of pure surplus transfer theory and not exploitation.

Schwartz suggests that for Marx, any surplus transfer (in value) from labour to capital is unjust, because the coercive strength of capital inevitably makes such transfer *forced*. Roemer on the other hand suggest that labour (people) should only receive what it justly deserves. For him, justice is the key concept, not exploitation. Exploitation only becomes relevant if the individual is unjustly rewarded.

This raises a number of unanswerable questions with respect to '*what individuals justly deserve*', such as: If labour should be rewarded on the basis of skill level, how is this justified in terms of equity of access to enabling financial resources,

education, work opportunity and mobility?; What about inherited talent, disposition, property and wealth?; etc.

Schwartz observes that Marx clearly rejected any appeals to the notion of justice under capitalism. For Marx "what's wrong with exploitation is that it involves unnecessary unfreedom because surplus transfer in class societies takes place under coercive conditions. Marx rejects as ideological the view that the only force that brings capitalist and worker together is the private interest of each constrained only by their own free will. On the contrary, the free labourer agrees, ie is compelled by social (socio-economic) conditions to sell his very capacity for work, for the price of the necessities of life. The coercive social conditions in question are those which ensure that the worker has nothing to bring to market but his capacity to work, his labour power" (Schwartz 1995, p.2). Whilst this may no longer appear to be the absolute case for labour in the developed world, it may very well ring true for workers in developing and Third World countries, particularly in the absence of credible social security safety nets and accessible effective private property laws.

Coronil (2000, p.352) in his critique of globalcentrism (published together with a variety of other essays discussing millennial capitalism and the culture of neoliberalism), observes that most scholarly accounts describe globalization as the "intensified manifestation of an old process of transcontinental trade, capitalist expansion, colonization, worldwide migrations, and transcultural exchanges, and that its current neoliberal modality polarizes, excludes, differentiates ... and ... unites (the world) by dividing (it)".

Coronil's (2000, p.353) own research attempts to trace some links "between the colonial past within which capitalism evolved and the imperial present within which neoliberal globalization has gained hegemony". He finds that the familiar but ageing geopolitical map of the world (ie the three-worlds scheme; notion of East and West / North and South, etc) is being redrawn by the influences

of increasingly advanced systems of communication and production, the changing balance between the sovereignty of nation-states and the internationalisation of their economies, the growing polarization in wealth between and within nations, and "the concentration of power in transnational (corporate) networks" (Coronil 2000, p.353).

Coronil (2000, p.353) argues, the newly emerging map shows that human and natural resources, initially considered external domains to be colonized by capital, increasingly appear "internal to it, ...and ... subjected to its hegemonic control". He argues that the historical concept of Western dominance (500 years) is being replaced by one of "*planetary economy*" as the cultural dominant, reflecting an "emerging imperial cartography of modernity occluded by increasingly abstract modalities of domination" (Coronil 2000, p.354). Abstract in so far that these refer to the cultural dominant of a global free-market capitalist economy, unspecified by singular location or dominated by a European/Western power.

Coronil thus frees capitalism from its limited Euro-centric colonial past and links it to the evolving superiority of the free-market economy, insensitive to issues of race, colour or creed.

Wolff (1999) examines the efficiency argument put forward by liberals and neoliberals with respect to economic growth and the control and distribution of resources in society. He is critical of the claim that "economic progress will be greater (1) the more free markets (rather than other mechanisms) distribute a society's resources and products and (2) the more productive resources and products are owned by private individuals or corporations (rather than say, by states)" (Wolff 1999, p.72).

Wolff bases his critique on the fact that the efficiency argument is too simplistic and likely to lead to less than optimal outcomes because efficiency arguments

presuppose that one can measure absolutely the consequences (cost and benefit, economic and social) of any act, event, or process in its entirety. According to Wolff (1999, p.74), this crosses the boundary from realistic into the fantastic and he questions "how can liberals or Neoliberals be sure that the effects they designate and measure as important are so without having compared them to *all* the other effects? If they have failed to identify and/or measure one or more effects, the possibility exists that those they missed may be more important than those they have included; that possibility undermines their efficiency claim". However, he points out that, proponents of state and collective allocation also fall into this very same trap.

Wolff (1999, p.74) observes that neither side challenges the presumptions that "a set of conditions can be traced to a single cause within a complex social totality and that all or most social effects of an economic event can be known and measured to yield efficiency conclusions" and questions why the major forces in society continue to accept such flimsy methodology and economic philosophy.

Capitalism as a system is not criticised by Wolff but rather the limited efficiency argument pursued by the proponents of private (*free market*, with a greater focus on economic efficiency) and state (*managed market*, with a greater focus on social justice and equity) forms of capitalism. When either proponent is dominant, the efficiency argument is likely to lead ultimately to an extreme problem (social cost) requiring adjustment, which then swings the pendulum the other way and so on. Wolff argues that the liberal right, Neoliberals, Keynesians, democrats, socialists, communists, etc are all capitalists but simply favour different degrees of state capitalism.

Wolff (1999, p.80) concludes that continued class-blindness (ie the systematic ignoring of "how surplus labour is produced, appropriated and distributed" with respect to issues of global equity and economic exclusion), the ongoing

simplistic acceptance of the efficiency argument and failure to honestly state what kind of *global* socio-economic organization (society) will continue to detract from the opportunity that capitalism offers for more equitable global commonwealth.

Ursell and Blyton (1988) discuss the growing efforts, since the 1970s, by employers (conglomerate capital) and the state to emasculate labour's influence. They cite in detail examples of falling union membership and reduced impact of organized labour as the result of legislation; the continued government and employer advocacy of lower wages based on the premise that these contribute to lower inflation and higher levels of employment; and the competition between governments to create financial/economic incentives which encourage multinational companies to play off one against the other. Additionally, Ursell and Blyton argue that the international footing of finance capital today, the ever more significant advances in technology, and, labour segmentation and promotion of sectional interests (blue-collar, skilled, and professional) rather than general working class interests (the employed) by organized labour have also been powerful determinants of labour's decline.

Ursell and Blyton conclude that state and employer strategies towards the end of the 20th century are excessively focused on the deregulation of labour and the pursuit of economic efficiency via intensified market competition. The consequence they predict is that workers will increasingly be forced into "secondary labour markets or redundancy ... and, unable to afford property will ultimately be ... disenfranchised" (Ursell & Blyton 1988, p.192).

Ursell and Blyton (1988, p.194) view the cooperation between state and employers as an accommodation of shared interests in the preservation of the necessary political integrity of territories and continued access to sources essential to economic enterprise such as "raw materials, production locations, labour power, consumers and investment opportunities". On a world scale, Ursell and Blyton (1988, p.199) argue that these shared interests continue to support

external (capital) imperialism as well as "internal imperialism on a national scale". They appear to conclude that labour's influence on capital is rather sporadic and uneven.

In summary, the issues surrounding capital and labour are complex. The road travelled (primarily by Western society) from mercantilism to colonialism, to imperialism and globalization, certainly appears to have favoured capitalism as the preferred system for economic development and growth. That capitalism has led to the greatest common good also appears to be true for the citizens within Western democratic societies, especially today with well-developed public/private infrastructure facilities, social services, and welfare safety nets. Valid arguments can however be found that, capitalism has been less beneficial for the developing countries and the Third World. And so, the question remains whether or not (the spirit of) capitalism can or will ultimately benefit all citizens and nations of this world on an equitable basis and within an acceptable trans-generational timeframe, or, whether it will forever lead to a policy of economic exclusion for those unable to meet the challenge of continued aggressive and competitive behaviour in the (global) market place.

Important too is the *efficiency argument* and recognizing it as a possible blind spot for all types of capitalism. The literature suggests a lack of acknowledgement and political will to recognize the complexity of social organization with respect to measuring the cause and effect of specific acts, events and processes, even more so when considered on a global scale. Whilst in Western democratic societies labour has undoubtedly prospered, an increasing reconciliation between the interests of state and those of conglomerate capital are also increasingly pushing the less skilled and more dependent worker into the secondary labour market and/or long-term unemployment, causing growing disparities in wealth, disenfranchisement, and an overall decline in equitable access to opportunity for economic advancement.

The notion of ‘planetary economy’ as the emerging cultural dominant is worthy of consideration too, because it offers a possible opportunity to view competitive behaviour in the global market place without the constraints of local historical and cultural bias.

Finally, other issues not touched upon in this written review of capital and labour but equally important, are: (1) the meaning of free market/free trade (free, fair, or fettered?) and protectionism; (2) the impact of corruption and the creation of moral hazard with respect to economic development (complicity and culpability of lender and/or borrower?), and; (3) the silent and structural power of capital (responsibility for profit or/and the common good?; and the impact on civil society?).

...”The single most significant challenge and barrier to economic development and growth in the Third World is the AIDS crisis. AIDS as in *aid income deposited in Switzerland* by the powerful decision-makers in our society”... (Prof. David Grayson – 27 June 2002 – quoting a remark made by a local presenter at the *Africa Development Forum 2001*)

...”The central pressure point of (free trade) negotiations is agriculture. It’s the most heavily protected market in the rich countries, and it’s the main export of the poor countries. That makes agriculture the most promising field for poor countries, and also the biggest competitive vulnerability of the rich.

Consider this: half of all the world’s poor live on farm incomes, according to the OECD. The rich countries, led by Japan, the European Union and the US, spend some US\$300 billion a year subsidising their farmers to grow uneconomical crops. And they make sure their farmers are paid an overall average of 31 percent more than the world market price for what they grow, according to the OECD. But underwriting all this uneconomical output gluts world markets and depresses the price of farm exports for everyone else... Brazil’s ambassador to Washington, Rubens Barbosa, laughs rather bitterly as he says: *The US tells us that the price of free trade is restrictions. The problem is that we are the ones who have to pay that price*”... (Hartcher, P. 2002: Bush betrays world’s free-trade expectations: The Australian Financial Review; 2002, June 25; pp 1,67)

2.7 Nationalism

The concept of nationalism is relevant to this research project as a possible mediating influence on perceptions of G7 behaviour by Indonesian business

leaders. Relevant, because nationalist sentiment can reasonably be expected to rise when foreign domination of domestic policies and market place (including a nation's ability to compete internationally) is experienced, and accentuated if accompanied by significant and visible economic hardship.

Wallerstein (1980) specifically identified the influence of nationalism with respect to core-periphery competitive behaviour in the global market place. When discussing the influence of nationalism, or the culture of nationalism, he observed that "national cultures are precisely arenas where resistance to hegemony occurs, where appeals are made to the historical values of established 'civilizations' *against* the temporary superiorities of the market" (Wallerstein 1980, p.65). In this instance, Wallerstein identified the market as the global arena, dominated by a perceived Western (ie European – post colonial) centred system.

Nationalism is worth exploring because it may reflect a search or need for identity and dignity, particularly in a global market place based on aggressive competition and economic rationalism. The question also needs to be asked, if nationalism is indeed a reaction against the superiorities of a competitive market place, whether it is a positive and enabling force or destructive in the longer term. Also, is it compatible with a global capitalist economy?

For example, McCormack (1999) focuses on the post-colonial period in Indonesia and argues that the dualistic demands of capitalism and nationalism are non-complementary. He points out (with reference to the work of Chase-Dunn 1980 – 1990) that in a modern world-systems environment, semi-peripheral states such as Indonesia, attempt to become more like the core, by "engaging in core-like activities" (McCormack 1999, p.60). The western-centred core however, as the predominant participant of the global capitalist system, also ensures the maintenance of its own position relative to that of the emerging participants. The debate on tariff and trade barriers at the WTO Seattle Conference (1999), in favour of core countries, attests to this. Also, strategies by weaker participants, which are limited too much by nationalistic priorities, automatically reduce their

chances for better economic outcomes. McCormack (1999, p.51) refers to this as "the on-going struggle between (the opposing) forces of nationalism and capitalism".

Hence, the following review will explore the meaning of nationalism, possibly as a transitional integrating phenomenon, and how it may affect issues such as individual and group identity, dignity, culture, sovereign-state competitive ability, etc in a global and competitive world.

Anderson (1991, p.24) reflecting on the origin and spread of nationalism suggests that the concept of nation (one's ability to think 'nation' and feel a sense of belonging and connectedness to that nation) is based on a "shared idea of simultaneity-cross-time" and reflected in events "measured by clock and calendar" (Anderson 1991, p.24). Anderson provides early examples such as that of the Christian world, where concepts such as the Christ story, Divine Providence, eternity, etc, allow individuals to feel connected to a greater whole (nation, culture, larger group) without actually ever meeting or knowing most other participants.

Anderson (1991, p.30) argues that far-reaching communication media such as the Bible, newspapers, novels (and we would add television and Internet) play a crucial facilitation role in the formation of such nationalist sentiment (this strong sense of connectedness), "fusing the (described and imagined) world inside the story with the (personal, actual and experienced) world outside". To illustrate his point, he refers to the story of *Semarang Hitam* written by the ill-fated Indonesian communist-nationalist Mas Marco Kartodikromo in 1924. In this story, rich in detail, a young man reading the local newspaper comes across an article entitled 'Prosperity – A destitute vagrant became ill and died on the side of the road from exposure'. "The young man was moved by this report. He could just imagine the suffering of the poor (Indonesian) soul as he lay dying on the side of the road. One moment he felt an explosive anger well

up inside. Another moment he felt pity. Yet another moment his anger was directed at the (Dutch-Colonial) social system which gave rise to such poverty, while making a small group of people wealthy” (Anderson 1991, p.32).

In the story, Anderson (1991, p. 32) points out that “we-the-Indonesian-readers are plunged immediately into calendrical time and a familiar landscape; some of us may have walked those sticky Semarang roads ... a solitary hero is juxtaposed to a (familiar) socioscape described in careful general detail”. Anderson (1991, p.32) observes that the ‘young man’ “*means* a young man who belongs to the collective body of readers of *Indonesian*, and thus, implicitly, an embryonic Indonesian imagined community”. Similarly, the same paper will carry stories about groups *external* to *our* world, stories about events in Europe, Africa, USA, etc. which are independent but calendrically linked to our own.

Anderson (1991, p.35) concludes that this experience of the reader (and/or television viewer, Internet user, etc) is “replicated by thousands (or millions) of others of whose existence he is confident, yet of whose identity he has not the slightest notion”, forming part of regular mass ceremonies. As a consequence, the individual is “reassured that the imagined world is visibly rooted in everyday life ... and so ... fiction seeps quietly and continuously into reality, creating that remarkable confidence of community in anonymity which is the hallmark of modern nations” (Anderson 1991, p.36).

Reicher and Hopkins (2001) struggle with the concept of nationhood and nationalism. They refer to its apparently chimeric quality and compare it to an old rhyme: “I saw a man on the stair and when I looked he wasn’t there ... He wasn’t there again today, I do so wish he’d go away” (Reicher & Hopkins 2001, p.7).

Reicher and Hopkins discuss the idealist view of nation and nationalism, one that is defined by *volksgeist* (a shared common spirit), common language, customs, legends, etc. The idealist view assumes a trans-historical spirit, evolving but distinctly stable and unique. They also explore those who take an opposite view and argue that the concept of nation and nationalism is more fluid. Opponents to the idealist view argue that, historically, territorial boundaries are changing over time, languages may be shared but can reflect very different cultural identities (eg Portugal – East Timor, Scotland – USA, China – Singapore, etc), ethnicity is an evolving notion and therefore no indicator of national identity, etc. Similar points are raised by opponents to the idealist view about economy and national character. Defenders of the idealist view argue that tangible outward changes are only signs of the *volksgeist*. Such changes as their opponents refer to "emanate from the national spirit but they don't constitute the essence of the nation" (Reicher & Hopkins 2001, p.10).

Reicher and Hopkins explore the work of Kedourie (1960), a modernist who argued that nationalism was a nineteenth century European invention. Kedourie considered the concept of nation/nationalism in the light of social organization and believed it arose "out of the economic, social and political change wrought by the Industrial and French Revolutions. This had two sets of consequences. The first had to do with developments within the major industrial powers such as the break up of self-enclosed communities, the break down of old cultural differences (including linguistic differences) between the elite and the populace, and the rise of the modern state with its attendant institutions and processes of social control. This allowed for the emergence of a new form of community which transcended traditional parochial loyalties.

The second set of consequences had to do with the relationship between centre and periphery. Essentially, those elites on the periphery needed to mobilize the population in their locality in order to resist the crushing weight of metropolitan imperialism ... the middle classes needed to invite

the masses into history and the invitation had to be written in a language they understood – or rather, a language in which they were included. That language was nationalism” (Reicher & Hopkins 2001, p.11).

Reicher and Hopkins also explore Montesquieu’s (1752) notion of *esprit general*. “According to Montesquieu, the national whole (nation/nationalism) has a threefold nature: it is historical, it is a layering of diverse causalities, and it provides the conditions for its own transcendence into more inclusive categorizations. So, rather than emphasizing totality within the category and exclusion of those beyond it, Montesquieu sees the nation as a series of differences and it embraces otherness” (Reicher & Hopkins 2001, p.12).

Whatever one’s point of view, underlying every different definition of nationhood and nationalism is the required act of national imagination in which people see themselves as having something in common with those they consider compatriots. Indeed, Reicher and Hopkins appear to conclude that, the concept of nation is best defined by imagined community, subject to a process of constant change and changing constructs of understanding. Change considerably affected by evolving national interests and international relations, particularly with respect to the notion of “treatment of (and by) others” (Reicher & Hopkins 2001, p.98).

Yamamoto (1999), reviewing papers presented at the 1996 ISA-JAIR conference which explored Asia’s search for a role in the 21st century, emphasizes that Asia remains a world of strongly guarded nation-states. He points out that, as a consequence of more than 50% of the national capital formation in Asia coming from *foreign* direct investment, issues such as the preservation of cultural identity and norms (perceived to be under threat by many) are considered very important and influential in how Asia relates to the non-Asian world, as well as to regional and global institutions.

In assessing Asia's role, its concern for preserving Asian values (Lee Kuan Yew) and its behaviour to outsiders, Yamamoto rejects Western based conflict-prone theses such as Samuel Huntington's *clash of civilizations*, both on normative and empirical grounds. Yamamoto (1999, p.2) argues, that Asian culture tends "to support mutual understanding between different cultures". He does however acknowledge that some significant clashes (internal to the region) do occur and cites conflicts between Christians and Moslems in Indonesia and the Philippines as examples. It is also interesting to note that Yamamoto considers protection of cultural autonomy important, because he defines Asian regional identity as very weak.

Yamamoto suggests the strength of Asian identity may be different (stronger) at sub-regional, national, and provincial-local levels because of a need, which arose out of the historical exploitation/domination experience at the hand of Western powers. He refers to an argument put forward by Hall (1996), that a much needed "Asian national identity comprises the basis of the current nation-state system. Most Asian countries have experienced colonization and (as a consequence) have tried to *forge* nationalism (collective national identity) even though it is based on an imagined community" (Yamamoto 1999, p.5). For Asia, Yamamoto interprets Hall's argument to mean, that collective identity today is necessarily a one-dimensional concept, primarily based on the sovereign nation-state or territory. If regionalism were to become the basis of the international system, only then should collective identity shift from the nation to the region.

Yamamoto questions whether Hall's argument is flawed, as he observes that identity is fluid and evolving, affected not only by space (territory) and group of people (nation) but also by norms (principles). He suggests, these factors interact continuously and with different force, forming *varied* expressions of nationalism, constantly generating new national policies. Interpretation of nationalism also depends on the level of analysis, international (global), regional, national, and

sub-national. Additionally, Yamamoto convincingly suggests that interpretation is affected by whether we take a political-strategic perspective, economic perspective, or a culture/identity perspective.

Yamamoto's (1999, p.7) observations are informative and he reminds the reader that Asian opinion and interpretation of nationalism is not a homogeneous one, ie "Asian opinion towards other Asians is diversified" and accordingly their perspective on inter-national and intra-national relations complex.

Kamo (1996) explores changes in behaviour of subnational, national, and transnational players with respect to competition and cooperation since the demise of the Cold War. He distinguishes between cyclical changes in power relations between nation-states (without fundamental changes in national foreign policy behaviour) and significant international political-economic changes leading to lasting national behaviour changes (thereby altering the nature of the international system).

Kamo's first analysis relates to significant changes at unit level only, within the international system, a kind of rise and fall of great powers theory (eg fall of the USSR and emergence of USA as sole superpower). He quotes the view of Professor Kenneth N. Waltz (1993), a distinguished neo-realist, that power relations between nation-states are subject to cyclical changes because "the basic structure of international politics continues to be anarchic, without any fundamental transformation of the nature of the international system" (Kamo 1996, p.13). Partially, because "nation-states are always giving priority to their concern for relative gains rather than their concern for absolute gains" (Kamo 1996, p.13). According to Kamo, the weakness of this approach is the focus on statism and balance of power issues without reference to any real concepts of nationalism.

Kamo's (1996, p.14) second analysis concerns an 'end of history' approach (Fukuyama 1989), ie "the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government". Where economic and political liberalism have become the driving forces, and their rivals "religion and nationalism" (Kamo 1996, p.14). This analysis recognizes a drift towards an increasingly dominant global common market (a planetary economy), influencing world politics. This approach suggests an evolution of the concept of nationalism and national behaviours into a form of "multilayered, polycentric, interdependent, non-zero-sum type" (Kamo 1996, p.15) internationalism. Whilst an attractive theory, Kamo suggests, that persistent subnational, national, and transnational forces clearly visible in the history of contemporary European integration makes this explanation also incomplete.

Kamo suggest one should distinguish between the nation-state (in terms of sovereignty) and nationalism, as separate but complimentary concepts. In support, Kamo (1996, p.20) quotes a British sociologist (Professor Anthony D. Smith 1995) "to pool sovereignties is not the same thing as fusing culture or amalgamating identities". He looks at Asia (China in particular) to make this distinction and also focuses on the question whether socialism as a philosophy of ideological economic fairness can be balanced with (inter) national market capitalism. He indicates that there may be a link between growing disparities in wealth and rising nationalist sentiment on all three levels (sub-nat-internat). Kamo appears to suggest that interdependence with a genuine focus on common interests within and between nations (through a process of democratization and equitable economic assistance/exchange) is supportive of a stable international system whilst respectful of national identities.

Suryadinata (2000, p.38) writes "nation-building in Indonesia started in the period of Dutch colonialism, especially during the Indonesian nationalist movement before World War II". He observes that it is an uneven ongoing

process, unifying when the aim was independence but now potentially destructive as a result of the globalization of the Indonesian economy. Self determination (political *and* economic) being at the heart of nationalist sentiment.

Suryadinata (2000, p.38) examines the rise of Indonesian nationalism, "its nature and its relations with Western colonialism ... and whether ... globalization is destroying the concept of a modern Indonesian nation". He suggests Indonesia is a unique and complex case as it is made up of at least 250 different ethnic groups, all of which have a different homeland to identify with, *within* Indonesia. "Six groups represent 75.5% of the Indonesian population:

- Javanese 45%
- Sundanese 5%
- Madurese 7%
- Minangkabau 3.5%
- Buginese 3%
- Balinese 2% (all others, less than 2%)

Then, there are the foreign ethnic groups:

- Chinese 3%
- Arabs
- Indians

And at least six major religions:

- Islam 87%
- Protestantism
- Catholicism
- Hinduism (Bali)
- Buddhism
- Confucianism" (Suryadinata 2000, p.39).

Too is worth noting that the Indonesian archipelago consists of over 13,000 islands, roughly half of which are inhabited. Communication and transport are therefore also important issues with respect to unification and national sentiment.

Suryadinata (2000, p.39) argues that, "it was Dutch colonialism which provided the various ethnic groups with a common (*unifying*) experience. When these ethnic groups were under Dutch political rule, some of them received Western (Dutch) education and lived under the Dutch administration as well as its economic system. The modern Indonesian nation is a product of the nationalism which emerged as a *reaction to Dutch colonialism*". Prior to the Western colonial experience, only concepts of local kingdom (*kerajaan*) and ethnic group (*bangsa*) existed.

Today, Suryadinata states that Indonesia is subject to the forces of global market capitalism, both as an active participant and passive victim. Where the concepts of Indonesian political and economic sovereignty are now challenged by globalism, he observes rising ethno-nationalism replacing the now more traditional Indonesian nationalism and with destructive effect. Because the Indonesian nation-state is so new and in many ways still in a formative mode, as a concept it is far from finalised and still considered vulnerable and problematic.

Suryadinata appears to identify separate issues of national identity expressed through (1) nationalism as a *reaction* to colonialism (based on the imagined concept of a sovereign nation-state); (2) nationalism with respect to *building* a nation-state (choice of unifying language, religion, Pancasila as national ideology, national institutions, etc); (3) and nationalism as an *integrative process* with respect to accepted values and behaviour (*élite* and general) within the nation-state, including equity issues and distribution of resources.

Suryadinata (2000, p.65) concludes that, "the decline in central government authority and the economic crisis in Indonesia are the two major

contributing factors for ethnic conflict and potential national disintegration". Both deeply influenced by a persistent inequitable distribution of power and resources at home and the impact of external world economic and political forces affecting Indonesia.

Salleh (2000, p.132) exploring the challenges to Malay nationalism finds that "globalization has reconstructed ethnicity and ethnic nationalism the world over". He cites examples of what is happening in Indonesia as comparison, where ethnic nationalism is producing mass violence and untold hardship.

Salleh explains that early forms of nationalism in Malaysia, was a reaction against British colonialism and alien migration of Chinese and Indian peoples. Indigenous Malays rallied early on under the banner of the Kesatuan Melayu Muda (Young Malay Union), a direct forerunner of UMNO (United Malays National Organization). This political organization directly questioned "British colonialism and the threat this posed to the Malay people" (Salleh 2000, p.133). In parallel, after independence, Chinese ethnic nationalism was also awakened and posed a competitive threat to indigenous Malay nationalism. Ultimately, the Malay leadership "turned Malay nationalism into an instrument for accumulation and concentration of corporate wealth in the hands of the few. In the process they compromised the position of major symbols of Malay nationalism, such as Islam, the Malay-dominated education system, and the Malay language" (Salleh 2000, p.133).

When exploring the origin of Malay nationalism, Salleh identifies two distinct forces. A conservative force made up of an English-educated Malay elite (primarily senior bureaucrats and Malay aristocracy) and a radical force of Malay-educated individuals (mainly teachers, both secular and religious). The focus of their nationalism varied, the first force primarily interested in preserving the Malay economy and indigenous primacy under some form of continued British protection against the growing strength of immigrant communities (Chinese), the

second force with similar economic interests but from a distinctly anti-colonial platform and pushing for full independence.

Salleh makes an excellent case for the complexity of nationalism. He clearly identifies the mediating, competing and evolving influences such as the desire for independence, preservation of economic privileges, competing ethnic agendas, control for corporate wealth, access to political power and legitimacy, etc. Today, national sentiment continues to change and is considerably affected by globalization. Salleh (2000, p.167) observes, that presently "Malay nationalism has become focused on economic pursuits and has created an aggressive culture of wealth accumulation, with a tendency for it to be concentrated within a closed circle of wealthy Malays". The majority of the population however remains relatively deprived of genuine commonwealth and access to opportunities for a better life, a situation somewhat similar to Indonesia although less acute.

Pandian (1999, p.345), exploring the concept of anti-colonial nationalism within a *modernity vs tradition* paradigm, observes that "colonialism, an economic and cultural project underwritten by modernity, rendered impossible modernity's claim to universality. The colonial rule of difference, whereby the so-called 'not-yet-modern' native and the 'already modern' colonizer were set in an unequal encounter, is a necessary condition for colonialism to legitimise violence and perpetuate its life. After all, without the 'not-yet-modern', the identity of modernity will not be available. As much as the colonial rule of difference, the anti-colonial nationalism too, even while arguing nationhood as universal, sought its self-definition in difference". Could a parallel be found within a 'already developed neoliberal world vs a dependent 'not-yet-developed' Third World paradigm?

Pandian argues that an unequal balance of power and attempted cultural transfer from the metropolis (the 'already modern' colonizer) to the periphery (the 'not-

yet-modern' native) are the critical factors in the development of nationalist sentiment and resistance to foreign hegemony. Both sides aiming, to tilt the balance in their favour by silencing, deligitimizing, disciplining, controlling and resisting the other in pursuit of personal (local, national, regional, etc) agendas. He notes a similar process also happening between group identities (disparate and competing powers) *within* the metropolis and periphery.

Pandian (1999, p.348) identifies many early references (Rajagopal 1921, Gopalah Aiyar 1922, etc), which "mark out the domain of culture as the domain of resistance to colonialism" to ensure that "the cultural essence of the nation (would not be) lost to the West" (Pandian 1999, p.349). Already in those times, it was noted in Asia that individualism was gaining ground and identified with colonial domination. Nationalism (Indian, in this instance) represented the *national self*, and was considered "superior to the ideology of self-interest that was integral to the colonizers' world-view" (Pandian 1999, p.350). Correctly though, Pandian cautions against an assumption that a nation's culture can implicitly be considered homogeneous. He cites differences in Tamil culture, as one of many examples within the Indian nation. The unifying factor for truly national resistance is more likely to come from the common shared experience under colonialism or foreign hegemony of any kind (economic, political, cultural, etc).

Gelber (2001) explores nationalism as a pattern for socio-political construction within the context of European colonialism in Asia. He identifies 17th/18th century Europe, when the nation-state became a sovereign community in terms of "cohesion and capacity for common action" (Gelber 2001, p.3) to create new systems of social organization, as the moment of triumph for nationalism. A nationalism, not in the more traditional sense, of history, ethnicity and culture but, of "administrative expansion and centralization of the state and the promotion of a common language and educational system ... producing ... social energies and efficiencies which helped to energize not only

Europe's own wars but its overseas expansion" (Gelber 2001, p.3). Gelber writes about the impact of European domination on overseas territories and the belief in Europe's *right to rule*.

Later, the advantages European nations gained from the pursuit of scientific rationalism, industrial revolution and military sophistication further strengthened European national sentiment and the urge to civilize the so considered 'not-yet-developed' world. Eventually, European dominance was beyond challenge. Europe's achievements were "accepted by almost all the colonial peoples, as proof of the superiority ... of the culture of the colonial power. The white man, whether in law, in administration or on the battlefield, had demonstrated his natural superiority and therefore clearly had a right to rule" (Gelber 2001, p.4).

Ultimately, such moral justification of empire was questioned from within Europe and Gelber notes that colonialism was recognized to violate the key human values of freedom and social justice, which were supposed to be universal. The learning process (voluntary and imposed) in the Asian colonies, which had spanned conservative revival, assimilation and co-optation in governance to forced socio-economic development, now generated an Asian nationalism in *reaction* to colonial oppression. By 1945 most colonial territories had become sovereign nation-states. However, Gelber notes that the concept of right to self-determination and self-government remains far from being universally held and cites China, India, Russia, Nigeria, etc as examples of contemporary dissent.

Gelber also focuses on a useful distinction between sovereignty and independence. He argues these are comparative notions rather than absolute ones, as all states are interdependent. "A state is sometimes said to lack independence or 'sovereignty' if it is *economically or politically dependent upon others*" (Gelber 2001, p.214). He explores what could be labelled a metamorphosis of colonialism, or neo-imperialism. In support, Gelber (1999, p.

220) emphasizes the continued unbroken dominance of Western economic and political power and describes "an aggressive and ideologically inflexible Western liberalism operating in the name of *human rights, free markets and democracy*". He concludes, "whether in politics, economics, social, or even in scientific arrangements there is, remarkably, no current challenger to the West as a source of ideas of potentially global interest. Still less as a source of plausible alternatives to the West's dominant *values*, Asia has little resonance beyond its own borders" (Gelber 2001, p.220).

As a final note, Gelber (2001, p.220) states "the West has also, especially since 1989, used global interdependencies, and the growing network of governmental and non-governmental organizations, to stabilize international affairs in *its* own interests or the promotion of *its* values, going far beyond the encouragement of economic globalization, supported by mechanisms like the World Trade Organization and the International Monetary Fund". Nationalism is defined by Gelber as a force for action (ie Western expansion) and reaction (ie Eastern reaction against foreign hegemony).

In summary, nationalism appears to be a unifying force *and* catalyst for action. The action can however be creative and expansionist, *or* reactive and defensive by nature (resistance to foreign or central hegemony). It also appears that nationalism represents an imagined and desired world, is chimeric and evolving. It is described to operate at various levels from the local through to national, regional and international. Culture, language and ethnicity form part of it but not exclusively so. Nations exist such as Indonesia, where the various cultural/ethnic/language groups (250 plus) through the sharing of a common colonial experience temporarily unified under a single national sentiment to create the Unitary Republic of Indonesia. The colonial administrative power gone, this unifying nationalism has devolved once more into competing national sentiments at largely local level (Atjeh, Irian, Java, etc).

Interpretations of nationalism are affected by the interpreter taking an economic, political, or cultural/identity perspective. Consensus is found however, insofar that power and economic issues appear to dominate as the most influential factors in the formation of nationalist sentiment.

...”Pitting itself against the reality of colonial rule – which appears before it as an existent, almost palpable, historical truth – [anti-colonial] nationalism seeks to assert the feasibility of entirely new political possibilities ... It succeeds in producing a *different* discourse. The difference is marked, on the terrain of political-ideological discourse, by a political contest, a struggle for power, which nationalist thought must think about and set down in words. Its problematic forces it relentlessly to demarcate itself from the discourse of colonialism. Thus nationalist thinking is necessarily a struggle with an entire body of systematic knowledge ... Its politics impels it to open up to that framework of knowledge which presumes to dominate it, to displace that framework, to subvert its authority, to challenge its morality.

Yet in its very constitution as a discourse of power, nationalist thought cannot remain only a negation; it is also a *positive* discourse which seeks to replace the structure of colonial power with a new order, that of national power. Can nationalist thought produce a discourse of order while daring to negate the very foundations of a system of knowledge that has conquered the world? How far can it succeed in maintaining its difference from a discourse that seeks to dominate it?

A different discourse, yet one that is dominated by another: that is my hypothesis about nationalist thought”... (Chatterjee 1986)

2.8 Civil Society

Relevant to any interpretation of Indonesian business leaders’ perception of G7 behaviour would have to be an understanding of civil society. Relevant, because aside from the institutions that sustain it, civil society engenders moral, ethical, philosophical, economic rationalist and practical standards for desired best-practice human interaction and growth.

The following review will attempt to broaden our understanding of what is meant by civil society. Whether it is the responsibility of the individual, government, the corporate sector, or the community as a whole. Should, or indeed can, it be a local phenomenon or is it ultimately global by nature? Considering the silent, mobile, and structural power of capital and that of industry in our contemporary world, should the business sector and a free market be a primary champion for civil

society today or can one successfully argue that it is not their responsibility? Is civil society synonymous with civilized society?

Different cultural perspectives, history and religious belief may also affect one's understanding of civil society.

Madison (1998, p.xi), exploring the political economy of civil society and human rights, argues that democracy and respect for human rights are universally valid notions but rendered meaningless without "the *institutional guarantees* provided by the *structures* of civil society". He reminds us that 'universally valid' is not the same as 'universally recognized' and even less 'universally implemented'. Madison draws on events of international significance such as the fall of the Berlin Wall in 1989 and the subsequent demise of the Soviet Union to illustrate his point.

The message is that democracy and respect for human rights are only possible in a society which pursues a capitalist market economy. Authoritarianism and central planning are identified with socialism and declining standards of civil society. Socialism is described as a "long and painful transition period between capitalism and ... capitalism [Hungary 1991] (Madison 1998, p.3). Madison (1998, p.6) also pointing out there are no halfway houses (a possible *third way*) and quotes Václav Havel as saying that 'socialism with a human face' is impossible, because "the third way is the fastest way to the Third World". The conclusion one arrives at is that the concept of a socialist market economy is a contradiction in terms with respect to sustainable economic development and civil society, although some distinction is made between socialist regimes and totalitarian regimes of a socialist kind.

Madison (1998, p.8) impresses that "in the absence of an actually existing civil society any proclamation of human rights is empty and meaningless, just as any claim to democratic governance is hypocritical and vain. To

actually exist, human rights (and democracy) must be *institutionalised*, such that they then accurately designate certain modes of concrete social *praxis*".

Whilst the key descriptive terms for civil society used by Madison, are democratic governance and human rights, he is quick to point out that civil society is a very complex, far-ranging and all-inclusive notion. It incorporates "the relation between the private and public realms; the place of the family in civil society; the relation between the public realm and the state; the role of the state in society; the role of volunteer and professional associations, social movements and political parties; the role of the market economy in civil society; the role of the state in a civil market economy; multiculturalism and minority rights; individual versus group rights; communitarianism versus liberalism; social trust and solidarity; the concept of spontaneous order and synergy; the relation between private interests and the public good; the notion of economic rights; social justice; civil society versus the welfare state; civil society and the struggle for democracy in the third world; international justice and the role of non-governmental organizations in international democratisation and development" (Madison 1998, p.8-9) etc.

As a concluding remark, Madison emphasizes throughout his writings the importance of democracy in the economic realm of civil society. He argues that market democracy is the only formula for economic prosperity (as well as for freedom and social justice).

Cox (1995) explores what it is that holds (civil) society together and identifies the supreme importance of social connections. A network of social connections which is based on trust and plenty of goodwill. She is critical of neo-liberal economic models as sustainable best ways forward and views the current world economic order as threatening to what she describes as a *truly* civil society. In many ways,

Cox (1995, p.2) her argument is well summarized when she writes "if we are social beings rather than economic beings, then society is threatened by the presence of Economically Rational Man in public policy. This homo-non-sapiens is a constructed individual (not a social being), who maximizes the short-term advantages in most economic models. If he takes over, he will destroy society because social connections have no place in a world full of self-interested competing individuals".

Cox views ideas of aggressive competition and unregulated free markets as dysfunctional and ultimately destructive, overriding essential ethics of care and humanity, and regrets these ideas have become integral to an oversimplified dogma intensely promoted by Western society. Consequently, the role of capital and economic gain has become dangerously predominant. She identifies four major capital measures, financial, physical (natural resources), human and social capital, one of which "takes up far too much policy time and space ... This is financial capital. ... There has been too little attention paid to social capital – the last of the four horse-riders of the apocalypse. *Social capital refers to processes between people which establish networks, norms and social trusts and facilitate co-ordination and co-operation for mutual benefit*" (Cox 1995, p.15).

Cox argues that social capital is pre-eminent because it is *the* foundation stone for a prosperous, truly civil society and as distinct from financial capital, is inexhaustible. The exercise of social capital is reflected in collegial behaviour and creates trust which increases by positive use. Additionally, she observes that social capital and active civic society create recognition and identity.

Critical of the neo-liberal agenda, Cox (1995, p.25) has " a strong sense that we are unravelling and tearing the social fabric (on a national and global basis), replacing it with a safety net that catches some of the poor and leaves the rest to flounder. ...That ... we are losing some of the sense of

belonging and of the common wealth that is part of our public selves ... and ... are left to retreat into the presumed safety of the private world". She concludes that high social capital [trust, mutuality, reciprocity, recognition, and identity of a global "collective we" (Cox 1995, p.80)] is a prerequisite for sustainable long-term economic growth and development.

Keane (1998, p.2) quotes from an anonymous letter (1997) describing the break-up of the former Yugoslav totalitarian autocratic regime: "the demonstrators have a lot to say about nationalism and war, lawlessness and pauperisation. But they also sense that there are signs in everyday life, especially within families, cultural and educational organizations, that decency and openness and autonomous personality formation have survived. Perhaps that is why, through all of these dramas, our President and his Lady Macbeth have kept silent and remained invisible. They surely have a whiff of what they cannot stomach: a civil society is emerging in their land". He compares this with a speech by Mahathir (1997) extolling the virtues of his centrally planned, state controlled, Multimedia Super Corridor as a vehicle to achieve civil society with domestic and foreign company (economic/financial/technological) participation in a manner "which will allow every Malaysian to live a life of managed destiny and dignity" (Keane 1998, p.3). Two very different cultures with a somewhat different view of civil society.

Keane (1998, p.6) uses these examples to outline his own Weberian definition (*idealtyp*) of civil society, which describes "a complex and dynamic ensemble of legally protected non-governmental institutions that tend to be non-violent, self-organizing, self-reflective, and permanently in tension with each other and with the state institutions that *frame*, *constrict* and *enable* their activities". Within the constraints of this definition, Keane (1998, p.8) focuses on the necessary concept of 'power balance' to avoid any entity using sticks and stones approaches and ideologies to boss "(them)selves and others

... into accepting (their) preferred version of the world". Keane endorses a commitment to pluralism and power sharing as essential to civil society.

Keane also makes the point that (economic) markets and civil society are mutually dependent. Using Polanyi's (1945) argument, Keane (1998, p.19) points out that, "market failures (particularly those which involve the marginalisation and exclusion of individuals) demonstrate that markets cannot create social order because the vital ingredients of social order cannot be produced by market interaction. Where there are no markets, civil societies cannot survive. But the converse rule also applies: where there is no civil society, there can be no markets". Keane explains that successful adaptation to economic failure, and the positive change required, ultimately depend on such facilitating infrastructure as provided by civil society.

As a final comment, it is worth noting that Keane observes any internationalisation of civil society to be threatened by extreme forms of nationalism, especially when involving genocide (eg witness the recent conflicts in South Central Europe and Africa). In part, because the solution to such violent nationalism often involves the necessity of exercising peace-making violence as counter measure, and yet *violence* is described as "the permanent enemy of civil society" (Keane 1998, p.117).

Ehrenberg (1999) introduces a historical analysis of civil society by first reflecting on the decline of civic spirit in America today. A decline, which, some view is due to the growing absence of noble and worthy public goals and deteriorating standards of behaviour. He observes, individuals who are informed about civic society and caring communities "worry that an overworked, disengaged, acquisitive, and self-absorbed population has allowed its moral connections, social engagements, and political participation to atrophy" (Ehrenberg 1999, p.ix). Terminology such as 'fraying communities, apathy, contempt for politics, suspicion of the state', is common.

From a historical perspective, Ehrenberg identifies three distinct periods of civil society, each one evolving into the next. The first he describes as the ‘classical and medieval’ period. Here, civil society is identified with politically organized commonwealths, where “civil society made civilization possible because people lived in law-governed associations protected by the coercive power of the state” (Ehrenberg 1999, p.xi). When the Age of Enlightenment arrived, it began to undermine the universal knowledge of the Middle Ages (the apogee of the first period) and local markets became national and the Holy Roman Empire disintegrated into national states. Ehrenberg (1999, p.xi) identifies this as the second period, which conceptualises civil society as “a civilization made possible by production, individual interest, competition, and need”. For some, this second period provided opportunities for freedom and growth (commercial, intellectual, etc) but for others it meant conflict and inequality, which perverted the emancipatory potential of civil society. During this second period, national states reflected centralizing power structures and increasingly showed levelling tendencies, which according to Ehrenberg eventually gave rise to the third and current period. In the third period, civil society became an “intermediate association that serves liberty and limits the power of central institutions” (Ehrenberg 1999, p.xi).

In the third period, Ehrenberg considers the *protective role* of civil society as an intermediate association in a capitalist market-driven world economy and questions how successful it actually is. In searching for an answer, he looks initially at the Eastern European experience and their transition from communism to capitalism (a change aspired to, fought for, and achieved), then to the American experience as the ultimate measure. In both he discovers a disappointment with civil society, largely based on the spiritual hollowness created by commercialism and intense consumerism. Ehrenberg refers to leading intellectuals such as Hannah Arendt, Antonio Gramsci, Richard Sennett, Jürgen Habermas and many others when formulating his answer. Where disappointment is expressed with civil society, Ehrenberg suggests it consistently has to do with peoples’

underestimation of the *impact* of economic life on civil society. Economic impact facilitated by the actions of the state. Ehrenberg (1999, p.215) writes, "the state (as the guardian of civil society) has become organized around the production and reproduction of wealth, and politics has lost its ennobling and humanizing distance from the material concerns of life. Based on everyday necessities and oriented toward the satisfaction of needs, commerce and labour have swallowed up the public sphere and emptied it of moral content". He concludes, "deepening inequality and gigantic concentrations of private power pose the most important danger to democracy and civil society alike. Political, economic, and social affairs are as mutually dependent today as they always have been – no matter what claims are made about the autonomous logic of different spheres. Extending democracy to the economy, the state, *and* civil society is the central challenge of contemporary life. As always, this requires comprehensive political activity and theory that must begin with the *redistribution* of wealth" (Ehrenberg 1999, p.250).

Haynes (1997) explores civil society within the context of the Third World. In particular, he considers the meaning of civil society to Third World political movements in the light of significant *transitional* impacts such as (1) the change from colonial rule to independence, (2) the difficulty Third World countries have in entering and participating in a sophisticated market-driven world-economy (already long-established prior to their independence), and (3) the cultural unification challenges posed by the artificial borders drawn by former imperial administrators. His work explores how these political movements (labelled *action groups*) deal with essential material needs and daily existential problems, and the extent (if any) they are really influenced by Western concepts of civil society. Haynes also questions whether comparisons can be made with the Western world at all.

The transitional impacts are significant. Newly independent countries are recommended to implement democratic forms of government, yet their colonial experience and education is autocratic and authoritarian. Once independent, they experience unequal bargaining power when negotiating for international trade deals and most become dependent on multi-lateral loans/aid. Their new imposed borders are often problematic from an internal unitary perspective and/or neighbouring countries point of view (eg Pakistan/India; Indonesia/Papua New Guinea; Palestine/Israel; etc).

Haynes's interpretation of Third World action group behaviour is complex and sometimes pluralistic. He views action groups to represent "constituent elements in *emerging* civil societies, which ... by seeking to protect, protest, and promote members' interests, are contributing to the *slow* emergence of the democratic process" (Haynes 1997, p.15). Often however, they are ineffectual counterbalances to state power, because they are weak and fragmented. As an example, Haynes (1997, p.18) observes that "very few African civil societies were able to prevent long periods of authoritarian rule in the 1960s and 1970s" and beyond.

Haynes argues that, compared to Western democratic society, differences in strength of civil society in the Third World are due to a number of factors, such as:

- a society divided by ethnicity and religion;
- state control of media, trade unions, professional bodies and religious organizations;
- collective weakness of civil society institutions, which allows "the state to incarcerate, coopt or buy off troublesome opponents" (Haynes 1997, p.20).

When these factors apply, action groups are weak and the state is able to suppress or subordinate civil society.

Haynes concludes that the main theme for Third World political movements or action groups is the growing dissatisfaction with the way the vast majority of Third World states are run. The action groups aspire "to act as the vehicles for the disempowered and subordinate ... and ...if they have anything else in common it is that they organize people around the issue of – broadly defined – *democratisation*" (Haynes 1997, p.166).

Mitsuo, Siddique and Bajunid (2001) reviewing papers presented at the *Islam and Civil Society – Messages from Southeast Asia 1999* symposium, find consensus about the meaning of civil society as a concept which engenders the public sphere between the state and the individual. According to Mitsuo, Siddique and Bajunid the presenters view civil society as a combination of (1) voluntary associational life and (2) civility or civic virtues. Voluntary associational life is represented by voluntary organizations (civic and volitional), including non-government, non-profit and philanthropic organizations. Civility is interpreted as "values or normative principles constituting the foundation of society and regulating social relationships, most importantly (the) state-society relationship" (Mitsuo, Siddique & Bajunid 2001, p.1).

Mitsuo, Siddique and Bajunid highlight the apparent importance of associational life and voluntarism for Muslims as a cornerstone for civility and empowerment, and summarize from the Qu'ran and Hadith key civil society duties (*fard'ain*) required from every citizen for the attainment and preservation of the common good (the Muslim community or *ummah*). These are traditionally taught through the networks of the *pondok pesantren* (Islamic boarding schools) and the *guru-murid* (teacher-disciple relationships). These duties can be summarized as:

- the payment of an annual wealth tax (*zakat maal*);
- the payment of an annual poll tax (*zakat fitrah*);
- ad hoc contribution or community service (*sadaqah*);
- permanent endowment of property (*waqf*);

- help and care for the family;
- help and care for the poor and needy;
- help and care for orphans and the elderly, etc;

"the fulfilment of these duties constitutes not only the discharge of religious obligations but also the economic redistribution of wealth and income between the haves and the have-nots, constituting the *flow* in the Muslim moral economy" (Mitsuo, Siddique & Bajunid 2001, p.12).

Whilst these duties are widely accepted in Muslim society, Mitsuo, Siddique and Bajunid observe the impact of colonial heritage on the formation of civil society in Southeast Asia and make a distinction between Dutch and English legacies on Malay Islamic civilization (Indonesia and Malaysia). "Dutch colonialism *destroyed* scores of Muslim sultanates and principalities (ie protectors of civil society) or reduced them to mere historical relics over centuries in the territories that became Indonesia today... In Malaya, in contrast, the British colonial power *retained* the authority of the sultans in religious and customary matters and gave them financial rewards" (Mitsuo, Siddique & Bajunid 2001, pp.8-9). They also touch on Southeast Asian countries such as Brunei, where the power of the state is absolute and an independent civil society is therefore not possible ["*Islam beraja* – Islam with a king, where religious life is inseparable from hereditary political power" (Mitsuo, Siddique & Bajunid 2001, p.11)]. As a consequence, the process and progress of civil society (as distinct from duties) is different across Southeast Asia today.

Finally, in spite of the universally accepted duties (*fard'ain*) for the common good (*ummah*), the current crises in Southeast Asia make Mitsuo, Siddique and Bajunid question the true relevance of Islamic civil society for civility and democracy. They observe that anti-Western sentiment among Muslims appears to reduce the prospect of pluralism and creates communal violence at home with respect to minority groups along religious and ethnic divides. They conclude that, "the

strengthening of Muslim civil society might not always lead to democratic civility” (Mitsuo, Siddique & Bajunid 2001, p.14).

Falaakh (1999) describes the role of the Nahdlatul Ulama (NU – the largest religious voluntary Muslim organization in Indonesia: 40 million +) in the development of civil society in Indonesia, from colonial times to independence. The NU, described by Falaakh as a *bastion of civil society* in Indonesia, is a religious organization involved in the Indonesian political process with a direct secular involvement, and commitment to, the development of democracy and civil society. At times, the NU is *also* involved in this process as a registered political party *or* member of a political party (eg Masyumi, National Awakening Party [PKB], United Development Party [PPP])

Falaakh stresses the NU’s historical leadership credentials, having facilitated national consensus with respect to the over-arching relationship between the state ideology of Pancasila (an open ideology absorbing the aspirations of *all* Indonesian society) and Islam. And, by promoting “substantial ideas of Shariah (religious law) as the basis for social thought to promote the common good – known as the idea of *rahmatan lil ‘alamin* (mercy on the universe)” (Falaakh 1999, p.34), which incorporates the requirement to respect and protect human rights. Falaakh stresses the role of the NU as champion for the rural poor.

Through Shariah, the NU adheres to / and promotes the five basic principles of common good (civil society and human rights):

- protection of religious consciousness and observances (*hifzh al-din*)
- protection of life (*hifzh al-nafs*)
- protection of thought and freedom of opinion (*hifzh al-‘aql*)
- protection of property (*hifzh al-amwal*)
- marriage rights and protection of reproductive rights (*hifzh al-nasl*)

Falaakh (1999, p.36) states "this concept of common good – a parallel and perhaps similar idea to the universal principles of human rights – must be respected, protected, and observed" by Muslim civil society.

Falaakh (1999, p.36) explains, how, through the establishment of economic co-operative movements (*harakah ta'awun*), the NU successfully assists the average Indonesian (mainly [rural and urban] poor and fledgling small/medium business enterprises) to become involved, develop and prosper in a market-oriented economy dominated by "cartel-like businesses and state-backed monopolies". This commitment is based on a belief that Indonesian prosperity and growth can only be achieved and sustained if there is an *equitably distribution* of economic opportunity.

Falaakh (1999, p.49) concludes that the Nahdlatul Ulama is involved in "the strengthening of civil society by concentrating on the *social and cultural* aspects of politics, rather than on the dimension of power politics. The NU is involved in promoting national integration, preserving pluralism, strengthening toleration, and achieving a prosperous welfare society measured according to the (above-mentioned) ideas of common good and human rights principles".

Budiman (1990, p.3) stresses in his introduction to the Monash Papers on Southeast Asia (No.22) that "democratisation is the process of strengthening civil society (*vis a vis* the state)... and ...when the state is strong and civil society weak, democracy fails". He suggests a triangular power balance/relationship between state, civil society and the process of democracy.

Budiman considers a clear definition of civil society as problematic, because its meaning and interpretation change over time. He comments on the necessity to understand the historically associated (and preceding) concepts of natural and political society, to fully grasp the complexities of civil society.

Natural society is defined as a world where the laws of nature prevail, creating a survival of the fittest environment, reflecting a society "in which everybody is constantly at war with everybody else [Thomas Hobbes]" (Budiman 1990, p.3). As a consequence political society developed, replacing (curtailing?) natural society by implementing stability, security and order (law), creating a powerful state. Budiman then explains, that eventually civil society emerged as a countermeasure to the power of the state becoming absolute, primarily to protect the individual rights of man such as the rights to life, freedom, and property [John Locke].

Budiman also comments on the Hegelian view of civil society, where the state is seen as the supreme guardian of the public interest, because individuals are considered short-sighted, narrowly focused on self-interest and unable to grasp the bigger picture. Marx and Gramsci are considered too, emphasizing the exploitative hegemony of the ruling class *and* the state (as a dominant economic executive superstructure), both strengthening civil society to further cement the position of the ruling class. For Marx and Gramsci, the oppressed (the majority) had to struggle *against* civil society (the ruling class and state) to ensure their basic rights. Democracy is seen by them as a tool towards liberation but only insofar as it served the oppressed.

Budiman makes a valid point when warning that civil society is not a homogeneous entity. He concludes that each interest group within civil society and the state (particularly when it is a super-power) is likely to use the democratic process to further its own position.

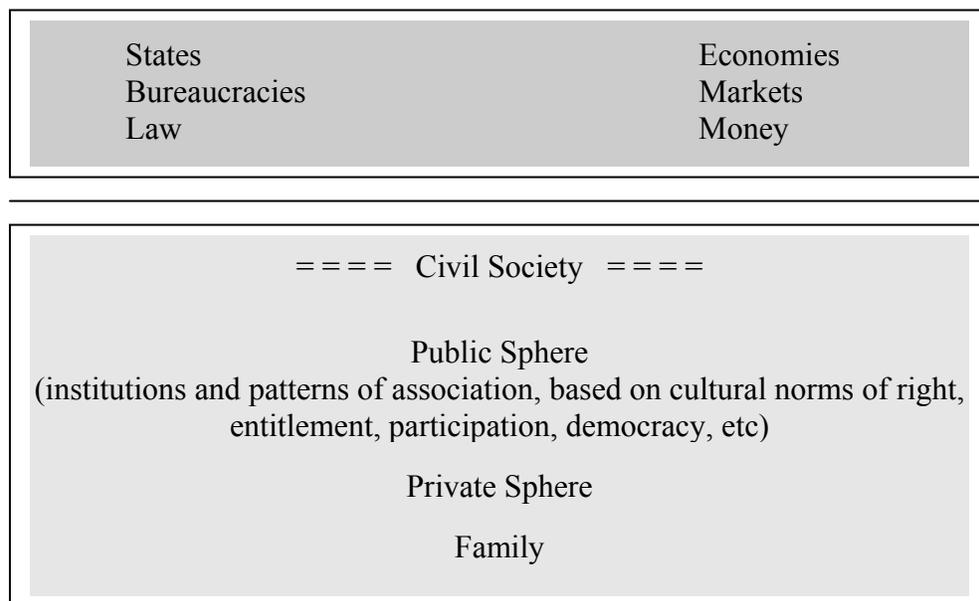
Pusey (1998) discusses the concept of civil society within an Australian context and considers its very survival threatened by the growing momentum of economic reform. He questions the compatibility between human rights and economic rationalism. Pusey describes a right as any claim based on commonly recognized regulatory norms, which can be moral rights such as fairness, mutuality, etc

(informal) or legally codified rights (formal). He argues that all rights are "socially constructed and emerge, whether by explicit design or in informal interaction, from *the institutions of civil society*" (Pusey 1998, p.168).

According to Pusey, society (with its inherent rights) is subject to two coordinating structures (Table 2.3), state based and economic:

Table 2.3: Two Co-ordinating Structures of Society

Source: Pusey, M. 1998, 'Economic Rationalism, Human Rights and Civil Society', in *Globalisation, Human Rights and Civil Society*, eds M. Jones & P. Kriesler, Prospect Media Pty Ltd, St Leonards, NSW, p.168



Pusey observes that economic rationalism and reform (economies, markets, money) shift responsibility (and power) from the state to the *free market*, and both detract from (ie attack and diminish) civil society. He suggests this is so, because the doctrine of economic rationalism states "economies, markets, and money can always, at least *in principle*, deliver better outcomes than states, bureaucracies, and the law ...and... markets and money are the only *reliable* means of setting a value on anything" (Pusey 1998, p.168). He identifies a shift from morality/legality to morality/efficiency.

Pusey identifies the economic rationalist criteria and reform terminology used to capture civil society. The notion ‘capture’ is apt, because economists (according to Pusey) argue that civil society is a potential obstacle to greater economic efficiency and represents the *sludge*, which, only if successfully dealt with, can be used as a *corrective* for market failure (Table 2.4):

Table 2.4: Civil Society versus Economic Rationality

Source: Pusey, M. 1998, ‘Economic Rationalism, Human Rights and Civil Society’, in *Globalisation, Human Rights and Civil Society*, eds M. Jones & P. Kriesler, Prospect Media Pty Ltd, St Leonards, NSW, p.170

(the escape and return of civil society)	(idealisations of homo economicus and economic reason)
--	--

1. Quality of life (well-being; life satisfaction)	→	Standard of living (aggregate utility)
2. Communitarian (communities; the situated self)	→	Self Contractarian/Libertarian Self (consumer sovereignty, freedom of contract, freedom of choice)
3. Communicatively Secured Self (discourse ethics)	→	The automated market (performance = social autism?)

If captured, civil society ceases to be a countermeasure or balancing force, because individual rights decline and ultimately cease as they are successfully subordinated to economic system functions. Pusey (1998, p.182) writes “the intrinsic rights and basic liberties of the citizen vanish in the face of the single overriding requirement of economic system performance. Reform now consists in making *individuals want what the system needs in order to perform well*. ... The choosing self is dissolved in the requirement set on the individual, as a consumer and a producer, to *adapt your aspirations to our ends – or else*. With this shift no space is left either for social

democratic constructions of social needs, equity, and redistributive justice". Quality of life is redefined by economic rationalism and now expressed through/subordinated to performance and efficiency.

Pusey concludes that the bad news is *money* becomes the common denominator for everything, and civil society is redefined as an externality and where uncaptured, as a mere transaction cost of market exchanges. He reminds us though, that not all is lost as there are signs that civil society is re-emerging through the process of globalization. He offers as examples widely agreed to supra-national regulations and international treaties concerning human rights, the management of oceans, carbon emissions, etc creating new, legitimate and binding social obligations, including on governments and corporations.

In summary, above all, it is evident that civil society is not a homogeneous or static concept. To the contrary, it is rich, complex and evolving. Most writers appear to agree that the underlying characteristic of civil society is the preservation or guarantee of basic human rights such as the right to life, the right to freedom, and the right to property. General agreement is also found on the importance of the democratisation process for the attainment of civil rights and the ability to prevent the abuse of (absolute) power, be it by the state, the corporation, etc. However, some writers focus more on the necessary transition from natural society to political and civil society in order to *develop and protect* human rights, whilst others focus on the *impact* of economic rationalism, free market power, and economic reform on the optimal performance of an apparently 'best practice and functional' society.

No great differences are found between the aspirations for a truly civil society between Muslim and Christian philosophies with respect to the promotion and guarantee of *basic* human rights, with the exception that Islamic communities appear to place greater emphasis on community based, voluntary associational life

and Christian communities on the rights of self. Both recognize the importance of social networks in the development, growth and survival of civil society.

Several researchers have questioned the compatibility between economic rationalism and the sustainability of civil society in terms of the *sanctity* of basic human rights. Not that these rights are denied by economic rationalism but rather they are redefined and subordinated to the wisdom of the market economy. Potentially, this is a very important issue for this research project, particularly when assessing perceptions about the impact of structural adjustment programmes imposed by the International Financial Institutions (G7 controlled) on developing countries such as Indonesia.

Many other issues make civil society a complex concept. Issues such as basic equity rights versus aggressive unregulated competition, access to economic opportunity and education, ability to participate in a global society (be it economic, scientific, etc), historical legacies such as autocratic government under colonialism and transitional difficulties towards democracy, the role and force of cultural and ethnic pluralism for national unity, institutional development and infrastructure sophistication, and many more.

To conclude, it seems appropriate to quote Rosenberg (1994, p.173) that one of the key driving force behind civil society is the "determined [and continuous] re-discovery of our own collective human agency in the anonymous social forces and [changing] processes around us".

... "Ignorance, forgetfulness or contempt of the rights of man are the sole causes of public misfortune and governmental depravity ... The final end of every political institution is the preservation of the natural and imprescriptible rights of man. These rights are those of liberty, property, security, and resistance to oppression"... (Déclaration des Droits de l'Homme et du Citoyen – France 1789)

...”I open the books on Right and on Ethics; I listen to the professors and jurists; and, my mind full of their seductive doctrines, I admire the peace and justice established by the civil order; I bless the wisdom of our political institutions and, knowing myself a citizen, cease to lament I am a man. Thoroughly instructed as to my duties and my happiness, I close the book, step out of the lecture room, and look around me. I see wretched nations groaning beneath a yoke of iron. I see mankind ground down by sufferings and famine, while the rich drink the blood and tears of their victims at their ease. I see on every side the strong armed with the terrible powers of the Law against the weak”... (Fragments of an Essay on the State of War – Jean Jacques Rousseau 1752)

2.9 Income, Poverty, and Debt – Some Facts

The preceding review has explored issues such as colonialism, exploitation, globalization, capitalism and more. Arguments have been encountered about the benefits of economic rationalism, the need for free markets and deregulation, globalization, etc all to achieve sustainable economic growth and development. Arguments have also been encountered defining civil society and what is required for greater commonwealth and political and economic stability.

Nonetheless, it is often difficult to evaluate and reconcile the intellectual dimensions of the arguments encountered with historical and present realities. It is indisputable that the world is making progress on several fronts such as science, health, communication and others but equally there remains appalling poverty in many parts of the world, wholesale environmental degradation and continued exploitation.

A view clearly exists that ‘on the whole’ we are making progress, that the world is more engaged and responsible, and, that democracy and free markets will eventually lead to *global* commonwealth and civil society. A glance at history over the last five hundred years and current economic data may offer a slightly less encouraging view. Exploitation (debatable?) and poverty (fact) continue.

As a leading international institution striving for a better world, The World Bank’s *cri de guerre* is: *Our Dream is a World Free of Poverty*. In the light of

recurring wars, famine, human rights abuse, environmental degradation and economic exclusion, one might question whether this dream can successfully be translated into an effective action plan backed up by the necessary multi-local and global political/business will.

The World Bank (2000) defines poverty as "hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at the time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom" (*Understanding and Responding to Poverty*', www.worldbank.org). With this definition, the World Bank identifies nutrition (having enough to eat), health, literacy, employment/income and oppression as key issues.

To measure poverty (and wealth) most financial institutions use fairly straightforward consumption or income-based measures. Data tends to be global, regional and national, GDP/GNP/GNI based and expressed per capita. National performance data often include debt figures, infrastructure facility indicators, health and education data, and more. However, income-based per capita figures and macro-economic indicators only tell part of the story. Average *quality of life* indicators and income distribution are also important. These are harder to interpret and are reflected in Gini⁸ indexes, based on the Lorenz curve.

⁸The Gini coefficient is a measure of income inequality in society. "The Gini coefficient is a number between 0 and 100, where 0 means perfect equality (everyone has the same income) and 100 means perfect inequality (one person has all the income, everyone else earns nothing). While the Gini coefficient is normally used to measure income inequality, it can be used to measure inequality of assets as well. The Gini coefficient is calculated using the Lorenz curve: the Gini coefficient is the area between the line of perfect equality and the Lorenz curve, as a percentage of the area between the line of perfect equality and the line of perfect inequality" (Wikipedia 2002, www.wikipedia.org).

Overall, it appears the Gini coefficient is increasing over time due to a growing polarity in world income. Milanovic and Yitzhaki (2002) basically discount the existence of a world middle-class and argue the world is made up of the rich (11%) and the poor (78%). The component in the middle (also 11%) has higher per capita income levels than Brazil but well below the OECD average and by rich country standards remains definitely poor. Milanovic and Yitzhaki also argue that the welfare safety-net in rich countries ensure their disadvantaged remain well-off by world standards and their border protection measures ensure the poor people from poor countries are kept out. They also observe that when the world Gini coefficient is "66, higher than the Gini coefficient of South Africa and Brazil, it is simply numerically impossible to have a middle class" (Milanovic & Yitzhaki 2002, p.23).

The World Bank and indeed most democratic societies argue that for countries to prosper and eradicate poverty, (developing) countries must focus on accelerating economic growth (deregulate markets and develop efficient industry sectors, integrate into the global economy, etc), improve income and wealth distribution, and accelerate social development (social structures, health and education). Accepting the earlier referred to view that the world *is* making progress and *is* focused on genuine *global* commonwealth and *global* markets, what are the chances that a growing Gini coefficient of 66 could be imperfect or wrong?

The World Bank (2002) states "extreme poverty declined only slowly in developing countries during the 1990s: the share of the population living on less than \$1 a day fell from 28 percent in 1987 to 23 percent in 1998 ...but... the (absolute) number of poor people remained roughly constant, as the population increased. The share and number of people living on less than \$2 per day – a more relevant threshold for middle-income economies such as those of East Asia and Latin America – showed roughly similar trends" (*Global Economic Prospects and the Developing Countries 2001: Data on Poverty*, www.worldbank.org).

The Bank also states "of the world's 6 billion people, 1.2 billion live on less than \$1 a day. About 10 million children under the age of five died in 1999, most from preventable diseases. More than 113 million primary school age children do not attend school – more of them girls than boys. More than 500,000 women die each year during pregnancy and childbirth – unnecessarily.

And more than 14 million adolescents give birth each year. Cause for despair? Or hope?" (*Global Economic Prospects and the Developing Countries 2001: Data on Poverty*, www.worldbank.org).

Let us now consider some comparative data (singular and longitudinal: Appendix 2.1 – Tables 2.5 to 2.13) between G7/G10 countries, some former colonial territories, world geographic regions, and countries grouped according to income levels. Appendix 2.1 includes summaries of the distribution of world income in 1993, the growth of external debt of developing countries from 1980 to 1994, and the use of IMF credit by selected former colonial territories between 1947 and 1989.

Tables 2.5 to 2.10 show a clear and significant distinction between low/middle income countries and the high income/OECD (G7/G10, etc) nations on many different economic and social indicators. The results need very little explanation. Long-term external debt (Tables 2.10 and 2.12) for low income and developing countries must clearly be an issue of concern when considered as a percentage of GDP and even more so when considered in the light of the growing financial debt servicing requirements. The selected former colonial territories follow the same trend.

If education and health (social indicators) are cornerstones for economic development, very slow improvements in the low income and heavily indebted

poor countries must be of concern. Literacy is linked to education, economic opportunity, income and mobility.

The tables clearly show that economic power is concentrated in the hands of OECD countries and that very poor countries remain marginalized. It is also ironic that those countries, which appear marginalized or left behind "are deeply integrated in world trade. Sub-Saharan Africa has a higher export-to-GDP ratio (29% in the 1990s) than Latin America (15%). But Africa's exports are still mainly in primary commodities, and foreign direct investment is concentrated in mineral extraction – so the region's apparent integration is actually a vulnerability to the whims of the primary commodity markets" (*World Development Indicators 2001: World View*, www.worldbank.org) driven by the developed world. Indonesia reflects a similar scenario.

The United Nations (1999) states: "Poverty is everywhere. Gaps between the poorest and the richest people and countries have continued to widen. In 1960, the 20% of the world's people in the richest countries had 30 times the income of the poorest 20%. In 1977, 74 times as much. *This continues the trend of nearly two centuries*. Some have predicted convergence, but the past decade has shown increasing concentration of income among people, corporations and countries" (*Human Development Report 1999 – Human Development in This Age of Globalization*, p.31). The UN also observes in the same year: "National and international economic policies shifted sharply in the 1970s and 1980s towards more reliance on the market – diminishing the role of the state. By 1997, India had reduced its tariffs from an average of 82% in 1990 to 30%, Brazil from 25% to 12% and China from 43% to 18%. Driven by technocrats, the changes were supported by the IMF and the World Bank as part of comprehensive economic reform and liberalization packages. ...The new rules of globalization focus on integrating global markets, neglecting the needs of people that markets

cannot meet. The process is concentrating power and marginalizing the poor, both countries and people” (*Human Development Report 1999*, p.1).

What is confusing is that for every negative interpretation, a positive one can be found. Sala-i-Martin (2001 www.econ.upf.es), using seven different inequality indexes such as the Gini, Atkinson, and Theil, finds “a reduction in global income inequality between 1980 and 1998”. He observes, “most global disparities can be accounted for by across-country, not within-country, inequalities. Within-country disparities have increased slightly during the sample period, but not nearly enough to offset the *substantial reduction* in across-country disparities” (Sala-i-Martin 2001, www.econ.upf.es). The UN too seems to agree (in spite of its previous observations) “the world is more prosperous, with average per capita incomes having more than tripled as global GDP increased ninefold, from \$3 trillion to \$30 trillion, in the past 50 years. The share of people enjoying medium human development rose from 55% in 1975 to 66% in 1997, and the share in low human development fell from 20% to 10%” (*Human Development Report 1999 – Human Development in This Age of Globalization*, p.25).

It is worth noting that in times of financial crisis, high-income countries have a faster recovery rate measured by GNI per capita than low-income countries, and some heavily indebted poor countries do not recover at all in the short to medium-term. For example, 40 million people or 20% of the population in Indonesia (UN data, WB – Country Profiles, AFR, etc) fell into poverty after the 1997 Asian financial crisis and to date there is no significant improvement. In Indonesia GNI per capita fell from US\$1,110 in 1996 to US\$570 in 2000 (World Bank in Jakarta 2002), while in the OECD countries it increased marginally from US\$28,010 to US\$28,310 (Table 2.7).

One could reason from a macro-economic and global point of view that if the poor get richer and the rich get richer, all is well and progress is made. However,

if it has the potential to lead to social disruption and economic/political instability, it is not. Others have pointed out that too much equity and equality will have a negative impact on competition and the necessary drive for progress. Where the balance lies may be hard to determine but from a *basic human rights and respect for life* starting point, *poverty* as defined by the World Bank should never be an acceptable part of human existence, particularly when the world has sufficient economic means and the talent to address it.

Other questions also remain. Can developing and Third World countries migrate from low-income and perhaps heavily indebted poor country (HIPC) status to OECD level? Can the examples of South Korea, Singapore and Japan be applied to all? If it is possible, can the world sustain OECD consumption levels on a global basis? Whilst progress is clearly being made, the overall picture remains unconvincing as extreme and widespread income disparities remain and a significant part of the world population continues to struggle with malnutrition, and the earth's natural resources such as water, soil, air and forests continue to be degraded.

To summarize, if prosperity is primarily measured by way of economic development, growth and consumption indicators, the consensus appears to be that the world is making progress. History also shows that globalization and free markets are beneficial to economic progress. Powell (1994, p.342) captures this view well when he observes "it has been the case for more than 5000 years that the more borders are open and the more seemingly vulnerable a country is to foreign influence, the greater the degree of prosperity for ordinary people. Private, commercial contact with the outside world has proven to be perhaps the most powerful, persistent stimulus for human progress" And "Foreign influence is a source of prosperity because it means people are free to gain the advantages of ideas, products, capital and talent that may not be available at home. Opening an economy to foreign competition forces companies to give people what they want or

see them protect their vital interests by shopping elsewhere” (Powell 1994, p.345).

Clearly though, economic development and consumption are only part of a much more complex picture. Quality of life issues, reasonable equity of opportunity, freedom (including mobility), basic and universal respect for human life, education (not just literacy) and health, and above all a sustainable natural global environment are other *at least equally important* indicators of progress.

The world has a long way to go.

...”There will always be those who want to find a *nostrum* to provide easy answers to hard questions, a philosopher’s stone to turn all to gold. We have all seen a variety of (economic and) political systems, from markets to Marx and back to markets, based on theories which purport to explain everything. There are few if any easy answers to where human society is going. So maybe we need to take small steps rather than great leaps”... (Cox 1995, p.58)

Nonetheless ...”a map of the world that does not include Utopia is not worth even glancing at, for it leaves out the one country at which Humanity is always landing. And when Humanity lands there, it looks out and, seeing a better country, sets sail. Progress is the realisation of Utopias”... (Cox 1995, p.57)

2.10 Schools of Thought ⁹

In an attempt to provide a broad framework for this research and a possible explanation for issues such as poverty and (common) wealth, exploitation or fair trading, civil society and other key topics discussed in the afore going sections, a brief review of a selected number of hypotheses or theories is attempted.

Only the work of leading theorists is examined. Whilst it is readily acknowledged that this is somewhat limiting, it is done in a manner providing sufficient and clear insight into key differences, allowing the reader to formulate a credible framework for interpretation of the research questions posed by this study.

⁹Refer: Daale, P. 2000, *Peripheral Decolonization and Global Coloniality – Perspectives from the core and periphery, with illustrations from Indonesia*, Asia Pacific Researchers in Organization Studies 2000 Conference on ‘Organizing Knowledge, Economies and Societies [World-Systems Session], University of Technology Sydney.

Several theories are considered, (1) the *Modern World-Systems Theory* proposed by Immanuel Wallerstein, (2) *Intentional Underdevelopment and Dependency Theory* as advocated by Andre Gunder Frank, (3) the *Geography Hypothesis* and (4) *Enlightenment Approach* outlined by David Landes, and (5) the *Institutions Theory* championed by Daron Acemoglu. Reference will also be made to supporting work from Christopher Chase-Dunn and other writers.

Whilst no specific theory or hypothesis is presented as the only appropriate background for this study, combined they all offer some key elements, which may hopefully allow the reader to place the scope and findings of this study in an appropriate and possibly more balanced perspective.

2.10.1: World-Systems Theory

Wallerstein (1975, p.9) noted inequality had for a long time been considered by many individuals as an "inevitable reality of human existence". Not until the secular movements arose, which were responsible for significant socio-political change such as the French and Russian revolutions did men consider universal application of the *right to be free* and a *more egalitarian* society (primarily with respect to equity of opportunity) to be within their grasp.

Wallerstein (1975, p.9) points out that by the nineteenth century the world was clearly Eurocentric and nation-states had become "the primary framework for social action" to achieve greater equity, equality and common wealth. This was not to last. Soon it became apparent that nation-states could not act as autonomous units for social change in a global framework but were deeply dependent on international cooperation between national entities, to achieve more lasting outcomes. The capitalist world-economy was the defining factor. Consequently two debates arose offering a developmentalist perspective and a world-system perspective. The developmentalists argue that gradual economic development will eventually lead to a state of reasonable equality, the necessary political reform

and cooperation being attained through education at all levels of society. Gradual and consistent development is considered an evolutionary path and continues to influence most ideas of Western governments and international agencies (WB, IMF, etc). Wallerstein points out though the developmentalist perspective also offers a socialist perspective, which, from an historical basis, accepts that change may be implemented in part through revolutionary means (ie violent events).

The world-system perspective argues that the world is and has been, at least since the sixteenth century, a single capitalist world-economy. Since that time, national entities or different parts (nation-states, societies, etc) have never been truly separate but are integral parts of a whole. "They exist for the system as a whole ... and ... play differing roles within the capitalist world-economy, having dramatically different internal socio-economic profiles and hence distinctive politics" (Wallerstein 1975, p.16). Once the different profiles (including political-cultural) are understood, one can explain "the ways in which various political and cultural thrusts may be efforts to alter or preserve a position within the world-economy which is to the advantage or disadvantage of particular groups located within a particular state" (Wallerstein 1975, p.16) or national entity.

Based on a prognosis for action, Wallerstein characterizes the developmentalist perspective as mechanical (eg largely directive or prescriptive as reflected in Western structural adjustment programmes for economic recovery and development) and the world-systems perspective as dialectical (eg intellectual, without models, and more accepted by the Third World).

The *world-system* perspective is based on a capitalist *world-economy*, within which, different areas perform different economic tasks. The world-economy, as the basic economic entity and characterized by a single division of labour, is divisible according to Wallerstein into three different areas, each performing different economic tasks. These areas are the *core*, the *semi-periphery* and the

periphery. The national entities existing within the world-system, all of which are smaller than the whole, “each reflect different groupings of economic tasks and strengths in the world-market. Over time, some of these differences may be accentuated rather than diminished” (Wallerstein 1975, p.23) and the loci of economic activities may change. Hence, some states (national entities) may progress and others regress without changing the nature of the system. Wallerstein (1975, p.23) reminds us that “all states cannot “develop“ simultaneously *by definition*, since the system functions by virtue of having unequal core and peripheral regions”. The phenomenon of inequality is intrinsic to the world-system perspective.

The core-periphery relationship also reflects *perpetual* inequality. Strong states are identified with the core and weak states with the periphery, all affecting and distorting the market. Wallerstein (1975, p.23) observes, “the stronger the state-machinery, the more its ability to distort the *world-market* in favour of the interests it represents. Core states have stronger state-machineries than peripheral states”. OECD countries are core states and Third World countries, peripheral states. Developing nations are shifting between the two and are identified as the semi-periphery.

From an historical point of view, Wallerstein observes that the world-economy (viewed within a world-system context) is cyclical by nature, experiencing expansion and contraction. “*Expansion* occurs when the totality of world production is less than world effective demand, as permitted by the existing social distribution of world purchasing power, and *contraction* occurs when total world production exceeds world effective demand. These are cycles of 75-100 years in length ... and the downward cycle is only resolved by a political reallocation of world income that effectively expands world demand” (Wallerstein, 1975, p.24). These cycles have the effect to expand and consolidate the political structure of the capitalist world-economic system over time.

According to Wallerstein, the expansion and consolidation of the world-system since the sixteenth century has been marked by the (1) capitalization of world agriculture, (2) the development of technology maximising transformation of natural resources into usable commodities, and (3) the strengthening of all organizational structures. The first event significantly increased the efficient use of land and sea resources, steadily eliminating small-scale units of production, pushing individuals towards high-density urban environments and into salaried wage arrangements. Wallerstein (1975, p.25) states "the initial impact of this entire process has been to render large populations more exploitable and controllable".

Technology made possible industrialization. "Industrialization has tended to consolidate the system in providing a large part of the profit that makes the system worth the while of those who are on the top of it, with a large enough surplus to *sustain and appease* the world's middle strata. Mere extension of industrial activity will not change a peripheral area into a core area, for the core areas will concentrate on ever newer, specialized activities" (Wallerstein, 1975, p.25).

The third event was the strengthening of economic corporate structures, institutions, and the state vis-à-vis individuals and groups through a process of bureaucratisation. Wallerstein argued that this had a stabilizing effect, as stronger bureaucracies have the ability to repress opposition. He observes though, the effects of urbanization, technology (in this instance communication and education enhancement) and bureaucratisation have made the population more politically conscious and able to react against what may be perceived as inappropriate power structures (such as MNCs, TNCs, WTO/IMF type organizations, etc).

Wallerstein concludes that the process of socio-political transformation within the economic world-system is inevitably subject to betrayals with respect to redress of inequality. He argues that many individuals resisting initially, then forming

groups and eventually movements, once they succeed and become a regime and part of the capitalist world-economic machinery, will betray (adjust?) "in part their stated goals" (Wallerstein, 1975, p.26) and so perpetuate the core-periphery relationship through assimilation, co-option and the pursuit of self-interest.

Chase-Dunn (1999, p.xi), following Wallerstein's path, observes the world-systems perspective is "a framework for understanding and explaining long run, large-scale social change ... originally developed to comprehend the patterns of development that emerged with European hegemony over the last six centuries. There being two key ideas: (1) societies are importantly constrained and affected by their interactions with one another, and (2) the modern world-system has been structured as a core/periphery hierarchy in which economically and militarily powerful core states have dominated and exploited less powerful peripheral regions as the Europe-centred system expanded to incorporate all areas of the globe".

Chase-Dunn discusses how inter-societal inequalities work, explaining the *emergence* of larger and *more unequal* inter-societal hierarchies over the long run. He contends, "peripheral regions do not simply submit to core domination. Rather core/periphery relations are a constant struggle in which the dominated and exploited fight back" (Chase-Dunn 1999, p. xii). His approach is similar to Wallerstein but considers the world-system more from a 'winner takes all' point of view.

Expanding on the single division of labour, the three critical events and cyclical nature of the world-economic system previously described by Wallerstein, Kardiulas (1999) argues that a world-systems model, viewed too narrowly, runs the risk of oversimplifying the economic and geographic relations of primary producers to the means of production (in part, mediated by evolving and influential macro regional differences between core and periphery). This

argument is supported by Alexander (1999, p105) who observes, that, "economic re-organization on the periphery is conditioned by several variables that determine how labour ultimately becomes divided within the system. Two important variables in this process are (1) disenfranchisement, the removal or restriction of control over the means of production (tools, resources, land) from primary producers; and (2) the extension and availability of credit to individuals or households that may experience shortage. The interaction of these two variables influences the periphery's dependence on the core. Capitalism removes household labour from subsistence production and transfers it to the production of commodities that permit capital accumulation via the extraction of surplus value. This is accomplished through disenfranchisement, which at its extreme results in commoditized labour. Disenfranchised labourers who specialize in the production of non-subsistence goods, however, must also be able to convert their labour (wages) into subsistence resources. In the *modern* capitalist world-system, liquidity (the ability to convert one product to another) is achieved through a diversified market system and a monetary economy that facilitates the extension of credit to bridge temporal and spatial gaps in the supply of products". It is this very process of disenfranchisement and consequent dependence which make the larger part of the periphery exploitable and controllable.

Alexander (1999) is critical if not dispassionate when he observes that the modern capitalist world-system disenfranchises entire communities from subsistence production in peripheral areas *primarily* for the purpose of producing goods and services for consumption in core countries. Additionally he points out "secondary products manufactured in the core are distributed to and consumed by the periphery as a means of extracting surplus value from rural (periphery) areas" (Alexander 1999, p.118). This process of integration is likely to lead individuals in the periphery to lose control over the means of production and often results in dependency on foreign core-dominated institutions

(such as the IMF and WB) that extend credit in times of shortage. Whilst also true but to a much lesser extent in core countries, the basic household structure in the periphery and semi-periphery is changed and made subservient to "the capitalist demand for an unattached ... labour force that *materializes at the factory gates when needed*" (Alexander 1999, p.118).

Kardiulas (1999) and Alexander (1999) seem to agree that a national entity's future within the modern capitalist world-system is determined by its structural position on the core-periphery continuum. A view shared by many scholars. "Core states, the largest, most complex polities in the net (world-system), politically dominate smaller, more simply organized peripheral societies, extracting surplus from them through unequal exchange relations that disproportionately benefit core elites. Peripheries are economically impoverished as consequence of interregional exploitation. Cores, in contrast, use imports from peripheries (usually raw materials) to sustain general economic growth and elevated consumption levels. Peripheral political processes are undercut when core agents siphon off crucial resources that might have been employed in local power struggles. Core elites can use control over these assets to shore up power at home and establish inter-societal hegemonies. Political centralization now transcends the borders of any one polity" (Urban & Shortman 1999, p.128).

Dowidar (1975), within the context of a world-systems perspective, questioned the possibility for genuine economic development in dependent (semi) periphery countries. He identified a *transformation process* of the traditional modes of production in Third World countries, originally for the benefit of local populations, into a format, which was decisively oriented towards external trade (dominated by the export of primary products and selected industry) and funded by foreign (direct) investment initially and later by a combination of state intervention and foreign capital. This process was initially begun under colonial administration and control of overseas territories by core countries and after the

conclusion of WWII (1945), continued by the newly independent countries' (client) elite under a so-called economic development strategy of import-substitution. This process facilitated developing countries in the periphery to integrate into world capitalist markets.

Whilst this made sense from a Western development perspective, Dowidar (1975, p.50) argues that it made (semi) periphery countries dependent "on exports ... to be distributed in the capitalist centres ... for ... a consumption model ... defined and developed via the trade relations with capitalist core countries". It also made periphery countries dependent on core technology and machinery, and forced them into an international capitalist division of labour. He observes this last issue magnified the still growing disparities between rural and urban areas.

Dowidar notes that foreign capital, when assisted by state intervention (client elite driven), can significantly influence a domestic market to the detriment of local capital, increasing demand for imported goods further benefiting core economies. Instead of economic development and growth allowing periphery countries to migrate to the core *with* the support *of* the core, Dowidar describes limited economic development, continued dependency and periphery entrapment. At historical transition points such as independence, he sees core interests being facilitated by complicity of client elites and periphery interests compromised. As an example Dowidar (1975, p.52) quotes the intermediary role a client state plays in the transfer of wealth from primary production. "The post-independence cities (the client state) replace the former capitalist metropolis (former colonial power and current core) in the extortion of a part of the agricultural produce. ...What were supposed to become *growth poles* are mere transition points for the real centre located in some advanced capitalist economy. Such cities have a specific function: they do not supply the countryside with what true centres provide to agriculture, even in capitalist societies. They live on the appropriation of part of the surplus

created through primary production and by the few existing industries. How large this part is depends on their bargaining power in international capitalist markets. They *facilitate* the extraction of the rest of the surplus by the capitalist core countries, although not always without some resistance". By discussing balance of payment difficulties and foreign debt pressures, Dowidar contends that periphery nations (client states) have limited bargaining power and therefore the percentage of surplus flowing to the core is overwhelming.

Dowidar (1975, pp.61-62) concludes that the only possibility for true economic development in the periphery is through a struggle of national liberation "waged by direct producers to get rid of all sort of subservience to local and/or international capital, the struggle to create the state dominated by the direct producers, sine qua non of their socio-economic development".

Wallerstein (1991) more recently has argued that the world-system is reaching a point of crucial change, where the capitalist world-economy as the dominant force, representing a 500-year effort of ceaseless accumulation of capital, is on its way out. This change, Wallerstein (1991, p.13) observes is due to a movement which he labels the *new science* engaging in an all out "direct attack on the oldest intellectual pillar of the modern world-system, Baconian-Newtonian science" which has supported the logic of capitalism and economic rationalism.

Wallerstein (1991, p.13) explains that physical scientists and mathematicians (*old science*: ie Baconian-Newtonian, the intellectual pillars) are remote from the *humanities* and the anti-racist, anti-sexist movements (the new science) and unable to see beyond the centrality of linear processes in scientific analysis ("the optimal comprehension of material reality"), which ultimately will be their downfall. In contrast, the new science is focused on interpreting the complexity of the world through "intelligent work in the social sciences and the

humanities” (Wallerstein 1991, p.13) *in combination with* the traditional scientific approach rather than to reduce the world to its minimalist components.

Wallerstein sees the new science as a sufficiently powerful anti-systemic movement, based on a growing global collective effort able to reform and/or fundamentally change the current dominant role of the capitalist world-economy in the modern world-system. The end results is however uncertain. Wallerstein argues, whatever will replace the capitalist world-economy may be better or worse. “The world-system is in mutation now. We have perhaps arrived now in the true realm of uncertainty” (Wallerstein 1991, p.15). The warning appears to be there, that man’s desire for material accumulation remains a driving and possibly dark force.

2.10.2: Intentional Underdevelopment and Dependency Theory

Frank (1969) argues one cannot assist Third World and developing countries to progress and improve living standards if one fails to understand their past economic and social histories. An understanding, which is hampered further should one compare the current situation of poor countries to an earlier stage of the history of developed nations, yet to be overcome. Additionally, Frank (1969, p.3) notes “most studies of development and underdevelopment fail to take account of the economic and other relations between the metropolis and its economic colonies throughout the economic history of the worldwide expansion and development of the mercantilist and capitalist system”.

Frank observes that in recent world history (the last 500 years) many examples exist where the capitalist system has simultaneously generated economic development *and* underdevelopment. Underdevelopment being described as a retrograde and unnatural step in the evolution of a country, “acquaintance with history shows that underdevelopment is not original or traditional and that

neither the past nor the present of the underdeveloped countries resembles in any important respect the past of the now developed countries. The now developed countries were never *underdeveloped*, though they may have been *undeveloped*" (Frank 1969, p.4). He points out that definitive historical research demonstrates contemporary underdevelopment is largely the consequence of past and continuing economic, military and political relations between underdeveloped countries (often former colonial territories) and the developed core countries representing the metropolis.

Similarly to the earlier observations made by Dowidar (1975) concerning the role of client state cities, Frank (1969, p.5) quotes the then recent *Journal of the Latin American Center for Research in the Social Sciences (1963)* in support of his thesis: "the privileged position of the city has its origin in the colonial period. It was founded by the Conqueror to serve the same ends that it *still* serves today; to incorporate the indigenous population into the economy brought and developed by that Conqueror and his descendants. The regional city (ie the satellite, periphery) was an instrument of conquest and is still today an instrument of domination (ie by the metropolis, the core)". Frank (1969, pp.6-7) explains satellites are found at all levels of the metropolis-satellite structure and that each serves "as an instrument to suck capital or economic surplus out of its own satellites and to channel part of this surplus to the world metropolis of which all are satellites". The survival of this relationship being ensured by a client elite hierarchy interested in their own enrichment, taking advantage of the capitalist economic system's exploitative nature. Frank concludes this process of underdevelopment is the result of 500 years of world capitalist development.

Frank ultimately defines a *theory of intentional underdevelopment* as the outcome of the same historical process (capitalism), which also generates economic development.

Frank and Gills (1993) describe dependency (theory) as inherent to the world-system, which has existed since the dawn of time. In simple terms, they describe the world-system as an ever-present, complex, multi-layered hierarchy of economic and political power, shared to a greater or lesser extent by all its actors. Whether a power is described as hegemonic (exploiting) or dependent (exploited) is a function of where they are nested in the hierarchy. The point is also made about the *degree* of independence/dependence, which is influenced by the interlinking (evolving) networks between specific powers within the world-system.

Frank and Gills (1993, p.301) argue, "the world-system is rather like a giant and never-ending game of musical chairs. This *game* is not child's play but is based on incessant *rat-race* and *devil-take-the-hindmost* competition among the *players*. The driving force behind this game is *competitive capital accumulation*, whether by states or by private elites, and usually by both". They argue that the rules of the game do not change so much as the players change position, and, as a recent example refer to "the collapse of the Soviet Union and the regimes in eastern Europe and their *subordination* to the International Monetary Fund and the Group of 7" (Frank & Gills 1993, p.302). Changed positions leading to increased dependency for some whilst strengthening the hegemonic power of others. It is generally described as a win-lose scenario.

Dependency is a corollary of (intentional) underdevelopment and perpetually part of a world-system historically dominated by materialism and capitalist economic development. Frank and Gills (1993, p.38) discuss how little this development (dependency and underdevelopment) has been good for people: "development is bad for women, feminists say (Frank 1991). If that is true, development is already bad for over half the world's population. However, development has *also* been bad for most man, as Wallerstein explicitly and Amin implicitly point out: over the five centuries existence of the *modern* world-

system, as they see it, the growing polarization of income and wealth in the world has not benefited most men (and still less women)". Therefore, they observe that 'development' as a concept only makes sense if it refers to the development of the *whole* world-system itself and reduced dependency (the reversal of underdevelopment) for individual players.

Frank and Gills emphasize that the world-system has implications for development *and* dependence. Indeed they conclude, "dependence has existed for millennia within the world-system, and eliminating dependence or being/becoming independent of the world-system is impossible" (Frank & Gills 1993, p.39).

Bornschier and Chase-Dunn (1985) explore the influence of trans-national corporations on different coexisting hierarchical structures of the world-economy and the impact this has on periphery dependency. They refer to a change taking place in the late 1960s, up to which time the hierarchy was characterized by the core specializing in the manufacture of industrial products and the periphery in raw material production. Around that time the economic dependency of the periphery was radically changed (intensified) by the introduction of a new form of hierarchy involving "a core/periphery distinction *within* industrial production itself" (Bornschier & Chase-Dunn 1985, p.18). The core began to focus on technology control and innovation, including the continuation of producing sophisticated (high-wage) products, whilst shifting the production of routine and more standard (less technologically sophisticated and low-wage) products for the domestic and world-markets to the periphery. Bornschier and Chase-Dunn argue this strategy extended periphery economic dependency to include industrialization dependency (science & technology dependency), perpetuating the core/periphery division of labour.

Bornschier and Chase-Dunn identified two types of core-controlled trans-national corporations (primarily manufacturing) spearheading this change. One which has

gone to dominate industrial production for domestic markets of peripheral countries and the other which effectively uses cheap labour in the periphery for assembling products for export to world-markets. The strategic outcome of this deliberate industrialization dependency is a particular application of dependency theory (intentional underdevelopment) and clarified by the following flow-chart (Figure 2.2):

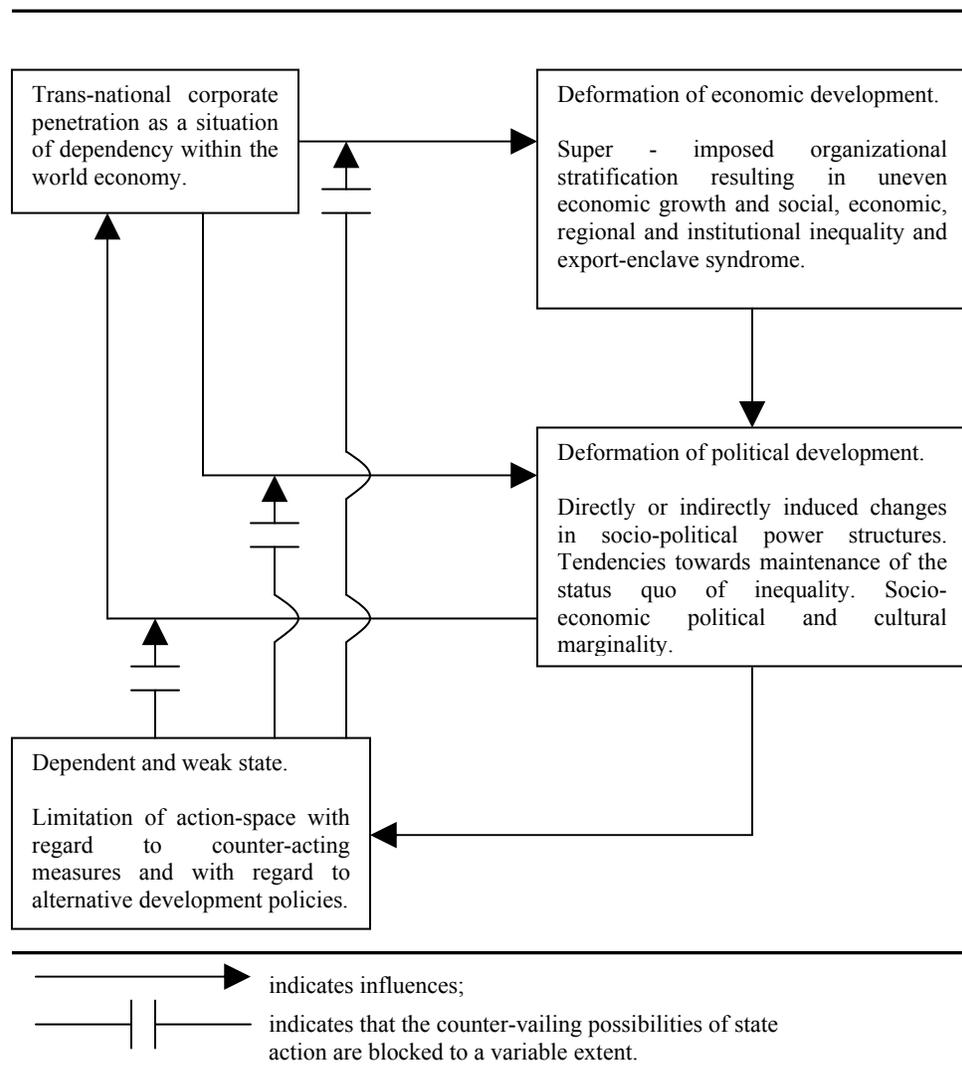


Figure 2.2: Transnational Corporate Penetration and Underdevelopment

Source: Bornschier, V. & Chase-Dunn, C. 1985, *Trans-National Corporations and Underdevelopment*, Praeger Publishers, New York, p.31

The same pathway is available to/and effectively followed by other similar core-dominated entities (eg such as IFIs, G-groups, etc).

In support of the above pathway, Bornschier and Chase-Dunn (1985, p.51) point out that many scholars of the *dependency school* argue "dependence on foreign aid programs, debt to core banks, specialization in the export of raw materials, and location in a restricted position in the international trade network constitute ...(key)... dimensions of the core periphery hierarchy and reproduce the underdevelopment of peripheral countries". This argument is reinforced by comparing dependency trends for peripheral countries between the mid-1960s to mid 1970s (Table 2.14):

Table 2.14: Trends in Dependence of the Periphery (Index numbers corrected for differences in the time period covered [adjusted to 1965-1975])

Source: Bornschier, V. & Chase-Dunn, C. 1985, *Trans-National Corporations and Underdevelopment*, Praeger Publishers, New York, p.52

	mid-1960s	mid-1970s
<i>Trade</i>		
<i>N</i> = 54 Export Commodity Concentration	100	90
<i>N</i> = 55 Export Partner Concentration	100	80
<i>N</i> = 59 Index of Vertical Trade	100	95
<i>N</i> = 72 Core Corporations, Index of Dependence	100	148
<i>N</i> = 69 External Public Debt, Index of Dependence	100	198
<i>N</i> = 69 World Bank Loans, Index of Dependence	100	165
<i>N</i> = 69 World Bank-IDA-Aid, Index of Dependence	100	358

Bornschier and Chase-Dunn (1985, p.52) conclude that core controlled trans-national corporations and international financial institutions (IFIs) have taken over trade dependence "as the main form of core periphery domination".

2.10.3: Geography Hypothesis and Enlightenment Approach

Landes (1999, p.xxi) asks the questions: "How and why did we get where we are? How did the rich countries get so rich? Why are the poor countries so poor? Why did Europe ("the West") take the lead in changing the world?" and seeks the answers in geography, enlightenment and pursuit of knowledge.

As background, Landes (1999, p.ix) comments on the fact that the world is roughly divided into three kinds of nations (based on inequality and struggle for survival), ie: "those that spend lots of money to keep their weight down; those whose people eat to live; and those whose people don't know where the next meal is coming from". He suggests it is a reasonable proposition to divide the world into two geographical power blocks such as East and West but increasingly it makes more sense to look at a rich and poor division (North and South) or what he terms the West and the Rest. The rich West constantly increases consumption levels at the expense of the environment, which Landes argues is an issue intimately connected to the wealth gap. To make his point about the divide between rich and poor nations Landes (1999, p.xx) observes "the difference in income per head between the richest industrial nation, say Switzerland, and the poorest non-industrial country, Mozambique, is about 400 to 1. Two hundred and fifty years ago, this gap between richest and poorest was perhaps 5 to 1, and the difference between Europe and, say, East or South Asia (China or India) was around 1.5 or 2 to 1". He stresses that at the extremes the gap is widening today and some countries are growing poorer in both relative and absolute terms.

Landes notes that it is the responsibility of us all to understand the cause and to redress this imbalance, not only for the benefit of those nations fighting for survival but also for the West. Failure, Landes points out, will eventually lead to the excluded taking by force what they cannot make at home. World peace depends on the wellbeing of the Rest.

In an attempt to understand the questions, Landes considers a number of different theories, two of which are considered here. First the *Geography Hypothesis*, much promoted by Ellsworth Huntington (Yale University). This hypothesis proposes a causal relationship between the physical environment (particularly climate) and human activity and classifies civilizations in a hierarchical (pecking) order as a result. Part of geography hypothesis borrows from early philosophical thought, which linked environment to temperament (cold and hot). It is often discredited, because unhelpful and simplistic racist characteristics are inappropriately assigned to geography-linked concepts such as ‘cold climate – white people – rich countries – North’ and ‘hot climate (tropics – equator) – coloured people – poor countries – South’. Landes (1999, p.5) observes though that the discipline of geography is not racist at all and he quotes Streeten (1971) in support of this point: “Perhaps the most striking fact is that most underdeveloped countries lie in the tropical and semi-tropical zones, between the Tropic of Cancer and Tropic of Capricorn. Recent writers have too easily glossed over this fact and considered it largely fortuitous. This reveals the deep seated optimistic bias with which we approach problems of development and the reluctance to admit the vast differences in initial conditions with which today’s poor countries are faced compared with the pre-industrial phase of more advanced countries”; and Galbraith (Journal of farm Economics 1951): “If one marks off a belt a couple of thousand miles in width encircling the earth at the equator one finds within it *no* developed countries ...everywhere the standard of living is low and the span of human life is short” (Landes 1999, p.5).

Landes comments that hot and tropical climates reduce human activity because of an essential need to minimize heat produced by motor activity (ie energy released by working muscles, subject to the law of heat exhaustion). This impacts on productivity and is reinforced by social adaptations such as the siesta, and divisions of labour, which shift the workload to those unable to say no (eg slave labour, the poor, and often women). Additionally, constantly hot climates such as

the tropics with wet and dry seasons also host a greater variety of harmful parasites and insects, which transmit disease in a manner deleterious to human activity and productivity, particularly in densely populated areas (usually very poor) without access to clean water and sanitation. Cold climates on the other hand have the opposite effect and "winter, in spite of what poets may say about it, is the great friend of humanity: the silent white killer, slayer of insects and parasites, cleanser of pests" (Landes 1999, p.8).

To highlight the impact of climate, Landes quotes from the World health Organization (WHO) – Special Program for Research and Training in Tropical Diseases 1990 (Table 2.15):

Table 2.15: Scope and Incidence of Tropical Diseases 1990

Source: Landes, D. S. 1999, The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor, Abacus, London, p.10.

<i>Disease</i>	<i>Countries Affected</i>	<i>Number Infected ('000)</i>	<i>Number at risk ('000,000)</i>
Malaria	103	270,000	2,100
Schistosomiasis	76	200,000	600
Lymphatic filariasis	76	90,000	900
River blindness	34	17,000	90
Chagas' disease	21	16-18,000	90
Leishmaniasis	80	12,000	350
Leprosy	121	10-12,000	1,600
African sleeping sickness	36	25	50

Notwithstanding the advances in modern medicine, hot and tropical climates continue to contend with diseases, which are practically non-existent in colder

zones. This is partly the result of the high cost of modern medicine, unaffordable to most tropical countries which have average annual (real) incomes of less than US\$400 per capita.

Landes also quotes the higher incidence of droughts, floods and other natural disasters in tropical climates and man's often inappropriate, detrimental and unsuccessful intervention. He discusses in contrast the more benign Atlantic and cooler North American climate and the particularly privileged European zone with its gentle rain, warmer winds, fertile soils (which allows for intense cultivation) and forests rich in edible produce. He concludes, "life in poor climes, then, is precarious, depressed, brutish. The mistakes of man, however well intentioned, aggravate the cruelties of nature (geography). No wonder that these zones remain poor; that many of them have been growing poorer; that numerous widely heralded projects for development have failed abysmally; that gains in health peter out in new maladies and give way to counterattacks by old" (Landes 1999, pp. 14-15).

Nonetheless, Landes believes that geography does not have to equate with destiny. The impact of the geography hypothesis can be considerably reduced by means of scientific development and technology but it comes at a price.

In contrast to the passive-reactive setting of the geography hypothesis, the *Enlightenment Approach* focuses on the active *pursuit* of knowledge through rational scientific research leading to discovery, innovation and technology development. This approach benefits primarily those who *initiate* and *first respond* to discovery and *set the agenda* for further development. Landes suggests that the crucial moment for the West (heralding the enlightenment approach) came with the discovery of the Americas and the expulsion of the Muslim conqueror from Spain in 1492. From that moment the European modus operandi began to change significantly and three important considerations slowly became part of the European status quo:

- (1) "the growing *autonomy* of intellectual enquiry;
- (2) the development of unity in disunity in the form of a common, implicitly adversarial *method*, that is, the creation of a language of proof, used, and understood across national and cultural boundaries; and
- (3) the invention of invention, that is, the *routinization* of research and its diffusion" (Landes 1999, p.201).

Landes explains that the decline of omnipotence in Church power compared to that of secular rulers in Europe during the fifteenth, sixteenth and seventeenth century eventually gave rise to an intellectual autonomy, which increasingly questioned the concept of nature as defined by holy scripture, allowing for new perspectives to emerge. Increasingly man learned that a free intellect and innovation would lead to significant and sustainable advantages over rivals.

As a consequence of autonomous intellectual enquiry, magical explanations for natural phenomena lost ground. Observation, measurement, description, verification (explanation based on proof) became the order of the day and empirical reality replaced blind faith. Method requiring precision and allowing replication was to form the basis of future analysis.

The final consideration was routinization of research and diffusion of knowledge through learned societies across Europe (later on followed by the Academies of Science), which fostered cooperation, beneficial competition and further leveraged knowledge gains. Landes points out that the consequences were enormous, particularly in the area of power technology, which eventually facilitated the Industrial Revolution.

Landes concludes that the enlightenment approach initiated and embraced by Europe well ahead of the East (or the Rest) provided it with an almost insuperable advantage, which initially allowed it to create a monopoly over knowledge and

later on maintain a monopoly over performance. Importantly, the three considerations fostered a model society for growth and development, which:

- (1) "knew how to operate, manage, and build the instruments of production and to create, adapt, and master new techniques on the technological frontier;
- (2) was able to impart this knowledge and know-how to the young, whether by formal education or apprenticeship training;
- (3) chose people for jobs by competence and relative merit; promoted and demoted on the basis of performance;
- (4) afforded opportunity to individual or collective enterprise; encouraged initiative, competition and emulation; and
- (5) allowed people to enjoy and employ the fruits of their labour and enterprise" (Landes 1999, p.217).

The European model society (specifically promoted by Britain) pursued gender equality, no discrimination, and by virtue of the enlightenment approach implied an absolute preference for scientific rationality over magic and superstition (irrational thought, blind faith, etc).

Essential to this European model (ideal) society were:

- (1) "secure rights of private property, the better to encourage saving and investment'
- (2) secure rights of personal liberty – secure against both the abuses of tyranny and private disorder (crime and corruption);
- (3) enforcement of rights of contract, explicit and implicit;
- (4) stable government, not necessarily democratic, but itself governed by publicly known rules (a government of laws rather than men). If democratic, that is, based on periodic elections, the majority wins but does not violate the rights of the losers; while the losers accept their loss and look forward to another turn at the polls;

- (5) responsive government, one that will hear complaint and make redress;
- (6) honest government, such that economic actors are not moved to seek advantage and privilege inside or outside the marketplace. In economic jargon, there should be no rents to favour and position; and
- (7) moderate, efficient, ungreedy government. The effect should be to hold taxes down, reduce the government's claim on the social surplus, and avoid privilege" (Landes 1999, p.218).

Landes concludes that theorists who attempt to explain current global inequality (North-South divide) as a consequence of Eurocentric (West-centered) 'aggression to / domination and exploitation of' weaker peoples miss the point of *why* the West continues to hold a decisive advantage. Instead, Landes (1999, p.514) urges them to examine "the manifest asymmetry between Europe's systematic curiosity about foreign civilizations and cultures and the relative indifference of the others" and contends, "anti-Eurocentric thought is simply anti-intellectual; also contrary to fact (*eg Western technological precedence*)" (Landes 1999, p.514).

2.10.4: Institutions Hypothesis

Acemoglu, Johnson and Robinson (2001, p.16) similarly to Landes (1999) observe "among countries colonized by European powers during the past 500 years those that were relatively rich in 1500 are now relatively poor" and ask, why is this so? They dismiss the geography hypothesis (previously discussed) as inconsistent, because this hypothesis would imply that countries, which were relatively rich 500 years ago, should be similarly so today. This is clearly not the case. Acemoglu et al suggest that the impoverishment of former colonial territories (periphery/satellite countries today) is the direct effect of

gradual and deliberate institutional changes implemented in the overseas territories by European occupying powers since the 15th century. In fact "European intervention appears to have created an *institutional reversal* among these societies, in the sense that Europeans were more likely to introduce institutions encouraging investment in regions that were relatively poor" (Acemoglu, Johnson & Robinson 2001, p.16) and *extractive institutions* in those that were relatively rich.

In contrast to the geography hypothesis, which contends that climate is the key determinant of human effort, productivity and economic success of nations, the *institutions hypothesis* proposes that economic growth and development are determined by the *organization of a society*. Geography is a constant and yet economic prosperity changes, therefore something else must be the key. Acemoglu, Johnson and Robinson (2001, p.18) point out, "historical and econometric evidence suggests that European colonialism caused not only a major change in the organization of these societies [the colonies], but also an *institutional reversal* – European colonialism led to the development of relatively better institutions in previously poor areas, while introducing extractive institutions or maintaining existing bad institutions in previously prosperous places".

The rationale for such institutional reversal was that, poor places around 1500 were usually sparsely populated and therefore encouraged European *settlement*, and, the lack of ready riches encouraged the newcomers to develop good institutions (fair, disciplined, democratic and efficient), which would promote economic growth, development and prosperity in the long run. On the other hand, the implementation of extractive institutions was more lucrative for colonial powers in conquered territories already rich in resources. Thus, argue Acemoglu, Johnson and Robinson (2001, p.18) the institutions hypothesis explains how "countries that were relatively rich in 1500 should be relatively poor today". And, in support, they quote as examples economic data and comparative findings with

respect to the Mughal, Aztec and Inca empires (rich civilizations, more densely populated in 1500) and North American, New Zealand and Australian territories (poor and sparsely populated areas in 1500), and others.

Acemoglu, Johnson and Robinson (1999, p.19) use several proxy measures to determine prosperity such as population density (Figure 2.3), because "it seems clear that during pre-industrial periods only relatively prosperous areas could support dense populations (McEvedy and Jones, 1978)".

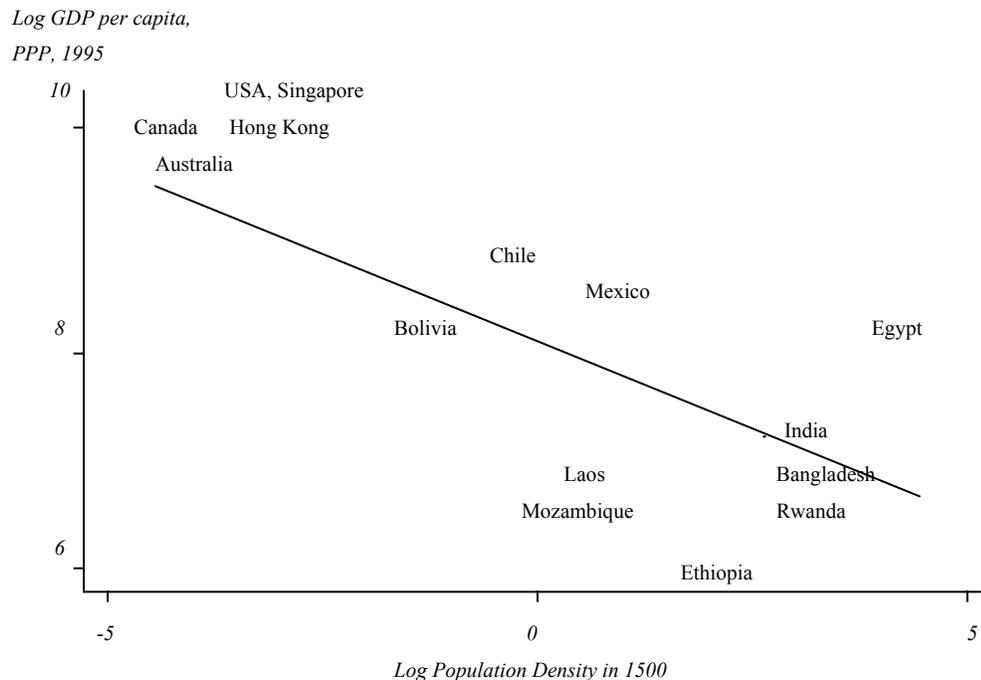


Figure 2.3: GDP per capita and Population Density

Source: Acemoglu, D., Johnson, S. & Robinson, J. A. 2001, Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution, National Bureau of Economic Research, Cambridge, MA, Appendix A-Fig.2

Additionally, urbanization rates are used by Acemoglu, Johnson and Robinson as another proxy measure to explain differences in economic prosperity across these regions over time (Figures 2.4 and 2.5), based on fact that many leading economic

Log GDP per capita,
PPP, 1995

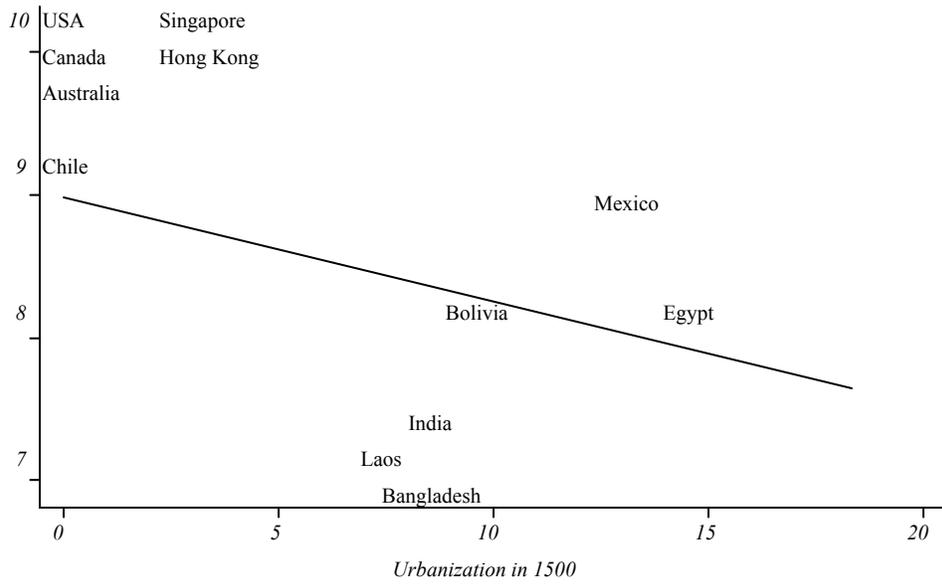


Figure 2.4: GDP per capita and Urbanization

Source: Acemoglu, D., Johnson, S. & Robinson, J. A. 2001, *Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution*, National Bureau of Economic Research, Cambridge, MA, Appendix A-Fig.1

and:

Log GDP per capita,
PPP, 1995

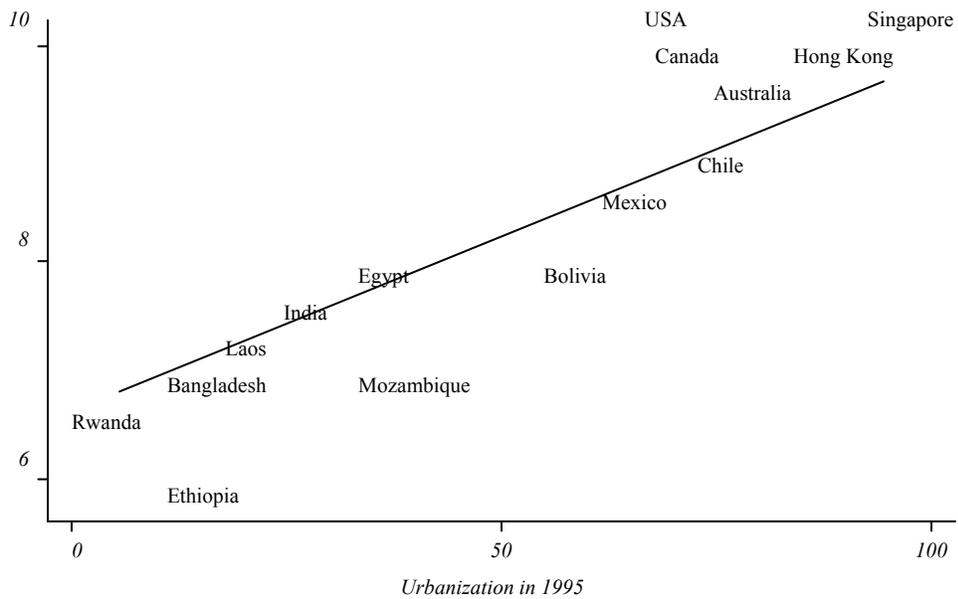


Figure 2.5: GDP per capita and Urbanization

Source: Acemoglu, D., Johnson, S. & Robinson, J. A. 2001, *Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution*, National Bureau of Economic Research, Cambridge, MA, Appendix A-Fig.3

historians proved urbanization to correlate significantly with economic development (Bairoch 1988, Tilly 1990, De Long & Schleifer 1993, etc). The results indicate a close association between urbanization (population density) and income per capita over time and cross-section of populations.

On the basis of such data, Acemoglu, Johnson and Robinson refute the geography hypothesis and argue that the differences can be explained by differences in institutions across countries. "The *institutions hypothesis* also suggests that institutional differences should matter more when new technologies requiring investments from a broad cross section of the society became available. We therefore expect societies with institutions of private property to take advantage of industrialization opportunities, while societies with extractive institutions, where political power is concentrated in the hands of a small elite, fail to do so. The data support this prediction" (Acemoglu, Johnson & Robinson 2001, p.20). Interestingly, this point was also made by Landes (1999).

It is worth noting that Acemoglu, Johnson and Robinson do not focus on the possible negative effects of European colonialism but rather on its differential effects with respect to the institutions it developed, maintained or imposed on occupied territories. They conclude, "the negative effects of colonialism did not result from the plunder of the colonies by the Europeans or dependency as emphasized by Williams (1944), Rodney (1972) or Frank (1978), but because extractive institutions stacked the cards against industrialization. Put differently, according to these authors, countries in Central America, the Caribbean and Africa are poor because of "too much capitalism", whereas in our thesis they are poor because of *the wrong type of capitalism*" (Acemoglu, Johnson & Robinson 2001, p.21).

As a final explanatory note, when Acemoglu, Johnson and Robinson refer to the crucial influence of societal organization, they refer to social organization. Good

social organization leads to the implementation of good institutions, which ensure that a significant cross section of society has access to effective property rights. These good institutions are labelled *institutions of private property*, whereas extractive institutions (ie bad institutions) ensure the opposite and lead to a high percentage of the population being exposed to significant risks of expropriation by small and powerful ruling elites and dictatorial, non-democratic government.

In summary, there appears widespread agreement that areas which were relatively prosperous 500 years ago and would have qualified for metropolis/core status then, are now relatively poor and identified as satellite/periphery entities within a global context. There is less agreement on why this is the case.

World-systems theory explains that all regions of the globe are integral parts of a whole and subject to a single capitalist world-economy, which pursues material accumulation (profit). Inherent to this world-system are economic growth, development and prosperity but also perpetual relative inequality, which though constantly evolving remains an inevitable and perpetual reality of human existence.

World-system theory suggests that different areas within the capitalist world-economy perform different tasks but all are subject to a single division of labour. The different areas are the core (rich industrialized countries), the semi-periphery (developing countries aspiring to OECD status) and the periphery (Third World poor countries).

World-system theory argues that in spite of core nations' ability to distort world markets in their favour, periphery and semi-periphery nations will sooner or later be able to migrate to the core. The reason given is the cyclical nature of the world-economy, which, when viewed over thousands of years offers clear periods of expansion and contraction with areas changing places in the world-systems

hierarchy. Changes are attributed to key events such as the capitalization of agriculture, the development of technology, scientific discovery and others.

World-systems theory suggests that a core-periphery relationship (although constantly evolving) is perpetuated by unstoppable self-interest, entrapment, assimilation, and the co-option of other players to one's cause.

Intentional underdevelopment and dependency theory argues that a shift in fortune for previously (resource) rich countries is primarily a consequence of unequal exploitation under a capitalist world-system. A system which allows militarily, economically and politically powerful nations (metropolis) to conquer weaker peoples (satellite), subjecting them to intentional underdevelopment for the purpose of gaining maximum economic control over their resources, to enable surplus extraction *to* the metropolis primarily for the benefit *of* the metropolis.

Dependency is viewed as inherent to a world-system, where power is hegemonic, exploitative and focused on competitive capital accumulation. Dependency theorists argue that key players today (hegemonic powers) are those which are militarily and economically powerful and with effective control over trans-national corporations and the international regulatory institutions (financial, trade, etc).

The *geography hypothesis* contends that climate is the key determinant of human effort, productivity and economic success; and, that a causal relationship exists between the physical environment (geography) and human endeavour. Whilst often discredited, some aspects of geography hypothesis are defensible, when correlations are examined between the incidence of specific diseases and geographic areas, natural disasters (frequency and intensity) and geographic location, availability of key life resources such as water and geographic areas and other issues such as climate (temperate, cold, tropical) and soil fertility.

The geography hypothesis is unpopular in many quarters, because it can be misinterpreted on the basis of racist characteristics inappropriately assigned to geography-linked (historic) issues such as ‘cold climate – white people (North – Europe)’ and ‘hot climate – coloured people (South – Africa, South Asia, tropics)’. The acceptance of geography hypothesis is further reduced by the fact its impact can be mitigated by technology and scientific development, *and* because countries in different climates have evolved from poor to rich and vice versa.

The *enlightenment approach* (theory) proposes that active pursuit of knowledge through scientific enquiry will lead to discovery, innovation, and technology development. Those who initiate such an approach and are first to respond to discovery will be in a position to set the agenda for sustainable and competitive economic development well into the future. The West is accredited with taking the initiative (at least in the last 500 years) and is therefore at the pinnacle of the world-systems hierarchy.

Enlightenment requires autonomy of intellectual enquiry, a common but adversarial method (internationally accepted language of proof) and routinization of research and its diffusion. The enlightenment approach encourages a model (ideal) society, which values individual freedom and private property rights, laws of contract and stable government, efficiency, integrity and honesty.

The enlightenment approach ascribes the advantage of the core (the West) to systematic curiosity (intellectual enquiry) about nature, foreign civilizations, cultures, etc and the position of the periphery to its relative indifference.

The final hypothesis examined is the *institutions hypothesis*, which contends that economic growth and development are determined by the “organization” of a society. Good organization is equated with the implementation, development and maintenance of good institutions, which guarantee access to property rights for

the majority of society, reducing or minimizing the risk of expropriation by corrupt elites and non-democratic government.

The institutions hypothesis suggest that the current core-periphery division within the modern world-system is not so much the effect of historical colonialism but rather because extractive institutions (bad organization) stacked the cards against industrialization and economic progress. Institutions theory acknowledges the historical role played by European colonialism in so far to the institutions (good and bad) it developed, maintained, and imposed on occupied territories many so years ago.

Institutions theory, argue that periphery countries are poor because of the wrong type of capitalism (bad institutions and social organization).

On balance, each theory or hypothesis contains elements vital to a better understanding of world inequality. Each contains elements of the other. *Self-interest* affects all. European colonialism and the advantage of the West are explained on the basis of conquest and exploitation, autonomous enquiry, geographic advantage, cyclical advantage within a capitalist world-economy, good social organization and more. It is likely that new schools of thought will follow.

...”Our thesis is that the contemporary world system has a history of at least 5,000 years. The rise to dominance of Europe and the West in this world system is only a recent – and perhaps a passing – event”... (Frank & Gills 1993, p.3)

2.11 Summary

The literature review reveals a scenario, current and historic of a market place driven by a capitalist world system focused on material wealth accumulation

(money, profit). A system fuelled by an ever-increasing consumption of natural resources and manufactured products, which invariably is accompanied by severe on-going environmental exploitation and degradation.

This capitalist world-economic system demands and forces the deregulation (and re-regulation) of markets and is acknowledged to create significant economic growth and development as a consequence. The benefits are, however, very uneven for the different nations of the world. There are winners and losers, as poverty continues to affect at least 50% of the world's population, with many people remaining without education or access to basic necessities, wondering daily where their next meal is coming from.

The West appears to be the financial winner, when considering its progress and relative position over the last 500 years. Today, the OECD countries represent 15% of the world population and receive nearly 80% of the world's income. The economic discipline inherent in the capitalist world-system, driven by wealth accumulation and human self-interest, ensures that financial and economic control intensifies in the hands of the developed world.

Nations aspire to move from Third World status to developing nation status, to developed nation (OECD) status. A feat achieved by few (eg Singapore, South Korea). Theories have been considered, which suggest that migration from periphery (poor) to core (rich) status is almost impossible in the short to medium term but likely in the long run, due only to the cyclical nature of the world-economy. The capitalist system, whilst deemed beneficial for commonwealth creation ultimately, is rational to the point of tolerating (and at times requiring) the economic exclusion of many in the interim.

The literature review suggests that the West has become privileged compared to the rest of the world by actively pursuing knowledge through rational scientific enquiry, establishing a common language of proof and competition, which in turn

has led to a culture of innovation and technology development. The literature also suggests, supported by historical fact, that advantages gained were ruthlessly exploited and accompanying actions often supported by military force. Colonialism (since 1492) was primarily a European phenomenon and not a beneficial force for the people of conquered territories. In many instances occupied territories were either developed or exploited (usually both) for economic gain to benefit the home countries. The transition from mercantilism to colonialism and imperialism was comfortably supported by an all-embracing capitalist system.

The literature suggests that it is no accident the Third World (periphery) and developing nations (semi-periphery) are mostly former colonial territories. Many of which today are classified as heavily indebted poor countries (HIPC) dependent on multi-lateral aid and loans extended by such international financial institutions as the World Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, etc. These countries are subject to economic structural adjustment programmes as a condition for the continued extension of credit, to prevent economic collapse and exclusion. The price appears to be loss of economic sovereignty with re-organization (reconstruction?) of industry, which appears to benefit the developed world more than the domestic markets of HIPC countries. The poor may get richer (best scenario) but the gap continues to widen.

Third World and developing nations often struggle with nationalism, particularly during times of crises. Years ago, the force of nationalism represented a rallying point for the struggle of independence against the colonial overlord. It was a tangible and identifiable force, providing a sense of connectedness for thousands of disenfranchised people. Then (1945 onwards), it was a positive force, for every man (and nation) had a right to be free. Today when it occurs, the literature suggests it is an inhibiting and reactionary force against the superiorities of the

global market place. Real or imagined, these experienced superiorities are often interpreted by HIPCs as unwelcome influences of foreign hegemony.

Much is also written about civil society and whether it should focus on good organization (ie good institutions, such as those which promote access to private property rights for the bulk of the population and prevent expropriation) and economic rationalism *or* whether more emphasis should be placed on the ethics of care and humanity. Opinions vary about where the balance in a capitalist system should be struck between economic rationalism, good institutions, ethics of care and universal beneficial behaviour for an optimal organization of global society. Nonetheless, there appears to be a general recognition that countries with stronger and well-developed institutions of civil society are likely to withstand periods of economic crisis better and recover faster from any associated economic loss.

The review suggests the West is readily identified as the rich OECD countries and primarily the group of seven nations (G7): the USA, UK, Germany, France, Italy, Canada and Japan most of which are former colonial powers. Former colonial territories almost without exception are today either Third World countries or developing nations, some HIPCs. Indonesia is a prime example and integral to this study. Colonialism as a historical phenomenon is widely acknowledged as exploitative and with little regard for native culture and wellbeing. There is enough written in the literature to hypothesize about a gradual metamorphosis¹⁰ by the West from colonialism to financial imperialism and intentional debt peonage with respect to developing nations and the Third World (periphery). The forces of nationalism evident in the (semi) periphery, particularly during times of crisis would suggest memories are long and histories of occupation, exploitation and domination during colonial times (pre-1945) are remembered.

¹⁰Refer: Daale, P. 2000, *Peripheral Decolonization and Global Coloniality – Perspectives from the core and periphery, with illustrations from Indonesia*, Asia Pacific Researchers in Organization Studies 2000 Conference on ‘Organizing Knowledge, Economies and Societies [World-Systems Session], University of Technology Sydney.

It is likely that compliance by dependent periphery countries with economic structural reform programmes (SAPs) imposed by the international financial institutions (IFIs) such as the IMF and WB is deeply resented and the control exercised by the G7 through the IFI's identified with colonial behaviour.

Consequently this research project suggests the need to *integrate* several key aspects of the existing leading theories discussed to explain the question why some countries are so rich and others so poor, in a sense providing a new approach or model not found in the literature for better understanding our present world system.

This new approach would suggest that it is not simply a question of economic and military dominance, or the creation of intentional underdevelopment and dependency, extractive institutions, geographic destiny, or enlightenment but rather that all these elements play a role in the destiny of nations. Additionally and significantly, such an approach would also suggest that cross-cultural understanding and respect, national identity and self-determination, and the recognition of personal dignity should be recognized as integral to any revision of current world systems theory.

To this end, the literature review identified a number of key constructs detailed in Chapter 4 (Section 4.3) that form the basis of enquiry of this study, to determine the *proposed theory* which emerged from the review and the results of the exploratory research stage (Study 1) detailed in Chapter 6. This theory proposes that:

“G7 Behaviour is perceived as colonial by Indonesian business leaders; and is significantly influenced by their perception of socio-economic development in Indonesia”

Chapter 3

Indonesia – Observations

3.1 Independence – Terms and Key Issues

For many individuals born in free and prosperous Western democracies after World War II, notions of national independence gained by former colonial territories are likely to evoke thoughts of formerly oppressed peoples now united and celebrating self-determination, freedom and sovereignty with a chance to build a new nation unencumbered. To what extent did this apply to Indonesia when it gained independence?

Sukarno and Hatta proclaimed Indonesia's independence on the 17th of August 1945 but this declaration (Proklamasi) was unilateral. The Netherlands, financially stretched as it was after the German occupation, did everything in its power to first block and later delay Indonesia's independence. Not until it had engaged in several bloody military conflicts and police actions (Battle of Marga, occupations of West Java, East Java, Madura, Semarang, Medan, Palembang, Padang, etc) was it forced to the negotiating table (1946 Linggadjati Agreement, 1948 Renville Agreement, 1949 Round Table Conference in The Hague) by rising international sentiment against colonial rule and eventually a clear threat from the US Government that their Marshall Plan aid might be rescinded. Eventually it acceded to Indonesian independence (30 December 1949) but not until Indonesia had agreed to (1) accept a staggering national debt owed to the Netherlands by the former Netherlands East Indies regime of *GLD 4.3 billion guilders* or

“US\$1,130,000,000 million dollars” [nb: 1949 value] (Neill 1973, p332) and (2) not interfere with the operation of Dutch companies remaining in Indonesia.

Additionally, under the terms of independence the Netherlands retained control over Indonesian monetary policy through continued ownership of the Java Bank, effectively preventing Indonesia from establishing its own central bank. This control remained until all Dutch-owned banks in Indonesia were nationalized in 1957 (Lindblad 2002). Similarly, exclusive control was retained over key strategic industries such as oil and shipping (Royal Dutch Shell and the Royal Packetship Company [KPM]) until these too were nationalized in the same year (Library of Congress Country Studies 1992, <http://lcweb2.loc.gov>).

Whilst independence was acknowledged by the Netherlands in 1949, the process to wrest economic power from private Dutch enterprises thus continued for a further eight years. To understand the economic impact this had on domestic economic development one needs to consider the short-term economic interest and profit-export orientation of the remaining Dutch firms in Indonesia between 1949 and 1957. For example, “Dutch firms remitted [to the Netherlands] a total of 800 million guilders between 1954 and 1957 alone. Such massive transfers of profits testified to a short-run perspective in management strategies of the Dutch enterprises and clearly added to Indonesian apprehension about their continued operation in Indonesia. ... The terms under which Indonesia gained independence were exceptionally harsh with the apparatus of the colonial state being dismantled ... largely at Indonesian expense” (Lindblad 2002, p.17).

Indonesian internal differences between leaders of the independence movement also played a mediating role in the process of decolonization. Independence was a genuine achievement but unitary it was certainly not. Sukarno and Hatta had to negotiate throughout the early independence years (1945 to 1957) with many competing and complex interests such as those of Darul Islam (a political

movement determined to establish a Muslim theocracy), PKI (Indonesian Communist Party), Pemuda (Young Activists), separatist movements (eg Republic of South Maluku) and many others, each headed by leaders with their own socio-economic and political agenda. Most objected to one aspect or another of the negotiations and continued interaction with the Dutch Government and Dutch owned business enterprises. When undisputed independence was achieved, it came at a high cost and at considerable financial burden, which Indonesia was unable to ameliorate over the ensuing 50 years.

3.2 Economic and Social Development - Issues

Booth (1998, p.327) writes "in the early 1960s, western visitors to Java, and to other parts of the country, were appalled at the deterioration of infrastructure, the weak authority of the central government, and the *poverty* of the great majority of the population. Even after thirty years of accelerated economic development under President Suharto's 'New Order', Indonesia remains a relatively poor country, with marked regional variations in the level of development, and doubts remain about its longer-term economic and political future" (Table 3.1). Four years and three presidents later (2002) these doubts are even more acute.

Table 3.1: Poverty Line and Number of Population Below the Poverty Line

Source: World Bank 2002, *Poverty Line and Number of Population Below the Poverty Line 1976-2000* [Online]. Available: [http://Inweb18.worldbank.org/eap/eap.nsf/Attachments/poverty/\\$File/poverty00.pdf](http://Inweb18.worldbank.org/eap/eap.nsf/Attachments/poverty/$File/poverty00.pdf) [25 October 2002].

Year	Poverty Line (Rp/capita/month)		Number of Population Below the Poverty Line (million)			Percentage of Population Below the Poverty Line (%)		
	Urban	Rural	Urban	Rural	U + R	Urban	Rural	U + R
1976	4,522	2,849	10.0	44.2	54.2	38.8	40.4	40.1
1978	4,969	2,981	8.3	38.9	47.2	30.8	33.4	33.3
1980	6,831	4,449	9.5	32.8	42.3	29.0	28.4	28.6
1981	9,777	5,877	9.3	31.3	40.6	28.1	26.5	26.9
1984	13,731	7,746	9.3	25.7	35.0	23.1	21.2	21.6

Table 3.1 (Continued)

Year	Poverty Line (Rp/capita/month)		Number of Population Below the Poverty Line (million)			Percentage of Population Below the Poverty Line (%)		
	Urban	Rural	Urban	Rural	U + R	Urban	Rural	U + R
1987	17,381	10,294	9.7	20.3	30.0	20.1	16.1	17.4
1990	20,614	13,295	9.4	17.8	27.2	16.8	14.3	15.1
1993	27,905	18,244	8.7	17.2	25.9	13.5	13.8	13.7
1996	38,246	27,413	7.2	15.3	22.5	9.7	12.3	11.3
1996	42,032	31,366	9.6	24.9	34.5	13.6	19.9	17.7
1998 b/	96,959	72,780	17.6	31.9	49.5	21.9	25.7	24.2
1999 c/	92,409	74,272	15.7	32.7	48.4	19.5	26.1	23.5

Notes:

a/ Susenas of February based on the 1998 standard which is adjusted to account for the shift in consumption pattern of the respective year.

b/ Based on Susenas of December 1998.

c/ Based on Susenas of February (regular) 1999.

Susenas = Central Bureau of Statistics - Indonesia

Yet, Booth also points to the remarks made one hundred years earlier by a prominent visiting English naturalist Alfred Russell (1869), which highlighted the excellence of public infrastructure and the harmony between European colonial rulers and native society. Booth raises the question how a country (Indonesia) colonised by one of the most prosperous and enlightened states in Europe could have failed to develop through the last two centuries into a modern industrial nation and a stable constitutional democracy.

On the basis of her research and subsequent findings, Booth (1998, p.327) concludes that “it is tempting to blame the colonial power” and states the greatest sin of Dutch colonialism to be “the failure to accelerate [native population] access to education ... The fact that so few managed to get beyond a few years in a vernacular school meant that fluency in the language of the colonial power was confined to a tiny *privileged* minority... In spite of the efforts made after independence to increase access to education, the very meagre colonial legacy meant that, in the 1950s and

1960s, the great majority of the working age population had had no schooling at all, or at most a few years in a rural primary school” (Booth 1998, p.328).

Booth (1998, p.329) also concludes that even more damaging than the failure to provide access to education for the native population, “was the failure of the colonial regime to facilitate the emergence of a robust class of indigenous entrepreneurs, able and willing to challenge the role of the Chinese in the urban, commercial economy”.

However, other factors were also at play. Mokyr (1984, p176) wrote about pre-colonial Asia (including the territories of the Indonesian archipelago) that it “was an Arthur Laffer nightmare come true: inept and confiscatory government had condemned the population to perpetual poverty by thwarting individual initiative”. Others (eg Reid 1993) shared a similar view that the Southeast Asian population had remained poor and backward because it had no protection against the widespread and uncontrolled rapacity of its native rulers. Many would agree this did not improve during and since the years of the ‘New Order’ regime under Suharto.

Booth points to other significant mediating influences, such as the apparent incompatibility between the forces of international capitalism and more traditional Asian domestic economies. For Indonesia, persistent political instability post independence in 1945 complicated progress even further.

Nonetheless, to many Indonesians, the wide gap between Indonesian GDP per capita and that of OECD countries, when viewed from a historical standpoint, is the enduring result of former systematic Dutch colonial exploitation. “The wealth of the Indies had been drained away to promote economic development of the Netherlands” (Booth 1998, p.6).

Table 3.2: GDP Per Capita in 1990 International Dollars

Source: Booth, A. 1998, *The Indonesian Economy in the Nineteenth and Twentieth Centuries: A History of Missed Opportunities*, MacMillan Press Ltd, London, p.6

Year	Indonesia	Netherlands	Japan	South Korea
1820	614	1,561	704	
1870	657	2,640	741	
1900	745	3,533	1,135	850
1913	917	3,950	1,334	948
1950	874	5,850	1,873	876
1973	1,538	12,763	11,017	2,840
1992	2,749	16,898	19,425	10,010

Average Annual Growth Rates (%):

1820-1900	0.2	1.0	0.6	
1900-1950	0.3	1.0	1.0	0.1
1950-1992	2.8	2.6	5.7	6.0

Table 3.3: GDP Per Capita in 2001 US Dollars

Source: World Bank 2002, *Indonesia At A Glance* [Online]. Available: www.worldbank.org/data/countrydata/aag/idn_aag.pdf (ditto for: nld_, jap_, kor_) [19 October 2002].

Year	Indonesia	Netherlands	Japan	South Korea
2001	680	24,040	35,990	9,400
<i>Annual Growth Rate (%):</i>				
2001	1.8	0.4	-0.6	2.2

Tables 3.2 and 3.3 show that Indonesia has not caught up, and by 2001, in GDP per capita estimates (2001 US\$) individual earnings reached a level comparable to those in the late 19th century.

Reasons, '*other than colonial legacies*', are also highlighted by the World Bank. The WB Chief Economist Nicholas Stern (2000, www.worldbank.org) commented, "while economic growth is still the key to living standards, other factors long considered less central to development, such as education and *governance*, are becoming increasingly important. While GDP is the single most powerful force in alleviating poverty, growth is not enough. Countries can double living standards by improving their legal systems and combating *corruption*".

The Dow Jones International News Services (25 September 2000) added *concern for the environment* as another powerful reason, also under the heading of 'governance': "As an example of the damage that can arise from deficient policies, the World Bank pointed to Indonesia's experience with enormous forest fires, which cost the nation \$4 billion in *direct losses* in each of 1997 and 1999. But this environment disaster never commanded the same attention as the Asian financial crisis, although it may have caused greater long-term loss to poor people who depend on natural resources for their livelihoods".

Booth also points to Indonesian-managed '*economic stabilization policies*' causing increased urban-rural disparities in Indonesia. It is debatable whether these post-1945 policies were/are truly sovereign in nature or forced by the international financial institutions predominantly controlled by OECD countries such as the G7 group. She observes, "together with the IMF and World Bank, the donor nations instituted a process of continual monitoring of Indonesia's economic policies which inevitably injured the nationalistic sensibilities of even the more moderate in the civilian and military bureaucracies" (Booth 1998, p.75). These economic stabilization policies resulted in marked urban-rural disparities:

Table 3.4: Urban-Rural Disparities in Indonesia: 1964 to 1993

Source: 'Survei Sosial Ekonomi Nasional, Pengeluaran untuk Konsumsi Penduduk' (Jakarta Central Bureau of Statistics, various rounds), in *The Indonesian Economy in the Nineteenth and Twentieth Centuries: A History of Missed Opportunities*, A. Booth 1998, MacMillan Press Ltd, London, p.122

Year	All Urban Areas	Jakarta*
1964-65	137	
1969	145	
1970	143	
1976	173	
1978	195	
1980	169	207
1981	179	234
1984	189	250
1987	185	271
1990	181	275
1993	192	305

Average per capita consumption expenditures in urban areas (*only Jakarta) as a percentage ratio of rural expenditures.

Table 3.4 clearly indicates that the gap between rich and poor is widening *within* Indonesia and also suggests no credible attempts are made to redistribute productive assets from rich to poor and from urban to rural areas.

Disparities between rich and poor had long been a part of Indonesia and it was the native population which endured greatest inequities. Day (1900) already observed a century ago the Dutch colonial administration to be under constant pressure from the government in the Netherlands to curtail expenditures and increase the yearly surplus. Expenditures, "especially on items like education and the administration of justice were reduced to a point that menaced the permanent welfare of the people" (Day 1900, p.77). Booth (1998, p.139) comments likewise, "it is obvious that the colonial government kept all expenditures within the colony to an absolute minimum. The net outcome was a budget that was almost continually in surplus... The surplus, in turn, financed the payments made to the exchequer of the Netherlands" with

insufficient funds spent on basic welfare, particularly when measured against comparative social services benchmarks in the Netherlands.

Nonetheless, Booth tries to take a balanced view between beneficial economic development plans pursued by the colonial administration and the relentless pressure exerted on it by the Dutch Government and Dutch Central Bank to curtail capital expenditure on infrastructure projects, which could undoubtedly have advanced the competitiveness of the colonial territorial economy in the longer term. In addition to this pressure, two World Wars, the Great Depression, and the upheaval of Independence ultimately increased foreign (public) debt to dangerously high levels (Table 3.5). An outcome, which compromised native education and a basic welfare safety net even further.

Table 3.5: Trends in Public Debt and Debt Service Payments in Indonesia, 1911-1990

Source: Booth, A. 1998, *The Indonesian Economy in the Nineteenth and Twentieth Centuries: A History of Missed Opportunities*, MacMillan Press Ltd, London, p.146

<i>Year</i>	<i>Public Debt as a % of:</i>		<i>Debt Service as a % of:</i>	
	<i>GDP</i>	<i>Exports</i>	<i>Exports</i>	<i>Total Public Expenditure</i>
1911	2.9	17.5	0.8	1.8
1914	4.8	25.0	0.8	1.7
1919	8.8	24.8	1.1	3.6
1923	21.3	93.9	5.7	11.9
1928	15.8	63.2	6.2	13.1
1933	43.0	290.0	20.0	20.8
1938	34.2	199.7	11.0	14.6
1952	*	63.5	n.a.	n.a.
1958	*	77.8	n.a.	n.a.
1965	*	333.2	n.a.	n.a.
1970†	25.3	206.3	13.9	5.6
1980**	20.8	67.6	12.7	6.7
1985**	32.0	132.6	25.1	14.6
1990**	44.6	150.5	28.4	27.1

* The overvalued exchange rates make comparisons with GDP difficult, especially in 1958 and 1965;

† 1970 data refer to long-term public debt only; GNP used rather than GDP;

** Data refer to long-term public debt only; GNP used rather than GDP; Debt service payments include private as well as public debt payments.

By 1999, the total foreign debt (public, and private [excluding fixed assets]) for Indonesia amounted to 106.7% of GDP (World Bank 2002, www.worldbank.org). Hardly an encouraging result, after half a century of domestic rule and more.

Djojohadikusumo (1991, pp.43-44) highlights two very different views on economic development of Indonesia and its current situation. The first view considers the existence of socio-cultural dualism, which implies that a *pre-capitalist order* is the “basic tenet of *oriental societies* [relationship based societies]: unchanged and unchangeable due to the permanent prevalence of a set of socio-cultural values entailing *non-rationality* in economic behaviour”. This assumes that Indonesia in a global capitalist world system will perpetually battle (rather unsuccessfully) with the concept of economic development.

The second view proposes that economic development entails a “transformation in the process of accumulation, allocation and distribution with due consideration for the interaction between internal processes and external forces related to trade and capital movements. Accumulation is defined as the use of resources to increase the productive capacity of an economy. Resource allocation and reallocation bring forth changes in the structure of production, sectoral composition of domestic demand and international trade and payments” (Djojohadikusumo 1991, p.42).

The second view suggests that during early stages of development, income distribution worsens temporarily but absolute poverty is reduced. Ultimately, economic development leads to effective income redistribution through the income transfer opportunities created by free market rationalist economic activity. Djojohadikusumo quotes the studies of Kaldor (1960, 1989) and Kuznets (1971) in support of this second view.

Djojohadikusumo (1991, pp.42-43) concludes, based on his own research since the 1950s that Indonesia's historical and current disparities/imbances have been/are determined by:

"[1] the endowment of natural resources impeding the accumulation of productive capacity;

[2] the allocation of productive resources among sectors and regions within the country;

[3] wealth and income and gross inequalities in their distribution;

[4] deficiencies of the institutional framework relative to the demands of modernization.

The disparities and imbalances are *interrelated* and reflect historical forces and trends. Taken together, they are both the cause and the result of economic stagnation, social unrest and political tensions. Developments such as transition, transformation and structural change entail nothing less than the elimination, or at the very least a rectification, of those disparities and imbalances. Obviously that process, if sustained, will require a time-span of two to three generations, if not longer". Djojohadikusumo clearly rejects the dualist socio-cultural view. Colonial extractive processes are acknowledged but considered part of the (possibly inevitable) historical interaction between external forces and internal processes, successful economic development (or not) in the modern world ultimately being the responsibility of a free and independent Indonesia. Responsible economic rationalism appears to be a priority in his view.

3.3 Governance - Issues

If one accepts Djojohadikusumo's (1991) view that Indonesia's future is ultimately in the hands of Indonesia itself as a free and independent actor, the question needs to be asked if it exercises responsible government for advancement of the nation as a whole. Earlier, we already noted Nicholas Stern's observation about the importance of governance and how developing countries

could double their living standards by improving their legal system, combating corruption, etc. So, how does Indonesia perform internally, compared to other independent developed countries? Are Indonesian political leaders accountable, is the country stable and is the government effective, does the rule of law apply, fairly and to what degree is the country free of corruption?

Kaufmann and Kraay (2002) have attempted to map a statistical comparison of perceptions of the quality of governance in Indonesia and a large number of other countries (developing and developed) across the world. In this instance, Indonesia is compared to the Netherlands (its former colonial power and G10 member), the United States (the leading G7 member), and Australia:

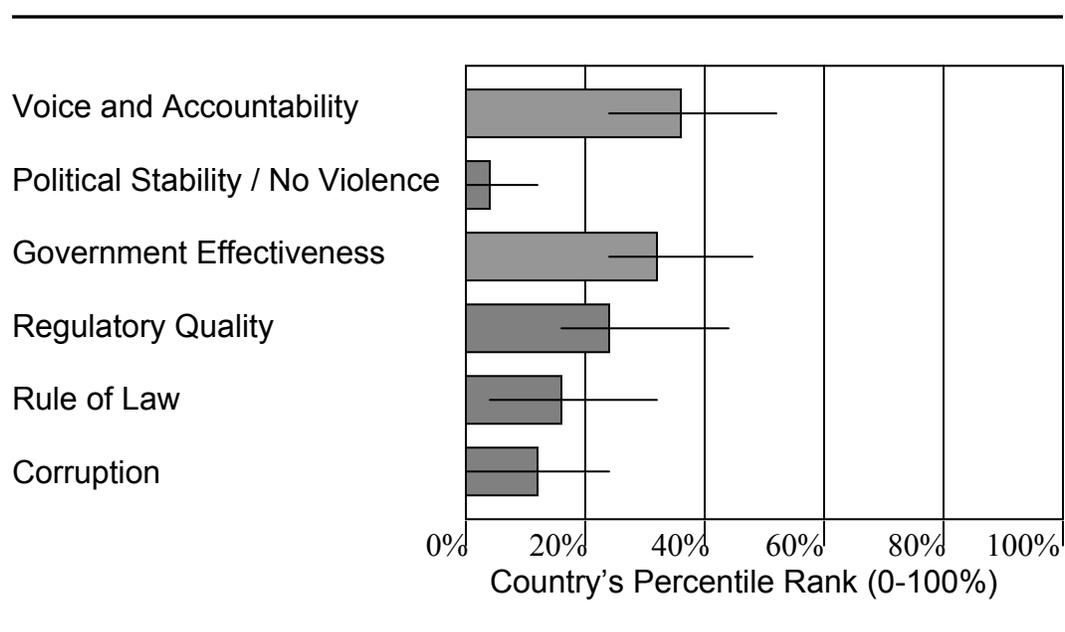


Figure 3.1: Indonesia (2000-01)

Source: Kaufmann, D. & Kraay, A. 2002, 'Growth Without Governance', in *GRICS II: Governance Research Indicator Country Snapshot – Comparison within INDONESIA for all Six Governance Indicators* [Online]. Available: http://info.worldbank.org/beeeps/kkz/sc_chart.asp [26 October 2002].

“The above chart (Figure 3.1) depicts the percentile rank on each governance indicator. Percentile rank indicates the percentage of

countries worldwide that rate below the selected country (subject to margin of error). Selected comparator (if any) is depicted by the lower bar for each governance indicator. In the Bar Chart, the statistically likely range of the governance indicator is shown as a thin black line. For instance, a bar of length 75% with the thin black line extending from 60% to 85% has the following interpretation: an estimated 75% of countries rate worse and an estimated 25% of the countries rate better than the country of choice. However, at the 90% confidence level, only 60% of the countries rate worse, while only 15% of the countries rate better. Higher values imply better governance rating” (World Bank 2002, http://info.worldbank.org/beeps/kkz/sc_chart.asp).

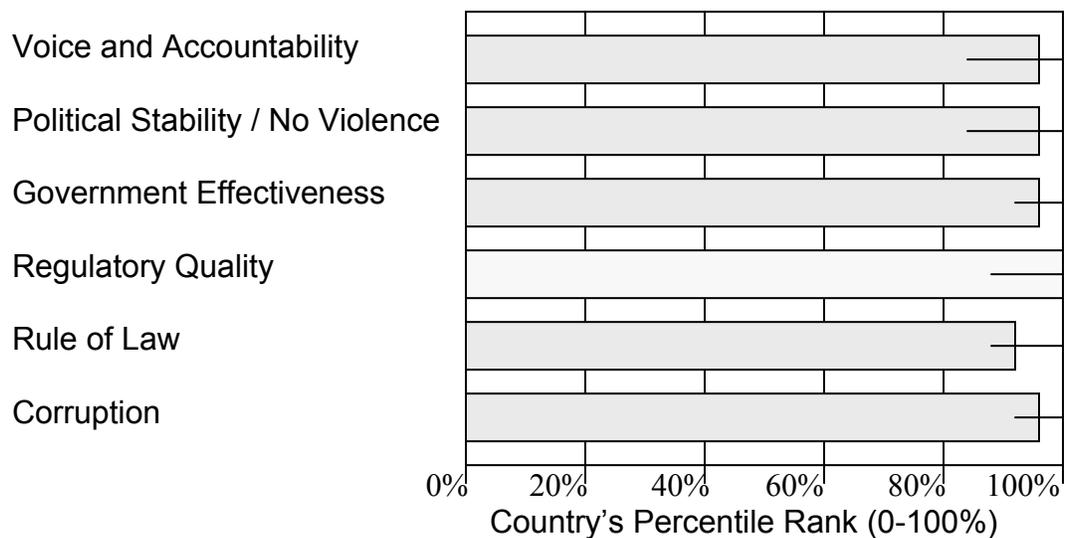


Figure 3.2: The Netherlands (2000-01)

Source: Kaufmann, D. & Kraay, A. 2002, ‘Growth Without Governance’, in *GRICS II: Governance Research Indicator Country Snapshot – Comparison within INDONESIA for all Six Governance Indicators* [Online]. Available: http://info.worldbank.org/beeps/kkz/sc_chart.asp [26 October 2002].

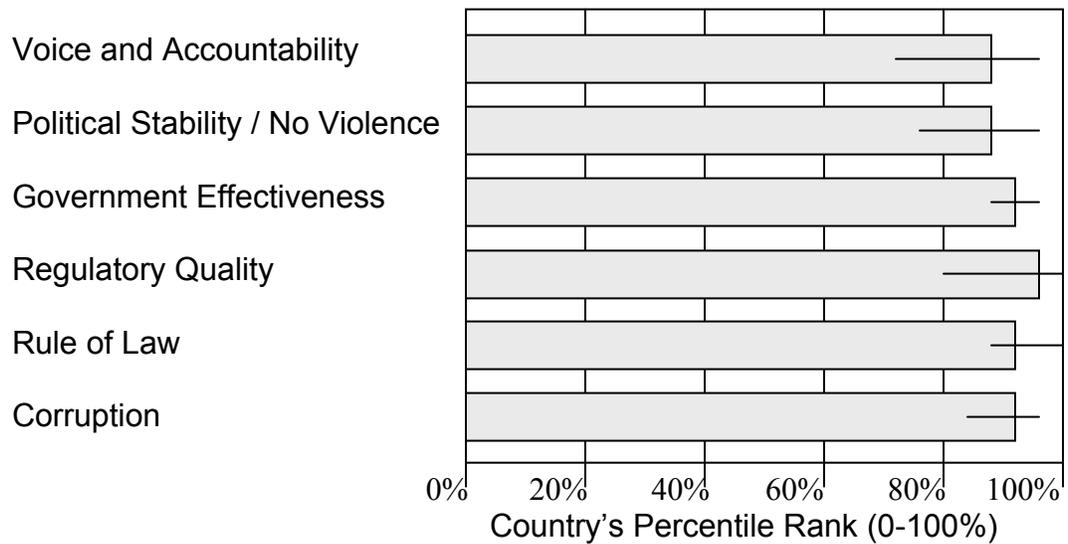


Figure 3.3: United States (2000-01)

Source: Kaufmann, D. & Kraay, A. 2002, 'Growth Without Governance', in *GRICS II: Governance Research Indicator Country Snapshot – Comparison within INDONESIA for all Six Governance Indicators* [Online]. Available: http://info.worldbank.org/beeps/kkz/sc_chart.asp [26 October 2002].

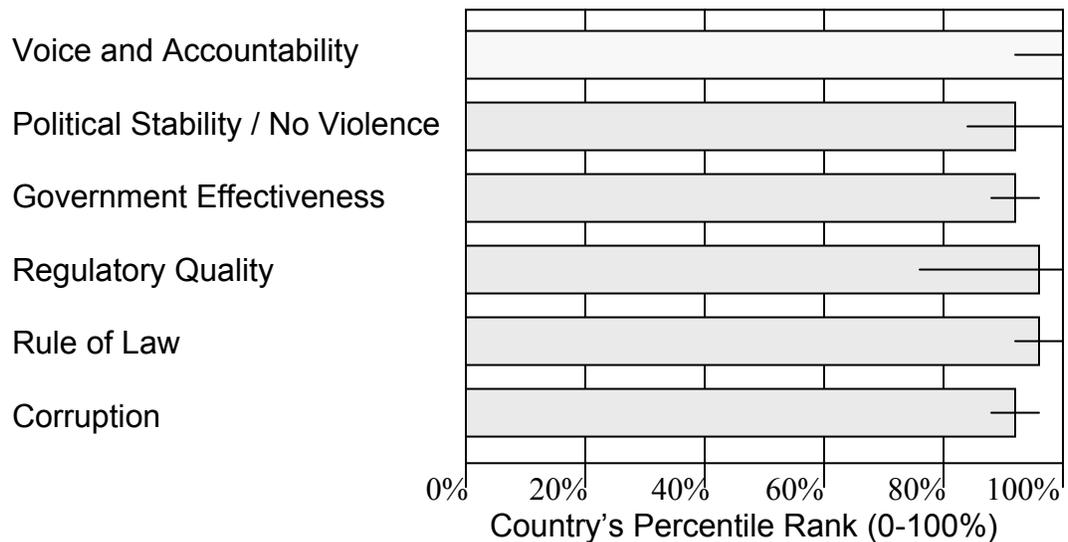


Figure 3.4: Australia (2000-01)

Source: Kaufmann, D. & Kraay, A. 2002, 'Growth Without Governance', in *GRICS II: Governance Research Indicator Country Snapshot – Comparison within INDONESIA for all Six Governance Indicators* [Online]. Available: http://info.worldbank.org/beeps/kkz/sc_chart.asp [26 October 2002].

From this data (Figures 3.2 to 3.4) it appears that Indonesia has some very significant problems to overcome if it is to achieve meaningful and lasting improvements in living standards for the majority of the population. From the literature and recent World Bank / IMF comments, corruption (including the rule of law) is undoubtedly Indonesia's single largest barrier to sustainable economic development, equity of access to opportunity, and genuine commonwealth. "Corruption, collusion and nepotism (KKN) are the biggest obstacles to reducing poverty in Indonesia. Indonesia needs to embark on a long-term program of institution building [civil society] accompanied by decisive early actions that send strong signals of the government's commitment as well as contribute to the reduction of corruption and [financial] leakage in the short run. This program will need to focus on legal and judicial reforms, civil service restructuring, decentralization, government procurement and financial management and corporate governance" (World Bank 2002, <http://wbln0018.worldbank.org>).

3.4 Reform - Issues

Ricklefs (2001, p.408) writing on the post-Soeharto period identified five key issues facing the Indonesian Presidency. These were:

- (1) "the future of *reformasi* (reformation)
- (2) the future of ABRI (Indonesian Military)
- (3) the future of dissident territories
- (4) the future of Soeharto, his family, their wealth and cronies
- (5) the future of the economy and the people's welfare".

None of these issues have been satisfactorily addressed. Significant reformation has taken place, with the implementation of a semblance of political democracy, which is corrupted however by a continuing vote-buying tradition in parliament. Much reform has been discussed and some implemented in the Indonesian

banking system (IBRA) but transparency and sound financial management remain a long way off. The judicial system remains corrupt and is yet to be tackled.

It is ironic that the power of the military has been curtailed significantly by reducing its role in politics. Yet it remains one of the most stable institutions in Indonesia and there appears to be widespread opinion that it is possibly the only institution in the country potentially able to prevent the fragmentation of the archipelago. At present, East Timor has become an independent nation and significant trouble spots remain in Aceh, Indonesian Papua (Irian Jaya), Moluku, and many other places.

The Soeharto issue and associated problems remain largely unresolved. Several unsuccessful prosecutions were initiated with only minor success. Most Indonesians (and foreign observers) doubt that this family and their cronies will ever be brought to account in a meaningful way for their abuse of power from 1966 to 1998 (and beyond). By “mid-1998 the economy remained a disaster. Inflation was expected to reach 80 per cent for the year although in the end it did not. Because of El Niño the rice harvest was down and it was revealed that the reports of surplus rice production in 1996-7 had been false. Some of the nation’s major enterprises – such as Sempati Air run by Tommy Soeharto [currently serving a 15 year sentence for the murder of a judge] and Bob Hassan [currently serving a 6 year sentence for corruption] and the latter’s PT Astra International, the country’s largest automobile seller – were going out of operation. The rupiah was worth less than 10,000/US\$, bottoming as low as 15-17,000/US\$. It was estimated that some 113 million Indonesians (56 per cent of the population) were below the poverty line. Some estimates said that 40 million Indonesians were unable to buy food and thus were at risk of starvation” (Ricklefs 2001, pp.408-409).

Religious conflict is another key issue, which continues to complicate reform in Indonesia. Inter-religious (Muslims and Christians) and inter-racial (Bumiputera

and Chinese) violence significantly increased since Soeharto was forced to step down. Indonesian Chinese population usually take the brunt of economic discontent, an issue, which sadly is a recurrent theme in Indonesia's history since independence. The Christian-Muslim conflict also increased when "by March 1999 large demonstrations in Jakarta called for a *Jihad* (Holy War) to defend the Muslims (of Ambon) against Christian attacks" (Ricklefs 2001, p.416).

Ricklefs concludes that Indonesia's socio-economic and political settings remain uncertain and in some places distinctly unstable. When he published his History of Indonesia in 2001, he observed that the most fundamental challenge facing the nation is to *restore the rule of law*. "The police and legal institutions had been so corrupted by the Sukarno and Soeharto years, and so little amelioration had been achieved during Habibie's brief Presidency, that almost the entire legal system still required rebuilding. Corruption, military excesses, mob violence, vigilante law, intergroup conflict, insecurity of person and property – none of these would be fixed without thorough-going reforms to restore the rule of law. But the barriers in the way of that were great, including tainted judges and police, and large amounts of money in the hands of corruptors. From January 2001 a process of decentralization commenced, which involved handing political *and* economic resources to levels of administration where institutions of good government were even less developed than at the centre. The likelihood of corruption and abuses were thereby magnified" (Ricklefs 2001, p.421).

In summary, whilst it is clear that the former Dutch colonial administration contributed significantly to the current problems of Indonesia (particularly with respect to its legacy in education and justice: ref Day 1900), it is equally clear that the Indonesian government (since independence) has had the ability to forge its own destiny and improve the welfare of its people. Considerable consensus exists (within Indonesia, and outside) that KKN (corruption, collusion and nepotism) is

the major barrier to overcome before the country has a chance to claim its place in the world economy and develop a society where its citizens can reasonably aspire to a more prosperous future and genuine commonwealth.

“To want to approach this world with such terms as ‘Our Orient’, ‘the Netherlands East Indies’, ‘the Netherlands in the Tropics’, and the like is to fail to appreciate the fact that it *existed* and was alive *before* a single Dutchman appeared in the tropics” (Colenbrander 1925, p.89).

Chapter 4

Theoretical Framework

4.1 Introduction

The purpose of this research project is to investigate Indonesian business leaders' perceptions of G7 behaviour towards Indonesia since Independence (1945/49), at a time when the country is experiencing a severe on-going financial and economic crisis (1997-2001). Perceptions measured also include leaders' views about economic and social development in Indonesia, exploring a possible connection to G7 behaviour in terms of progress or hindrance. It is acknowledged that these perceptions are taking shape within an increasing global free-trade environment today, versus one of domination under a European colonial power in the past.

A number of writers/researchers such as Césaire (1955), Tawney (1975), Bandow and Vasquez (1994), and Bales (1999) have indicated that perceptions and behaviour on individual, local, national and regional levels are likely to be influenced significantly by experiences of:

- exploitation
- colonial legacy
- significant poverty
- foreign hegemony (domestic interference)
- lack of autonomy
- structured inequality
- marginalisation

- corruption
- lack of educational opportunities

Most Indonesians today struggle for a living with 48.4 million people (23.5% of the population) classified *below the poverty line* in 1999 (World Bank 2002 and Susenas, <http://Inweb18.worldbank.org>) and the nation generating a GDP per capita income of US\$680 in 2001 (World Bank 2002, www.worldbank.org). The question raised by many researchers is why is this so? Is it a problem of Indonesia's own making or are there external factors at work over which Indonesians as a nation only have limited influence?

At first glance it is tempting to point at that which appears obvious. Mercantilism, colonial exploitation, military and financial imperialism, unbridled capitalism surely are detrimental to weaker nations. But is the change from a struggle for survival to living well, from occupation to independence, from subsistence to economic progress and genuine commonwealth entirely dependent on the more beneficial aspects of foreign hegemony in the market place (economic, financial, political, etc), or is it perhaps more significantly influenced by domestic endeavour and accountability, the respect for / and the rule of law, elimination of corruption, widespread accessible property rights, government effectiveness and respect for human rights just to name a few?

All these issues play a role and are promoted to differing degrees in the literature. Whilst there appears to be no over-arching theory, agreement is found by and large over the role played by capitalism and the concept of a global free market with respect to economic development.

Important to this research project is that understanding people's perception (in this instance Indonesia's business leaders') of the behaviour of others who are believed to influence their destiny, paves the way for more successful cooperation to achieve sustainable economic development and more significant *mutual* gain.

Understanding how other people view the world and perceive hegemonic forces affecting their future destiny, facilitates greater respect for their actions and allows informed parties to frame economic development and essential structural adjustment proposals in a more positive manner. Greater understanding of how actions by OECD countries such as the G7 group towards less economically powerful players such as Indonesia (and other developing nations, Third World countries) are perceived by the weaker entity is likely to *minimize* resentment, reactive nationalism and isolating behaviour, and *promote* cooperation for equitable mutual gain, more genuine commonwealth across nations and cross-cultural respect.

4.2 Framework and Theoretical Background

Considerable research has been undertaken and theories formulated since the 1960s to understand the main stream of economic advance and modernization. Researchers have tried to understand and explain why economic riches, advances in knowledge, distribution of power and more are so unevenly distributed across the world, why some nations are so rich and others are not. Landes (1998, p.xxi) put it well when he asked: “How did the rich countries get so rich? Why are the poor countries so poor? Why did Europe (*the West*) take the lead in changing the world?”

Hence, based on published research, the following schools of thought are offered as theoretical background for this project:

World-Systems Theory (Wallerstein 1975 & 1999, Dowidar 1975, Chase-Dunn 1999, Kardiulas 1999, Alexander 1999, Urban & Shortman 1999): This theory contends that all regions in the world (distinct areas – national, economic, cultural, etc) are integral parts of a whole and inescapably subject to a single capitalist world-economy, which has as primary goal profit accumulation. As explained earlier in Chapter 2 (Section 2.10), inherent to this world-system are

economic growth, development and prosperity but also perpetual relative inequality, which though constantly evolving remains an inevitable and perpetual reality of human existence.

World-systems theory divides the world into three distinct areas, the core (rich industrialized nations), the semi-periphery (developing countries aspiring to OECD status) and the periphery (Third World poor countries). The theory suggests that although the relationship is somewhat fluid and constantly evolving with periphery countries migrating towards the core, the core-periphery relationship itself is characterized by unstoppable self-interest, entrapment, assimilation, and the co-option (voluntary and/or forced) of other players to one's cause.

World-systems theory continues to dominate the debate about inequality and disparity of wealth between nations.

Intentional Underdevelopment and Dependency Theory (Frank 1969 & 1991, Frank & Gills 1993, Bornschier & Chase-Dunn 1985): This theory offers somewhat similar outcomes to those of world-systems theory and is also based on a holistic approach. Its starting point is however different. As explained in the introduction to the literature review (Chapter 2, Section 2.1) this theory focuses on the power of capital and considers that poverty and underdevelopment are not an early stage of development to be overcome on the road to modernization, but rather that they are the product of the historical world of capitalism. A world which involves the intentional 'creation' of underdevelopment in the third world. Key advocates of the dependency debate such as Andre Gunder Frank (1971) went as far as to define the concepts of "*development of underdevelopment and the creation of poverty*" (Pearson 1988, p.6). Dependency theorists argue that economic development and under-development are inextricably linked and related, like the opposite faces of the same coin.

Dependency is considered inherent to any world-system, and inescapable. Power is viewed as hegemonic, exclusive and exploitative, to be manipulated for capital accumulation (profit). Intentional underdevelopment and dependency theorists argue that the capitalist world-system favours unequal exploitation, allowing economically, militarily and politically powerful players (the *metropolis* – similar to world-systems theory's *core*) to dominate weaker players (the *satellite* – similar to world-systems theory's *periphery*), subjecting them to intentional underdevelopment for the purpose of gaining maximum economic control over their resources, to enable surplus extraction *to* the metropolis primarily for the benefit *of* the metropolis.

The Enlightenment Approach (Landes 1998): Clearly summarized in Chapter 2 (Section 2.10), this theory proposes that active pursuit of knowledge through scientific enquiry will lead to discovery, innovation, and technology development. Those who initiate such an approach and are first to respond to discovery will be in a position to set the agenda for sustainable and competitive economic development well into the future. The West is accredited with taking the initiative (at least in the last 500 years) and is therefore at the pinnacle of the world-systems hierarchy.

Enlightenment requires autonomy of intellectual enquiry, a common but adversarial method (internationally accepted language of proof) and routinization of research and its diffusion. The enlightenment approach encourages a model (ideal) society, which values individual freedom and private property rights, laws of contract and stable government, efficiency, integrity and honesty.

The enlightenment approach ascribes the advantage of the core (the West) to systematic curiosity (intellectual enquiry) about nature, foreign civilizations, cultures, etc and the position of the periphery to its relative indifference.

The Institutions Hypothesis (Acemoglu, Johnson & Robinson 2001): This theory contends economic growth and development are determined by the ‘organization’ of a society. Good organization is equated with the implementation, development and maintenance of good institutions, which guarantee access to property rights for the majority of society, reducing or minimizing the risk of expropriation by corrupt elites and non-democratic government.

The institutions hypothesis suggest that the current core-periphery division within the modern world-system is not so much the effect of historical colonialism but rather because extractive institutions (bad organization) stacked the cards against industrialization and economic progress in distinct geographic areas classified today as the (developing) Third World. Institutions theory does however acknowledge the historical role of European colonialism with respect to the institutions (good and bad) it ‘developed, maintained and imposed’ on occupied territories years ago.

Institutions theory, argue that periphery countries are poor because of the wrong type of capitalism (bad institutions and social organization).

None of these four theories are mutually exclusive as all acknowledge the global force of capitalism, adherence to an adversarial competitive approach and recognize the historical and current presence of very significant inequality. To a large extend, most are complementary to one another, each providing a piece for a much larger jigsaw puzzle. Together, they are offered as the theoretical background against which to interpret and evaluate the findings of this research project, hopefully providing for a balanced framework.

4.3 Proposed Theory, Identification and Operationalization of Theoretical Constructs and Key Dimensions

From the Literature Review (Chapter 2) and the Exploratory Stage (Chapter 6) it becomes clear that the capitalist world-economic system continues to allow considerable global socio-economic inequality in spite of the ongoing and significant gains made in scientific knowledge, education, health standards, and economic progress. It is also clear that it is not simply a question of poor *and* rich alike achieving improved outcomes overall, as a large percentage of the world population continues to struggle for their very survival every day. The literature review made it obvious that most of the benefit of progress over the last 500 years continues to be enjoyed by a small group of OECD member countries, the pinnacle of which is represented by the G7 (G10) group of nations. With the exception of Japan, all the members of G7 can be identified as the leading nations of the West. Most were significant colonial powers in the past. The exploratory study further reinforced findings of actual and perceived inequality, the impact of non-level playing fields, and what could be described as underlying resentment to foreign hegemony and interference in domestic affairs.

Based on the literature review and exploratory stage findings, the following theory was formulated:

“G7 behaviour is perceived as colonial by Indonesian business leaders; and is significantly influenced by their perception of socio-economic development in Indonesia”

If the theory is validated by outcomes of the research project, it would lend support to a viewpoint that Indonesian business leaders' perception of G7 behaviour will deeply influence their compliance with / and ready acceptance of the G7 controlled structural reform agenda for Indonesia as a necessary condition for the country receiving continued bi-lateral and multi-lateral loans for economic

development generally, and for its continued ability to service a potentially crippling foreign debt in times of crisis particularly.

To explore and measure the proposed theory, six constructs and a number of appropriate underlying key dimensions/attributes were initially identified through the literature review and the subsequent Exploratory stage (Chapter 6). Once the constructs were confirmed, their respective underlying dimensions (conceptualising each construct) were incorporated into a number of measured variables (ie a crucial outcome of the construct operationalization process, allowing formulation of indicators/questions), which were then rigorously evaluated through pseudo confirmatory approach factor analysis, reliability and validity testing during the Pilot Stage (Chapter 7), reducing to a maximum of four the number of measured variables per individual construct in preparation for the final analysis and hypotheses testing (Final Stage – Chapter 8). Ultimately, each construct was also identified with a specific objective.

This lengthy preparation stage was considered crucial with considerable time spent on construct identification and operationalization. Sethi and King (1994, p.1603) following the work of Bagozzi and Fornell (1982), describe a construct as a theoretical concept, which can be defined as an “abstract entity, which represents the true, non observational state or nature of a phenomenon”. If constructs identified turn out to be weak, the theory validation process is severely impeded and or compromised.

The six constructs are:

- *G7 Behaviour*
- *Economic Development in Indonesia*
- *Social Development in Indonesia*
- *Colonial Behaviour*
- *Economic Rationalist Behaviour*
- *Collegial Behaviour*

In addition to the information presented in the literature review, the theoretical basis (conceptualisation) for each construct is further summarized in the following six tables (Tables 4.1 to 4.6):

Table 4.1: The Basis of G7 Behaviour

Capitalist	Wealth creation and capital development strategy based on systematized legal concepts of property, ownership and control (De Soto 2000). Reflecting a system of production and social organization characterized by extreme asymmetries of power (Winters 1996). A system, which ensures a capital flow towards socio-economic political environments, that provides profitable investments through the control and use of resources and processes (Bales 1999, Bond 1999).	Wealth creating Ownership Control
Colonial	Reflecting a Eurocentric system (modern world system with a core/periphery hierarchy) in which economically and militarily powerful core states dominate and exploit less powerful peripheral regions (Kardiulas 1999). Recognizing that the majority of G7 nations have a colonial past with European roots, the exception being Japan.	Dominating Exploitative Powerful Shared History Origin
Economic Rationalist	A functional approach, theoretically based on <i>laissez-faire</i> economics, where the social cost of reform/progress is secondary to that of economic discipline, to achieve sustainable wealth creation (Quibria & Dowling 1996, Bandow & Vasquez 1994, Hartcher & Cornell 1999).	Econ. Discipline Sustainable/ Functional Wealth Creating
Free Market	A perception, that, whilst free markets have the potential to behave in a fascist-dictatorial manner through the silent power of capital (De Soto 2000), they are synonymous with financial benefits. And ... the belief that closed markets can only lead to decline and poverty in an increasingly global world.	Beneficial, Global Wealth Creating Poverty Reducing Potentially Dictatorial
Legitimacy	The ritual of democracy in support of legitimacy (Kardiulas 1999, Tornquist 2001). Not only in local economic and political terms but also through regional/global agreements and institutions such as WTO, the United Nations, the World Bank, IMF.	Legitimate Democratic Global
Self Interest	The notion of G7 nations being highly individualistic, pursuing a philosophy of self-interest based on Adam Smith's observation that the pursuit of self-interest leads to the highest common good (Landes 1999, Arrighi 1999). Ironically from an Asian perspective, the G7 as a group represents a collectivist entity.	Individualistic Self-interested Wealth creating
Culture Free	Neither East nor West in character but focused on profit maximization through exploitation of comparative advantages in the market place, reflecting a system of unequal exchange relations (Pearson 1988). The predatory tendencies and unequal effects of capitalist economic practices (Lentner 2000).	Profit oriented Comparative Unequal, Predatory Impersonal
<u>Objective</u>	<i>To determine Indonesian business leaders' perception of G7 behaviour, specifically within the context of G7 executive control over IMF & WB lending programmes to Indonesia and possible interference in Indonesian socio-economic & political domestic development.</i>	

Table 4.2: The Basis of Economic Development in Indonesia

<u>Economic Development in Indonesia</u>		
<i>Dimensions:</i>	<i>Concepts Described in the Literature:</i>	<i>Relevance:</i>
Indebtedness	Increasing debt payments since the late 1970s (national budget) linked to unsustainable borrowing and subsidies, forcing implementation of (involuntary) austerity measures [SAPs] Hill 1996, Richardson 2001, Bandow & Vasques 1994). Failure of the banking system in Indonesia, leading to misallocation of resources and excessive exposure to foreign currency exchange risk (Jomo 1998, Köhler 1999). The opening up of emerging markets through concurrent displacement of a pre-existing productive system (Chossudovsky 1998).	Unsustainable Debt Loss of Faith in Banking System Destruction of Domestic Productive System
Dependency	Increasing dependency on foreign capital (including deteriorating debt service ratios), ultimately leading to a state of inferiority where one no longer controls one's fate, and one does as others dictate (Landes 1999, Hoogvelt 1997). The demise of a national industry geared towards the domestic market and a rise in imports (Chossudovsky 1998). The collapse of the Indonesian currency and considerable dollar-dominated debt (Hill 1996).	Dependence Loss of Options Destruction of Local Industry Loss of Power
Protectionist	A policy of economic nationalism in an attempt to (re) gain control of one's destiny by introduction of subsidies, tariff and trade barriers, and prevent foreign ownership of supposedly vital industries. In practice, for weaker nations such as Indonesia this usually exacerbates economic crises and evokes critical responses from international lending institutions such as the IMF and WB (Bandow & Vasquez 1994, Cornell 1999, Gissinger & Gladitsch 1999).	Nationalism Trade Barriers as a Line of Defence Counterproductive Decline in Competitiveness
Income	The 1997 financial crisis had a marked negative impact on per capita income (GDP and real income). The Indonesian government, as well as business leaders played a significant and direct role in the years leading up to this crisis (De Soto 2000). The decline in capital investment and significant capital flight impacted on employment and income (Jomo 1998).	Disposable Income Living Standards Consumption Purchasing Power Equity
Employment	The threat of persisting instability in the Indonesian economy and capital market has forced the government and private investors to pursue risk-averse strategies, resulting in low growth, low employment creation, and <i>short-termism</i> (Jomo 1998). Current rationalization strategies (IBRA) may also reduce employment opportunities in the shorter term.	Livelihood Loss Reduced Opportunity Dependence Poverty
Corruption	There have been numerous instances where business and government got too close, resulting in nepotism, cronyism and straight-out corruption. Corruption, both petty and large-scale, is a common occurrence in Indonesia [eg Bimantara, Humpus] (Hill 1996). The IMF and WB contribute to the problem by continued lending, even though they acknowledge that up to 30% of loans are subject to financial leakage (Bandow & Vasquez 1994, Wahyuni 2001).	Negative Impact Exclusive Uncompetitive Distorting Moral Hazard
<u>Objective</u>	<i>To determine Indonesian business leaders' perception of economic development in Indonesia based on observation and experience, particularly within the context of IMF and WB involvement pre and post onset of the current financial crisis (1997 to date).</i>	

Table 4.3: The Basis of Social Development in Indonesia

Social Development in Indonesia		
<i>Dimensions:</i>	<i>Concepts Described in the Literature:</i>	<i>Relevance:</i>
Education	Development and modernization go hand in hand with implementation and attainment of education levels. The more vibrant an economy the wealthier a country and more capital/surpluses available for education, occupational mobility, free flow of information, and organizational experience (Gissing & Gleditsch 1999). Better education standards will also contribute to improved health and nutrition (Hill 1996).	Ability to Compete Employment Health Access Opportunities Tolerance
Literacy	The difference in cunning and experience between a literate people and an illiterate, distinguishing between generally and hieratically literate societies (Landes 1999). General literacy/education is one of the best strategies to combat poverty and avoid exploitation (Bales 1999). Indonesia, since 1990 compares poorly with countries such as Malaysia and the Philippines with respect to budget allocation and GDP% spent on education (Hill 1996).	Poverty Exploitation Opportunities
Health Care	The record of health care development is limited, less pro-poor and pro-rural than education. Progress on infant mortality has been slow and government spending on health (as a percentage of budget and GDP) continues to be very low and below recommended WHO guidelines. Availability of tertiary care is about one quarter of the ASEAN ratio. Private health care is expensive and exclusively user-pay (Chossudovsky 1998, Hill 1996).	Limited Expensive Low Standard Pro-Middle/ Upper Class Pro Urban
Food & Drinking Water	Decline of disease and death rates and improvements in life expectancy are directly linked to nutrition levels and food supplies. These in turn are linked to wealth. The wealth and health gap that separates rich and poor is often referred to as the gap between the West and the Rest (Landes 1999). Nutrition standards are a direct indicator of social progress (Hill 1996). Most households in Indonesia do not have access to piped potable water from a central supply.	Health Life Expectancy Social progress Economic Development
Communication/ Information Access	Structured social relationships and knowledge are greatly expanded by access to information/communication technology. In a more global and competitive world this is directly relevant to the formation of a stronger civil society. Access however is promoted or <i>impeded by cost and affordability</i> (Chase-Dunn 1999). The concept of the global information economy now appears well established (Verzola 1998).	Information Access Communication Knowledge Competitiveness Global Relevance
Freedom of Speech	A democratic regime may permit suppressed conflicts and dissenting opinions to government to break into the open, in contrast to the situation under an authoritarian regime. However, empirical studies show that semi-democratic countries run the greatest risk of civil violence (Gissing & Gleditsch 1999). Political freedom (freedom of speech) and economic freedom form a tandem (Bornschieer 1998).	Participation Democracy Freedom Commonwealth
<u>Objective</u>	<i>To determine Indonesian business leaders' perception of social development in Indonesia based on observation and experience, particularly within the context of IMF and WB involvement pre and post onset of the current financial crisis (1997 to date).</i>	

Table 4.4: The Basis of Colonial Behaviour

Colonial Behaviour		
<i>Dimensions:</i>	<i>Concepts Described in the Literature:</i>	<i>Relevance:</i>
Coercive	In the Western world power was largely based on consent and in the non-Western world on coercion (colonial) power to forcibly extract resources from non-Western peoples (Arrighi 1999). The transfer of economic surplus through unequal terms of trade by virtue of a colonially imposed international division of labour (Hoogvelt 1997). Colonial behaviour was characterized by conquest, exploitation and the creation of underdevelopment (Pearson 1998).	Coercion Domination Exploitation Underdevelopment Win-Lose Approach
Arrogant/ Superior	Colonial nations viewed themselves as the center of European civilization and the paragon of faith and virtue (Landes 1999). Using tremendous pressure, the IMF was able to extract a new commitment from Soeharto on 15 January 1998, powerfully captured in the photograph of the IMF managing director Michel Camdessus, arms crossed with the demeanour of an invigilator, imperiously standing over Soeharto as he signed on the dotted line (Jomo 1998).	Arrogant Superior Imperious Powerful Demeaning
Oppressive	Western dominance and oppression through intentional and deliberate economic manipulation of third world countries and developing nations (Chossudovsky 1998). The incongruence of free markets and captive people. Powerful wealthy nations requiring that capital and goods move freely around the world (more or less unimpeded) but not extending similar freedoms to labour (Seabrook 1998). Coerced labour and low wages, strategies of oppression (Kardiulas 1999).	Deliberate Coercive Oppressive Restrictive Incongruent
Exploitative	People struggling for control over their conditions of existence Friedman 1999). Core states (G7), the largest, most complex polities in the net, politically dominate smaller, more simply organized peripheral societies (developing nations), extracting surplus from them through unequal exchange relations that disproportionately benefit core elites. Peripheries are economically impoverished as a consequence of interregional exploitation (Kardiulas 1999).	Not equal Not equitable Exploitative Complex Intentional
Racist	Racism in Indonesia continues in complex ways. It had its historical roots in the 17 th century and was part of the 'divide and conquer' policy of the Dutch. Europeans at the top, the Orientals, including Arabians and Chinese in the middle, and natives on the bottom rung (Indahyani Jusuf 2001). Kipling's view of white man's burden to civilize the rest of the world, and, Benjamin Kidd's notion of governing from a distance the inferior races of mankind (Hoogvelt 1997).	Historical Continuing Intentional Strategic Controlling Divisive
Self Interest	The international arena is dominated by the struggle for economic control over production and resources. The imposition of the international division of labour under former colonialism has had the indirect effect of laying the foundations for continued economic control and domination in favour of core nations (International Labour Office 1999, Hoogvelt 1997). It is worth remembering that colonial rule was <i>never</i> introduced or maintained in the interest of the colonized country (Osborne 1997).	Competitive Controlling Self-interest Individualist
National	Colonial territories enhanced national self-esteem and were considered the reward of superior power (prizes of imperial ambition and mercantile interests) (Landes 1999). From a conquered peoples point of view, when choice is absent, real and perceived oppression become unifying forces for a renewed sense of nationalism (Wallerstein 1980, Osborne 1997).	Pride Power Unifying Two-Edged
Objective	<i>To determine Indonesian business leaders' perception of Colonial Behaviour within the context of G7 influence on Indonesia, including their apparent control of the IMF and World Bank.</i>	

Table 4.5: The Basis of Economic Rationalist Behaviour

Economic Rationalist Behaviour		
<i>Dimensions:</i>	<i>Concepts Described in the Literature:</i>	<i>Relevance:</i>
Non-Partisan	A liberal (neo-classical) economic view, which prefers markets to politics and which emphasizes the invisible hand of the market as the best regulator of the economy. Ultimately viewed as a positive-sum game in which eventually all participants will be better off, even if the distribution of gains is not equal (Hoogvelt 1997). The globalization of capital as a pre-requisite to global commonwealth (De Soto 2000).	Markets not People Beneficial Equitable Unequal Positive Global
Conditional	From a lenders' point of view: Imposition of policy conditions on borrowers of capital that are supposed to improve economic performance in a free market system and ensure repayment of loans (eg IMF structural adjustment programmes) Bandow & Vasquez 1994). From an investors' point of view: A free market with a transparent, effective, impartial financial and legal system (Quibria & Dowling 1996).	Transparent Impartial Free Market Robust Infrastructure
Market Driven	Markets are an ancient and universal tradition (De Soto 2000) and have always played a most significant part in integrating economies [local and global] (Kardiulas 1999). The liberal doctrine of the 1980s forward has been one of economic rationalism, which places a much greater trust in the self-regulating capacity of the market than the previously dominant doctrine of Keynesianism (Bornschieer 1998).	Ancient Universal Integrating Rational Self-Regulating
Economic/ Financial Optimization	The key objective of capitalism, expressed through economic rationalist behaviour at any level, is profit maximization through exploitation of comparative advantages in the market place. A market place, which clearly reflects a system of unequal exchange relations (Pearson 1988). This may include purely speculative monetary transactions, the volume of which can at times exceed the value of world trade many times over (Arrighi 1999).	Profit Maximization Real & Speculative Rational Market Focused Global
Global	Under the dominant economic rationalist paradigm, the state has lost much of its national sovereignty with respect to determining economic policy or even its political integrity. Alignment with the neo-liberal "Washington Consensus" suggest that globalisation based on an economic rationalist discipline will eventually guarantee uninterrupted growth (Bond 1999).	Global, Dominant Engenders Growth Rational Macro-economic Stability
<u>Objective</u>	<i>To determine Indonesian business leaders' perception of Economic Rationalist Behaviour, including origin (local/global – cultural specificity).</i>	

Table 4.6: The Basis of Collegial Behaviour

Supportive/ Unifying	A social contract based on economic growth and tripartite efforts between governments, employers and workers (International Labour Office 1999). The power (behaviour) to spread peace and freedom, not empire (Muravchik 1999). Investing in the future by improving the global store of human capital, through education and economic cooperation (Reich 1999).	Cooperative Peaceful Free Future Oriented Long Term
Beneficial/ Commonwealth Oriented	Interactive socio-economic behaviour, which has mutually beneficial outcomes across the board (Kardiulas 1999). Civilization's profound responsibility to lift the 4.8 billion inhabitants of the world's poor countries out of poverty. This challenge being particularly applicable to the G7 (Hartcher 2000). A triple bottom line – environmental, social and financial, beneficial on an equitable basis to stakeholders worldwide <i>and</i> for future generations (Fox 1999).	Mutual Beneficial Interactive Responsible Global Sustainable
Unconditional/ Philanthropic	Philanthropy, the ethos to reach out with a helping hand to those in need (Barker 1999). Targeted loans without 'conditionalities' attached to loan agreements, ie not conditional to a macro-economic structural reform agenda (Chossudovsky 1998).	Philanthropic Unconditional Responsible, Targeted
Development Oriented	Development assistance justified on economic grounds (Bandow & Vasquez 1994). Development aid supporting macro-economic stabilization, social development and effective legal infrastructure until point is reached when foreign direct investment is attracted and becomes sustainable (Hill 1996). Facilitating a transformation from illiterate to educated populations, from despotic to representative institutions, from hierarchy to equality (Landes 1999).	Economic Social Legal Transformative Infrastructure Sustainable
Soft Power	Soft power is the power of attraction, ie the opposite to hard power (the potential to push others around by force of arms and economic strength). Winning through co-option rather than coercion, it is benign and fires of hatred are not fanned (Hartcher 2000). Multipolarity based on co-operation and concert rather than conflict and competition (Haas 1999).	Attraction Co-option, Benign Affinity Based Respectful Multipolar
<i>Objective</i>	<i>To determine Indonesian business leaders' perception of Collegial Behaviour.</i>	

4.4 Research Questions, Objectives and Hypotheses (theoretical justification)

As described in the literature review and theoretical background, there appears to be significant support for a relationship between socio-economic development in Third World / developing countries and the behaviour of those principal former colonial powers currently allied as the G7 (G10) group of nations. Policies pursued by G7 nations in a global free market environment, individually and collectively appear to be based on economic rationalism, in line with a global economic capitalist world environment. Current world income distribution data and Third World economic development patterns appear to provide little encouragement to believe that primary relations between the developed world (G7 and OECD countries) and developing countries / Third World nations are based on collegial, mutually beneficial behaviour. Issues of relative progress are possibly less clear.

Interestingly enough, whilst less developed nations often former colonial territories, heavily indebted are openly resistant to externally imposed (negotiated) structural reform programmes, which often have an immediate negative impact on the poorer sections of their community (a majority in many instances), their elites equally focus on profit maximization. Hence, economic rationalism is both applauded *and* rejected. The literature review highlights some of these issues and references are made to what is termed 'bad capitalism'. Laissez-faire, corruption and unacceptable degrees of self-interest are complicating factors.

From the same sources and the results of the exploratory interviews, there appears to be a noticeable link between a rise in national sentiment and resistance to foreign hegemony, particularly when the latter force is perceived to influence and manipulate domestic policy and development. The literature review has provided numerous indications that historical legacies are likely to matter in times of crisis, and that cultural differences will complicate such issues as understanding and

acceptance of necessary reforms. Cultural insensitivity appears to be common factor.

Whilst the literature review and the exploratory interviews were informative up to a point, it would be valuable to demonstrate that decision-makers in developing countries and particularly those in former colonial territories continue to perceive the actions of the G7/G10 group of nations (mostly former colonial powers) towards them as colonial, exploitative, and detrimental to their socio-economic development. As Ajayi (2000, p.7) reminded the world when he described G7 behaviour as neo-colonial, concluding that Africa remained exploited and in a situation of dependence as a direct result of colonial rule – a situation, “in which you are granted political independence only to discover that you do not have control over your economy and cannot implement your own policies but must consult various powerful outsiders who directly or indirectly control the policies”.

And Indonesia’s Sukarno in 1963 (The President’s Independence Address – 17 August 1963), expressing his reaction to the nation’s perceived loss of control over the domestic agenda if it were to accept Western development aid: “We do not want help from anyone at all, and we are not going to beg for it. We are a Great Nation; we are not an insignificant nation. We are not going to beg, not going to ask for this and ask for that, especially if aid has this condition and that tie tacked on to it! Better to eat poverty rations of cassava and be independent than eat beefsteak and be enslaved”.

And Ashcroft (2001, p.1) commenting on the results of power disparities and active engagement during the period of colonialism: “There may have been much good, in medical, educational and technological terms, in the colonial impact (and beyond) upon the non-European world. But the simple fact remains that colonized peoples, cultures and ultimately nations were

prevented from becoming what they might have become: they were never *allowed* to develop into the societies they might have been”.

This research project aims to demonstrate the validity of such observations, with the objective that a better understanding and acceptance of perceptions by policy makers of imposed/negotiated structural reform programmes will allow for greater cultural sensitivity in directives and overall structure of the reform agenda and subsequent implementation and compliance. If one better understands how one’s actions might be perceived by those on the receiving end, particularly if the subjected parties are from a different cultural background and less economically fortunate, *and* assuming there is a sincere interest in creating a truly civil society both global and more equitable, then, a superior, sustainable and beneficial outcome is more likely.

Hence, the proposed theory (Section 4.3), which emerged from the literature review and exploratory interviews, is based on the following two research questions and four objectives:

Research Questions:

(1) Is G7¹ behaviour (ie: G7 influence over IMF & WB multi-lateral loans extended to Indonesia, IMF Structural Adjustment Programmes imposed on Indonesia, and G7 member bi-lateral loans to Indonesia) perceived as colonial (ie: exploitative & controlling), economic rationalist (ie: bi-partisan, market driven & value free), or collegial (ie: beneficial & philanthropic) in nature by Indonesian business leaders?

And;

(2) How does perception of economic and social development in Indonesia by Indonesian business leaders, affect their view of G7 behaviour?

¹G7 identifies a group of nations, consisting of the United States of America, the United Kingdom, France, Germany, Italy, Canada, and Japan.

Objectives:

- To measure perceptions of G7 Behaviour, and Economic & Social Development in Indonesia.
- To test theory: “G7 behaviour is perceived as colonial by Indonesian business leaders; and is significantly influenced by their perception of socio-economic development in Indonesia”.
- To examine the reasons behind these perceptions.
- To apply findings as critical comment, to current G7 strategy for implementation & acceptance of Structural Adjustment Programmes (ie: demands for reform) in Indonesia and recipient countries with similar histories of colonial exploitation.

Hypotheses:

The research questions and first two objectives precipitated the following five hypotheses:

H₁₁: Perception of G7 behaviour, by Indonesian business leaders, is positively associated with their perception of colonial behaviour.

Rationale(H₁₁): The literature review and exploratory interviews provide sufficient evidence to suggest the leading economic/financial powers (the G7/G10), most of which are former colonial powers such as the UK, France, Germany, USA, Japan, Italy, Netherlands, etc, exercise their overwhelming influence on global markets primarily in pursuit of profit and their national self-interest. Developing nations such as Indonesia and Third World countries often feel relatively powerless in the face of such external hegemonic influence, particularly when it affects their domestic agenda for economic progress. When international financial institutions (such as the IMF, WB, EBRD, etc) significantly controlled by the West

impose (negotiate) structural adjustment programmes on developing nations during times of crises, national sentiment is often stirred and G7 actions labelled colonial.

This hypothesis postulates that G7 behaviour *is* perceived as colonial by Indonesian business leaders, and infers a positive (+) path.

H₁₂: Perception of G7 behaviour, by Indonesian business leaders, is positively associated with their perception of economic rationalist behaviour.

Rationale (H₁₂): The literature review and exploratory interviews also suggest that economic rationalist behaviour is largely viewed as ‘market focused’ and therefore relatively culture free. OECD member countries, including the G7/G10 are viewed by developing / Third World nations as ‘economically successful nations’, providing a role model to follow for economic advancement. The literature review suggests that non-OECD countries do not reject economic rationalism but feel disadvantaged (ie impoverished and disabled) in the global market place on the basis of their colonial legacy.

This hypothesis postulates that G7 behaviour is perceived as economic rationalist by Indonesian business leaders, and infers a positive (+) path.

H₁₃: Perception of G7 behaviour, by Indonesian business leaders, is negatively associated with their perception of collegial behaviour.

Rationale (H₁₃): There appears ample evidence in the literature review that the benefit of world economic progress is not shared equitably on a global basis, with OECD countries consistently enjoying the lion share. The exploratory interviews also reflect clear awareness of this fact. Attempting

to evaluate big-picture outcomes, a meta-analysis if you like of multi-lateral and bi-lateral development aid flowing from international financial institutions and OECD member countries (G7/G10) to developing nations/ Third World countries leaves the impression that, outcomes are poor. Poor in so far that sustainable development and equitable economic benefit across populations in developing/Third World countries remains disappointing and elusive for many. Foreign debt levels in most developing nations (many, former colonial territories) have continued to rise since the middle of the 20th century, with debt servicing requirements reaching levels which have forced the implementation of structural adjustment programmes often leading to the removal of subsidies on basic commodities such as rice, cooking oil and fuel, the impact of which has been most severely felt by those already severely financially disadvantaged. It should therefore not be surprising that actions of leading economic powers such as the G7 group may not be perceived as collegial, in spite of any rhetoric offered.

This hypothesis postulates that G7 behaviour is not perceived as collegial by Indonesian business leaders, and infers a negative (-) path.

H₁₄: Perception of economic development in Indonesia, by Indonesian business leaders, is negatively associated with their perception of G7 behaviour.

Rationale (H₁₄): The literature review and exploratory interviews suggest that the actions of G7 nations (the West, generally) today *and* historically, may have impeded the economic development and overall progress of the developing / Third World. Historically, colonial governments have altered economic outcomes of territories under their administration and in most cases there appears little doubt that the primary and prevailing interests were those of the motherland and not the colony. Former colonial

territories on their day of independence were bereft by and large of a well-educated population with emerging leaders struggling to harness whatever infrastructure remained. Post-independence development aid was frequently ineffective and squandered as a result, many countries eventually becoming subject to domestic (and foreign) opportunistic economic and political interests. Looming and growing foreign debt levels, the result of finance to sustain a new country, instead of providing the impetus for economic discipline, experience-based learning, legal and financial reform, etc have instead in many cases led to pervasive corruption, further economic decline and erosion of civil society. The significantly reduced interest of the former colonial power, the lack of experience of emerging leadership in any developing country coupled with meagre infrastructure, financial resources and reduced economic competitive ability in a global market place are likely to have severely impeded economic and social development.

This hypothesis postulates that Indonesian business leaders perceive economic development in Indonesia to be impeded by G7 behaviour, and infers a negative (-) path.

H₁₅: Perception of social development in Indonesia, by Indonesian business leaders, is negatively associated with their perception of G7 behaviour.

Rationale (H₁₅): The same rationale applies, as for the previous hypothesis. If economic development slows, fails to occur or is severely compromised, then, financial resources for social services sector development (health, education, safety nets, communication, etc) will fail to materialize. When comparing population based education levels, including basic literacy and numeracy skills, mortality and morbidity indicators, transport and communication standards and more between the

G7 group and developing nations (particularly their corresponding former colonial territories), it is evident that significant disparities exist and endure. These disparities become more marked during periods of crisis, with OECD countries considerably less affected.

This hypothesis postulates that Indonesian business leaders perceive social development in Indonesia to be impeded by G7 behaviour, and infers a negative (-) path.

Please note: The corresponding null hypotheses (H_{o1} ... H_{o5}) would indicate no association between constructs.

To determine the validity of the proposed theory, it is not only necessary to test whether an association exists (ie the strength of relationship) *between* constructs but also the *direction* of any association (ie positive or negative relationship), hence the description/use of alternative hypotheses.

“A **null hypothesis** (H_o) is a statement about the *status quo*. It is a conservative statement, which communicates the notion that any change from what has been thought to be true or observed in the past will be due entirely to random error. In fact, the true purpose of setting up the null hypothesis is to provide an opportunity to nullify it (eg H_{o1} : *Perception of G7 behaviour, by Indonesian business leaders, is not associated with their perception of colonial behaviour*). The **alternative hypothesis** (H_{i1}) states ... the opposite of the null hypothesis” (Zikmund 1997, p.560).

4.5 The Theoretical Model

The first step in developing the model was to identify the key constructs and their appropriate unique underlying dimensions. Once the constructs were confirmed and the underlying dimensions incorporated into the required number of measured variables (statistically evaluated), the research questions and hypotheses were

developed and objectives established. The outcome of this process allowed the formation of a theoretical model for the research project, with the relationships specified in accordance with the proposed theory and supporting hypotheses. Chapter 8, Section 8.7 further explains the unique characteristics of the model with respect to the chosen method of analysis – Structural Equation Modeling [SEM].

After the identification of key constructs and underlying dimensions (measured variables), the second major challenge was to define the relationships *between* constructs and the expected direction of each association (ie the postulated pathways). As the research project represented a single measure (perception) in time, the *Economic Development* construct was assumed to be the only independent construct (factor) in the model, directly influencing *Social Development*, particularly with respect to the availability of wealth (money) and corresponding access to education, health care and general opportunity this would provide to members of the Indonesian community. Although the postulated path (+ or –) of the association between Economic and Social Development constructs was not specified, it was assumed to be positive as increased levels of economic development are generally associated with increased commonwealth and overall equity of access to personal development opportunity. The socio-economic environment *experienced* by the individual over his/her lifetime is thus assumed to be crucial for their intellectual development and the formation of moral, ethical standards, and values with respect to important issues such as competition, benevolence, fairness and equity, etc. On this basis, the socio-economic setting coupled with (national and personal) history, both learned and experienced in Indonesia, provides the background for perception of (external and foreign) *G7 Behaviour*. Is *G7 Behaviour* perceived as *Colonial*, *Economic Rationalist*, or *Collegial*? (refer H₁₁, H₁₂ & H₁₃). Whilst the direction of association (ie the postulated paths) between Economic and Social Development vis a vis Colonial, Economic Rationalist and Collegial behaviour was not specified, it was assumed to be positive.

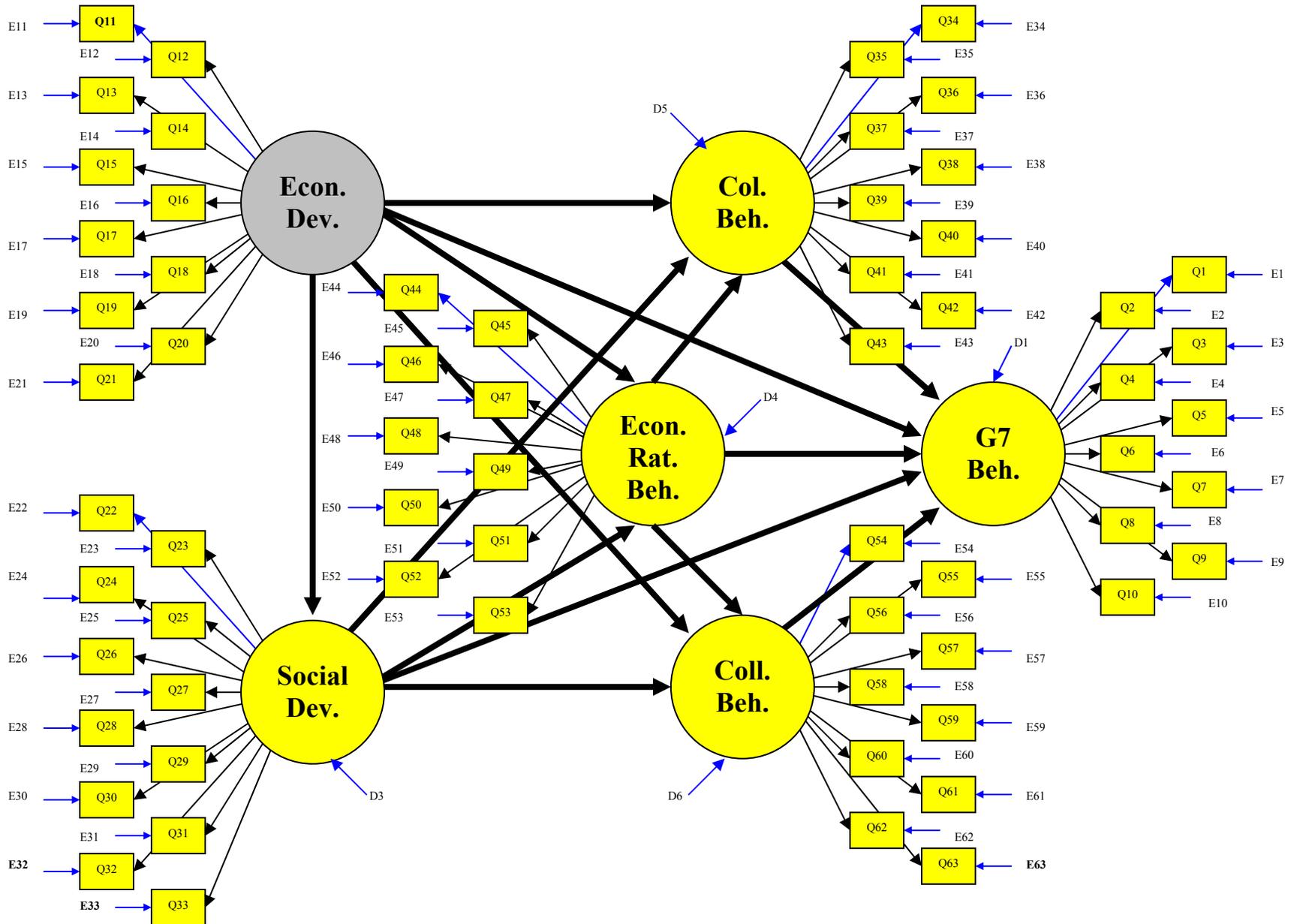


Figure 4.1: Theoretical Model ¹

¹For full details refer Appendix 7.1

A positive association between Colonial Behaviour and Economic Rationalist Behaviour with respect to G7 Behaviour was expected *and* specified accordingly (refer H₁₁ and H₁₂). The literature review and exploratory interviews clearly provided enough support for this assumption (Chapters 2 and 6). On the other hand, the same sources suggested G7 actions vis a vis Indonesia and other developing countries were fuelled by self-interest and considered detrimental to self-determination and therefore the postulated path of the association between G7 and Collegial Behaviour was expected to be negative (refer H₁₃).

The relationship between G7 Behaviour vis a vis Economic Development and Social Development was also postulated as negative (refer H₁₄ and H₁₅).

The theoretical model is depicted in Figure 4.1.

If the model proves accurate and the outcome of the research significant, then how G7 behaviour is perceived by Indonesian business leaders is likely to influence their degree of compliance with / and ready acceptance of the G7 controlled and largely imposed structural reform agenda for Indonesia. Compliance, not only to meet foreign external interests but also as a necessary condition for the country receiving continued multi-lateral and bi-lateral loans for economic development generally, and to service its' foreign debt in times of crisis, maintaining international credit worthiness and avoiding pariah status.

Furthermore, understanding the perceptions may not only be useful as a marker for possible compliance but also as a tool for the G7 group and IFIs under their influence to modify any structural reform agenda approach and dialogue in a manner which is culturally more acceptable to the indebted party, and which is cognisant of historical sensitivities and therefore more likely to be successful in achieving the desired outcomes for all concerned.

Chapter 5

Methodology

5.1 Research Paradigms

“The design of a study begins with the selection of a topic and a paradigm. Paradigms in the human and social sciences help us understand phenomena. They advance assumptions about the social world, how science should be conducted, and what constitutes legitimate problems, solutions, and criteria of *proof*. As such, paradigms encompass both theories and methods. Although they evolve, differ by discipline fields, and are often contested, two are discussed widely in the literature: the *qualitative* and the *quantitative* paradigm” (Creswell 1994, p.1).

Although a preference appears to exist for ‘good’ research to subscribe either to a qualitative or a quantitative paradigm, this is by no means universal. Most studies in social science, which subscribe to a quantitative paradigm (including this present research project), are initially based on qualitative exploratory work. Greene and Caracelli (1997, p.8) argue that, “past work (Greene, Caracelli & Graham 1989, Kidder & Fine 1987, Reichardt & Cook 1979, Rossman & Wilson 1985, Smith 1994) shows that there are *three* primary stances on the sensibleness and efficacy of mixing paradigms while mixing methods in evaluative enquiry”. The purist, pragmatic, and dialectical stances.

Guba and Lincoln (1989) suggest that both paradigms (quantitative or qualitative) reflect incompatible or different assumptions about the *nature* of knowledge claims concerning the world and human nature, and what is *possible* to know; that these assumptions are so interconnected and hence impossible to divide meaningfully. Therefore, “it is neither possible nor sensible to mix different inquiry paradigms within a single study or project” (Green and Caracelli 1997, p.8). Those who hold this view represent the *Purist* stance.

Others, whilst acknowledging that there exist philosophical differences between the two paradigms, argue that because the underlying philosophical assumptions are logically independent, they can be mixed. Furthermore, “paradigm differences do not really matter very much to the practice of social inquiry, because paradigms are best viewed as descriptions of, *not* prescriptions for, research practice” (Greene & Caracelli 1997, p.8). Proponents of this view represent the *Pragmatic* stance.

The third is the *Dialectical* stance. Here it is argued that, “differences between philosophical paradigms or logics of justification for social scientific enquiry not only exist but are important. These differences cannot be ignored or reconciled but rather must be honoured in ways that maintain the integrity of the disparate paradigms. Moreover, the differences should be deliberately used both within and across studies toward a dialectical discovery of enhanced understandings, of new and revised perspectives and meanings” (Green & Caracelli 1997, p.8).

The purist stance is the counterpoint to the pragmatic and dialectical viewpoints. Whilst the present study subscribes to the purist stance, the researcher acknowledges the value of both the pragmatic and dialectical propositions.

In accordance with the purist stance, the present research (*Colonial, Economic Rationalist, or Collegial? Indonesian Business Leaders' Perceptions [2001] of*

G7 Behaviour) is a *quantitative study*, consistent with a quantitative paradigm and based on “testing a theory composed of variables, measured with numbers, and analysed with statistical procedures, in order to determine whether the predictive generalizations of the theory hold true” (Creswell 1994, p.2).

The theory and *focus* of the quantitative study represents a “set of logically related principles that generate statements (hypotheses) specifying the nature of the relationships between phenomena (variables)” (Brim & Spain 1974, p.2). The theory itself cannot be proved but rather is “evaluated (tested) in terms of the extent to which the statements it generates about the nature of relationships between phenomena are accurate. ... That is, consistent with careful assessments against reality. ... Hence a *major goal* of science (within the confines of a quantitative paradigm) is assessing the relative value of hypotheses by testing them rigorously” (Brim & Spain 1974, p.3).

5.2 A Research Reference Matrix

Following the *purist* stance, once the focus of the research project has been defined the decision is made to select a paradigm – qualitative or quantitative. “The **quantitative** is termed the traditional, the positivist, the experimental, or the empiricist paradigm. The quantitative thinking comes from an empiricist tradition established by such authorities as Comte, Mill, Durkheim, Newton, and Locke [Smith, 1983]. The **qualitative** paradigm is termed the constructivist approach or naturalistic [Lincoln & Guba, 1985], the interpretative approach [Smith, 1983], or the postpositivist or postmodern perspective [Quantz, 1992]. It began as a countermovement to the positivist tradition in the late 19th century through such writers as Dilthey, Weber, and Kant [Smith, 1983]” (Creswell 1994, p.4).

To make an informed choice, the researcher needs to understand the philosophical assumptions of each paradigm, based on the defining ontological,

epistemological, axiological, rhetorical, and methodological approaches. Tables 5.1 and 5.2 (pp. 253-254) are offered as an initial filter (research reference matrix) to assist in the selection of an appropriate paradigm. However, it must be noted that it is unlikely for any research project to fit all the suggested characteristics for a single paradigm, the present research being no exception. Hence, the researcher's earlier acknowledgement (Section 5.1) of the value of pragmatic and dialectical propositions with respect to mixed research paradigms.

Whether ultimately a particular research project is better suited to a quantitative or qualitative paradigm may remain open to debate.

5.3 Ontology, Epistemology, and Methodology

Ontology refers to the theory of existence, to the *nature of being*. The fundamental ontological question is concerned with *what* exists. The manner in which we answer this question (our ontological viewpoint) determines what can be accepted as a fact and what can be known.

Epistemology on the other hand, refers to the theory of knowledge and is concerned with the *nature of knowing*. The fundamental epistemological question is *how* do we know what we know. Our answer to this question determines the kind of logic we use to derive knowledge (Sui, 1999).

Within these definitions (and applied to social science), research conducted under a positivist ontology considers a reality independent of the researcher (ie an objective reality) and has a goal of discerning statistical irregularities of behaviour (attitudes, perceptions, etc), and is oriented toward counting occurrences and measuring extent of behaviours being studied. Research conducted under an interpretivist ontology on the other hand, considers reality as subjective and socially constructed with the researcher and the object (respondent) both involved

Table 5.1: Quantitative and Qualitative Paradigm Assumptions

Source: Creswell, J. W. 1994, *Research Design – Qualitative and Quantitative Approaches*, Sage Publications, London, p.5.
(Based on Firestone [1987], Guba & Lincoln [1988], and McCracken [1988])

<i>Assumption</i>	<i>Question</i>	<i>Quantitative</i>	<i>Qualitative</i>
Ontological Assumption	What is the nature of reality?	Reality is objective and singular, apart from the researcher.	Reality is subjective and multiple as seen by participants in a study.
Epistemological Assumption	What is the relationship of the researcher to that researched?	Researcher is independent from that being researched.	Researcher interacts with that being researched.
Axiological Assumption	What is the role of values?	Value-free and unbiased.	Value-laden and biased.
Rhetorical Assumption	What is the language of research?	Formal; based on set of definitions; impersonal voice; use of accepted quantitative words.	Informal; evolving decisions; personal voice; accepted qualitative words.
Methodological Assumption	What is the process of research?	Deductive process. Cause and effect. Static design – categories isolated before study. Context-free. Generalizations leading to prediction, explanation, and understanding. Accurate and reliable through validity and reliability.	Inductive process. Mutual simultaneous shaping of factors. Emerging design – categories identified during research process. Context-bound. Patterns, theories developed for understanding. Accurate and reliable through verification.

Table 5.2: Reasons for Selecting a Paradigm

Source: Creswell, J. W. 1994, *Research Design – Qualitative and Quantitative Approaches*, Sage Publications, London, p.5.

<i>Criteria</i>	<i>Quantitative Paradigm</i>	<i>Qualitative Paradigm</i>
Researcher's Worldview.	A researcher's comfort with the ontological, epistemological, axiological, rhetorical, and methodological assumptions of the quantitative paradigm.	A researcher's comfort with the ontological, epistemological, axiological, rhetorical, and methodological assumptions of the qualitative paradigm.
Training and Experience of the Researcher.	Technical writing skills; computer statistical skills; library skills.	Literary writing skills; computer text-analysis skills; library skills.
Researcher's Psychological attributes.	Comfort with rules and guidelines for conducting research; low tolerance for ambiguity; time for a study of short duration.	Comfort with lack of specific rules and procedures for conducting research; high tolerance for ambiguity; time for lengthy study.
Nature of the Problem.	Previously studied by other researchers so that body of literature exists; known variables; existing theories.	Exploratory research; variables unknown; context important; may lack theory base for study.
Audience for the Study (e.g. journal editors and readers, graduate committees)	Individuals accustomed to / supportive of quantitative studies.	Individuals accustomed to / supportive of qualitative studies.

in the knowing process. "The subjective researcher seeks to know the reality through the eyes of the respondent" (Olson 1999, p3).

Also concerning the epistemological question, the qualitative researcher tries to minimize the distance between him/herself and the respondents. This impacts on the axiological issue of the role of *values* in a study. "The researcher's values are kept out of the study in a quantitative project. This feat is accomplished through entirely omitting statements about values from a written report, using impersonal language, and reporting the *facts* – arguing closely from the evidence gathered in the study. The major difference between this approach and that of the qualitative researcher is that the qualitative investigator admits the value-laden nature of the study and actively reports his or her values and biases, as well as the value nature of information gathered in the field. The language of the study may be first person *and* personal.

Another distinction is the rhetoric, or language of the research. When a quantitative researcher writes a study, the language should be not only impersonal and formal but also based on accepted words such as *relationship*, *comparison*, and *within-group*. Concepts and variables are well defined from accepted definitions" (Creswell 1994, p.6).

Methodology then develops from the researcher's ontological and epistemological stance, ie the logic of the method considering what has gone on before. It can be quantitative or qualitative.

Whilst there appear to be two clearly defined standpoints, critically viewed and already referred to earlier (Section 5.1), considerable fluidity exists. Morgan and Smircich (1980) devised a spectrum from subjectivist to objectivist which reflects the acceptance of a world incorporating ontological stances of reality, varying from socially constructed ones (at one extreme, based on human imagination) to

realities as a concrete process of structure. This spectrum implies epistemic stances from understanding based on revelation through experience to that of fact-based knowledge for the explanation of a positivist science. The particular ontological and epistemological assumptions of a particular research project, according to this spectrum, will clearly reflect the relation between the knowing object (the researcher) and the studied object (the respondent).

Positivist research requires hypotheses definition from the outset. The ontological assumption being, that all well-researched problems ultimately lead to one truth. That, realities based on objective facts can successfully inform the theoretical basis of a research project and corresponding hypotheses. Constructivist research on the other hand, argues that theory is better generated by evidence emerging during a project (ie: the revelation of socially stable concepts, through the researcher's *experienced* reality by interacting with the respondent).

The relationship (separation or integration) between researcher and respondent is an indicator of "the ontological and epistemological assumptions on which a given study is based" (Olsen 1999, p3).

Based on this overview, the chosen **ontology** for this research project is defined as **positivist**, because it views a reality (Indonesian business leaders' perceptions) independent of the researcher, based on socially stable constructs (quasi facts) and quantitative data (facts). The **epistemology** being **explanatory**, as the research project sets out to explain reality (that is, making a statement of knowing) based on this positivist ontology.

The **methodology**, determined by the already chosen ontology and epistemology, is **quantitative** and clearly based on a positivist paradigm. The aim of the research project is achieved by hypotheses testing, through application of Structural Equation Modeling [SEM] techniques (Chapter 8).

5.4 Research Design and Method

Based on the theoretical framework discussed in Chapter 4, the task at hand was to develop a robust research project (*research design*), including a valid and reliable self-designed measuring instrument (*survey method*: i.e. questionnaire based on a 5-point Likert scale, providing a quantitative description) and apply it to a representative sample of the population, eliminating bias where possible.

The development stage of the research instrument (Fowler, 1988) was considered crucial and required several steps before it could be used with confidence in the final research stage, which represented a *cross-sectional* survey.

Survey based research was chosen, as the purpose was to “generalize from a sample to a population so that inferences could be made about ... attitude [perceptions]” (Creswell 1994, p.118). Financial efficiency, available time and personal safety of the researcher were also contributing factors in selecting survey based research, as most of the data had to be collected in Indonesia.

The principal study (quantitative research paradigm) was preceded by an exploratory stage, which followed from the literature review and facilitated the construction of the initial survey instrument, to be tested in a quantitative pilot stage. Once the research instrument had been subjected to a pseudo confirmatory approach factor analysis and passed all required criteria for validity and reliability, the final stage was proceeded with. Figure 5.1 shows the various stages of development:

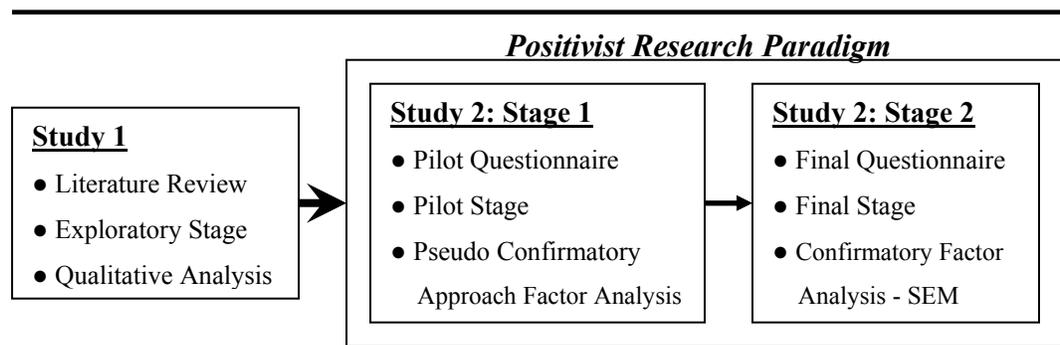


Figure 5.1: Research Design and Method – Stages of Development

5.4.1 Sample

Exploratory Stage (Study 1): As the final stage was to focus on perceptions of Indonesian business leaders, the *population sample* for the *qualitative* exploratory stage to assist in the development of the measuring instrument was deliberately selective (refer Chapter 6 – Section 6.3), incorporating 6 leaders from various industries (selected by sector, size and turnover), geographic regions and the two predominant ethnic groups (Pribumi Javanese, and Chinese Indonesians). Additionally, a leading business lawyer providing advice to the President's economic team was also included. The sampling technique used in this instance is therefore classified as “a non-probability sampling technique in which an experienced individual [the researcher] selects the sample based upon his or her judgement about some appropriate characteristics required of the sample members ... or in other words ... the sample has been selected to satisfy a specific objective” (Zikmund 1997, pp.428-429). Hence, this technique can be described as judgement or purposive sampling.

Pilot Stage (Study 2 – Stage 1): The pilot stage to field test the newly developed measuring instrument (pilot questionnaire) which emerged from the exploratory work, focused on a sample of 65 final-year Faculty of Economics students from the four leading universities in Jakarta. Although participation was voluntary and therefore the approach had an element of randomness, the technique is nonetheless to be classified as non-probability sampling. Fifty students responded (valid questionnaires).

Final year Faculty of Economics students (Drs Economi [Indonesia] = Master of Economics [Australia]) were selected as a sample population because of their knowledge base and relative ease of access to the researcher (refer Chapter 7 – Section 7.4). Because of this last point, this non-probability technique is labelled *convenience sampling*, because it “refers to the procedure of obtaining units or people who are most conveniently available ... to obtain a large number

of completed questionnaires quickly and economically” (Zikmund 1997, p.428). Ideally, convenience sampling should not be used in a final stage which embodies the core of a research project as it could reduce objectivity. However, it is a valid technique for exploratory and pilot work (Zikmund 1997).

Final Stage (Study 2 – Stage 2): The completed measuring instrument (*final questionnaire*) which emerged from the pilot stage was to be submitted to the membership base of KADIN (Indonesian Chamber of Commerce and Industry) with respondents replying on a voluntary opt-in basis. This approach would provide a random sample of Indonesian business leaders reflecting a genuine probability sampling technique. This type of approach “eliminates the bias inherent in non-probability sampling procedures because the probability sampling process is random” (Zikmund 1997, p.430). It is therefore considered to enhance the objectivity of a research project, particularly when used in the principal and final stage of a research project based on a positivist paradigm.

However, as detailed in Chapter 8 – Sections 8.1 and 8.3, due to the considerable difficulties encountered with the administration process, the poor response rate from the KADIN membership and minimum sample size required (200 valid questionnaires) to enable the application of SEM analysis, the researcher was left with no other option but to employ both *random sampling* and *convenience sampling* techniques in the final stage. Whilst the researcher acknowledges the possibility that this could have diminished the objectivity of the study, this was not believed to be significant in this instance¹.

5.4.2 Data Collection

Exploratory Stage (Study 1): Once the sample population was defined (Section 5.4.1), the data collection steps for Study 1 involved defining the objectives of the

¹The potential impact of applying both random sampling and convenience sampling in the final stage was acknowledged as a possible limitation of the study in Chapter 9 – Section 9.3.

exploratory stage, collecting information through semi-structured open-ended interviews, and determining the protocol for recording the information gained during the interview process (refer Chapter 6 – Section 6.1).

The majority of interviews were conducted face to face in a semi-structured fashion to allow room for the unexpected. The questions (Appendix 6.1) were deliberately open-ended to elicit a variety of views and opinions from the participating individuals.

Recording protocol was mixed and incorporated detailed note taking by the researcher during five interviews, transcribing one tape-recorded interview, note taking during one telephone interview. Additionally, written feedback by facsimile was received from some participants several days after their interview had taken place. The researcher also recorded some private observations.

Pilot Stage (Study 2 – Stage 1): The data collection process consisted of pilot questionnaires being handed out to final year students (Faculty of Economics – refer Chapter 7, Section 7.4) at commencement of the day's classes and collected by end of the mid-morning break. All groups were given the same brief description of the project and handed a formal letter of introduction (Appendix 7.2). Participation was on a voluntary opt-in basis.

The process was straightforward as a 5-point Likert scale was utilized to answer each question. On return, the questionnaires were coded (1 to 50) and the answers transcribed into an SPSS Frequency table by the Data Entry Staff of the Centre for Educational Advancement at Curtin University of Technology.

Final Stage (Study 2 – Stage 2): The data collection process for the final stage was somewhat more complicated and consisted of several steps:

[1] Three-hundred (300) questionnaires with a letter of introduction (Appendix 8.2) were mailed to the members of KADIN (Indonesian Chamber of Commerce

and Industry) in Jakarta for the first mailing round, followed by another 150 questionnaires one month later. Two weeks after mailing, each KADIN member was contacted by phone as a gentle reminder.

The two mailing rounds yielded 52 valid questionnaires, a result considered disappointing as the effort had been time consuming and expensive. SEM required a minimum sample of 200 respondents (completed valid questionnaires) and at this rate another 1400 questionnaires would need to be sent and followed up by telephone (incorporating databases in Soerabaja, Yogyakarta, etc). As this approach had been expensive and time consuming, the researcher was forced to change strategy and embarked on a convenience sampling approach.

[2] The data collection strategy for convenience sampling focused on Indonesian companies headquartered in the central business district of Jakarta (Jalan Tamrin, Jalan Gatot Subroto, and Jalan Sudirman). Spontaneous visits were made to 230 companies and a brief meeting was requested with the managing director or equivalent (ie executive chairman or chief executive officer). Of those consenting to a meeting, most were willing to participate and completed the questionnaire. This approach required no follow up and yielded 151 completed valid questionnaires.

Once the required 200 level had been exceeded, the completed valid questionnaires from the random and convenience sampling approaches were combined and coded from 1 to 203, the answers were once again transcribed into an SPSS Frequency table by the Data Entry Staff of the Centre for Educational Advancement at Curtin University of Technology.

5.4.3 Questionnaire Development

The questionnaire as a *measuring* instrument did not develop until the pilot stage. However, the identification of the constructs and underlying factors on which the

pilot (and subsequently the final) questionnaire was based started during the literature review and were later reinforced (face validity) during the exploratory stage.

Whilst basic emic-etic issues were taken into account by the researcher when formulating the open-ended questions for the semi-structured interviews of the exploratory stage, a more formal and dedicated emic-etic approach to the constructs and indicators (questions) took place during the pilot stage. The final questionnaire was based exclusively on validated pilot questionnaire data and emic-etic issues were therefore not revisited during the final stage.

Exploratory Stage (Study 1): The initial parameters for each construct were defined in the exploratory stage, with each construct discussed/tested through at least ten possible indicators (open-ended questions) during interview. A detailed description of the constructs and indicators used to develop the interview questions can be found in Chapter 6 – Section 6.2. Overall, the results reinforced the initial findings. Interviews were conducted in English and the answers recorded accordingly.

Pilot Stage (Study 2 – Stage 1): The pilot questionnaire retained all of the six original constructs examined during the exploratory stage. Some of the questions were simplified and each construct was again tested with a minimum of ten indicators (maximum 12). Pilot questionnaire answers were based on a Likert rating scale, which required respondents to tick a single box from a five-point range expressing strong agreement to strong disagreement.

Unlike the exploratory interviews with Indonesian business leaders, which were conducted in English and took place in Australia, the pilot questionnaire had to be translated into the Indonesian language and submitted to respondents in Indonesia. Therefore cross-cultural issues (emic-etic issues: Brislin 1976) had to be addressed in formulating the questionnaire to ensure [1] that construct and

indicator *meaning* as originally intended by the researcher was preserved in the translation from English into Indonesian (etic analysis); and [2] that the constructs and indicators would be considered *meaningful* and *important* from an Indonesian cultural perspective (emic analysis). For a detailed summary of the emic-etic analysis of the pilot questionnaire, please refer to Chapter 7, Section 7.3.

Final Stage (Study 2 – Stage 2): Based on a detailed analysis of the pilot questionnaire data, the final questionnaire retained all six original constructs but each was to be measured this time by their corresponding four most appropriate indicators. The factor analysis employed during the pilot stage to select the most appropriate indicators for the final questionnaire had been pseudo confirmatory in nature and was further supported by a thorough reliability and validity analysis.

The final questionnaire (survey instrument) consisted of 30 variables representing 6 constructs and 24 indicators (questions). Identical to the pilot questionnaire, answers to all items were based on a Likert rating scale, which required respondents to tick a single box from a five-point range, expressing strong agreement to strong disagreement. Table 5.3 (pp.264-265) highlights the individual constructs and their corresponding items (indicators) in detail, relating each to an appropriate hypothesis as set out in Chapter 4 – Section 4.4.

5.4.4 Data Analysis

Exploratory Stage (Study 1): The data obtained from the open-ended semi-structured interviews was subjected to *content analysis*. This approach required three distinct steps (Creswell 2003). First the data had to be organized and prepared (ie the transcription of the interviews and the sorting of information according to source), second the general meaning had to be assessed (eg overall impression gained, depth, credibility, etc) and third, specific statements had to be coded into chunks of meaning. This involved “segmenting sentences (or

Table 5.3: Constructs, Hypotheses, and Items on Survey (Final Questionnaire)

<i>Construct</i>	<i>Hypothesis</i>	<i>Item on Survey</i>
G7 Behaviour	H1: Perception of G7 behaviour, by Indonesian business leaders, is positively associated with their perception of colonial behaviour.	<p>Question 1: The G7 approach to Indonesia is Colonial.</p> <p>Question 2: The G7 use their super-power status to interfere in Indonesia's socio-economic and political development.</p> <p>Question 3: The G7 approach to Indonesia is based on self-interest only.</p> <p>Question 4: The G7, through the IMF and World Bank's long established lending programmes, are responsible for the financial crisis (1997-2000) in Indonesia and intentionally want Indonesia to become dependent, so they can gain control over the Indonesian market and exploit it for their own benefit.</p>
Economic Development in Indonesia	H4: Perception of economic development in Indonesia, by Indonesian business leaders, is negatively associated with their perception of G7 behaviour.	<p>Question 5: Household consumption has declined in Indonesia since the onset of the monetary crisis (1997-2000) and IMF-imposed reforms, reducing the opportunity for economic recovery in Indonesia through renewed domestic investment.</p> <p>Question 6: The considerable Indonesian foreign debt has made the country sub-ordinate to G7 interests, the IMF and the World Bank, to the extent that Indonesia has lost control over the executive management of its own economic development.</p> <p>Question 7: The real income of the average Indonesian citizen has declined significantly since the onset of the monetary crisis (KRISMON) and subsequent structural adjustment programmes imposed by the IMF.</p> <p>Question 8: Compared to G7 countries, the purchasing power of the average Indonesian citizen has declined significantly since the onset of the current monetary crisis (1997-2000) and the structural adjustment programmes imposed by the IMF.</p>
Social Development in Indonesia	H5: Perception of social development in Indonesia, by Indonesian business leaders, is negatively associated with their perception of G7 behaviour.	<p>Question 9: Since the onset of the monetary crisis (KRISMON) and the IMF imposed reform programmes, access to quality education in Indonesia (SD, SMP-SMA, Universitas) has become less affordable for the average Indonesian family.</p> <p>Question 10: Since the onset of the monetary crisis (KRISMON) and the IMF-imposed reform programmes, literacy levels (ability to read and write) of the general population in Indonesia have declined.</p> <p>Question 11: Since 1997 (onset of monetary crisis), access to quality health care in Indonesia has become less affordable for the general population.</p> <p>Question 12: As a result of slow development progress, largely due to financial constraints and IMF-imposed reforms (such as the removal of subsidies on rice, fuel and cooking oil), most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis.</p>

Table 5.3 (Continued)

<i>Construct</i>	<i>Hypothesis</i>	<i>Item on Survey</i>
Colonial Behaviour	H₁₁: Perception of G7 behaviour, by Indonesian business leaders, is positively associated with their perception of colonial behaviour.	<p>Question 13: The G7 have a colonial attitude and this is clearly demonstrated through their manipulation of the IMF and world financial markets.</p> <p>Question 14: G7 colonial behaviour is evident by their intentional pursuit of Indonesian indebtedness, through World Bank and IMF actions, so they can exploit Indonesia.</p> <p>Question 15: Indonesia continues to be subjected to colonial attitudes by foreign powers and international financial institutions, such as the G7 and the IMF and World Bank, through their interference in Indonesian domestic policy.</p> <p>Question 16: Indonesia is still subject to colonialism, not by any one identifiable foreign power but through a Western policy of promoting Developing and Third World countries' financial dependency, based on multi-lateral and bi-lateral lending programmes.</p>
Economic Rationalist Behaviour	H₁₂: Perception of G7 behaviour, by Indonesian business leaders, is positively associated with their perception of economic rationalist behaviour.	<p>Question 17: Economic rationalist behaviour is best described as fair, non-partisan, rational, impersonal, market oriented, and focused on a level playing field for all participants.</p> <p>Question 18: The nature of economic rationalist behaviour is to equitably benefit every participant, across all economic sectors, anywhere in the world. Economic rationalist behaviour does not discriminate between countries and therefore is without prejudice.</p> <p>Question 19: Economic rationalist behaviour creates wealth for all participants, through the adherence to strict economic and financial discipline.</p> <p>Question 20: Economic rationalist behaviour is global by nature and not specific to Western culture or the G7.</p>
Collegial Behaviour	H₁₃: Perception of G7 behaviour, by Indonesian business leaders, is negatively associated with their perception of collegial behaviour.	<p>Question 21: Collegial behaviour is best described as beneficial, helpful, unconditional and philanthropic.</p> <p>Question 22: When rich developed nations engage in collegial behaviour towards developing countries such as Indonesia, they provide financial donations, free education and technology transfer programmes, health care assistance, all without imposing conditions.</p> <p>Question 23: Collegial behaviour by rich countries is aimed at improving the living standards of developing nations, through on-going assistance without any strings attached.</p> <p>Question 24: Collegial behaviour promotes economic prosperity and commonwealth between nations.</p>

paragraphs) into categories, and labelling those categories with a term, often a term based in the actual language of the participant” (Creswell 2003, p192). Through this process, the constructs and indicators initially identified in the literature review were confirmed and the survey items for the pilot questionnaire selected and refined.

Pilot Stage (Study 2 – Stage 1): The method of analysis consisted of a pseudo confirmatory factor analysis applied to each construct, followed by appropriate reliability and validity analyses in order to create a reliable and valid measuring instrument for the final stage (the cross-sectional survey). This approach determined whether the pilot questionnaire was reliable and the indicators (questions) were tapping into their corresponding construct. The detailed steps involved in this pseudo confirmatory approach are outlined in Chapter 7 – Section 7.5, Sub-section 7.5.1).

The factor analytic process was followed by a reliability analysis based on the Cronbach alpha coefficient and a construct reliability analysis using the Kendall’s tau_b correlation coefficient. The first determined inter-item consistency and the extent to which each item focussed on its corresponding construct. The second indicated the extent the items (ordinal scores) showed to measure their unique corresponding hypothetical construct.

Final Stage (Study 2 – Stage 2): As no comparable well-documented measuring instrument for this type of research could be found, the final stage questionnaire data was subjected to three different analytical evaluations (two methods):

1. A preliminary analysis based on confirmatory factor analysis applied to each measurement model (ie construct), using SPSS and EQS programmes;
2. A measurement model analysis based on structural equation modelling (SEM), using the EQS programme;

3. A structural model analysis based on SEM, using the EQS programme.

The combined analysis of the measurement and structural model in the final stage (Study 2 – Stage 2) allowed the researcher to combine the necessary measurement error analysis of observed variables as an integral part of the structural model (theoretical model) *and* factor analysis in the *one operation* with hypotheses testing (refer Chapter 8 – Section 8.6.1).

Chapters 6, 7 and 8 address each stage (exploratory, pilot, final) of both studies in great detail, including corresponding methods of analysis and interpretation of results.

Chapter 6

Study 1 – Exploratory Stage

Analysis of Results

6.1 Introduction

Study 1 was conducted primarily to elicit meaningful constructs to support the face validity of the measuring instrument. The exploratory stage in Study 1 was used to support the literature presented in chapters one, two and three.

Accordingly, the objectives of the exploratory stage (based on seven *open-ended semi-structured* interviews) were:

- (1) To explore perceptions of constructs and selected corresponding indicators as identified through the literature review;
- (2) To validate (*face validity*) the selected constructs and indicators with respect to interviewee responses and researcher's initial selection through the literature review;
- (3) To identify significant discrepancies between interviewee responses and researcher construct and indicator selection;
- (4) To identify significant new issues out of the interview process, not previously considered.

The main difficulty encountered during the exploratory process (and throughout most of the research project) was the poor relationship between Indonesia and Australia as a result of the significant economic and political crises, *and* Australia's very active involvement in East Timor. The exploratory stage was

initially expected to take two months (October/November 1999) but ended up taking eight months (October 1999 to May 2000).

The researcher felt uncomfortable (not safe) travelling to Indonesia for the interviews as originally planned and arrangements were made (where possible) for the interviews to take place in Perth, when convenient to the respondents. In the end four interviews took place in Perth, one by telephone and facsimile to Bali, and two through intermediaries in Jakarta (one tape-recorded and one written). Due to the political climate at the time, each interview was carefully arranged by way of introduction through some key Indonesian business contacts of the researcher in Indonesia and Western Australia. The first interview took place on the 30th of November 1999 and the last on the 28th of April 2000. All respondents refused point blank to have the conversation tape-recorded, primarily for security reasons with the exception of the last respondent, who was blind. Whilst it was the researcher's impression that all respondents were open and honest with their answers, most did not wish to give their formal written consent, again for security reasons. The exception being respondent number two who wrote a thank you note and the last respondent, who gave his consent tape-recorded.

Five interviews were considered very useful (interviews 1, 2, 4, 5 and 6); one relevant but not within the category of leading Indonesian businessmen (interview 7); one useful but generally too brief to be truly significant (interview 3). Results of interview 7 were considered on the grounds that the respondent was a business lawyer, providing advice to the economic team of President Abdurrahman Wahid.

6.2 Interview Indicators and Open-Ended Semi-Structured Questions (theoretical justification)

The early literature review led to a proposition that *“G7 behaviour towards Indonesia might be perceived as colonial by Indonesian business leaders; a*

perception which could be significantly influenced by their views of socio-economic development in Indonesia”.

To explore this proposition, six (6) constructs were identified through the Literature review (Chapter 4, Section 4.3), each with at least ten possible indicators (Table 6.1). At the same time, the initial parameters (objectives) were defined for each construct, and, the corresponding open-ended semi-structured questions designed for each indicator in preparation for the *Exploratory Stage Interviews*.

Table 6.1: Construct Initial Parameters and Indicators

<i>Construct</i>	
<i>Initial Parameters (Objective)</i>	<i>Indicators</i>
G7 Behaviour (Cross-reference to Sections 2.4, 2.5, 2.6 and 2.9)	
To explore views and perceptions of G7, specifically within the context of G7 executive control over IMF & WB multi-lateral loans extended to Indonesia (nb: the current rescue package for the 1997-crisis), IMF Structural Adjustment Programmes imposed on Indonesia (nb: bank restructuring programme, subsidies removal from fuel, rice, etc), and G7 member bi-lateral loans to Indonesia.	<ul style="list-style-type: none"> • acts as the world’s premier financier & power group • is protective of western interests • exercises power as world financial controller • has an imperial attitude • is dominating of developing countries • is arrogant in demeanour • has powerful military backing and acts as policeman • is exploitative of developing countries • assumes moral superiority over non-developed/developing countries • is definitely non-philanthropic
Economic Development in Indonesia (Cross-reference to Section 2.9 and Chapter 3)	
To explore views and perceptions about economic development in Indonesia. Whilst this required some quantitative answers (eg: GDP estimate?), the focus was not on judging whether these answers were correct but rather on perceptual content.	<ul style="list-style-type: none"> • estimated GDP per capita • estimated average wages • perceived purchasing power parity • perception of foreign debt as % of GDP • perception & estimation of current account deficit • inflation (CPI) • consumption expenditure per capita • employment • foreign direct investment • domestic investment

Table 6.1 (Continued)

<i>Construct</i>	
<i>Initial Parameters (Objective)</i>	<i>Indicators</i>
Social Development in Indonesia (Cross-reference to Section 2.9 and Chapter 3)	
To explore views and perceptions about social development in Indonesia. Whilst this also required some quantitative answers (eg: literacy estimate?), the focus remained not on judging whether these answers were correct but rather on perceptual content.	<ul style="list-style-type: none"> • literacy • educational attainment • access to information • freedom of speech • political freedom • communication (telephones per capita) • clean water • daily calorie intake (per capita) • life expectancy • infant mortality • healthcare access
Colonial Behaviour (Cross-reference to Sections 2.3, 2.5 and 2.10)	
To explore views about what constitutes colonial behaviour.	<ul style="list-style-type: none"> • exploitative • oppressive • dominating (westerners) • foreign power • imperial in attitude • against self-determination for developing countries • prejudiced • assumed moral superiority • euro-centric • violating
Economic Rationalist Behaviour (Cross-reference to Sections 2.2, 2.4, 2.5, 2.6 and 2.10)	
To explore views about what constitutes economic rationalist behaviour.	<ul style="list-style-type: none"> • impersonal • non-partisan • without prejudice • competitive • market oriented • wealth creating • demand driven • finance focused • universal (global) • assumes a level playing field

Table 6.1 (Continued)

<i>Construct</i>	
<i>Initial Parameters (Objective)</i>	<i>Indicators</i>
Collegial Behaviour (Cross-reference to Sections 2.1, 2.4, 2.7 and 2.8)	
To explore views about what constitutes collegial behaviour.	<ul style="list-style-type: none"> • beneficial • philanthropic • altruistic • helpful • development oriented • supportive • wealth creating • debt reducing • promoting independence • pro self-determination • fostering unity • pro global economic integration

The corresponding interview questions (to constructs and indicators) were:

- *G7 Behaviour:*

Question 1: What are your views with respect to the G7 (IMF & WB) as a power group and moneylender & donor to developing nations such as Indonesia?

Question 2: Do you consider the G7 to act in everyone's interest? Please provide some reasons for your answer.

Question 3: What are your views on the concept of G7 (IMF & WB) exercising power as the world's financial controller?

Question 4: How would you classify the attitude and behaviour of the G7 towards Indonesia in particular, and developing nations generally?

Question 5: When Indonesia requests the assistance of the IMF, like President Soeharto did in 1997/98, do you feel that Indonesia is treated with respect and on an equal footing with all other nations?

Question 6: Is the behaviour of the G7 (IMF & WB), generally perceived by Indonesians as courteous and polite?

Question 7: The fact that the G7 includes a super-power (USA) and includes some of the most powerful NATO members (France, UK), does this have any bearing on their attitude and behaviour towards Indonesia?

Question 8: How do you perceive the assistance the G7 (IMF & WB) provide to Indonesia?

Question 9: Do you feel that the G7, as a group of wealthy & developed nations, are in a legitimate position to best advise or impose structural reform programmes on developing nations, such as Indonesia?

Question 10: How do you view G7 (IMF & WB) interest in Indonesia?

- *Economic Development in Indonesia:*

Question 11: Based on your perception of the national economy of Indonesia, what do you estimate the GDP (Gross Domestic Product) per citizen to be?

Question 12: Based on your perception of the national economy of Indonesia, what do you estimate the average real income per citizen to be?

Question 13: On a comparative basis with other nations, how do you perceive the purchasing power of the average citizen to be, within Indonesia?

Question 14: How large do you perceive Indonesia's "foreign debt" to be, as a percentage (%) of GDP?

Question 15: What is your perception and estimate of Indonesia's "current account"?

Question 16: What are your views on "inflation" in Indonesia and what is your estimate of CPI over the last 12 months?

Question 17: How would you breakdown the current “consumption expenditure” of the average Indonesian? [such as, % of income spent on: (1) housing, (2) food, (3) clothing, (4) education, (5) transport & communication, (6) health care, (7) savings, (8) other consumables]

Question 18: How do you perceive employment opportunities to be in Indonesia?; and: What is your estimate of national unemployment in Indonesia? (% of total population)

Question 19: What are your views on foreign direct investment in Indonesia? (ie: not IMF & WB)

Question 20: What are your views on domestic investment in Indonesia?

- *Social Development in Indonesia:*

Question 21: Based on education opportunities across Indonesia, what % of the population do you estimate are able to read and write with confidence?

Question 22: What do you estimate the level of education attainment to be in Indonesia? That is: % of population with tertiary, secondary, or primary education.

Question 23: What are your views about access to information in Indonesia?

Question 24: What are your views about freedom of speech in Indonesia?

Question 25: What are your views about political freedom in Indonesia?

Question 26: What % of the Indonesian population do you estimate own a telephone, or have access to a telephone within reasonable proximity to their home?

Question 27: What % of the Indonesian population do you estimate have ready access to clean drinking water? (ie: piped potable water) Is this an important issue?

Question 28: Do most Indonesians have access to sufficient food and a balanced diet, on a daily basis? What do you estimate their average daily calorie intake to be?

Question 29: Is infant mortality an issue in Indonesia? What do you estimate it to be?

Question 30: What are your views on health care in Indonesia? (issues: access, price, quality)

- Colonial Behaviour:

Question 31: How would you describe colonial behaviour? Please name some key characteristics.

Question 32: Do you feel that colonial behaviour is an issue of the past, or do you perceive it to be alive today? (neo-colonialism)

Question 33: Considering the history of Indonesia over the last 300 years, is the nation still being subjected to neo-colonial attitudes by foreign powers & institutions?

Question 34: Assuming (neo)colonial attitudes still exist, are these specific to certain countries, or regions if you like? Or institutions?

Question 35: How do these neo-colonial attitudes towards Indonesia manifest themselves?

Question 36: What are your views on racism and prejudice, with respect to colonial behaviour?

Question 37: In your view, do Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism?

Question 38: Is nationalism important?

Question 39: In your opinion, which of the following terms are appropriate to describe (neo)colonial behaviour:

- exploitative
- oppressive
- dominating
- imperial
- foreign

- prejudiced
- racist
- euro-centric
- assumed moral superiority
- other?

Question 40: Do you perceive colonial behaviour in any way as beneficial?

- *Economic Rationalist Behaviour:*

Question 41: How would you describe economic rationalist behaviour? Please name some key characteristics.

Question 42: Would you describe economic rationalist behaviour as non-partisan?

Question 43: In your view, does economic rationalist behaviour assume, or aspire to, a level playing field for all participants (Indonesian and foreign)?

Question 44: In your opinion, is economic rationalist behaviour market oriented, competitive, and without prejudice?

Question 45: Would you describe economic rationalist behaviour as wealth creating and global in outlook?

Question 46: Would you describe economic rationalist behaviour as value free and purely driven by financial return on investment?

Question 47: How would you describe the long-term agenda of foreign direct investors in Indonesia?

Question 48: How would you describe the long-term agenda of Indonesian businessmen when engaging in foreign direct investment abroad?

Question 49: Would you view economic rationalist behaviour as laissez-faire and impersonal?

Question 50: Do you perceive economic rationalist behaviour in any way as beneficial?

- Collegial Behaviour:

Question 51: How would you describe collegial behaviour? Please name some key characteristics.

Question 52: In your view, do any countries exhibit genuine collegial behaviour towards Indonesia? Could you identify these?

Question 53: Does collegial behaviour by foreign countries promote self-determination and economic independence in Indonesia?

Question 54: Does collegial behaviour foster economic prosperity and genuine commonwealth between nations? How does it achieve this?

Question 55: Does collegial behaviour foster global economic integration?

Question 56: Does collegial behaviour by other countries towards Indonesia promote national unity? How does it achieve this?

Question 57: Do you perceive collegial behaviour in any way as beneficial?

Question 58: If collegial behaviour by other countries towards Indonesia is perceived as beneficial, is it likely to impact at all on Indonesia's foreign debt and current account performance? How would it do so?

Question 59: Would you describe collegial behaviour as altruistic & philanthropic?

Question 60: Do you perceive Indonesia's behaviour towards other countries as beneficial? Could you identify some recipient countries and give examples of beneficial outcomes?

To ensure sufficient consistency across all interviews but allowing for open discussion, a semi-structured approach was taken during the interview process itself. This encouraged a fair amount of exploration, allowing opportunity for the unexpected. Most answers required were qualitative in nature with the exception of some specific more quantitative questions about GDP, foreign debt, literacy levels, etc concerning economic & social development in Indonesia.

The average length of each interview was around 2.5 hours duration and the venue was usually a private residence (or telephone, as in the 2nd interview). Most respondents were happy to follow the outline of the semi-structured questionnaire ([Appendix 6.1](#)) during this time, except for respondents 3 and 5 who preferred a much less structured approach with only occasional reference to the questionnaire. All respondents participated with enthusiasm.

The interview itself commenced with an overall introduction of the research project and each section was preceded by a more specific introduction.

Most respondents refused to have the interview tape-recorded with the one exception as previously noted, primarily for security reasons. However, all were happy for the researcher/interviewer to take extensive notes during the interview process and some also provided a hand-written or typed answer sheet to the semi-structured questionnaire (in addition or in lieu, as the case with the Bali interview) several days after the interview. It was the impression of the researcher that this security concern was a spill over effect from the Soeharto years, although all agreed that freedom of the press and speech in Indonesia had improved considerably since Soeharto stood down.

6.3 Sample Selection – Demographic Data of Respondents

Considering the limitations of a small sample of respondents, selection was not random but targeted (judgement sampling) to cover as representative a group of Indonesian business leaders as possible. Factors considered were age range, ethnic background, company size, annual turnover, industry sector and geographic location. Table 6.2 shows the demographic characteristics of the sample:

Age Range: The age range was from 42 to 63 years, with an average of 53 years.

Gender: Six respondents were male and one respondent female.

Ethnic Background: Three respondents were Chinese Indonesian and four Pribumi (Native Indonesian). All Chinese Indonesians and two Pribumi were from Java, whilst the other two Pribumi came from Bali and Sulawesi. This represents a reasonable mix.

Company Size: Company size varied greatly but was in line with that expected from general to professional. Employee numbers ranged from 25 to over 1000. The smaller numbers reflecting professional services (such as legal & engineering) and the larger reflecting manufacturing and heavy industry (such as construction).

Company Annual Turnover: Annual turnover figures ranged from >US\$10 million to >US\$60 million and averaging around US\$26 million. Considering the size of the Indonesian economy in late 1999 and the prevailing rupiah exchange rate (>Rp8,000 to US\$1), these companies can fairly be considered *leaders* in their respective industry categories.

Industry Sector: The range was varied covering professional services (such as legal and engineering), manufacturing, construction, hospitality, etc. A fair coverage.

Geographic Location: Most companies operated principally in Jakarta and West Java. Only one company operated exclusively in Bali.

Opportunity to interview respondents in Perth (Western Australia) was also an important consideration.

Table 6.2: Demographic Data – Exploratory Stage
(Respondents)

Respondent (nr)	Age (years)	Gender (m/f)	Ethnic Background	Company Size (nr of employees)
1	42	Male	Chinese Indonesian (Java)	>150
2	63	Male	Pribumi* [aristocrat] (Bali)	>250 (estimate)
3	50 (est)	Male	Pribumi (Sulawesi)	>150 (estimate)
4	62	Male	Chinese Indonesian (Java)	>1000
5	55 (est)	Male	Chinese Indonesian (Java)	26
6	50	Male	Pribumi (Java)	25
7	49	Female	Pribumi (Java)	>100

Res. (nr)	Industry Sector	Geographic Location	Annual Turnover (US\$ million)
1	Infrastructure Development (Roads & Land)	HO in Jakarta but activities across Java	>\$40
2	Fuel (petrol), Hotels & Restaurants	HO in Denpasar but activities across Bali	>\$10
3	Printing & Printing Supplies for Export	Jakarta	>\$25
4	Property Development & Construction	HO in Jakarta but activities across West Java	>\$60
5	Engineering & Copper, Food Export	HO in Jakarta but activities across Java, Singapore & China	>\$10
6	Corporate Law	Jakarta	not disclosed
7	Manufacturing, Services & Trading	HO in Jakarta but activities across Java	>\$16

(* Pribumi = Native Indonesian)

6.4 Method of Analysis

Method was based on a reasonably straightforward *content analysis* (Strauss & Corbin 1998, Rossman & Rallis 1998, Creswell 2003) of the recorded interview data, which consisted of the researcher's notes [recorded interview answers] and observations, respondents' written answers, and transcription of one tape-recorded interview (refer Section 6.2).

First, all the researcher's handwritten notes and the respondents' additional written questionnaire answers were transcribed onto a single computer file (Appendix 6.2: Content Analysis – Notes [1]). The transcription data from the taped interview (Interview Nr.7) was excluded, as the interviewee was a corporate law expert and did not strictly meet the criteria for Indonesian business leader. Data from this last interview was only used at a later stage for comparative confirmatory purposes.

The second step (Appendix 6.3: Content Analysis – Notes [2]) grouped all respondents' general comments (non-structured) together *without* specific order (nb: though some were identified as *relevant* to specific questions at the time of interview and marked accordingly). Respondents' answers to specific questions (semi-structured) were grouped together but *according* to each specific question number.

Step three (Appendix 6.4: Content Analysis – Notes [3]) involved categorizing each general comment (non-structured) according to construct fit (ie: G7 Behaviour, Economic Development in Indonesia, Social Development in Indonesia, Colonial Behaviour, Economic Rationalist Behaviour, and Collegial Behaviour). The grouping of respondents' answers by *question number* remained the same as in step two, above.

Step four (Appendix 6.5: Content Analysis – Notes [4]) involved identifying sub-headings (descriptors) emerging from the comments (non-structured) categorized under a particular construct. The following were identified:

G7 Behaviour

- Economic Rationalism
- Collegial
- Colonial
- Self Interest

- Arrogant & Use of Power
- Legitimacy
- Lack of Respect
- Socio-Cultural Insensitivity
- Dishonesty
- No Category

Economic Development in Indonesia

- Employment
- Income & GDP Per Capita
- Purchasing Power
- Consumption Expenditure
- Current Account
- Foreign Debt
- Domestic Investment
- Foreign Direct Investment
- Protectionism
- Military
- Inflation
- Corruption

Social Development in Indonesia

- Education
- Literacy
- Health Care
- Drinking Water
- Food
- Telephone
- Access to Information
- Freedom of Speech & Political Freedom

Economic Rationalist Behaviour

- Non-Partisan
- Beneficial
- Market Driven
- Economic-Financial Optimisation
- No Category

Colonial Behaviour

- Indonesia still Subject to Colonial Behaviour
- Description of Colonial Behaviour
- Perception of G7 as Colonial
- Negative Sentiment towards G7 & Foreign Powers
- Nationalism
- Racism
- No Category

Collegial Behaviour

- Description of Collegial Behaviour
- Consequences of Collegial Behaviour
- No Category

In addition, there were a number of comments, which couldn't be categorized under any construct but remained relevant (eg: In 1992, Dutch influence linked future G7/IGCI funding to humanitarian issues. This was resisted by Indonesia and in the same year Indonesia *forced* out the Dutch from the IGCI, the intergovernmental committee regrouping as the CGI (Consultative Group for Indonesia). These were placed under the heading *Miscellaneous*.

The grouping of respondents' answers by *question number* remained the same as in steps two and three (Appendices 3 and 4: *Grouping of Statements by Construct & Question Number*).

6.5 Significant Findings

Whilst the overall analysis tended to re-affirm the six constructs and indicators initially identified through the Literature Review, the following were the most significant findings.

G7 Behaviour: The behaviour of the G7 (ie: particularly the influence over IMF & WB decisions) was generally seen as arrogant, self interested, disrespectful of Indonesia and lacking in socio-cultural sensitivity. On a number of occasions, the G7 (IMF & WB) were also described as dishonest. Nonetheless, the G7 were perceived as having *legitimacy* with respect to their ability to advise Indonesia concerning appropriate economic structural reforms, in order to become a successful global player.

During this section of the interview most interviewees described G7 behaviour as economic rationalist, potentially crossing the line into colonial behaviour if they did not subdue their arrogance and improve on socio-cultural sensitivity towards Indonesia. Economic rationalist behaviour was clearly identified with collegial behaviour on several occasions, as many felt that G7 support had led to an overall increase in Indonesian living standards.

Economic Development in Indonesia: Most interviewees had a relatively weak grasp of key economic indicators such as GDP, current account (surplus or deficit), foreign debt, etc and answers varied accordingly, most guessing, in spite of each individuals' own considerable personal wealth and widespread business interests.

There was a distinct awareness however, that (Indonesian) government statistics were generally unreliable and not worth remembering. An important example of this concerned 'national unemployment' figures. Estimates given varied between 3% and 30% but a significant observation was made that unemployment amongst the 'eligible population' (ie: excluding dependent children and the elderly) was closer to 80%. Whether this was correct or not, understanding existed that statistics could and are manipulated.

Most had difficulty in determining consumption expenditure for the average family, as they perceived a clear difference between rural and urban families, and the fact that in country areas many basic consumables are often (relatively) free. For example, many grow their own food, water is free and the forests provide free building materials and fruit in many country areas. Because of the concept of patronage (including corruption) some key expenditure items also do not come out of declared/acknowledged income.

Corruption was clearly seen as very detrimental to general economic development in Indonesia. The resentment focused however on the G7 for allowing the corruption to flourish, as a result of continued lending to a corrupt government(s). Native Indonesians were perceived as more corrupt than Chinese Indonesians and some indicated that G7 behaviour changed from friendly (collegial) to one of self-interest (economic rationalist) precisely because of continued Indonesian corruption and fraud.

There were indications that the G7 were perceived co-responsible for the financial economic crisis of 1997 to date.

Social Development in Indonesia: Again, there was no accurate awareness of several key social development indicators, particularly with respect to education and literacy. However, consensus was apparent about health care being inadequate and of poor quality, with access discriminatory. It was noted that

quality health care in Indonesia and abroad was primarily available to wealthy individuals only.

Everyone agreed that freedom of speech and political freedom had improved significantly since President Soeharto stepped down but all still refused to be drawn into specific debate on sensitive issues such as the East Timor crisis and secession struggles in Aceh and Irian Jaya.

There appeared to be a clear link between the value of ones personal network (family, business, political) and access to opportunity, including *reliable* information. No particular relationship was apparent between G7 Behaviour and perceived social development in Indonesia.

Economic Rationalist Behaviour: Economic rationalist behaviour appeared well understood and was considered fair, impersonal and based on a laissez-faire economic philosophy. Most indicated that it was non-partisan and likely to benefit the community as a whole. Interestingly though, it was also considered legitimate to exploit any advantage one had over others under this approach.

Most indicated that economic rationalist behaviour was wealth creating and beneficial, almost akin to collegial behaviour but without humanitarian and altruistic considerations. Generally the perception was that economic rationalist behaviour was market oriented and driven by return on investment.

Colonial Behaviour: It was clear that all considered Indonesia still to be subject to colonial attitudes by foreign powers. The G7 countries and the IMF & WB were mostly identified as the 'foreign powers' but primarily through inference rather than immediate nomination.

Colonial behaviour was described as oppressive, prejudiced, racist, euro-centric but above all as *exploitative* and dominating. Colonialism was linked to

manipulation of financial/world markets, Indonesian dependency on the G7 and foreign capital.

It was felt that colonial behaviour by foreign powers (including G7) reinforced feelings of nationalism. However comments were made, indicating Chinese Indonesians were less passionate about nationalism than native Indonesians (Pribumi). Particularly as Chinese Indonesian tended to suffer significant abuse from native Indonesians during times of crisis.

Collegial Behaviour: Collegial behaviour was described as cooperative, beneficial and *unconditional*.

Examples of collegial behaviour were identified as unconditional loans and financial donations, education programmes and knowledge transfer, aid programmes and generally speaking 'rich countries helping poor countries'.

Interestingly, whilst the G7 (IMF & WB) were not identified as particularly collegial (nb: most evident during the discussion on G7 behaviour), *individual G7 members were* identified as such, for example the USA, the Netherlands (the former colonial power), Germany, Japan (another former occupying force) and others.

It was the researcher's impression that ethnic background, whilst not addressed as a research issue in this study, appeared to be a possible moderating variable. The Chinese Indonesian interviewees were distinctly less passionate about nationalism and many were disillusioned with the treatment of their population group during the height of the financial crisis (1998). Most indicated that every Chinese Indonesian who was able had parked their money in Singapore or elsewhere outside of Indonesia. The Chinese Indonesians participating in the Exploratory

Interviews were between 3rd and 7th generation Indonesian born and some had lost the ability to speak Mandarin or native dialect.

6.6 Summary

The time required to implement and complete the exploratory stage was underestimated by the researcher. Delays encountered were primarily due to the physical distance and poor relations between Australia and Indonesia prevailing at the time. Australia's involvement in East Timor being the primary factor, the effect of which compelled the researcher to arrange interviews with leading Indonesian businessmen in Perth rather than in Jakarta, primarily for personal safety concerns. Arrangements were made through the researcher's Indonesian business contacts in Perth and Jakarta, which turned out to be a rather time consuming process. However, once individuals had agreed to participate, the resulting discussions were lively, relevant and full of interest.

The data obtained from the exploratory interviews generally supported the initial findings (face validity) from the literature review. As a consequence the envisaged format for the Structural Equation Model (Study 2 – Final Stage) was not altered. The Pilot Stage results (Chapter 7) confirm this decision.

One issue warranting a special mention though was the lack of clear relationship between G7 behaviour and social development in Indonesia emerging during the exploratory interviews. In retrospect, it is possible that the semi-structured open-ended questions did not focus enough on the possible *effect* of G7 behaviour on social development in Indonesia but rather concentrated too much on social development *per se*. The indicators ultimately selected for the Pilot Stage (questionnaire) relating to Social Development were fine tuned to clarify this point. Continued literature review also encouraged the researcher this was indeed appropriate.

It is also worth noting the researcher decided on the basis of the exploratory interview results that *ethnic background*, whilst likely to be a moderating variable with respect to perceptions of colonialism and nationalist feelings, should not alter the approach taken in the study. Rather, in those instances where it became more obvious, it was highlighted for future reference and further research opportunity.

The next step, the Pilot stage (Study 2 – Stage 1) conducted in Indonesia, required fifty valid responses (50 questionnaires). The time frame was expected to be half that of the Exploratory Stage, as the initial contact network had been established.

Whilst the pilot questionnaire design was to be appropriately influenced by the findings of the exploratory interviews, a conscious choice was made to avoid further questions requiring specific knowledge about quantitative socio-economic factors. The absence of which had tended to confuse interviewees, as many made educated guesses.

The pilot questionnaire retained all of the six original constructs, each with a minimum of ten indicators (maximum 12). Answers were based on a five-point Likert-scale, from *I strongly agree* to *I strongly disagree* with respect to each question asked. Every question was also evaluated on the basis of whether or not the respondent deemed the question to be important.

The Pilot stage and its results are discussed in detail in the next chapter.

Chapter 7

Study 2 – Stage 1 (Pilot Stage)

Analysis of Results

7.1 Introduction

The Pilot Stage represented the first major field exercise of the *quantitative study* (positivist research paradigm) and focused on the development and testing of a newly constructed, measuring instrument (questionnaire), which could be used successfully in the Final Stage.

The pilot for this questionnaire was based on the findings that emerged from the Exploratory Stage (Chapter 6) and the literature review (Chapter 2) plus additional readings. As the researcher was not familiar enough with the Indonesian language, the pilot questionnaire and covering letter (ie the research programme introduction to respondents) were first written in English and subsequently translated into Indonesian ([Appendix 7.1](#): English Version – Pilot Questionnaire and Covering Letter; [Appendix 7.2](#): Indonesian Version).

The pilot questionnaire was field tested in Jakarta with the respondents selected at random (opt-in basis) from several of the leading universities. As anticipated, the required time frame was shorter than that for the exploratory stage and responses were collected within a one-month time frame between August and September 2000. Returned valid questionnaires were entered onto SPSS data file by the Centre for Educational Advancement staff at Curtin University, for subsequent analysis by the researcher.

Pseudo confirmatory approach factor analysis, reliability and construct validity analyses were then used to determine questionnaire reliability and whether indicators were tapping into their corresponding construct (Method of Analysis – Section 7.5).

7.2 Questionnaire Development

A *self-designed* questionnaire was to form the basis of the chosen survey method. Such a method would provide a quantitative description of “some fraction of the population – the sample – through the data collection process of asking questions of people. This data collection, in turn, enables a researcher to generalize the findings from a sample of responses to a population” (Creswell 1994, p.117). However, the questionnaire for this research project had to be built from scratch, as no ready-made measuring instrument existed suited to the needs of the project.

Thus, the theoretical constructs, key dimensions (including corresponding concepts described in the literature) and research questions (Chapter 4, Sections 4.3 & 4.4), combined with the construct descriptors emerging from the exploratory interviews and significant findings (Chapter 6, Sections 6.4 & 6.5) were used as the building material for the questions of the pilot questionnaire (Study 2 – Stage 1). The objective of the pilot questionnaire was to create a valid and reliable measuring instrument, which would satisfy strict validity and reliability requirements and could be used with confidence in the Final Stage (Study 2 – Stage 2) of the research project (p.363, p.365).

Constructs were measured by ten to twelve items each, with the questionnaire containing a total of sixty-three indicators (questions). The fact that some of the 63 questions (excluding demographic data) were phrased in a positive manner (eg: *Economic rationalist behaviour creates wealth for all participants, through*

7.3 Emic-Etic Considerations

Emic-etic issues considered important to cross-cultural research¹, find their origin in linguistic anthropology (Pike 1967, 1982) with emic-etic concepts and terminology derived from the words *phonemic* and *phonetic*. Pike links emic issues to specific systemic analysis and etic issues to generalized classification.

Similarly, Brislin (1976, p.215) suggests that in cross-cultural research “an emic analysis documents valid principles which describe behaviour in any one culture, taking into account what the people themselves value as meaningful and important. The goal of an etic analysis is to make generalizations across cultures that take into account all human behaviour”.

When applied to questionnaire research such as the cross-sectional survey instrument of this study (ie pilot and final version), the concepts (constructs) each measured by a series of written items (questions/indicators) *and* the items themselves initially formulated by the researcher, ultimately need to be meaningful to the members of the culture to be studied. The constructs and questions therefore need to be not only culture specific and tap into emic aspects of the culture under study but also tap the etic aspects of *both* the culture of the researcher *and* that of the culture under study.

To ensure that the pilot questionnaire addressed both emic and etic considerations, the researcher initially conducted a number of exploratory interviews with members of the culture under study (Indonesian business leaders), during which the constructs and possible indicators were extensively explored. The approach was considered open-ended, semi-structured and collaborative.

¹Cross-cultural research refers to empirical studies carried out among members of various cultural groups who have had different experiences that lead to predictable and significant difference in behaviour” (Brislin 1976, p.215).

Subsequently, the pilot questionnaire was translated into the Indonesian language, immediately using *decentering* technique. A standard *back-translation* technique first was not considered necessary, as the researcher having lived and worked for several years in Indonesia (Java) had gained a reasonable insight into Indonesian culture and language. Additionally, several Indonesia(n) experts were consulted on both the accuracy of the translation and the meaning of key social and economic terminology used in the text of the questionnaire.

Would the researcher not have had prior insight into Indonesian culture and language, back-translation technique could have been used prior to decentering. In back-translation, the researcher prepares the questionnaire in one language and then asks “a bilingual to translate it into another (target) language. A second bilingual blindly translates the material back into the original language. The researcher then has two original language forms to examine and, even if he/she does not know the target language, can make some judgement about the quality of the translation” (Brislin 1976, p.221).

Decentering technique on the other hand, refers to “a process by which one set of materials is not translated with as little change as possible into another language. Rather, material in one language is changed so that there will be a smooth, natural-sounding version in the second language. The result of decentering contrasts with the awkward, stilted versions common when material in one language is taken as the final content that must be translated with minimal change into another language. *Decentering* means that the research project is not centered around any one culture or language. Instead, the idiosyncrasies of each language contribute to the final version of the questionnaire” (Brislin 1976, p.222).

The translation into Indonesian (decentering technique) was carried out by a graduate from Universitas Sahid in Jakarta (Ms Susanty Setiady, a fluent English

speaker) and the English and Indonesian versions independently reviewed (etic consideration) by a post graduate in Indonesian and English Language & Culture Studies at the Universiti Kebangsaan Malaysia and University of Bath (Mr Adrian Siow). In addition, the meaning (emic) of key socio-economic concepts and financial terminology was reviewed by a third independent person from the Treasury Section at GE Indonesia in Jakarta (Dra Ime Andriani, an Indonesian national and MBA graduate from the University of Michigan).

Also, through the use of a categorical scale (yes/no), respondents to the pilot questionnaire decided *whether or not* they considered each question/construct indicator important (emic consideration). Table 7.1 reflects the result of this additional emic consideration.

Table 7.1: Pilot Questionnaire – Emic

	Important
Construct 1: G7 Behaviour	Range: 66% to 86% $\bar{X} = 77.40\%$
Construct 2: Economic Development in Indonesia	Range: 72% to 98% $\bar{X} = 84.00\%$
Construct 3: Social Development in Indonesia	Range: 50% to 94% $\bar{X} = 76.17\%$
Construct 4: Colonial Behaviour	Range: 54% to 90% $\bar{X} = 75.20\%$
Construct 5: Economic Rationalist Behaviour	Range: 64% to 84% $\bar{X} = 77.40\%$
Construct 6: Collegial Behaviour	Range: 64% to 92% $\bar{X} = 82.20\%$

As the final questionnaire content (Chapter 8) was entirely based on the validated and field tested pilot questionnaire, emic-etic issues were not revisited during the final stage.

7.4 Sample Selection – Demographic Data of Respondents

Sixty five (65) questionnaires for Stage 1 of Study 2 were distributed at random to final year Faculty of Economics students at four leading universities in Jakarta. A key objective was to support construct validity (pp.300-301) of the self-designed questionnaire.

Fifty (50) valid questionnaires were returned. Table 7.2 shows the breakdown of the pilot sample:

Table 7.2: Random Sample – Pilot Population

Universitas Indonesia	32%
Universitas Kristen Indonesia (UKI)	20%
Trisakti	22%
Universitas Pancasila	26%

Final year Economics students were chosen as the target population, because they were expected to be well informed about general economic history, concepts and theory, Indonesian domestic and geo-political conflict, and recent international finance and key business development issues. This pilot population was considered cost effective to reach, as respondents could be approached simultaneously in the classroom with questionnaires completed and collected without unnecessary and costly delay. The researcher also assumed sufficient similarity with the population of Indonesian business leaders, as many final year Economics students were preparing for active business life after graduation.

Sixty percent (60%) of the respondents were male and forty percent (40%) female. Ninety two percent (92%) were native Indonesian (Pribumi), six percent (6%) Indonesian-Chinese and two percent (2%) other.

7.5 Method of Analysis

The method of analysis consisted of pseudo confirmatory factor analysis applied to each construct, followed by appropriate reliability and validity analyses. The objective of this approach was to ultimately create a valid and reliable measuring instrument, which could be used with confidence in the Final Stage of the study, to measure perceptions of Indonesian business leaders as previously outlined in the theoretical framework (Chapter 4).

7.5.1 Factor Analysis by Individual Construct (A Pseudo Confirmatory Approach)

Factor Analysis was applied to each pilot construct, to determine whether the questionnaire was reliable and whether indicators/questions were tapping into their corresponding construct. Overall, the approach was *pseudo confirmatory* rather than exploratory.

Importantly, factor analysis was chosen to try and *reduce* the large number of variables, set at a minimum of 10 indicators per construct for the pilot questionnaire, to a smaller set of underlying factors, which would summarize the most essential information. This was a key requirement in preparation for the *final stage* questionnaire, the findings of which would be subjected to a Structural Equation Modelling (SEM) technique. The importance of this requirement relates directly to the *minimum* required sample size for SEM, which increases almost exponentially relative to any increase in the number of variables measured (Chapter 8, Section 8.4).

For the factor analyses, SPSS (versions 7.0 to 8.0) was the software of choice, as it is widely used and recognised by social scientists and professionals for statistical analysis. Whilst the factor menu in SPSS offers seven extraction methods, the researcher explored only Principal Components (PC) and

Principal Axis Factoring (PAF). Eventually, the Principal Components method proved to be the most suitable one out of the two and hence all published results are based on this choice.

The *factor analytic process* for each of the six (6) pilot constructs involved the following steps:

- *Correlation Matrix* – Necessary to determine the appropriateness of the factor analytic model. It involved computation of:
 - Correlation matrix
 - KMO and Bartlett's Test
- *Factor Extraction* – To determine the number of factors needed to represent the data, and involved computation of:
 - Communalities
 - Total Variance
 - Scree Plotting
 - Component Matrix
- *Factor Rotation* – To make the factor structure (component matrix) more interpretable through orthogonal rotation, in this instance. For clarification, it must be noted that whilst any new position of the axes was mathematically as good as any other, rotation was chosen to reach a position where the nature of the factor loadings became clearer.

7.5.2 Reliability Analysis

The factor analytic process was followed by a *reliability analysis* based on one of the most frequently used reliability coefficients, ie *Cronbach's alpha*. This reliability analysis allowed the researcher to determine how well the questions (indicators) focused on their corresponding individual construct and reflected inter-item consistency.

Cronbach's alpha coefficient assumes that there is only *one* construct being measured and "explores the ratio of true score variance to observed score variance" (Yu 2001, <http://seamonkey.ed.asu.edu>). As was the case for the pilot questionnaire, this approach is particularly appropriate when participants respond to questions where a 5-point Likert rating scale is used.

When the reliability analysis for *each* construct showed "an alpha value above .70" (University of Arizona 2001, www.u.arizona.edu/ic/forms/Help/alpha_rh.htm), the questionnaire was considered internally consistent and reliable.

Additionally, through a process of elimination based on the highest possible alpha coefficient attainable each time an indicator with the lowest alpha value was deleted, it was possible to reduce the number of indicators (questions) to a desired maximum of four indicators per individual construct.

7.5.3 Construct Validity Analysis

Construct validity is an important indication of "degree to which a test (ie: a series of questions and their corresponding scores) captures the underlying construct purportedly measured by the test" (Universität Mannheim 2001, www.sfb504.uni-mannheim.de). More specifically with respect to the 5-point Likert scale utilized in this pilot, the extent to which the scores (ordinal) showed to measure their unique corresponding hypothetical construct.

The correlation coefficient utilized was *Kendall's tau_b*, each score (ie: each question pertaining to one of the six particular constructs) being correlated with the total score of all questions within a particular construct. Ultimately the construct validity was demonstrated when it was shown that measures (ie: the questions) that were theoretically supposed to be highly interrelated, were in practice indeed highly interrelated. As soon as this was proven, inferences

could legitimately be made from the operationalizations in the pilot stage to the theoretical constructs on which the operationalizations were based (Trochim 2000, <http://trochim.human.cornell.edu>).

Finally, in the light of this particular research, it was also important to consider that broadly speaking there are two ways of looking at the concept of construct validity. The first one is from a *definitionalist* perspective, which essentially holds that one can define the construct so precisely that it can be operationalized in a straightforward manner. This is an either/or type of approach. For example, either one is measuring G7 Behaviour or one is not.

The second perspective, adopted by the researcher due to the nature of this study, is called *relationalist*. From this perspective, things are not always 'either/or' or 'black-and-white'. The meaning of constructs may differ relatively, not absolutely and this is reflected when analysing cross-factor loadings. An example in this research (Figure 7.2) might be a consideration that some measures (indicators) might capture a lot of the construct *G7 Behaviour* but not all of it (Trochim 2000, <http://trochim.human.cornell.edu>):

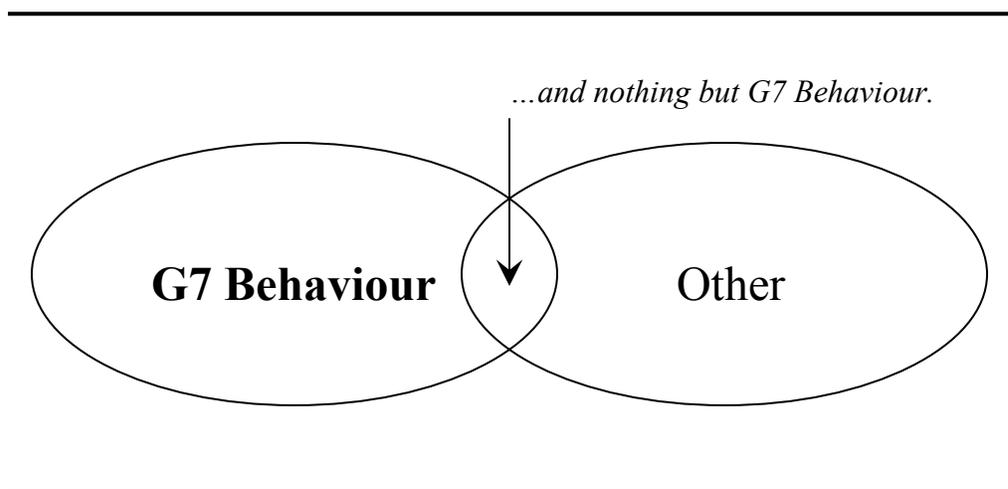


Figure 7.2: A Relationalist Perspective of G7 Behaviour

7.6 Results:

Each construct is individually analysed with all results evaluated on the basis of widely accepted and well-referenced benchmarks. A double-check (a posteriori) and general summary being provided in Sections 7.7 and 7.8.

7.6.1 Construct 1 – G7 Behaviour

The construct *G7 Behaviour* started with 10 items (Appendix 7.1) and through factor analysis, reliability and construct analyses these were ultimately reduced to a smaller set of 4 underlying factors (indicators) summarizing the most essential information.

Correlation Matrix:

Benchmark – “A correlation matrix that is appropriate for factor analysis will have *several sizeable correlations* in excess of **.3**” (Coakes & Steed 1999, p.156).

Result – Sixteen (16) sizeable correlations were found in excess of .3 (Table 7.3). The correlation matrix was therefore deemed appropriate for factor analysis.

Table 7.3: Correlation Matrix – G7 Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.2-4.

.354 Questions 3.1 & 9.1
 .364 Questions 3.1 & 8.1
 .375 Questions 1.1 & 4.1
 .393 Questions 8.1 & 9.1
 .403 Questions 6.1 & 7.1
 .446 Questions 2.1 & 4.1
 .465 Questions 5.1 & 6.1

Table 7.3 (Continued)

.469	Questions 7.1 & 9.1
.499	Questions 6.1 & 8.1
.502	Questions 3.1 & 7.1
.534	Questions 3.1 & 5.1
.581	Questions 5.1 & 7.1
.592	Questions 1.1 & 2.1
.631	Questions 3.1 & 6.1
.633	Questions 5.1 & 9.1
.652	Questions 6.1 & 9.1

Anti-image Matrices: The anti-image correlation matrices are used to assess the sampling adequacy (measures of sampling adequacy – MSA) of each variable (indicator).

Benchmark – “Variables with an MSA that fall below the acceptable level of **.5** should be excluded from the analysis” (Coakes & Steed 1999, p.156).

Result – With the exception of Question 10.1, all variables were above the acceptable MSA .5 level (Table 7.4).

Table 7.4: Anti-image Matrices – G7 Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.5-8.

Question 1.1	.822^a
Question 2.1	.795^a
Question 3.1	.716^a
Question 4.1	.894^a
Question 5.1	.760^a
Question 6.1	.701^a
Question 7.1	.886^a
Question 8.1	.877^a
Question 9.1	.653^a
Question 10.1	.478^a

(...^a Measures of Sampling Adequacy)

KMO and Bartlett's Test: The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity are used to determine the factorability of the matrix as a whole.

Benchmark – “If Bartlett's test of sphericity is *large and significant*, and if the Kaiser-Meyer-Olkin measure is greater than **.6**, then factorability is assumed” (Coakes & Steed 1999, p.156).

Result – The Bartlett's test of sphericity is significant and the KMO measure of sampling adequacy is considerably greater than .6. Hence, factorability was assumed (Table 7.5).

Table 7.5: KMO and Bartlett's Test – G7 Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.4.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.757
Bartlett's Test of Sphericity	Approx. Chi-Square	207.793
	df	45
	Sig.	.000

Communalities: Communality refers to that portion of all variables (indicators/questions) which is explained by the *common* factors, the unique portions being perfectly uncorrelated with each other.

Benchmark – “High communalities (extraction/correlation values) are evidence that the variables analysed have much in common with one another. Low extraction scores indicate the opposite” (Darlington 2001, www.psych.cornell.edu).

Result – Whilst no particular cut-off point was used, with the exception of Question 8.1, all variables scored above the .5 level (extraction/correlation value) and criteria for communality was satisfied (Table 7.6).

Table 7.6: Communalities – G7 Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.9.

	Initial	Extraction
Question 1.1	1.000	.734
Question 2.1	1.000	.767
Question 3.1	1.000	.774
Question 4.1	1.000	.533
Question 5.1	1.000	.705
Question 6.1	1.000	.757
Question 7.1	1.000	.650
Question 8.1	1.000	.487
Question 9.1	1.000	.781
Question 10.1	1.000	.556

Total Variance Explained - Eigenvalues: “The aim is to identify a number of factors m [components] less than the number needed for perfect reconstruction [of the construct]. This is achieved by setting m equal to the number of eigenvalues greater than 1 [Kaiser’s rule]” (Darlington 2001, www.psych.cornell.edu). Each component’s eigenvalue represents the *amount of variance* the component explains.

Benchmark – Selection of components with eigenvalues greater than 1².

Result – Three (3) factors had eigenvalues greater than 1 and explained 67.4% of the variance (Table 7.7).

Table 7.7: Eigenvalues – G7 Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.9.

Component	Total	% of Variance	Cumulative %
1	4.398	43.978	43.978
2	1.312	13.115	57.039
3	1.035	10.353	67.446

² “Since a component analysis is supposed to summarize a set of data, to use a component that explains less than a variance of 1 is something like writing a summary of a book in which one section of the summary is longer than the book section it summarizes – which makes no sense” (Darlington 2001, www.psych.cornell.edu).

Scree Plotting: The scree plot graphically displays the eigenvalues for each factor, reflecting which one(s) is the *predominant factor*.

Benchmark – The predominant factor(s), which lies above the best fitting straight line.

Result – Factor 1 with eigenvalue 4.398, explaining 43.978% of the variance (Daale, P. L. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis [DBA Working Papers], 21 October 2000, p.10).

Component Matrix: “The component (factor) matrix is a matrix of loadings or correlations between the variables (indicators) and factors. Pure variables have loadings of .3 or greater on only one factor. Complex variables may have loadings on more than one factor, and they make interpretation of the output (more) difficult, in which case rotation may be necessary” (Coakes & Steed 1999, p.161).

Benchmark – Indicators, preferably pure, with loadings of .3 or greater on the *predominant* factor (component 1).

Result – One (1) pure and five (5) complex indicators/variables were found (Table 7.8). Hence, rotation will be attempted.

Table 7.8: Component Matrix (3 factors extracted) – G7 Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.10.

	1	2	3
Question 3.1	.836		
Question 6.1	.788	.341	
Question 5.1	.732		.367
Question 9.1	.692	.437	.333
Question 7.1	.670		.447
Question 8.1	.520	.406	

Rotated Component Matrix: To make the factor structure (component matrix) more interpretable, orthogonal rotation was chosen (6 iterations). Method was Varimax with Kaiser Normalization.

Benchmark – Indicators, preferably pure, with loadings of .3 or greater on the *predominant* factor (component 1).

Result – Two (2) pure and four (4) complex indicators were found (Table 7.9).

Table 7.9: Rotated Component Matrix (3 factors extracted) – G7 Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.11.

	1	2	3
Question 9.1	.846		
Question 5.1	.791		
Question 7.1	.711	-.368	
Question 6.1	.572		.597
Question 3.1	.398	-.741	
Question 8.1	.520		.590

Reliability Analysis: Cronbach’s alpha coefficient of internal consistency was determined, to ensure that the indicators comprising factor 1 (component 1) produced a reliable construct measure. Considering that the ultimate aim was to identify an optimal selection of no more than four (4) indicators per construct, two (2) indicators were removed (one after the other) based on the highest possible resulting alpha coefficient.

Benchmark – A four-indicator (4) matrix with “an alpha reliability coefficient above .7” (University of Arizona 2001, www.u.arizona.edu).

Result – Table 7.10.

Table 7.10: Reliability Analysis – G7 Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Reliability Analysis (Working Papers), 21 October 2000, p.2 (last section).

Correlation Matrix					
	Question 3.1	Question 5.1	Question 6.1	Question 9.1	
Question 3.1	1.0000				
Question 5.1	.5431	1.0000			
Question 6.1	.6311	.4648	1.0000		
Question 9.1	.3542	.6333	.6516	1.0000	
N of cases = 50					
Statistics for Scale: (Construct measure)	Mean	Variance	Standard Deviation	N of Indicators	
	12.2400	18.4310	4.2931	4	
Item-total Statistics					
	Scale Mean if Indicator Deleted	Scale Variance if Indicator Deleted	Corrected Indicator- Total Correlation	Squared Multiple Correlation	Alpha if Indicator Deleted
Question 3.1	8.9600	11.7943	.5940	.5298	.8082
Question 5.1	8.9400	11.2004	.6513	.5314	.7836
Question 6.1	9.4400	10.2922	.7122	.6242	.7546
Question 9.1	9.3800	10.5669	.6602	.6115	.7799
Reliability Coefficients	4 indicators				
Alpha = .8275	Standardized indicator alpha = .8272				

Construct Validity Analysis: Construct validity indicates the extent to which the ultimate four (4) indicators capture the underlying construct (G7 Behaviour) they purport to measure (ie: are we really measuring *G7 Behaviour*?). The correlation coefficient utilized is Kendall's tau_b.

Benchmark – Correlations to be significant at the **.01** level (2-tailed).

Result – All four (4) correlations proved significant at the .01 level (2-tailed). Table 7.11.

Table 7.11: Construct Validity Analysis (Correlations)– G7 Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Construct Validity – Nonparametric Correlations Analysis (Working Papers), 21 October 2000, pp.1-3 (last section).

Question 3.1:	Kendall's tau_b	
The G7 approach to Indonesia is Colonial.	Correlation Coefficient	.406
	Sig. (2-tailed)	.000
	N	50
Question 5.1:	Kendall's tau_b	
The G7 approach to Indonesia is based on self-interest only.	Correlation Coefficient	.574
	Sig. (2-tailed)	.000
	N	50
Question 6.1:	Kendall's tau_b	
The G7 use their super-power status to interfere in Indonesia's socio-economic and political development.	Correlation Coefficient	.569
	Sig. (2-tailed)	.000
	N	50
Question 9.1:	Kendall's tau_b	
The G7, through the IMF and World Bank's long established lending programmes, are responsible for the financial crisis (1997-2000) in Indonesia and intentionally want Indonesia to become dependent, so they can gain control over the Indonesian market and exploit it for their own benefit.	Correlation Coefficient	.646
	Sig. (2-tailed)	.000
	N	50

Hence, *questions 3.1, 5.1, 6.1 and 9.1* represent the four items out of the original ten variables, which summarize the most essential information about the construct "G7 Behaviour".

7.6.2 Construct 2 – Economic Development

The construct *Economic Development* started with 11 items (Appendix 7.1) and through factor analysis, reliability and construct analyses these were ultimately reduced to a smaller set of 4 underlying factors (indicators) summarizing the most essential information.

Correlation Matrix:

Benchmark – Ditto for Section 7.6.1, page 301.

Result – Twenty-three (23) sizeable correlations were found in excess of .3 (Table 7.12). The correlation matrix was therefore deemed appropriate for factor analysis.

Table 7.12: Correlation Matrix – Economic Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.2-4.

.332	Questions 17.1 & 11.1
.332	Questions 19.1 & 16.1
.339	Questions 18.1 & 15.1
.355	Questions 18.1 & 16.1
.355	Questions 18.1 & 11.1
.356	Questions 21.1 & 12.1
.369	Questions 16.1 & 12.1
.370	Questions 17.1 & 16.1
.382	Questions 15.1 & 11.1
.388	Questions 15.1 & 14.1
.398	Questions 14.1 & 12.1
.418	Questions 12.1 & 11.1
.435	Questions 15.1 & 12.1
.436	Questions 17.1 & 12.1
.436	Questions 18.1 & 12.1
.456	Questions 16.1 & 15.1
.499	Questions 21.1 & 17.1
.512	Questions 19.1 & 18.1
.544	Questions 16.1 & 11.1
.555	Questions 21.1 & 18.1
.575	Questions 21.1 & 19.1
.587	Questions 19.1 & 17.1
.660	Questions 18.1 & 17.1

Anti-image Matrices: The anti-image correlation matrices are used to assess the sampling adequacy (measures of sampling adequacy – MSA) of each variable (indicator).

Benchmark – Ditto for Section 7.6.1, page 302.

Result – All variables were above the acceptable MSA .5 level (Table 7.13).

Table 7.13: Anti-image Matrices – Economic Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.5-8.

Question 11.1	.820 ^a
Question 12.1	.783 ^a
Question 13.1	.530 ^a
Question 14.1	.576 ^a
Question 15.1	.794 ^a
Question 16.1	.827 ^a
Question 17.1	.830 ^a
Question 18.1	.853 ^a
Question 19.1	.737 ^a
Question 20.1	.696 ^a
Question 21.1	.730 ^a

(...^a Measures of Sampling Adequacy)

KMO and Bartlett's Test: The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity are used to determine the factorability of the matrix as a whole.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – The Bartlett's test of sphericity is significant and the KMO measure of sampling adequacy is considerably greater than .6. Hence, factorability was assumed (Table 7.14).

Table 7.14: KMO and Bartlett's Test – Economic Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.4.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.773
Bartlett's Test of Sphericity	Approx. Chi-Square
	df
	Sig.
	165.330
	55
	.000

Communalities: Communality refers to that portion of all variables (indicators/questions) which is explained by the *common* factors, the unique portions being perfectly uncorrelated with each other.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – Whilst no particular cut-off point was used, all variables scored above the .5 level (extraction/correlation value) and criteria for communality was satisfied (Table 7.15).

Table 7.15: Communalities – Economic Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.9.

	Initial	Extraction
Question 11.1	1.000	.542
Question 12.1	1.000	.588
Question 13.1	1.000	.542
Question 14.1	1.000	.657
Question 15.1	1.000	.599
Question 16.1	1.000	.594
Question 17.1	1.000	.687
Question 18.1	1.000	.706
Question 19.1	1.000	.711
Question 20.1	1.000	.545
Question 21.1	1.000	.655

Total Variance Explained – Eigenvalues: “The aim is to identify a number of factors m [components] less than the number needed for perfect reconstruction [of the construct]. This is achieved by setting m equal to the number of eigenvalues greater than 1 [Kaiser’s rule]” (Darlington 2001, www.psych.cornell.edu). Each component’s eigenvalue represents the *amount of variance* the component explains.

Benchmark – Ditto for Section 7.6.1, page 304.

Result: Three (3) factors had eigenvalues greater than 1 and explained 62.1% of the variance (Table 7.16).

Table 7.16: Eigenvalues – Economic Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.9-10.

Component	Total	% of Variance	Cumulative %
1	3.951	35.917	35.917
2	1.490	13.550	49.467
3	1.393	12.668	62.135

Scree Plotting: The scree plot graphically displays the eigenvalues for each factor, reflecting which one(s) is the *predominant factor*.

Benchmark – Ditto for Section 7.6.1, page 305.

Result – Factor 1 with eigenvalue 3.951, explaining 35.917% of the variance (Daale, P. L. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 21 October 2000, p.10).

Component Matrix: “The component (factor) matrix is a matrix of loadings or correlations between the variables (indicators) and factors. Pure variables have loadings of .3 or greater on only one factor. Complex variables may have loadings on more than one factor, and they make interpretation of the output (more) difficult, in which case rotation may be necessary” (Coakes & Steed 1999, p.161).

Benchmark – Ditto for Section 7.6.1, page 305.

Result – Two (2) pure and seven (7) complex indicators were found (Table 7.17). Hence, rotation will be attempted.

Table 7.17: Component Matrix (3 factors extracted) – Economic Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.11.

	1	2	3
Question 18.1	.767		
Question 17.1	.757	-.307	
Question 12.1	.689	.336	
Question 16.1	.681		.316
Question 21.1	.656	-.402	
Question 19.1	.653	-.524	
Question 11.1	.625		
Question 15.1	.590	.500	
Question 14.1	.325	.634	-.386

Rotated Component Matrix: To make the factor structure (component matrix) more interpretable, orthogonal rotation was chosen (5 iterations). Method was Varimax with Kaiser Normalization.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Three (3) pure and two (2) complex indicators were found (Table 7.18).

Table 7.18: Rotated Component Matrix (3 factors extracted) – Economic Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.12.

	1	2	3
Question 19.1	.826		

Table 7.18 (Continued)

	1	2	3
Question 21.1	.802		
Question 17.1	.793		
Question 18.1	.767	.344	
Question 12.1	.307	.686	

Reliability Analysis: Cronbach's alpha coefficient of internal consistency was determined, to ensure that the indicators comprising factor 1 (component 1) produced a reliable construct measure. Considering that the ultimate aim was to identify an optimal selection of no more than four (4) indicators per construct, one indicator was removed based on the highest possible resulting alpha coefficient.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Table 7.19.

Table 7.19: Reliability Analysis – Economic Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Reliability Analysis (Working Papers), 21 October 2000, p.2 (last section).

Correlation Matrix					
	Question 17.1	Question 18.1	Question 19.1	Question 21.1	
Question 17.1	1.0000				
Question 18.1	.6599	1.0000			
Question 19.1	.5874	.5118	1.0000		
Question 21.1	.4993	.5554	.5747	1.0000	
N of cases = 50					
Statistics for Scale: (Construct measure)	Mean	Variance	Standard Deviation	N of Indicators	
	8,9600	11.7943	3.4343	4	
Item-total Statistics					
	Scale Mean if Indicator Deleted	Scale Variance if Indicator Deleted	Corrected Indicator- Total Correlation	Squared Multiple Correlation	Alpha if Indicator Deleted
Question 17.1	6.7000	7.1122	.6836	.5220	.7758
Question 18.1	6.7600	7.5739	.6845	.5063	.7810
Question 19.1	6.7800	7.1139	.6649	.4537	.7835
Question 21.1	6.6400	6.2351	.6379	.4253	.8077
Reliability Coefficients		4 indicators			
Alpha = .8307		Standardized indicator alpha = .8385			

Construct Validity Analysis: Construct validity indicates the extent to which the ultimate four (4) indicators capture the underlying construct (Economic Development) they purport to measure (ie: are we really measuring *Economic Development?*). The correlation coefficient utilized is Kendall's tau_b.

Benchmark – Ditto for Section 7.6.1, page 307.

Result – All four (4) correlations proved significant at the .01 level (2-tailed). Table 7.20.

Table 7.20: Construct Validity Analysis (Correlations) – Economic Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Construct Validity – Nonparametric Correlations Analysis (Working Papers), 21 October 2000, pp.3-4 (last section).

Question 17.1:	Kendall's tau_b	
The real income of the average Indonesian citizen has declined significantly since the onset of the monetary crisis (KRISMON) and subsequent structural adjustment programmes imposed by the IMF.	Correlation Coefficient	.592
	Sig. (2-tailed)	.000
	N	50
Question 18.1:	Kendall's tau_b	
Compared to G7 countries, the purchasing power of the average Indonesian citizen has declined significantly since the onset of the current monetary crisis (1997-2000) and the structural adjustment programmes imposed by the IMF.	Correlation Coefficient	.622
	Sig. (2-tailed)	.000
	N	50
Question 19.1:	Kendall's tau_b	
Household consumption has declined in Indonesia since the onset of the monetary crisis (1997-2000) and the IMF-imposed reforms, reducing the opportunity for economic recovery in Indonesia through renewed domestic investment.	Correlation Coefficient	.510
	Sig. (2-tailed)	.000
	N	50
Question 21.1:	Kendall's tau_b	
The considerable Indonesian foreign debt has made the country sub-ordinate to G7 interests, the IMF and the World Bank, to the extent that Indonesia has lost control over the executive management of its own economic development.	Correlation Coefficient	.562
	Sig. (2-tailed)	.000
	N	50

Hence, *questions 17.1, 18.1, 19.1 and 21.1* represent the four items out of the original eleven variables, which summarize the most essential information about the construct “Economic Development”.

7.6.3 Construct 3 – Social Development

The construct *Social Development* started with 12 items (Appendix 7.1) and through factor analysis, reliability and construct analyses these were ultimately reduced to a smaller set of 4 underlying factors (indicators) summarizing the most essential information.

Correlation Matrix:

Benchmark – Ditto for Section 7.6.1, page 301.

Result – Twenty-seven (27) sizeable correlations were found in excess of .3 (Table 7.21). The correlation matrix was therefore deemed appropriate for factor analysis.

Table 7.21: Correlation Matrix – Social Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.2-4.

.311	Questions 33.1 & 29.1
.313	Questions 28.1 & 22.1
.334	Questions 32.1 & 28.1
.337	Questions 26.1 & 24.1
.337	Questions 31.1 & 28.1
.360	Questions 26.1 & 23.1
.362	Questions 26.1 & 22.1
.365	Questions 30.1 & 26.1
.371	Questions 28.1 & 23.1
.373	Questions 25.1 & 24.1
.377	Questions 33.1 & 24.1
.379	Questions 32.1 & 26.1
.382	Questions 29.1 & 28.1
.382	Questions 30.1 & 24.1
.382	Questions 32.1 & 30.1
.387	Questions 28.1 & 26.1

Table 7.21 (Continued)

.417	Questions 24.1 & 23.1
.461	Questions 29.1 & 23.1
.485	Questions 23.1 & 22.1
.485	Questions 29.1 & 24.1
.504	Questions 32.1 & 31.1
.547	Questions 29.1 & 26.1
.548	Questions 29.1 & 25.1
.564	Questions 25.1 & 22.1
.564	Questions 29.1 & 22.1
.620	Questions 24.1 & 22.1
.718	Questions 26.1 & 25.1

Anti-image Matrices: The anti-image correlation matrices are used to assess the sampling adequacy (measures of sampling adequacy – MSA) of each variable (indicator).

Benchmark – Ditto for Section 7.6.1, page 302.

Result – With the exception of Question 27.1, all variables were above the acceptable MSA .5 level (Table 7.22).

Table 7.22: Anti-image Matrices – Social Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.5-12.

Question 22.1	.547 ^a
Question 23.1	.540 ^a
Question 24.1	.808 ^a
Question 25.1	.517 ^a
Question 26.1	.617 ^a
Question 27.1	.288 ^a
Question 28.1	.701 ^a
Question 29.1	.935 ^a
Question 30.1	.784 ^a
Question 31.1	.529 ^a
Question 32.1	.757 ^a
Question 33.1	.693 ^a

[...^a Measures of Sampling Adequacy]

KMO and Bartlett's Test: The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity are used to determine the factorability of the matrix as a whole.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – The Bartlett's test of sphericity is significant and the KMO measure of sampling adequacy is considerably greater than .6. Hence, factorability was assumed (Table 7.23).

Table 7.23: KMO and Bartlett's Test – Social Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.4.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.638
Bartlett's Test of Sphericity	Approx. Chi-Square	230.031
	df	66
	Sig.	.000

Communalities: Communality refers to that portion of all variables (indicators/questions) which is explained by the *common* factors, the unique portions being perfectly uncorrelated with each other.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – Whilst no particular cut-off point was used, all variables scored above the .5 level (extraction/correlation value) and criteria for communality was satisfied (Table 7.24).

Table 7.24: Communalities – Social Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.13.

	Initial	Extraction
Question 22.1	1.000	.749
Question 23.1	1.000	.617
Question 24.1	1.000	.704
Question 25.1	1.000	.811
Question 26.1	1.000	.745
Question 27.1	1.000	.641
Question 28.1	1.000	.680
Question 29.1	1.000	.655
Question 30.1	1.000	.678
Question 31.1	1.000	.745
Question 32.1	1.000	.632
Question 33.1	1.000	.615

Total Variance Explained – Eigenvalues: “The aim is to identify a number of factors m [components] less than the number needed for perfect reconstruction [of the construct]. This is achieved by setting m equal to the number of eigenvalues greater than 1 [Kaiser’s rule]” (Darlington 2001, www.psych.cornell.edu). Each component’s eigenvalue represents the *amount of variance* the component explains.

Benchmark – Ditto for Section 7.6.1, page 304.

Result – Four (4) factors had eigenvalues greater than 1 and explained 68.9% of the variance (Table 7.25).

Table 7.25: Eigenvalues – Social Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.13,14.

Component	Total	% of Variance	Cumulative %
1	4.233	35.277	35.277
2	1.739	14.488	49.765
3	1.191	9.926	59.691
4	1.110	9.251	68.942

Scree Plotting: The scree plot graphically displays the eigenvalues for each factor, reflecting which one(s) is the *predominant factor*.

Benchmark – Ditto for Section 7.6.1, page 305.

Result – Factor 1 with eigenvalue 4.233, explaining 35.277% of the variance (Daale, P. L. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 21 October 2000, p.14).

Component Matrix: “The component (factor) matrix is a matrix of loadings or correlations between the variables (indicators) and factors. Pure variables have loadings of .3 or greater on only one factor. Complex variables may have loadings on more than one factor, and they make interpretation of the output (more) difficult, in which case rotation may be necessary” (Coakes & Steed 1999, p.161).

Benchmark – Ditto for Section 7.6.1, page 305.

Result – One (1) pure and nine (9) complex indicators were found (Table 7.26). Hence, rotation will be attempted.

Table 7.26: Component Matrix (4 factors extracted) – Social Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.15.

	1	2	3	4
Question 29.1	.789			
Question 26.1	.761		-.403	
Question 22.1	.728		.369	
Question 25.1	.696	-.420	-.379	
Question 24.1	.693		.416	
Question 23.1	.615		.356	-.309
Question 32.1	.542	.557		
Question 28.1	.534	.380		-.499
Question 30.1	.530			.575
Question 33.1	.432			.555

Rotated Component Matrix: To make the factor structure (component matrix) more interpretable, orthogonal rotation was chosen (8 iterations). Method was Varimax with Kaiser Normalization.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Two (2) pure and four (4) complex indicators were found (Table 7.27).

Table 7.27: Rotated Component Matrix (4 factors extracted) – Social Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.16.

	1	2	3	4
Question 22.1	.822			
Question 23.1	.753			
Question 24.1	.717			.428
Question 29.1	.629		.424	
Question 28.1	.532	.502		-.351
Question 26.1	.324	.396	.663	

Reliability Analysis: Cronbach’s alpha coefficient of internal consistency was determined, to ensure that the indicators comprising factor 1 (component 1) produced a reliable construct measure. Considering that the ultimate aim was to identify an optimal selection of no more than four (4) indicators per construct, two indicators were removed (one after the other) based on the highest possible resulting alpha coefficient.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Table 7.28.

Table 7.28: Reliability Analysis – Social Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Reliability Analysis (Working Papers), 21 October 2000, p.17 (last section).

Correlation Matrix				
	Question 22.1	Question 23.1	Question 24.1	Question 29.1
Question 22.1	1.0000			
Question 23.1	.4854	1.0000		
Question 24.1	.6202	.4165	1.0000	
Question 29.1	.5637	.4615	.4847	1.0000

N of cases = 50

Statistics for Scale: (Construct measure)	Mean	Variance	Standard Deviation	N of Indicators
	8,9000	13.3571	3.6547	4

Item-total Statistics					
	Scale Mean if Indicator Deleted	Scale Variance if Indicator Deleted	Corrected Indicator- Total Correlation	Squared Multiple Correlation	Alpha if Indicator Deleted
Question 22.1	6.8000	7.0204	.6911	.5008	.7094
Question 23.1	6.1200	8.1078	.5437	.2977	.7855
Question 24.1	7.1400	8.7759	.6230	.4201	.7511
Question 29.1	6.6400	8.1535	.6162	.3830	.7483

Reliability Coefficients
Alpha = .8000

4 indicators
Standardized indicator alpha = .8034

Construct Validity Analysis: Construct validity indicates the extent to which the ultimate four (4) indicators capture the underlying construct (Social Development) they purport to measure (ie: are we really measuring *Social Development?*). The correlation coefficient utilized is Kendall's tau_b.

Benchmark – Ditto for Section 7.6.1, page 307.

Result – All four (4) correlations proved significant at the .01 level (2-tailed). Table 7.29.

Table 7.29: Construct Validity Analysis (Correlations) – Social Development

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Construct Validity – Nonparametric Correlations Analysis (Working Papers), 21 October 2000, pp.1-3 (last section).

Question 22.1: Since the onset of the monetary crisis (KRISMON) and the IMF imposed reform programmes, access to quality education in Indonesia (SD, SMP-SMA, Universitas) has become less affordable for the average Indonesian family.	Kendall's tau_b Correlation Coefficient Sig. (2-tailed) N	.563 .000 50
Question 23.1: Since the onset of the monetary crisis (KRISMON) and the IMF-imposed reform programmes, literacy levels (ability to read and write) of the general population in Indonesia have declined.	Kendall's tau_b Correlation Coefficient Sig. (2-tailed) N	.525 .000 50
Question 24.1: Since 1997 (onset of monetary crisis), access to quality health care in Indonesia has become less affordable for the general population.	Kendall's tau_b Correlation Coefficient Sig. (2-tailed) N	.557 .000 50
Question 29.1: As a result of slow development progress, largely due to financial constraints and IMF-imposed reforms (such as the removal of subsidies on rice, fuel and cooking oil), most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis.	Kendall's tau_b Correlation Coefficient Sig. (2-tailed) N	.615 .000 50

Hence, *questions 22.1, 23.1, 24.1 and 29.1* represent the four items out of the original twelve variables, which summarize the most essential information about the construct “Social Development”.

7.6.4 Construct 4 – Colonial Behaviour

The construct *Colonial Behaviour* started with 10 items (Appendix 7.1) and through factor analysis, reliability and construct analyses these were ultimately reduced to a smaller set of 4 underlying factors (indicators) summarizing the most essential information.

Correlation Matrix:

Benchmark – Ditto for Section 7.6.1, page 301.

Result – Twenty-one (21) sizeable correlations were found in excess of .3 (Table 7.30). The correlation matrix was therefore deemed appropriate for factor analysis.

Table 7.30: Correlation Matrix – Colonial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.1-3.

.304	Questions 41.1 & 35.1
.310	Questions 42.1 & 35.1
.318	Questions 37.1 & 35.1
.374	Questions 43.1 & 35.1
.401	Questions 43.1 & 36.1
.471	Questions 42.1 & 36.1
.475	Questions 42.1 & 41.1
.475	Questions 43.1 & 38.1
.482	Questions 43.1 & 42.1
.494	Questions 41.1 & 38.1
.511	Questions 43.1 & 37.1
.515	Questions 41.1 & 36.1
.527	Questions 41.1 & 37.1
.560	Questions 43.1 & 39.1
.630	Questions 35.1 & 34.1
.634	Questions 39.1 & 36.1
.683	Questions 39.1 & 37.1
.702	Questions 39.1 & 38.1
.705	Questions 38.1 & 36.1
.712	Questions 37.1 & 36.1
.775	Questions 38.1 & 37.1

Anti-image Matrices: The anti-image correlation matrices are used to assess the sampling adequacy (measures of sampling adequacy – MSA) of each variable (indicator).

Benchmark – Ditto for Section 7.6.1, page 302.

Result – With the exception of Question 40.1, all variables were above the acceptable MSA .5 level (Table 7.31).

Table 7.31: Anti-image Matrices – Colonial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.1-3.

Question 34.1	.690 ^a
Question 35.1	.700 ^a
Question 36.1	.847 ^a
Question 37.1	.853 ^a
Question 38.1	.808 ^a
Question 39.1	.852 ^a
Question 40.1	.483 ^a
Question 41.1	.711 ^a
Question 42.1	.632 ^a
Question 43.1	.804 ^a

[...^a Measures of Sampling Adequacy]

KMO and Bartlett’s Test: The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett’s test of sphericity are used to determine the factorability of the matrix as a whole.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – The Bartlett’s test of sphericity is significant and the KMO measure of sampling adequacy is considerably greater than .6. Hence, factorability was assumed (Table 7.32).

Table 7.32: KMO and Bartlett’s Test – Colonial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.3.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.776
Bartlett’s Test of Sphericity	Approx. Chi-Square 237.549
	df 45
	Sig. .000

Communalities: Communality refers to that portion of all variables (indicators/questions) which is explained by the *common* factors, the unique portions being perfectly uncorrelated with each other.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – Whilst no particular cut-off point was used, all variables scored above the .5 level (extraction/correlation value) and criteria for communality was satisfied (Table 7.33).

Table 7.33: Communalities – Colonial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.8.

	Initial	Extraction
Question 34.1	1.000	.734
Question 35.1	1.000	.791
Question 36.1	1.000	.745
Question 37.1	1.000	.817
Question 38.1	1.000	.847
Question 39.1	1.000	.672
Question 40.1	1.000	.834
Question 41.1	1.000	.571
Question 42.1	1.000	.521
Question 43.1	1.000	.583

Total Variance Explained – Eigenvalues: “The aim is to identify a number of factors m [components] less than the number needed for perfect reconstruction [of the construct]. This is achieved by setting m equal to the number of eigenvalues greater than **1** [Kaiser’s rule]” (Darlington 2001, www.psych.cornell.edu). Each component’s eigenvalue represents the *amount of variance* the component explains.

Benchmark – Ditto for Section 7.6.1, page 304.

Result – Three (3) factors had eigenvalues greater than 1 and explained 71.1% of the variance (Table 7.34).

Table 7.34: Eigenvalues – Colonial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.8.

Component	Total	% of Variance	Cumulative %
1	4.371	43.710	43.710
2	1.502	15.021	58.731
3	1.241	12.406	71.137

Scree Plotting: The scree plot graphically displays the eigenvalues for each factor, reflecting which one(s) is the *predominant factor*.

Benchmark – Ditto for Section 7.6.1, page 305.

Result – Factor 1 with eigenvalue 4.371, explaining 43.710% of the variance (Daale, P. L. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 21 October 2000, p.8).

Component Matrix: “The component (factor) matrix is a matrix of loadings or correlations between the variables (indicators) and factors. Pure variables have loadings of **.3** or greater on only one factor. Complex variables may have loadings on more than one factor, and they make interpretation of the output (more) difficult, in which case rotation may be necessary” (Coakes & Steed 1999, p.161).

Benchmark – Ditto for Section 7.6.1, page 305.

Result – Four (4) pure and five (5) complex indicators were found (Table 7.35). Whilst rotation is not strictly necessary, it will be attempted.

Table 7.35: Component Matrix (3 factors extracted) – Colonial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.9.

	1	2	3
Question 37.1	.850		
Question 36.1	.822		
Question 38.1	.802	-.433	
Question 39.1	.791		
Question 43.1	.707		
Question 41.1	.644		-.390
Question 42.1	.589		.364
Question 34.1	.406	.752	
Question 35.1	.495	.733	

Rotated Component Matrix: To make the factor structure (component matrix) more interpretable, orthogonal rotation was chosen (5 iterations). Method was Varimax with Kaiser Normalization.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Four (4) pure and three (3) complex indicators were found (Table 7.36).

Table 7.36: Rotated Component Matrix (3 factors extracted) – Colonial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.10.

	1	2	3
Question 38.1	.915		
Question 37.1	.884		
Question 36.1	.835		
Question 39.1	.760		
Question 41.1	.630	.358	
Question 43.1	.513	.358	.438
Question 42.1	.348	.385	.501

Reliability Analysis: Cronbach's alpha coefficient of internal consistency was determined, to ensure that the indicators comprising factor 1 (component 1) produced a reliable construct measure. Considering that the ultimate aim was to identify an optimal selection of no more than four (4) indicators per construct, three indicators were removed (one after the other) based on the highest possible resulting alpha coefficient.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Table 7.37.

Table 7.37: Reliability Analysis – Colonial behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Reliability Analysis (Working Papers), 21 October 2000, p.2 (last section).

		Correlation Matrix			
		Question 36.1	Question 37.1	Question 38.1	Question 39.1
Question 36.1	1.0000				
Question 37.1	.7121		1.0000		
Question 38.1	.7049		.7753	1.0000	
Question 39.1	.6339		.6828	.7020	1.0000
N of cases = 50					
Statistics for Scale: (Construct measure)		Mean 9,9000	Variance 14.9898	Standard Deviation 3.8717	N of Indicators 4
		Item-total Statistics			
	Scale Mean if Indicator Deleted	Scale Variance if Indicator Deleted	Corrected Indicator- Total Correlation	Squared Multiple Correlation	Alpha if Indicator Deleted
Question 36.1	7.4600	8.8657	.7594	.5801	.8844
Question 37.1	7.1600	8.1371	.8166	.6740	.8642
Question 38.1	7.4800	8.4588	.8226	.6814	.8615
Question 39.1	7.6000	9.3469	.7430	.5562	.8904
Reliability Coefficients Alpha = .9038		4 indicators Standardized indicator alpha = .9040			

Construct Validity Analysis: Construct validity indicates the extent to which the ultimate four (4) indicators capture the underlying construct (Colonial Behaviour) they purport to measure (ie: are we really measuring *Colonial Behaviour*?). The correlation coefficient utilized is Kendall's tau_b.

Benchmark – Ditto for Section 7.6.1, page 307.

Result – All four (4) correlations proved significant at the .01 level (2-tailed). Table 7.38.

Table 7.38: Construct Validity Analysis (Correlations) – Colonial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Construct Validity – Nonparametric Correlations Analysis (Working Papers), 21 October 2000, pp.1-2 (last section).

Question 36.1: The G7 have a colonial attitude and this is clearly demonstrated through their manipulation of the IMF and world financial markets.	Kendall's tau _b Correlation Coefficient Sig. (2-tailed) N	.650 .000 50
Question 37.1: G7 colonial behaviour is evident by their intentional pursuit of Indonesian indebtedness, through World Bank and IMF actions, so they can exploit Indonesia.	Kendall's tau _b Correlation Coefficient Sig. (2-tailed) N	.683 .000 50
Question 38.1: Indonesia continues to be subjected to colonial attitudes by foreign powers and international financial institutions, such as the G7 and the IMF and World Bank, through their interference in Indonesian domestic policy.	Kendall's tau _b Correlation Coefficient Sig. (2-tailed) N	.613 .000 50
Question 39.1: Indonesia is still subject to colonialism, not by any one identifiable foreign power but through a Western policy of promoting Developing and Third World countries' financial dependency, based on multi-lateral and bi-lateral lending programmes.	Kendall's tau _b Correlation Coefficient Sig. (2-tailed) N	.610 .000 50

Hence, *questions 36.1, 37.1, 38.1 and 39.1* represent the four items out of the original ten variables, which summarize the most essential information about the construct "Colonial Behaviour".

7.6.5 Construct 5 – Economic Rationalist Behaviour

The construct *Economic Rationalist Behaviour* started with 10 items (Appendix 7.1) and through factor analysis, reliability and construct analyses these were ultimately reduced to a smaller set of 4 underlying factors (indicators) summarizing the most essential information.

Correlation Matrix:

Benchmark – Ditto for Section 7.6.1, page 301.

Result – Thirteen (13) sizeable correlations were found in excess of .3 (Table 7.39). The correlation matrix was therefore deemed appropriate for factor analysis.

Table 7.39: Correlation Matrix – Economic Rationalist Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.2-4.

.307	Questions 49.1 & 47.1
.312	Questions 50.1 & 48.1
.344	Questions 49.1 & 48.1
.366	Questions 53.1 & 45.1
.374	Questions 53.1 & 46.1
.434	Questions 52.1 & 51.1
.457	Questions 48.1 & 47.1
.578	Questions 51.1 & 50.1
.627	Questions 46.1 & 44.1
.636	Questions 45.1 & 44.1
.660	Questions 52.1 & 50.1
.715	Questions 46.1 & 45.1
.719	Questions 53.1 & 44.1

Anti-image Matrices: The anti-image correlation matrices are used to assess the sampling adequacy (measures of sampling adequacy – MSA) of each variable (indicator).

Benchmark – Ditto for Section 7.6.1, page 302.

Result – All variables were above the acceptable MSA .5 level (Table 7.40).

Table 7.40: Anti-image Matrices – Economic Rationalist Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.5-8.

Question 44.1	.674^a
Question 45.1	.625^a
Question 46.1	.685^a
Question 47.1	.609^a
Question 48.1	.762^a
Question 49.1	.766^a
Question 50.1	.625^a
Question 51.1	.625^a
Question 52.1	.706^a
Question 53.1	.595^a

[...^a Measures of Sampling Adequacy]

KMO and Bartlett's Test: The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity are used to determine the factorability of the matrix as a whole.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – The Bartlett's test of sphericity is significant and the KMO measure of sampling adequacy is greater than .6. Hence, factorability was assumed (Table 7.41).

Table 7.41: KMO and Bartlett's Test – Economic Rationalist Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.4.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.658
Bartlett's Test of Sphericity	181.310
df	45
Sig.	.000

Communalities: Communality refers to that portion of all variables (indicators/questions) which is explained by the *common* factors, the unique portions being perfectly uncorrelated with each other.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – Whilst no particular cut-off point was used, with the exception of question 49.1, all variables scored above the .5 level (extraction/correlation value) and criteria for communality was satisfied (Table 7.42).

Table 7.42: Communalities – Economic Rationalist Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.9.

	Initial	Extraction
Question 44.1	1.000	.823
Question 45.1	1.000	.728
Question 46.1	1.000	.709
Question 47.1	1.000	.675
Question 48.1	1.000	.627
Question 49.1	1.000	.471
Question 50.1	1.000	.805
Question 51.1	1.000	.656
Question 52.1	1.000	.683
Question 53.1	1.000	.528

Total Variance Explained – Eigenvalues: “The aim is to identify a number of factors m [components] less than the number needed for perfect reconstruction [of the construct]. This is achieved by setting m equal to the number of eigenvalues greater than 1 [Kaiser’s rule]” (Darlington 2001, www.psych.cornell.edu). Each component’s eigenvalue represents the *amount of variance* the component explains.

Benchmark – Ditto for Section 7.6.1, page 304.

Result – Three (3) factors had eigenvalues greater than 1 and explained 67% of the variance (Table 7.43).

Table 7.43: Eigenvalues – Economic Rationalist Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.9.

Component	Total	% of Variance	Cumulative %
1	2.832	28.321	28.321
2	2.572	25.716	54.038
3	1.301	13.007	67.045

Scree Plotting: The scree plot graphically displays the eigenvalues for each factor, reflecting which one(s) is the *predominant factor*.

Benchmark – Ditto for Section 7.6.1, page 305.

Result – Factors 1 and 2 with eigenvalues 2.832 and 2.572 respectively, explaining 53.038% of the variance (Daale, P. L. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 21 October 2000, p.9).

Component Matrix: “The component (factor) matrix is a matrix of loadings or correlations between the variables (indicators) and factors. Pure variables have loadings of **.3** or greater on only one factor. Complex variables may have loadings on more than one factor, and they make interpretation of the output (more) difficult, in which case rotation may be necessary” (Coakes & Steed 1999, p.161).

Benchmark – Ditto for Section 7.6.1, page 305.

Result – Two (2) pure and four (4) complex indicators were found (Table 7.44). Hence, rotation will be attempted. (nb: component 2 offered six [6] complex indicators – figures not included in Table)

Table 7.44: Component Matrix (3 factors extracted) – Economic Rationalist Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.10.

	1	2	3
Question 44.1	.854	-.305	
Question 46.1	.831		
Question 45.1	.766		
Question 53.1	.651	-.305	
Question 48.1	.397	.505	.463
Question 49.1	.360	.398	.427

Rotated Component Matrix: To make the factor structure (component matrix) more interpretable, orthogonal rotation was chosen (5 iterations). Method was Varimax with Kaiser Normalization.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Four (4) pure and zero (0) complex indicators were found (Table 7.45) [nb: component 2 offered three (3) pure and zero (0) complex indicators – figures not included in Table].

Table 7.45: Rotated Component Matrix (3 factors extracted) – Economic Rationalist Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.11.

	1	2	3
Question 44.1	.897		
Question 45.1	.848		
Question 46.1	.812		
Question 53.1	.724		

Reliability Analysis: Cronbach's alpha coefficient of internal consistency was determined, to ensure that the indicators comprising factor 1 (component 1) produced a reliable construct measure.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Table 7.46.

Table 7.46: Reliability Analysis – Economic Rationalist Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Reliability Analysis (Working Papers), 21 October 2000, p.12 (last section).

Correlation Matrix					
	Question 44.1	Question 45.1	Question 46.1	Question 53.1	
Question 44.1	1.0000				
Question 45.1	.6360	1.0000			
Question 46.1	.6268	.7149	1.0000		
Question 53.1	.7191	.3656	.3744	1.0000	
N of cases = 50					
Statistics for Scale: (Construct measure)	Mean	Variance	Standard Deviation	N of Indicators	
	7.1200	6.0261	2.4548	4	
Item-total Statistics					
	Scale Mean if Indicator Deleted	Scale Variance if Indicator Deleted	Corrected Indicator- Total Correlation	Squared Multiple Correlation	Alpha if Indicator Deleted
Question 44.1	5.4000	3.3061	.8246	.7027	.7174
Question 45.1	5.4600	3.9678	.6678	.5750	.7950
Question 46.1	5.2400	3.5331	.6523	.5625	.7954
Question 53.1	5.2600	3.5024	.5573	.5330	.8482
Reliability Coefficients	4 indicators				
Alpha = .8339	Standardized indicator alpha = .8429				

Construct Validity Analysis: Construct validity indicates the extent to which the ultimate four (4) indicators capture the underlying construct (Economic Rationalist Behaviour) they purport to measure (ie: are we really measuring

Economic Rationalist Behaviour?). The correlation coefficient utilized is Kendall's tau_b.

Benchmark – Ditto for Section 7.6.1, page 307.

Result – All four (4) correlations proved significant at the .01 level (2-tailed). Table 7.47.

Table 7.47: Construct Validity Analysis (Correlations) – Economic Rationalist Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Construct Validity – Nonparametric Correlations Analysis (Working Papers), 21 October 2000, pp.1,3 (last section).

Question 44.1: Economic rationalist behaviour is best described as fair, non-partisan, rational, impersonal, market oriented, and focused on a level playing field for all participants.	Kendall's tau _b Correlation Coefficient Sig. (2-tailed) N	.421 .000 50
Question 45.1: The nature of economic rationalist behaviour is to equitably benefit every participant, across all economic sectors, anywhere in the world. Economic rationalist behaviour does not discriminate between countries and therefore is without prejudice.	Kendall's tau _b Correlation Coefficient Sig. (2-tailed) N	.346 .004 50
Question 46.1: Economic rationalist behaviour creates wealth for all participants, through the adherence to strict economic and financial discipline.	Kendall's tau _b Correlation Coefficient Sig. (2-tailed) N	.504 .000 50
Question 53.1: Economic rationalist behaviour is global by nature and not specific to Western culture or the G7.	Kendall's tau _b Correlation Coefficient Sig. (2-tailed) N	.299 .009 50

Hence, *questions 44.1, 45.1, 46.1 and 53.1* represent the four items out of the original ten variables, which summarize the most essential information about the construct “Economic Rationalist Behaviour”.

7.6.6 Construct 6 – Collegial Behaviour

The construct *Collegial Behaviour* started with 10 items (Appendix 7.1) and through factor analysis, reliability and construct analyses these were ultimately reduced to a smaller set of 4 underlying factors (indicators) summarizing the most essential information.

Correlation Matrix:

Benchmark – Ditto for Section 7.6.1, page 301.

Result – Sixteen (16) sizeable correlations were found in excess of .3 (Table 7.48). The correlation matrix was therefore deemed appropriate for factor analysis.

Table 7.48: Correlation Matrix – Collegial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.2-4.

.302	Questions 60.1 & 54.1
.311	Questions 63.1 & 56.1
.320	Questions 62.1 & 60.1
.336	Questions 60.1 & 56.1
.348	Questions 58.1 & 57.1
.353	Questions 63.1 & 57.1
.392	Questions 59.1 & 56.1
.417	Questions 61.1 & 57.1
.471	Questions 60.1 & 59.1
.475	Questions 62.1 & 55.1
.557	Questions 56.1 & 55.1
.572	Questions 62.1 & 54.1
.615	Questions 56.1 & 54.1
.635	Questions 62.1 & 56.1
.655	Questions 63.1 & 61.1
.672	Questions 55.1 & 54.1

Anti-image Matrices: The anti-image correlation matrices are used to assess the sampling adequacy (measures of sampling adequacy – MSA) of each variable (indicator).

Benchmark – Ditto for Section 7.6.1, page 302.

Result – All variables were above the acceptable MSA .5 level (Table 7.49).

Table 7.49: Anti-image Matrices – Collegial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, pp.5-8.

Question 54.1	.632 ^a
Question 55.1	.666 ^a
Question 56.1	.787 ^a
Question 57.1	.650 ^a
Question 58.1	.582 ^a
Question 59.1	.574 ^a
Question 60.1	.512 ^a
Question 61.1	.506 ^a
Question 62.1	.777 ^a
Question 63.1	.657 ^a

[...^a Measures of Sampling Adequacy]

KMO and Bartlett's Test: The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity are used to determine the factorability of the matrix as a whole.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – The Bartlett's test of sphericity is significant and the KMO measure of sampling adequacy is greater than .6. Hence, factorability was assumed (Table 7.50).

Table 7.50: KMO and Bartlett's Test – Collegial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.4.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.645
Bartlett's Test of Sphericity	Approx. Chi-Square
	df
	Sig.
	181.994
	45
	.000

Communalities: Communality refers to that portion of all variables (indicators/questions) which is explained by the *common* factors, the unique portions being perfectly uncorrelated with each other.

Benchmark – Ditto for Section 7.6.1, page 303.

Result – Whilst no particular cut-off point was used, with the exception of question 58.1, all variables scored above the .5 level (extraction/correlation value) and criteria for communality was satisfied (Table 7.51).

Table 7.51: Communalities – Collegial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.9.

	Initial	Extraction
Question 54.1	1.000	.766
Question 55.1	1.000	.678
Question 56.1	1.000	.746
Question 57.1	1.000	.690
Question 58.1	1.000	.384
Question 59.1	1.000	.633
Question 60.1	1.000	.578
Question 61.1	1.000	.797
Question 62.1	1.000	.663
Question 63.1	1.000	.795

Total Variance Explained – Eigenvalues: “The aim is to identify a number of factors m [components] less than the number needed for perfect reconstruction [of the construct]. This is achieved by setting m equal to the number of eigenvalues greater than 1 [Kaiser’s rule]” (Darlington 2001, www.psych.cornell.edu). Each component’s eigenvalue represents the *amount of variance* the component explains.

Benchmark – Ditto for Section 7.6.1, page 304.

Result – Three (3) factors had eigenvalues greater than 1 and explained 67.3% of the variance (Table 7.52).

Table 7.52: Eigenvalues – Collegial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.9.

Component	Total	% of Variance	Cumulative %
1	3.261	32.610	32.610
2	2.234	22.341	54.951
3	1.236	12.358	67.309

Scree Plotting: The scree plot graphically displays the eigenvalues for each factor, reflecting which one(s) is the *predominant factor*.

Benchmark – Ditto for Section 7.6.1, page 305.

Result – Factors 1 and 2 with eigenvalues 3.261 and 2.234 respectively, explaining 54.951% of the variance (Daale, P. L. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 21 October 2000, p.10).

Component Matrix: “The component (factor) matrix is a matrix of loadings or correlations between the variables (indicators) and factors. Pure variables have loadings of .3 or greater on only one factor. Complex variables may have loadings on more than one factor, and they make interpretation of the output (more) difficult, in which case rotation may be necessary” (Coakes & Steed 1999, p.161).

Benchmark – Ditto for Section 7.6.1, page 305.

Result – One (1) pure and six (6) complex indicators were found (Table 7.53), hence rotation will be attempted. (NB: component 2 offered one [1] pure and three [3] complex indicators – figures not included in Table)

Table 7.53: Component Matrix (3 factors extracted) – Collegial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.10.

	1	2	3
Question 56.1	.854		
Question 62.1	.753	-.310	
Question 55.1	.749		-.311
Question 54.1	.745	-.453	
Question 60.1	.563		.447
Question 59.1	.547		.557
Question 63.1	.370	.655	-.478

Rotated Component Matrix: To make the factor structure (component matrix) more interpretable, orthogonal rotation was chosen (6 iterations). Method was Varimax with Kaiser Normalization.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Four (4) pure and two (2) complex indicators were found (Table 7.54) [nb: component 2 offered two (2) pure and one (1) complex indicator – figures not included in Table].

Table 7.54: Rotated Component Matrix (3 factors extracted) – Collegial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.11.

	1	2	3
Question 54.1	.861		
Question 56.1	.815		
Question 55.1	.792		
Question 62.1	.790		
Question 59.1	.310		.730
Question 60.1	.310		.690

Reliability Analysis: Cronbach’s alpha coefficient of internal consistency was determined, to ensure that the indicators comprising factor 1 (component 1) produced a reliable construct measure.

Considering that the ultimate aim was to identify an optimal selection of no more than four (4) indicators per construct, two indicators were removed (one after the other) based on the highest possible resulting alpha coefficient.

Benchmark – Ditto for Section 7.6.1, page 306.

Result – Table 7.55.

Table 7.55: Reliability Analysis – Collegial behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Reliability Analysis (Working Papers), 21 October 2000, p.2 (last section).

Correlation Matrix					
	Question 54.1	Question 55.1	Question 56.1	Question 62.1	
Question 54.1	1.0000				
Question 55.1	.6719	1.0000			
Question 56.1	.6151	.5566	1.0000		
Question 62.1	.5717	.4751	.6345	1.0000	
N of cases = 50					
Statistics for Scale: (Construct measure)	Mean	Variance	Standard Deviation	N of Indicators	
	7.3600	8.1127	2.8483	4	
Item-total Statistics					
	Scale Mean if Indicator Deleted	Scale Variance if Indicator Deleted	Corrected Indicator- Total Correlation	Squared Multiple Correlation	Alpha if Indicator Deleted
Question 54.1	5.5400	4.5800	.7409	.5620	.7850
Question 55.1	5.5200	4.7445	.6657	.4856	.8184
Question 56.1	5.4400	4.4963	.7071	.5178	.8009
Question 62.1	5.5800	5.3506	.6514	.4568	.8261
Reliability Coefficients	4 indicators				
Alpha = .8491	Standardized indicator alpha = .8507				

Construct Validity Analysis: Construct validity indicates the extent to which the ultimate four (4) indicators capture the underlying construct (Collegial Behaviour) they purport to measure (ie: are we really measuring *Collegial Behaviour?*). The correlation coefficient utilized is Kendall's tau_b.

Benchmark – Ditto for Section 7.6.1, page 307.

Result – All four (4) correlations proved significant at the .01 level (2-tailed). Table 7.56.

Table 7.56: Construct Validity Analysis (Correlations) – Collegial Behaviour

Source: Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Construct Validity – Nonparametric Correlations Analysis (Working Papers), 21 October 2000, pp.1-3 (last section).

Question 54.1: Collegial behaviour is best described as beneficial, helpful, unconditional and philanthropic.	Kendall's tau_b Correlation Coefficient Sig. (2-tailed) N	.407 .000 50
Question 55.1: When rich developed nations engage in collegial behaviour towards developing countries such as Indonesia, they provide financial donations, free education and technology transfer programmes, health care assistance, all without imposing conditions.	Kendall's tau_b Correlation Coefficient Sig. (2-tailed) N	.485 .000 50
Question 56.1: Collegial behaviour by rich countries is aimed at improving the living standards of developing nations, through on-going assistance without any strings attached.	Kendall's tau_b Correlation Coefficient Sig. (2-tailed) N	.636 .000 50
Question 62.1: Collegial behaviour promotes economic prosperity and commonwealth between nations.	Kendall's tau_b Correlation Coefficient Sig. (2-tailed) N	.433 .000 50

Hence, *questions 54.1, 55.1, 56.1 and 62.1* represent the four items out of the original ten variables, which summarize the most essential information about the construct “Collegial Behaviour”.

7.7 Double-Check (a posteriori)

Although not strictly necessary, the researcher applied a single *exploratory factor analysis* to all the twenty-four selected questions (6 x 4 indicators) *a posteriori*, to determine if they were tapping into six (6) separate constructs (unspecified). Principal Component Analysis was again the technique of choice, to ensure comparability with the already completed confirmatory factor analyses.

Results

Correlation Matrix:

Benchmark – “A correlation matrix that is appropriate for factor analysis will have *several sizeable correlations* in excess of **.3**” (Coakes & Steed 1999, p.156).

Result – One hundred and ten (110) sizeable correlations were found in excess of .3, ranging from .301 to .775 (Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 1 November 2000, pp.1-6).

Anti-image Matrices: The anti-image correlation matrices are used to assess the sampling adequacy (measures of sampling adequacy – MSA) of each variable (indicator).

Benchmark – “Variables with an MSA that falls below the acceptable level of **.5** should be excluded from the analysis” (Coakes & Steed 1999, p.156).

Result – All variables showed MSA values above .5, ranging from .595 to .840 (Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 1 November 2000, pp.8-23).

KMO and Bartlett’s Test: The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett’s test of sphericity are used to determine the factorability of the matrix as a whole.

Benchmark – “If Bartlett’s test of sphericity is *large and significant*, and if the Kaiser-Meyer-Olkin measure is greater than **.6**, then factorability is assumed” (Coakes & Steed 1999, p.156).

Result – The Bartlett’s test of sphericity is significant and the KMO measure of sampling adequacy is considerably greater than .6. Hence, factorability was assumed (Table 7.57).

Table 7.57: KMO and Bartlett’s Test – Exploratory Factor Analysis

Source: Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis (Working Papers), 1 November 2000, p.7.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.721
Bartlett’s Test of Sphericity	Approx. Chi-Square	750.901
	df	276
	Sig.	.000

Communalities: Communality refers to that portion of all variables (indicators/questions) which is explained by the *common* factors, the unique portions being perfectly uncorrelated with each other.

Benchmark – “High communalities (extraction/correlation values) are evidence that the variables analysed have much in common with one another. Low extraction scores indicate the opposite” (Darlington 2001, www.psych.cornell.edu).

Result – Whilst no particular cut-off point was used, all variables scored above the .5 level (extraction/correlation value) and criteria for communality was satisfied. Extraction values ranged from .570 to .874 (Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 1 November 2000, p.24).

Total Variance Explained – Eigenvalues: “The aim is to identify a number of factors m [components] less than the number needed for perfect reconstruction [of the construct]. This is achieved by setting m equal to the number of eigenvalues greater than 1 [Kaiser’s rule]” (Darlington 2001, www.psych.cornell.edu). Each component’s eigenvalue represents the *amount of variance* the component explains.

Benchmark – Selection of components with eigenvalues greater than 1³.

Result – Six (6) factors had eigenvalues greater than 1 and explained 73.7% of the variance (Table 7.58).

Table 7.58: Eigenvalues – Exploratory Factor Analysis

Source: Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis (Working Papers), 1 November 2000, p.25.

Component	Total	% of Variance	Cumulative %
1	7.200	30.002	30.002
2	4.268	17.785	47.787
3	2.234	9.307	57.094
4	1.733	7.219	64.313
5	1.254	5.227	69.540
6	1.001	4.171	73.711

Scree Plotting: The scree plot graphically displays the eigenvalues for each factor, reflecting which one(s) is the *predominant factor*.

Benchmark – The predominant factor(s), which lies above the best fitting straight line.

³ “Since a component analysis is supposed to summarize a set of data, to use a component that explains less than a variance of 1 is something like writing a summary of a book in which one section of the summary is longer than the book section it summarizes – which makes no sense” (Darlington 2001, www.psych.cornell.edu).

Result – Six (6) factors with eigenvalues 7.200, 4.268, 2.234, 1.733, 1.254 and 1.001 respectively, explaining 73.711% of the variance (Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 1 November 2000, p.26).

Component Matrix: “The component (factor) matrix is a matrix of loadings or correlations between the variables (indicators) and factors. Pure variables have loadings of .3 or greater on only one factor. Complex variables may have loadings on more than one factor, and they make interpretation of the output (more) difficult, in which case rotation may be necessary” (Coakes & Steed 1999, p.161).

Benchmark – Indicators, preferably pure, with loadings of .3 or greater on the *predominant* factors.

Result – Six (6) components (factors) were extracted:

Factor 1: Two (2) pure and nineteen (19) complex indicators;

Factor 2: One (1) pure and seven (7) complex indicators;

Factor 3: Zero (0) pure and four (4) complex indicators;

Factor 4: Zero (0) pure and one (1) complex indicator;

Factor 5: Zero (0) pure and three (3) complex indicators;

Factor 6: Zero (0) pure and two (2) complex indicators.

Hence, rotation will be necessary (Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 1 November 2000, p.27).

Rotated Component Matrix: To make the factor structure (component matrix) more interpretable, orthogonal rotation was chose (7 iterations). Method was Varimax with Kaiser Normalization.

Benchmark – Indicators, preferably pure, with loadings of **.3** or greater on the *predominant* factors (components 1 to 6).

Result: Six (6) components (factors) extracted:

Factor 1: Three (3) pure and five (5) complex indicators;

Factor 2: Four (4) pure and two (2) complex indicators;

Factor 3: Two (2) pure and two (2) complex indicators;

Factor 4: Three (3) pure and one (1) complex indicator;

Factor 5: One (1) pure and six (6) complex indicators;

Factor 6: One (1) pure and five (5) complex indicators.

(Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 1 November 2000, p.28).

Exploratory Factor Analysis Summary: The *exploratory factor analysis* confirmed six (6) components. When comparing the *rotated component matrix* results (including cross-loadings) with each of the previous six confirmatory factor analyses data sets, we observe the following:

- *Factor 1* represents Economic Development [Construct 2]
(3 pure, 1 complex *compared to* 3 pure, 1 complex);
- *Factor 2* represents Colonial Behaviour [Construct 4]
(4 pure *compared to* 4 pure);
- *Factor 3* represents Collegial Behaviour [Construct 6]
(2 pure, 2 complex *compared to* 4 pure);
- *Factor 4* represents G7 Behaviour [Construct 1]
(3 pure, 1 complex *compared to* 2 pure, 2 complex);
- *Factors 5* represents Social Development [Construct 3]
(1 pure, 3 complex *compared to* 2 pure, 2 complex);
- *Factors 6* represents Economic Rationalist Behaviour [Construct 5]
(1 pure, 3 complex *compared to* 4 pure);

Whilst not a perfect fit⁴, the researcher is satisfied that the exploratory factor analysis (*a posteriori*) produced six (6) sufficiently unique factors, re-affirming the soundness of the proposed constructs and *pseudo confirmatory* approach taken in the pilot stage (Table 7.59):

Table 7.59: Pseudo Confirmatory & Exploratory (a posteriori) Factor Analyses Results – A Comparison

Source: Daale, P. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.11; Daale, P. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.12; Daale, P. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.16; Daale, P. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.10; Daale, P. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.11; Daale, P. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis (Working Papers), 21 October 2000, p.11; Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 1 November 2000, p.28.

Item Nr (Question Nr)	Construct
	G7 Behaviour
Q3.1	complex – pure
Q5.1	pure – pure
Q6.1	complex – pure
Q9.1	pure – complex
	Economic Development
Q17.1	pure – pure
Q18.1	complex – pure
Q19.1	pure – complex
Q21.1	pure – pure
	Social Development
Q22.1	pure – complex
Q23.1	pure – complex
Q24.1	complex – pure
Q29.1	complex – complex
	Colonial Behaviour
Q36.1	pure – pure
Q37.1	pure – pure
Q38.1	pure – pure
Q39.1	pure – pure
	Economic Rationalist Behaviour
Q44.1	pure – complex
Q45.1	pure – complex
Q46.1	pure – complex
Q53.1	pure – pure
	Collegial Behaviour
Q54.1	pure – complex
Q55.1	pure – complex
Q56.1	pure – pure
Q62.1	pure – pure

7.8 Summary

All *six* proposed constructs were identified and confirmed as robust, meeting the statistical criteria outlined, including those for reliability and validity.

The aim to reduce the initial number of variables to four (4) indicators maximum per construct was also achieved, limiting the *final questionnaire* 'parameters' to thirty variables (ie: 6 constructs + [6 x 4] indicators). As previously indicated (Section 7.5.1), this was considered an important objective, because the Structural Equation Modelling (SEM) technique selected for the final stage (Study 2 – Stage 2) would likely require a minimum of two-hundred (200) valid responses (completed *final stage* questionnaires) to represent an appropriate sample size (Chapter 8, Section 8.4).

⁴All complex variables loaded at least on one factor with values ranging from .636 to .791, the only exception being Q29.1 (Social Development) reflecting a highest single loading of .497.

Chapter 8

Study 2 – Stage 2 (Final Stage)

Analysis of Results

8.1 Introduction

Based on the pseudo confirmatory factor analyses results from the pilot questionnaire field data and demonstrated significant reliability and validity outcomes, the researcher decided the *final questionnaire* should retain the same six (6) constructs used for the *pilot questionnaire*, with each construct measured this time by its four (4) most appropriate indicators (Chapter 7, Section 7.6). Similar to the pilot stage, *final questionnaire* answers would again be based on a 5-point Likert *rating scale*, requiring respondents to tick a single box in a range expressing *strong agreement* to *strong disagreement*. In the *final* stage, questions were no longer evaluated on the basis of whether or not the respondent deemed the question important, as the emic analysis had been satisfactorily addressed during the pilot stage (Chapter 7, Section 7.3).

The final stage questionnaire was submitted to 680 Indonesian business leaders between February and May 2001 in Jakarta, from whom 203 completed (valid) questionnaires were received. Initially it had been planned for the questionnaire to be given exclusively to the membership of KADIN (Indonesian Chamber of Commerce & Industry) but due to a limited response rate in the first mailing round of 300 members, this was extended to Indonesian business leaders managing large and medium sized companies in the prime business district of Indonesia, the Jakarta CBD area of Jl Sudirman, Jl Gatot Subroto and Jl Tamrin

(nb: Jl = Jalan = Street). Random selection and approach to these business leaders continued until the minimum return target of two hundred valid questionnaires had been exceeded.

Whilst perhaps somewhat over cautious (considering the significant *pilot stage* results), the *final questionnaire* data once received, was also subjected to confirmatory factor analyses (ie: *each construct/factor individually*, as a single measurement model – the *preliminary analysis* [Section 8.5]) through SPSS, to determine *construct validity* for each indicator, and through EQS to determine the (*standardized*) *loading* for each indicator on its underlying construct, *individual indicator measurement error*, each factor's *reliability coefficient* (Cronbach's alpha), *construct reliability coefficient*, and *variance extracted*. Only when these were satisfied, were all measurement models (6 factors) subjected to *simultaneous* analysis, to initiate data refinement and goodness of fit assessment in preparation for the theoretical structural model analysis.

8.2 Questionnaire Development (Update)

As indicated, the *final questionnaire* ([Appendix 8.1](#): English Version – Final Questionnaire and Covering Letter) retained the same six constructs researched and validated in the exploratory and pilot stages, each supported by its four most appropriate indicators/questions (Table 8.1). Answers were based on the same 5-point Likert rating scale utilized in the pilot stage, from “*I strongly agree*” to “*I strongly disagree*”. For information and full disclosure, each questionnaire was also accompanied by a covering letter clearly explaining the purpose of the research ([Appendix 8.2](#): Indonesian Version – Final Questionnaire and Covering Letter). Participants were offered the opportunity to receive a summary of findings in due course, if requested.

Pertinent emic-etic issues were initially considered during the exploratory stage (Chapter 5, Section 5.4.3) with a dedicated emic-etic approach to the constructs

and indicators (questions) taking place during the pilot stage (Chapter 7, Section 7.3). As the final questionnaire was based exclusively on tested and validated pilot questionnaire items, the emic-etic issues were not revisited during the final stage.

Table 8.1: Constructs and Measured Variables – Final Questionnaire

G7 Behaviour

- Question 1:** The G7 approach to Indonesia is Colonial.
Question 2: The G7 use their super-power status to interfere in Indonesia's socio-economic and political development.
Question 3: The G7 approach to Indonesia is based on self-interest only.
Question 4: The G7, through the IMF and World Bank's long established lending programmes, are responsible for the financial crisis (1997-2000) in Indonesia and intentionally want Indonesia to become dependent, so they can gain control over the Indonesian market and exploit it for their own benefit.

Economic Development in Indonesia

- Question 5:** Household consumption has declined in Indonesia since the onset of the monetary crisis (1997-2000) and IMF-imposed reforms, reducing the opportunity for economic recovery in Indonesia through renewed domestic investment.
Question 6: The considerable Indonesian foreign debt has made the country sub-ordinate to G7 interests, the IMF and the World Bank, to the extent that Indonesia has lost control over the executive management of its own economic development.
Question 7: The real income of the average Indonesian citizen has declined significantly since the onset of the monetary crisis (KRISMON) and subsequent structural adjustment programmes imposed by the IMF.
Question 8: Compared to G7 countries, the purchasing power of the average Indonesian citizen has declined significantly since the onset of the current monetary crisis (1997-2000) and the structural adjustment programmes imposed by the IMF.

Social Development in Indonesia

- Question 9:** Since the onset of the monetary crisis (KRISMON) and the IMF imposed reform programmes, access to quality education in Indonesia (SD, SMP-SMA, Universitas) has become less affordable for the average Indonesian family.
Question 10: Since the onset of the monetary crisis (KRISMON) and the IMF-imposed reform programmes, literacy levels (ability to read and write) of the general population in Indonesia have declined.
Question 11: Since 1997 (onset of monetary crisis), access to quality health care in Indonesia has become less affordable for the general population.
Question 12: As a result of slow development progress, largely due to financial constraints and IMF-imposed reforms (such as the removal of subsidies on rice, fuel and cooking oil), most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis.

Colonial Behaviour

- Question 13:** The G7 have a colonial attitude and this is clearly demonstrated through their manipulation of the IMF and world financial markets.
Question 14: G7 colonial behaviour is evident by their intentional pursuit of Indonesian indebtedness, through World Bank and IMF actions, so they can exploit Indonesia.
Question 15: Indonesia continues to be subjected to colonial attitudes by foreign powers and international financial institutions, such as the G7 and the IMF and World Bank, through their interference in Indonesian domestic policy.
Question 16: Indonesia is still subject to colonialism, not by any one identifiable foreign power but through a Western policy of promoting Developing and Third World countries' financial dependency, based on multi-lateral and bi-lateral lending programmes.

Table 8.1 (Continued)**Economic Rationalist Behaviour**

- Question 17:** Economic rationalist behaviour is best described as fair, non-partisan, rational, impersonal, market oriented, and focused on a level playing field for all participants.
- Question 18:** The nature of economic rationalist behaviour is to equitably benefit every participant, across all economic sectors, anywhere in the world. Economic rationalist behaviour does not discriminate between countries and therefore is without prejudice.
- Question 19:** Economic rationalist behaviour creates wealth for all participants, through the adherence to strict economic and financial discipline.
- Question 20:** Economic rationalist behaviour is global by nature and not specific to Western culture or the G7.

Collegial Behaviour

- Question 21:** Collegial behaviour is best described as beneficial, helpful, unconditional and philanthropic.
- Question 22:** When rich developed nations engage in collegial behaviour towards developing countries such as Indonesia, they provide financial donations, free education and technology transfer programmes, health care assistance, all without imposing conditions.
- Question 23:** Collegial behaviour by rich countries is aimed at improving the living standards of developing nations, through on-going assistance without any strings attached.
- Question 24:** Collegial behaviour promotes economic prosperity and commonwealth between nations.
-

8.3 Sample Selection – Demographic Data of Respondents

The initial intention of the researcher was to circulate the questionnaire to the membership of KADIN in Jakarta (Kamar Dagang Dan Industri), as the Chamber had indicated that their database was categorized according to company size, industry sector and geographic coverage. As the initial response was poor (52 questionnaires) and follow up with the Chamber somewhat problematic, the researcher decided to approach businesses in the Jakarta central business district directly until a sufficient number of completed valid questionnaires (no missing data) had been received. The assumption was made that, as property values and leaseholds in the Jakarta CBD were expensive, only more sizeable companies with a wider business coverage would be able to afford a presence there. Whilst this was not a perfect assumption, the approach delivered an acceptable outcome (203 respondents/valid questionnaires). The collective effort (KADIN and researcher direct) covered 680 companies.

Hence both *random sampling* and *convenience sampling* techniques were employed in the final stage (Chapter 5, Section 5.4.1). Whilst the researcher acknowledges the possibility that this could have diminished the objectivity of the study, this was not believed to be significant in this instance.

The demographic analysis of the sample population considered gender, age and ethnic background of each business leader (respondent), their company size based on number of employees and annual turnover, industry sector, and geographic reach of operation. No distinction was made between ownership and/or management role (Tables 8.2 to 8.8).

Table 8.2: Gender – Random/Convenience Sample (Final Questionnaire)

Source: Daale, P. 2001, *Frequency Tables – Final Study*, Document File: Final Study (Working Papers), 25 May 2001, p.7.

	Frequency	%	Cumulative %
Male	187	92.1	92.1
Female	16	7.9	100.0
Total	203	100.0	

Table 8.3: Age Group – Random/Convenience Sample (Final Questionnaire)

Source: Daale, P. 2001, *Frequency Tables – Final Study*, Document File: Final Study (Working Papers), 25 May 2001, p.7.

	Frequency	%	Cumulative %
Under 30 years	13	6.4	6.4
30 – 39 years	39	19.2	25.6
40 – 49 years	84	41.4	67.0
50 – 59 years	63	31.0	98.0
60+ years	4	2.0	100.0
Total	203	100.0	

Table 8.4: Ethnic Background – Random/Cnv. Sample (Final Questionnaire)

Source: Daale, P. 2001, *Frequency Tables – Final Study*, Document File: Final Study (Working Papers), 25 May 2001, p.7.

	Frequency	%	Cumulative %
Pribumi	100	49.3	49.3
Indonesian Chinese	92	45.3	94.6
Other	11	5.4	100.0
Total	203	100.0	

Table 8.5: Company Size based on Number of Employees – Random/Convenience Sample (Final Questionnaire)

Source: Daale, P. 2001, *Frequency Tables – Final Study*, Document File: Final Study (Working Papers), 25 May 2001, p.7.

	Frequency	%	Cumulative %
Less than 50	47	23.2	23.2
50 – 99	41	20.2	43.3
100 – 249	55	27.1	70.4
250 – 499	39	19.2	89.7
500 – 999	17	8.4	98.0
1000+ employees	4	2.0	100.0
Total	203	100.0	

Table 8.6: Company Size based on Annual Turnover (US\$) – Random/Convenience Sample (Final Questionnaire)

Source: Daale, P. 2001, *Frequency Tables – Final Study*, Document File: Final Study (Working Papers), 25 May 2001, p.8.

	Frequency	%	Cumulative %
Under \$10 million	173	85.2	85.2
\$10 m - \$24 m	23	11.3	96.5
\$25 m - \$49 m	5	2.5	99.0
\$50 m - \$100 m	-	-	
Over \$100 million	-	-	
Missing	2	1.0	100.0
Total	203	100.0	

Table 8.7: Industry Sector – Random/Cnv. Sample (Final Questionnaire)

Source: Daale, P. 2001, *Frequency Tables – Final Study*, Document File: Final Study (Working Papers), 25 May 2001, p.8.

	Frequency	%	Cumulative %
Manufacturing	43	21.2	21.2
Construction & Development	29	14.3	35.5
Mining	12	5.9	41.4
Hotel & Tourism	7	3.4	44.8
Banking, Finance & Insurance	4	2.0	46.8
Transport	12	5.9	52.7
Food & Processing	16	7.9	60.6
Education	5	2.5	63.1
Government & Armed Forces	1	0.5	63.6
Other	74	36.4	100.0
Total	203	100.0	

Table 8.8: Geographic Location of Company Activities – Random/ Convenience Sample (Final Questionnaire)

Source: Daale, P. 2001, *Frequency Tables – Final Study*, Document File: Final Study (Working Papers), 25 May 2001, p.8.

	Cases	Response %
Java	200	98.5
Sumatra	104	51.2
Kalimantan	64	31.5
Sulawesi	45	22.2
Bali	38	18.7
Irian Jaya	18	8.9
Other	43	21.2

It must be noted that the majority of business leaders were male (92.1%), aged forty to sixty years plus (near 75%) and evenly divided between native Indonesian (Pribumi) and Indonesian Chinese ethnic origin.

Most owned or managed companies, which experienced an annual turnover below US\$24 million (97.5%) and employed less than 500 employees (89.7%). Whilst

such annual turnover may have appeared small by OECD standards, it should be remembered that the GDP of Indonesia at the height of the financial crisis was very modest when compared to that of Australia (particularly, relative to population size: Indonesia 200 million – Australia 20 million approximately) and an annual turnover in excess of US\$1 million would already have placed a business in the medium size category.

Most of the companies operated exclusively in Java but a significant number also had operations in other islands of the archipelago (eg: Sumatra 51.2%). A considerable industry range was represented in the sample.

8.4 Sample Size

As Structural Equation Modeling (SEM) was to be the ultimate analytical technique of choice for this research project, *sample size* for the *final stage* (Study 2 – Stage 2) was to be an important consideration from the outset.

Fan and Wang (1998) suggest that a sample size below 200 may be insufficient for SEM. Bentler (1995, p.6) argues for a *ratio* of sample size (respondents / completed valid questionnaires) to number of free parameters to be estimated and recommends a ratio of 5:1 for normal data, steadily increasing to 10:1 for non-normal data. The higher ratio being considered desirable “to obtain trustworthy z-tests on the significance of parameters ...and... correct model evaluation chi-square probabilities”. Tanaka (1987) too finds it appropriate to consider the ratio of respondents (completed valid questionnaires) to the number of free parameters to be estimated and recommends similar ratios to Bentler. Such an approach would place the appropriate sample size for this study (48 parameters) somewhere between 240 and 480 respondents.

Ratio recommendations are worth noting as researchers utilizing SEM often assume their data is multi-variate normal. However in behavioural research,

Bentler and Dudgeon (1996, <http://web3.searchbank.com>) explain that “data is likely to be multi-variate *non-normally* distributed”, as was indeed the case with the *final questionnaire* data obtained in this research project. The Satorra-Bentler scaled statistic $S-B\chi^2$ used in SEM (Measures of Fit: Section 8.6.1.4) though, makes adjustments to standard errors and chi-square, for non-normality in multivariate data (Satorra & Bentler, 1994). This Satorra-Bentler test statistic in EQS is found in the Robust Maximum Likelihood (ML – Robust) SEM command and was applied throughout the *final stage* analyses of this research project.

Nonetheless, views about sample size differ significantly. Hair et al. (1998, p.605) argue that the Maximum Likelihood (ML) estimation procedure in SEM has been found “to provide valid results with sample sizes as small as 50, but a sample this small is *not recommended*. It is generally accepted that the minimum sample size to ensure appropriate use of ML is 100 to 150. As we increase sample size above this value, the ML method increases in its sensitivity to detect differences among the data. As the sample becomes large (exceeding 400 to 500), the method becomes *too sensitive* and almost any difference is detected, making all goodness-of-fit measures indicate poor fit. Although *there is no correct sample size*, recommendations are for a size ranging between 100 and 200”.

Others such as Boomsa (1983), using Monte Carlo studies to examine the effect of sample size on stability of parameter estimates have argued that ML estimators in structural equation models with latent variables will fail miserably in sample sizes of less than 100 and recommend as a general rule a sample size of 200 to provide parameter estimates with any degree of confidence. However, Gerbing and Anderson (1985) taking a similar approach found, that robust estimates could be obtained with sample sizes smaller than 200.

Holmes-Smith (1999, p.105) takes a different approach and argues that “because statistical theory underlying parameter estimation is asymptotic in nature,

statistics such as the standard errors for parameter estimates can only be given confidently as the total number of cases (sample size) approaches infinity” The implication being that, large samples will lead to more meaningful results. He states that when the number of variables (k) is 12 or greater, the sample size must be at least “ $1.5k (k + 1)$ ” (Holmes-Smith 1999, p.106), and this would indicate that for a study of this kind (17 variables) a sample size of 459 should be required. However, as already stated, Hair et al. (1998, p.605) cautions that when sample sizes exceed 400 the ML method becomes too sensitive, making all goodness of fit measures indicate poor fit, and recommend a sample size between 100 and 200, “only to be increased when an asymptotically distribution-free estimation procedure (ADF) is selected”.

Hence, based on these various considerations it was decided that a sample size of at least 200 valid responses was required to meaningfully apply SEM analysis to Study 2 – Stage 2 (Final Stage) of the research project. This critical sample size was achieved by June 2001 when 203 completed valid questionnaires had been received from respondents. Less important but additional considerations, which also impacted on sample size, were: (1) the deteriorating economic and political climate in Indonesia since the onset of the 1997 monetary crisis (exacerbated by the fall of the Soeharto Government in May 1998), which caused safety concerns to the researcher because of the time required for actual meetings and discussions held locally in Jakarta; and: (2) the data distribution and collection methods, and (3) associated printing, postage and handling, etc, which were all linked to cost.

The above discussion would therefore indicate that the actual sample size (203 completed valid questionnaires) used for this research project (final stage) could fairly be classified as *moderately acceptable*. It is worth adding, that the EQS based SEM package selected by the researcher has been acknowledged to provide a “*Robust* Maximum Likelihood estimation facility which performs in a reliable manner, specifically when applied to non-normal multivariate data

from all but the largest samples” (Byrne 1994, p.27), including those pertaining to “a relatively small sample size” (Bentler 1995, p.48).

As a final comment on sample size, the researcher originally considered to convert the multiple construct indicators for each construct into a single composite variable for each factor, through the application of *one-factor congeneric measurement modeling* technique. Holmes-Smith (1999, p.108) pointing out that a “fitted congeneric measurement model allows for large numbers of like, observed variables to be reduced to a single composite scale, thereby reducing the number of variables in subsequent structural models”. This approach arguably taking into account the differences in degree to which each individual measure contributes to the overall composite scale, providing a realistic representation of the data. “The fit statistic for the congeneric model also being regarded as a quasi test of validity, since all individual measures are expected to represent the same generic true score [ie latent trait]” (Holmes-Smith 1999, p.108).

This was not proceeded with due to the availability of an acceptable sample size (albeit moderately so) and a preference for multiple indicators per construct, allowing for clear recognition of individual indicator measurement error. Single-item measures making it not possible to empirically estimate reliability, requiring the researcher to provide some sort of estimate, which may be subject to error (Hair et al., 1998)

8.5 Preliminary Method of Analysis and Results

Considering the absence of existing well-documented measuring tools for this particular type of research and the fact that the *final questionnaire* data proved to be non-normal, the data obtained was subjected to three separate analytical evaluations (two methods): (1) a *preliminary* analysis [method: Confirmatory Factor Analysis, using SPSS and EQS], (2) a *measurement model* analysis

[method: SEM, using EQS], and (3) a *structural model* analysis [method: SEM, using EQS].

8.5.1 Confirmatory Factor Analysis (SPSS & EQS)

The preliminary method consisted of *confirmatory factor analysis* (Principal Components) applied to each measurement model (construct) individually, using SPSS and EQS software packages.

SPSS was employed to define the descriptive statistics and construct validity during the preliminary analysis only. For the remaining analyses across all stages, EQS (Version 5.7b for Microsoft Windows) was the statistical software package of choice. Both are well recognized and widely used in the social and behavioural sciences, management and market research.

The EQS package used was based on the simplified Bentler-Weeks mathematical model, and specifically relevant to SEM analyses (Section 8.6) offered a *Robust* Maximum Likelihood estimation facility associated with the Satorra-Bentler chi-square (S-B χ^2) measure, which is known to perform in a reliable manner when examining non-normal data from a relatively small sample (Byrne 1994, Tabachnick & Fidell 1996).

8.5.2 Construct Validity

Construct validity is an important indication of “degree to which a test (ie: a series of questions and their corresponding scores) captures the underlying construct purportedly measured by the test” (Universität Mannheim 2001, www.sfb504.uni-mannheim.de). More specifically, with respect to the 5-point Likert rating scale utilized in this instrument, the extent to which the scores (ordinal) show to measure each of their corresponding individual hypothetical construct.

The correlation coefficient utilized was *Kendall's tau_b*, each score (ie: each question pertaining to one of the six particular constructs measured in the Final Study) being correlated with the total score of all questions within a particular construct. Ultimately the construct validity was demonstrated when it was shown that measures (ie: the questions) that were theoretically supposed to be highly interrelated were, in practice, indeed highly interrelated. As soon as this was proven, inferences could legitimately be made from the operationalizations in the final stage to the theoretical constructs on which the operationalizations were based (Trochim 2000, <http://trochim.human.cornell.edu>).

Benchmark – Correlations to be significant at the **0.1** level (2-tailed).

Result – All individual constructs (6) were measured by four indicators each, with all correlations proving significant at the 0.1 level (2-tailed) Table 8.9.

Table 8.9: Construct Validity (Correlations) – Preliminary Analysis

Source: Daale, P. 2001, *SPSS (Preliminary) & EQS (Measurement Models) File*, Summary Section – Nonparametric Correlations [Working Papers], 23 September 2001.

Construct 1 – G7 Behaviour

	Kendall's tau _b Correlation Coefficient	Sig. (2-tailed)	N
Question 1	.790	.000	203
Question 2	.813	.000	203
Question 3	.803	.000	203
Question 4	.763	.000	203

Construct 2 – Economic Development

	Kendall's tau _b Correlation Coefficient	Sig. (2-tailed)	N
Question 5	.621	.000	203
Question 6	.630	.000	203
Question 7	.672	.000	203
Question 8	.728	.000	203

Construct 3 – Social Development

	Kendall's tau _b Correlation Coefficient	Sig. (2-tailed)	N
Question 9	.720	.000	203
Question 10	.724	.000	203
Question 11	.547	.000	203
Question 12	.630	.000	203

Table 8.9 (Continued)

<u>Construct 4 – Colonial Behaviour</u>			
	Kendall's tau_b Correlation Coefficient	Sig. (2-tailed)	N
Question 13	.805	.000	203
Question 14	.796	.000	203
Question 15	.811	.000	203
Question 16	.674	.000	203
<u>Construct 5 – Economic Rationalist Behaviour</u>			
	Kendall's tau_b Correlation Coefficient	Sig. (2-tailed)	N
Question 17	.662	.000	203
Question 18	.694	.000	203
Question 19	.710	.000	203
Question 20	.691	.000	203
<u>Construct 6 – Collegial Behaviour</u>			
	Kendall's tau_b Correlation Coefficient	Sig. (2-tailed)	N
Question 21	.567	.000	203
Question 22	.760	.000	203
Question 23	.705	.000	203
Question 24	.598	.000	203

8.5.3 Reliability Coefficient (Cronbach Alpha)

The researcher selected one of the most frequently used reliability coefficients - *Cronbach's alpha* - to determine how well the questions (indicators) focused on their corresponding individual construct and reflected inter item consistency. Cronbach's alpha assumes that there is only one construct being measured. It is particularly appropriate when participants respond to questions where a 5-point Likert scale is used.

Benchmark – When the reliability analysis for each construct shows “an alpha above **.70**” (University of Arizona 2001, www.u.arizona.edu/ic/forms/Help/alpha_rh.htm), the questionnaire is considered to be internally consistent and reliable.

Result – Findings confirmed that all questions focused on their corresponding individual construct and reflected inter item consistency (Table 8.10).

Table 8.10: Reliability Coefficients – Preliminary Analysis

Source: Daale, P. 2001, *SPSS (Preliminary) & EQS (Measurement Models) File*, Summary Section – Covariance Matrix [Working Papers], 23 September 2001.

	Cronbach's Alpha
<u>Construct 1</u> – <i>G7 Behaviour</i>	0.921
<u>Construct 2</u> – <i>Economic Development</i>	0.777
<u>Construct 3</u> – <i>Social Development</i>	0.757
<u>Construct 4</u> – <i>Colonial Behaviour</i>	0.893
<u>Construct 5</u> – <i>Economic Rationalist Behaviour</i>	0.769
<u>Construct 6</u> – <i>Collegial Behaviour</i>	0.752

8.5.4 (Standardized) Loading and Indicator Measurement Error

Measurement models used in structural equation modelling are confirmatory factor analysis models. “In *confirmatory* models, variables are often presumed to be factorially simple. That is, a given variable is usually expected to be influenced by very few factors, typically only one” (Bentler & Wu 1995, p.183). Hence, only one factor was specified in this particular analysis.

Benchmark – A minimum loading of **.5** required for each indicator (nb: value chosen by researcher, based on single factor loading). Additionally, a standardized solution was provided for the loadings (benchmark set at **0.5** minimum), indicator measurement errors (benchmark also set by researcher at **<0.8**) and squared loading values (benchmark set at **0.25** minimum), in part to facilitate the subsequent manual calculation of construct reliability and variance extracted values.

Result – All indicators loaded on their respective factors well above the specified 0.5 benchmark (Principal Components). The standardized solution identified three weaker indicators with loadings* marginally below 0.5 (Question 7 at 0.429; Question 11 at 0.430; Question 19 at 0.436). Corresponding indicator measurement errors** were also considered high, at above the 0.8 benchmark (including Question 23 at 0.825). Overall, the findings were considered moderately acceptable (Table 8.11).

Table 8.11: Standardized Loading (Factor/Construct) and Individual Indicator Measurement Error – Preliminary Analysis

Source: Daale, P. 2001, *SPSS (Preliminary) & EQS (Measurement Models) File*, Individual Sections – Standardized Solution [Working Papers], 23 September 2001.

Construct 1 – G7 Behaviour

Factor Loading (Principal Components)		Loading	Standardized Solution	
			Measurement Error	R-Squared
Question 1	0.9029	0.892	0.453	0.795
Question 2	0.9321	0.941	0.339	0.885
Question 3	0.8935	0.824	0.566	0.680
Question 4	0.8680	0.787	0.616	0.620
		Σ 3.444	Σ 1.974	Σ 2.980

Construct 2 – Economic Development

Factor Loading (Principal Components)		Loading	Standardized Solution	
			Measurement Error	R-Squared
Question 5	0.8490	0.872	0.489	0.761
Question 6	0.8426	0.864	0.503	0.747
Question 7	0.6589	0.429*	0.903**	0.184
Question 8	0.7753	0.571	0.821**	0.326
		Σ 2.736	Σ 2.716	Σ 2.018

Construct 3 – Social Development

Factor Loading (Principal Components)		Loading	Standardized Solution	
			Measurement Error	R-Squared
Question 9	0.8142	0.840	0.543	0.705
Question 10	0.7896	0.796	0.606	0.633
Question 11	0.6768	0.430*	0.903**	0.185
Question 12	0.7700	0.543	0.840**	0.295
		Σ 2.609	Σ 2.892	Σ 1.818

Table 8.11 (Continued)

Construct 4 – Colonial Behaviour				
Factor Loading		Standardized Solution		
(Principal Components)	Loading	Measurement Error	R-Squared	
Question 13	0.8781	0.860	0.510	0.740
Question 14	0.8992	0.899	0.439	0.807
Question 15	0.9175	0.862	0.507	0.743
Question 16	0.7819	0.665	0.747	0.442
		$\Sigma 3.286$	$\Sigma 2.203$	$\Sigma 2.732$
Construct 5 – Economic Rationalist Behaviour				
Factor Loading		Standardized Solution		
(Principal Components)	Loading	Measurement Error	R-Squared	
Question 17	0.8073	0.741	0.671	0.550
Question 18	0.8599	0.877	0.480	0.769
Question 19	0.6278	0.436*	0.900**	0.191
Question 20	0.8107	0.694	0.720	0.481
		$\Sigma 2.748$	$\Sigma 2.771$	$\Sigma 1.991$
Construct 6 – Collegial Behaviour				
Factor Loading		Standardized Solution		
(Principal Components)	Loading	Measurement Error	R-Squared	
Question 21	0.7551	0.713	0.701	0.509
Question 22	0.7963	0.646	0.764	0.417
Question 23	0.7306	0.565	0.825**	0.319
Question 24	0.7916	0.760	0.650	0.577
		$\Sigma 2.684$	$\Sigma 2.940$	$\Sigma 1.822$

8.5.5 Construct (Composite) Reliability

Beyond examination of the loadings for each indicator, a principal measure used in assessing the measurement model is the composite reliability of each construct. Reliability is a measure of the internal consistency of the construct indicators, depicting the degree to which they *indicate* the common latent (unobserved) construct. More reliable measures provide the researcher with greater confidence that the individual indicators are all consistent in their measurements. A commonly used threshold value for acceptable reliability is .70, although this is not an absolute standard, and values below .70 have been deemed acceptable if the research is exploratory in nature. “The composite reliability of a construct is calculated as:

$$\text{Construct Reliability} = \frac{(\sum \text{Standardized Loading})^2}{(\sum \text{Standardized Loading})^2 + \sum \text{Measurement Error}''}$$

(Hair et al. 1998, p.612)

Benchmark – As the nature of this research is confirmatory, the threshold is set at **.70**.

Result – All constructs exceeded the minimum acceptable threshold of **.70** (Table 8.12).

Table 8.12: Construct (Composite) Reliability – Preliminary Analysis

Source: Daale, P. 2001, *SPSS (Preliminary) & EQS (Measurement Models) File*, Summary Section – Construct (Composite) Reliability [Working Papers], 23 September 2001.

<u>Construct 1</u> – <i>G7 Behaviour</i>	0.8573
<u>Construct 2</u> – <i>Economic Development</i>	0.7337
<u>Construct 3</u> – <i>Social Development</i>	0.7017
<u>Construct 4</u> – <i>Colonial Behaviour</i>	0.8305
<u>Construct 5</u> – <i>Economic Rationalist Behaviour</i>	0.7315
<u>Construct 6</u> – <i>Collegial Behaviour</i>	0.7101

8.5.6 Variance Extracted

Another measure of reliability is the *variance extracted* measure. This measure reflects the overall amount of variance in the indicators accounted for by the latent construct. Higher variance extracted values occur when the indicators are truly representative of the latent construct. The variance extracted measure is a *complementary* measure to the construct reliability value. “The variance extracted measure is calculated as:

$$\text{Variance Extracted} = \frac{\sum (\text{Standardized Loading}^2)}{\sum (\text{Standardized Loading}^2) + \sum \text{Measurement Error}''}$$

(Hair et al. 1998, p.612)

This measure is quite similar to the reliability measure but differs in that the standardized loadings are squared before summing them. Guidelines *suggest*, “the variance extracted should exceed **.50** for a construct” (Hair et al. 1998, p.612)

Benchmark – A variance extracted at .50.

Result – Two constructs clearly exceeded the benchmark, two were marginally below, and two were significantly lower than the suggested benchmark of .50 (Construct 3 at 0.3859 and Construct 6 at 0.3826).
Table 8.13.

Table 8.13: Variance Extracted – Preliminary Analysis

Source: Daale, P. 2001, *SPSS (Preliminary) & EQS (Measurement Models) File*, Summary Section – Variance Extracted [Working Papers], 23 September 2001.

<u>Construct 1</u> – <i>G7 Behaviour</i>	0.6015
<u>Construct 2</u> – <i>Economic Development</i>	0.4262
<u>Construct 3</u> – <i>Social Development</i>	0.3859
<u>Construct 4</u> – <i>Colonial Behaviour</i>	0.5535
<u>Construct 5</u> – <i>Economic Rationalist Behaviour</i>	0.4181
<u>Construct 6</u> – <i>Collegial Behaviour</i>	0.3826

Whilst the results were below expectations, it must be noted that the variance extracted is a *complementary measure* only with a purely suggested value. It is widely agreed though, that the higher the value, the better.

8.5.7 Summary

Based on the confirmatory factor analysis results for each individual measurement model, it can be said that all constructs met the validity and reliability criteria satisfactorily, confirming that indicators were tapping into their corresponding construct.

Whilst some standardized loading values were marginal (three indicators out of twenty-four) and their corresponding measurement errors higher than expected, they were spread over different constructs, minimizing impact. The variance extracted values were somewhat disappointing but not significantly enough to cause concern.

Based on these preliminary analysis results (Final Stage) *and* the confirmatory factor analyses results from the Pilot Stage (ie confirmation of pure variables [Chapter 7]), criteria for unidimensionality (note: defined as “the existence of one latent trait or construct underlying a set of measures” [Sethi & King 1994, p.1610]) was also confirmed. In the *measurement model* analysis (Section 8.6.2), we will see that the goodness of fit and composite reliability of the measurement model further supports this conclusion. “Unidimensionality is assumed by Cronbach’s alpha, tested by composite reliability and demonstrated by goodness of fit” (Hair et al. 1998, p.611).

8.6 Method of Analysis and Results

Section 8.6.1 defines the *Structural Equation Modeling* (SEM) technique for the final stage, approach taken and all-important measures of fit. Section 8.6.2 details the *Measurement Model* analysis and results, and Section 8.6.3 the *Structural Model* analysis with corresponding findings and final hypotheses test results.

8.6.1 Structural Equation Modeling

8.6.1.1 Some Definitions

“Linear *structural equation modeling* (SEM) is a methodology for specifying, estimating, and testing hypothesized interrelationships among

a set of substantively meaningful variables” (Bentler 1995, p.ix). It is a multivariate technique “combining aspects of multiple regression (examining dependence relationships) and factor analysis (representing unmeasured concepts – factors – with multiple variables) to estimate a series of interrelated dependence relationships simultaneously” (Hair et al. 1998, p.583).

SEM is capable in one analysis, to evaluate the measurement model – *loadings* of observed items (measurements) on their expected *latent variables* (constructs), and the structural model – the assumed causation among a set of *dependent* and *independent* constructs. “The combined analysis of the measurement and the structural model enables measurement errors of the observed variables to be analysed as an integral part of the model, and factor analysis to be combined in one operation with the hypotheses testing” (Gefen, Straub & Boudreau 2000, p.5).

The *measurement model* is the submodel in SEM that (1) “specifies the indicators for each construct (the indicators having no loadings other than those on its specified construct) ... and (2) ... assesses the reliability of each construct for estimating causal relationships”... The *structural model*, which follows ... “is the set of one or more dependence relationships linking the hypothesized model’s constructs” (Hair et al. 1998, pp.581,583).

The term structural equation modelling conveys two important aspects: (a) that “the causal processes under study are represented by a series of structural (ie regression) equations ... and (b) ... that these structural relations can be modelled pictorially to enable a clearer conceptualisation of the theory under study” (Byrne 1994, p.3).

8.6.1.2 Causal Modeling or Not

Although SEM is referred to as *causal* modeling, it is only such when it measures attitudes over time, to allow hypothesized relationships to take effect. This is not the case in this research project, as it is based on a *cross-sectional* survey and represents a single measure (perception) in time only. Therefore, in this instance, only *association* can be measured, not cause and effect (Gefen, Straub & Boudreau 2000; Schumacker & Lomax 1996; Creswell 2003).

Cause and effect would require longitudinal research, ideally with comparative groups (possibly split-halves, nested models, or simply separate groups). This point needs to be clearly taken into account when evaluating the significance of this research project (Tabachnick & Fidell 1996; Zikmund 1997; MacCallum & Austin 2000).

8.6.1.3 Method: A Two-Step Approach

As already referred to briefly in Section 8.5, a two-step approach was taken after the preliminary analysis. In step-one (the *measurement model* analysis), correlations within the measurement model were freely estimated, to refine the measurement model through confirmatory factor analysis. When acceptable observed measures of the proposed constructs were achieved, only then in step-two (the *structural model* analysis) was the model tested against these theoretical constructs. This staged procedure is based on the approach recommended by Anderson and Gerbing (1992) and is considered the preferred approach to the modelling task.

8.6.1.4 Measures of Fit

A lot of emphasis is placed in structural equation modeling on the *goodness of fit* for evaluating *model adequacy*. As such, the EQS program based on the

simplified Bentler-Weeks mathematical model offers a number of alternative SEM fit indices to evaluate a model. These are:

- Satorra-Bentler scaled Chi-square (**S-B χ^2**)
- Bentler-Bonett normed fit index (**NFI**)
- Bentler-Bonett nonnormed fit index (**NNFI**)
- Comparative fit index (**CFI**)
- Robust comparative fit index (**Robust CFI**)
- Bollen incremental fit index (**IFI**)
- McDonald fit index (**MFI**)
- Lisrel goodness of fit index (**GFI**)
- Lisrel adjusted goodness of fit index (**AGFI**)
- Root mean squared residual (**RMR**)
- Standardized root mean squared residual (**SRMR**)
- Root mean squared error of approximation (**RMSEA**)

Whilst Bollen (1990) recommends the use of non-normal *and* normal goodness of fit indices for a more comprehensive assessment of data under analysis, Bentler (1995) particularly recommends the Satorra-Bentler scaled Chi-square statistic, the Comparative Fit Index (CFI), the Robust Comparative Fit Index (Robust CFI) and the Root Mean Squared Error of Approximation (RMSEA) for small sample non-normal data, which are all available as Robust Maximum Likelihood measures. These are described briefly below:

χ^2 : “Technically speaking, the χ^2 statistic should be insignificant with a probability value above .05 ... However, this criterion is rarely satisfied because χ^2 is sensitive to larger sample sizes and the power of the test. Hence the ratio of χ^2 to degrees of freedom is usually examined [χ^2 / df] ... with a ... recommended range between **1** and **2**” (Gefen, Straub & Boudreau 2000, p.35).

When data is multivariate non-normal, underlying distributional assumptions are violated, which prompted Satorra and Bentler to develop a statistic that incorporated a scaling correction for the χ^2 statistic. Its computation takes into account the model, the estimation method, and the sample kurtosis values. “The Satorra-Bentler Scaled Statistic (S-B χ^2) has been shown to be the most reliable test statistic for evaluating covariance structure models under various distributions *and* sample sizes” (Byrne 1994, p.86).

NFI and NNFI: The Bentler-Bonett Normed Fit Index (NFI) “measures the normed difference in χ^2 between a zero factor null model with no common variance across measures and a proposed multi-factor model” (Gefen, Straub & Boudreau 2000, p.36). The NNFI is an adjustment to the NFI and incorporates the degrees of freedom to take into account the number of parameters and parsimony of the model. Both should be above **.9** (Bentler, 1990).

CFI and Robust CFI: “The Comparative Fit Index (CFI) has the advantage of the NNFI in reflecting fit relatively well at *all sample sizes*, especially, in avoiding the underestimation of fit sometimes found in true models with NFI” (Bentler 1995, p.93). The Robust CFI is an adjustment to the CFI, to adjust for non-normal data. Both should be above **.9** (Bentler, 1995).

IFI: Sometimes the NNFI yields numbers outside the 0 – 1 range, may exceed the NFI in magnitude, or may be much too small in small samples, indicating a poor fit when other indices indicate an adequate fit. The problem of the large variability in the NNFI is addressed by the Bollen Incremental Fit Index (IFI). Values of IFI greater than **.9** are desirable (Tabachnick & Fidell, 1996).

MFI: EQS also includes the McDonald Fit Index, MFI, which is “absolute in that it does not depend on a comparison with another model” (Tabachnick & Fidell 1996, p.750).

GFI, AGFI: Widely used overall fit indices are the Lisrel “Goodness of Fit Index (GFI), the Adjusted Goodness of Fit Index (AGFI), and the Root Mean Residual (RMR). GFI measures the absolute fit (unadjusted for degrees of freedom) of the combined measurement and structural model to the data. AGFI adjusts this value to the degrees of freedom in the model. ... Thresholds for these indices ... are above **.9** and above **.8**, respectively” (Gefen, Straub & Boudreau 2000, p.35).

RMR, SRMR, and RMSEA: “Apart from the goodness of fit indices, the fit of the hypothesized model to the sample needs to be assessed. This is achieved by examining the residual value, where the discrepancy between the two models is termed the residual. As SEM is based on the goodness of fit between the sample data and the hypothesized model, eliminating residuals is the most useful method for locating sources of mis-specification and improving the model fit. The larger the value of standard residuals, the less accurately the model is explained. The residual measures are comprised of the Root Mean Squared Residual (RMR), the Standardized Root Mean Squared Residual (SRMR), which is the averaged difference between the sample and population covariance and variance, and the Root Mean Squared Error of Approximation (RMSEA)” (Scott-Ladd 2001, p.108). Good fitting models have small RMR and SRMR values, preferably **.05** or less (Tabachnick & Fidell, 1996). RMSEA value of less than **.05** indicates a very good fit; between **.05** and **.08** a moderate fit; and above **.08** a poor fit (MacCallum, Browne & Sugawara, 1996).

8.6.2 Measurement Model

Having completed the preliminary analysis (Section 8.5), the first step of a two-step approach now followed, based on the preferred approach (*in practice*) to the modelling task, recommended by Anderson and Gerbing (1992) and Hair et al. (1998).

“The comparative strength of the two-step approach can be seen with respect to a philosophy of science of *epistemological fallibilism*, which requires that all ideas about reality be regarded as hypothetical, that is, tentative and subject to revision” (Mulaik 1984, p.920). “Scientific constructs are imaginative creations of scientists that must always remain open to revision. In other words, scientific constructs can be wrong, sometimes radically wrong” (Leary 1984, p.918). Hence, “insofar as our knowledge of the objective world is concerned, it is always tentative, vulnerable, and incomplete” (Manicas & Secord 1984, p.923).

“The two-step approach provides superior diagnostics over a one-step approach as to the specific sources of this fallibility. Because the constructs are allowed to freely intercorrelate in a measurement model, lack of fit must be due to fallibility in a researcher’s theory of how one or more of the measures are related to the constructs” (Anderson & Gerbing 1992, p.323). A good fit on the other hand will provide support for the researcher’s theory and proposed structural model.

8.6.2.1 Model Identification

The first step entails confirmatory factor analysis (SEM – EQS software), applied to all the six measurement models *simultaneously* (Figure 8.1), to initiate model identification through data refinement, and goodness of fit assessment in preparation for the theoretical structural model analysis (second step). At this

point the research project clearly enters a confirmatory stage, as the variables defining each constructs are specified.

The rationale for this first step is to avoid unknown ‘interaction effects’ of the measurement and structural models. “Although we cannot truly evaluate the measurement and structural models in isolation, we must consider the potential for *within-construct* versus *between-construct* effects in estimation, which can be substantial and result in interpretational confounding” (Hair, Anderson, Tatham and Black 1998, p.600). Model identification is particularly important when theory is tentative and the researcher needs to “maximize the interpretability of both measurement and structural models” (Hair, Anderson, Tatham and Black 1998, p.600).

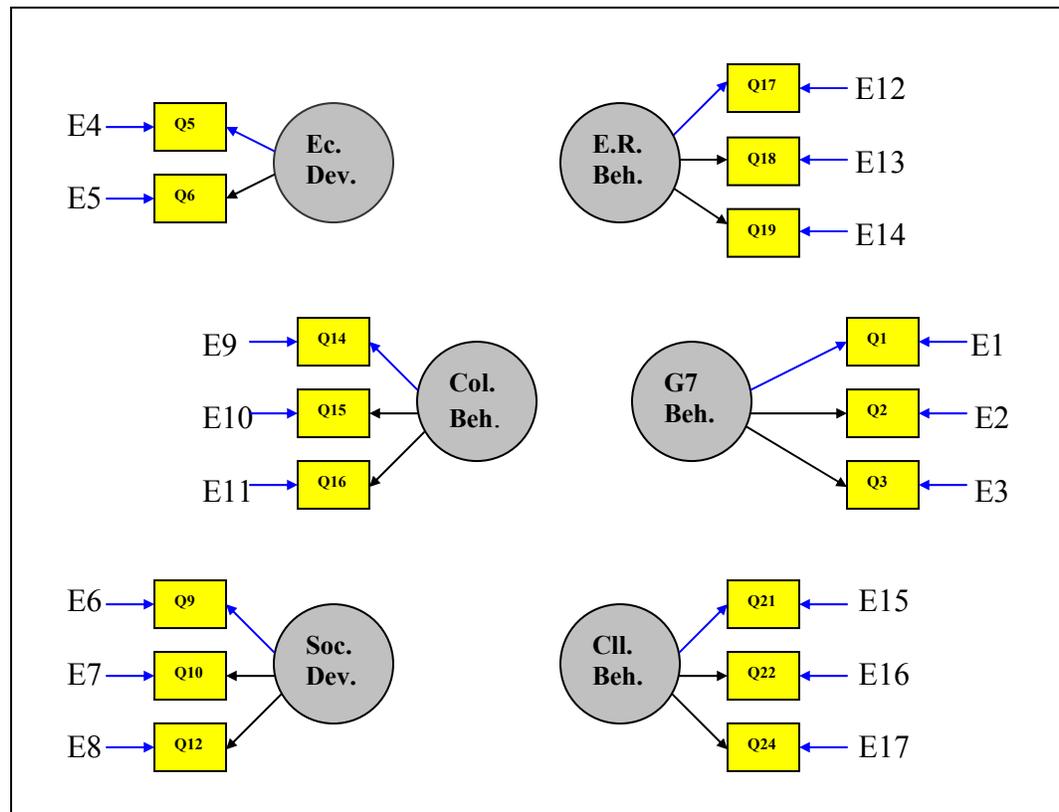


Figure 8.1: Measurement Model – Free Intercorrelation Set Up (Confirmatory Factor Analysis)

8.6.2.2 Model Estimation

The aim was to minimize (where appropriate) “the extent and shape of non-normally distributed data, *screening the measured variables for outliers*, both univariate and multivariate, and to examine the skewness and kurtosis of the measured variables” (Tabachnick & Fidell 1996, p.715). Mardia’s Coefficient (G²,P), the Normalized Estimate, Mardia- Based Kappa, and Mean Scaled Univariate Kurtosis were used as a guide to minimize the top five case numbers (responses) with the largest contribution to normalized multivariate kurtosis. “Large values indicate significant positive kurtosis and large negative values indicate significant negative kurtosis” (Bentler 1995, p.85). Offending outliers (responses) were removed one by one. It must be noted however, based on previous discussion, that this was an exercise in parsimony to ensure the ultimate number of responses (sample size) remained as close to 200 as possible.

“Residuals should be small and centered around zero ... with the final ... frequency distribution of the residual covariances as symmetric” as possible. Non-symmetry may signal a poorly fitting model, although it is not uncommon for some residuals to remain quite large” (Tabachnick & Fidell 1996, p.716). Symmetry is modified by removing offending observed variables (indicators) one by one, keeping in mind that whilst “the minimum number of indicators for a construct is one, ... three is preferred, ... as a lesser number (eg two) ... increases the chances of reaching an infeasible solution” (Ding, Velicer & Harlow 1995, pp.119-143).

First, the data was examined for outliers, until most case numbers (questionnaires) showed a contribution coefficient to normalized multivariate kurtosis below 500 and a normalized estimate (Mardia) of less than 20. For each run, the five case numbers and the corresponding estimates of the case contributions to the multivariate kurtosis normalized estimate are shown in the table below (Table

8.14). The normalized estimate is the mean of such estimates across all cases in the sample.

Table 8.14: Multivariate Kurtosis – Model Estimation

Source: Daale, P. 2001, *Initial Run – Measurement Model (24 Variables – 6 Constructs)*, Document File: Initial, 2nd, 3rd, 4th, and 5th Run (Working Papers), 19 August 2001

	Mardia's Coefficient	Normalized Estimate	Mardia-Based Kappa	Mean Scaled Univariate Kurtosis
<u>Initial Run</u>	111.9049	22.5663	0.1793	0.0488
Case Numbers with Largest Contribution to Normalized Multivariate Kurtosis				
4	67	156	157	189
504.1857	997.8839	523.8479	518.2126	463.7008
	Mardia's Coefficient	Normalized Estimate	Mardia-Based Kappa	Mean Scaled Univariate Kurtosis
<u>2nd Run</u>	106.2079	21.3646	0.1702	0.0497
Case Numbers with Largest Contribution to Normalized Multivariate Kurtosis				
4	155	156	159	188
497.3374	572.3995	540.0137	536.7886	472.2796
	Mardia's Coefficient	Normalized Estimate	Mardia-Based Kappa	Mean Scaled Univariate Kurtosis
<u>3rd Run</u>	103.0102	20.6700	0.1651	0.0513
Case Numbers with Largest Contribution to Normalized Multivariate Kurtosis				
4	76	155	158	187
498.5469	427.9013	537.7924	547.7604	534.5117
	Mardia's Coefficient	Normalized Estimate	Mardia-Based Kappa	Mean Scaled Univariate Kurtosis
<u>4th Run</u>	100.4959	20.1153	0.1611	0.0561
Case Numbers with Largest Contribution to Normalized Multivariate Kurtosis				
4	76	101	155	186
502.2643	438.9596	416.7599	536.8266	526.9282
	Mardia's Coefficient	Normalized Estimate	Mardia-Based Kappa	Mean Scaled Univariate Kurtosis
<u>5th Run</u>	97.7369	19.5141	0.1566	0.0503
Case Numbers with Largest Contribution to Normalized Multivariate Kurtosis				
4	62	76	101	185
494.6707	407.0940	438.7998	413.0597	630.5701

The data clearly reflects considerable (lepto)kurtic distribution with positive skew, confirming non-normal data.

As a sample size of 199 respondents was reached (a sensitive issue), the researcher decided to proceed with the analysis of residual covariances at this point. A conscious decision was also made to explore the opportunity of reducing the number of indicators to three per construct, where appropriate (targeting variables from the model with high kurtosis values, because of high residual values). This significantly assisted in improving the recommended ratio of respondents to free parameters (refer discussion on Sample Size – Section 8.4). With each run, the objective was to minimize residuals, centred as close to zero (**0.0**) as possible (Table 8.15).

Table 8.15: Largest Standardized Residuals – Model Estimation

Source: Daale, P. 2001, *Initial Run – Measurement Model (24 Variables – 6 Constructs)*, Document File: Initial, 2nd, 3rd, 4th, and 5th Run (Working Papers), 19 August 2001, and: Daale, P. 2001, *Measurement Model (17 Variables – 6 Constructs)*, Document File: 6th, 7th, 8th, 9th, 10th, 11th, and 12th Run (Working Papers), 19 August 2001.

Initial Run	Mardia's Coefficient	Normalized Estimate	Mardia-Based Kappa	Mean Scaled Univariate Kurtosis
	111.9049	22.5663	0.1793	0.0488
Case Numbers with Largest Contribution to Normalized Multivariate Kurtosis				
4	67	156	157	189
504.1857	997.8839	523.8479	518.2126	463.7008
Largest Standardized Residuals				
V13, V7 0.294	V12, V11 0.278	V23, V22 0.275	V14, V7 0.248	V15, V8 0.224
V14, V8 0.219	V12, V8 0.218	V8, V7 0.201	V7, V4 0.193	V13, V8 0.187
V24, V11 0.183	V9, V8 0.172	V11, V5 0.171	V7, V1 0.171	V23, V16 0.166
V23, V6 0.164	V19, V12 0.159	V7, V2 0.158	V22, V6 -0.157	V10, V6 -0.152

Table 8.15 (Continued)

12th Run	Mardia's Coefficient	Normalized Estimate	Mardia-Based Kappa	Mean Scaled Univariate Kurtosis
	51.9438	14.4150	0.1608	0.0744
Case Numbers with Largest Contribution to Normalized Multivariate Kurtosis				
62	72	101	125	185
313.7445	389.5748	391.8157	309.3851	493.8174
Largest Standardized Residuals				
V14, V8 0.161	V8, V4 0.134	V17, V8 0.134	V8, V5 0.134	V11, V7 -0.114
V13, V8 0.107	V8, V2 0.104	V12, V8 0.104	V16, V3 0.099	V16, V5 -0.099
V13, V9 0.097	V13, V7 0.097	V9, V1 0.096	V11, V5 0.095	V7, V5 -0.094
V14, V2 0.090	V15, V14 0.088	V17, V14 0.086	V7, V3 -0.084	V13, V11 0.084

At this stage, all residuals were significantly below 0.200 with a significant positive reduction in the Mardia/kurtosis values. It must be noted that the construct of Economic Development (F2) was reduced to two indicators only to achieve these results (questions 7 & 8 were removed).

The next step was to revisit further possible improvements by again parsimoniously removing offending outliers/cases (Table 8.16).

Table 8.16: Multivariate Kurtosis and Largest Standardized Residuals

Source: Daale, P. 2001, *Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model)*, Document File: 13th and Final Run (Working Papers), 11 September 2001

13th Run	Mardia's Coefficient	Normalized Estimate	Mardia-Based Kappa	Mean Scaled Univariate Kurtosis
	49.7582	13.7737	0.1541	0.0832
Case Numbers with Largest Contribution to Normalized Multivariate Kurtosis				
4	62	72	101	180
323.1403	318.5649	388.0939	406.9214	313.0503

Table 8.16 (Continued)

Final Run	Mardia's Coefficient	Normalized Estimate	Mardia-Based Kappa	Mean Scaled Univariate Kurtosis
	48.2286	13.3166	0.1493	0.0871
Case Numbers with Largest Contribution to Normalized Multivariate Kurtosis				
4	62	72	97	179
325.2734	323.9564	391.5189	305.5797	370.2976
Largest Standardized Residuals				
V14, V8 0.178	V8, V5 0.127	V13, V8 0.117	V11, V7 -0.113	V13, V7 0.113
V17, V14 0.106	V16, V3 0.103	V16, V5 -0.096	V13, V4 0.094	V11, V5 0.093
V7, V5 -0.092	V9, V1 0.092	V8, V2 0.091	V13, V9 0.089	V8, V4 0.089
V14, V2 0.088	V15, V13 -0.087	V7, V3 -0.087	V15, V14 0.085	V12, V6 -0.085

At this point it was felt that no further improvement could be made in minimizing multivariate kurtosis and residual covariances without significant loss to the sample size. Since the initial run, six (6) offending outliers (cases) were removed, one by one and in the following order: 67, 155, 158, 155, 185, and 101; and seven (7) observed variables: Q8 (F2), Q11 (F3), Q23 (F6), Q4 (F1), Q13 (F4), Q20 (F5), and Q7 (F2), also in order.

8.6.2.3 Standardized Loading and Indicator Measurement Error

“Standardization is done for all variables in the linear structural equation system, including errors ... so that ... all coefficients may have similar interpretation, and the magnitude of these standardized coefficients may be easier to interpret than the magnitudes of the coefficients obtained from the raw data metric” (Bentler 1995, p.98). The measurement error reflects the

degree to which the indicator variables (observed variables) do not perfectly describe the latent constructs under study. Abstract concepts (perceptual constructs) may mean different things to many people (eg G7 Behaviour) and may not be *perfectly defined* by any set of observed variables. All constructs have some measurement error and “the objective is to minimize the amount of indicator measurement error” (Hair et al. 1998, p.581). The objective for the final run was set at the same level as for the preliminary analysis:

Benchmark – Loading **0.5**, and Indicator Measurement Error **0.8**.

Results – In the *final run*, one indicator (Q19) had a marginal loading at 0.442 and two indicators (Q19 and Q22) reflected a measurement error (0.897 and 0.850, respectively) marginally above the set limit (Table 8.17).

[nb: no further refinement was possible, as any further reduction in the number of indicators with a high error loading resulted in one observed variable reaching a loading value of 1.000]

Overall, the results were considered *moderately* acceptable.

Table 8.17: Standardized Loading and Indicator Measurement Error

Source: Daale, P. 2001, *Initial Run – Measurement Model (24 Variables – 6 Constructs)*, Document File: Initial, 2nd, 3rd, 4th, and 5th Run (Working Papers), 19 August 2001, and: Daale, P. 2001, *Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model)*, Document File: 13th and Final Run (Working Papers), 11 September 2001

		Loading		Measmt. Error		R-squared	
		Initial Run	Final Run	Initial Run	Final Run	Initial Run	Final Run
(F1)	Q1 = V1	.900	.917	+ .436	+ .400	.810	.840
	Q2 = V2	.923	.929	+ .384	+ .369	.852	.864
	Q3 = V3	.830	.834	+ .557	+ .551	.689	.696
	Q4 = V4	.799		+ .601		.638	
(F2)	Q5 = V5	.850	.837	+ .526	+ .546	.723	.701
	Q6 = V6	.840	.931	+ .543	+ .364	.705	.868
	Q7 = V7	.480		+ .878		.230	
	Q8 = V8	.626		+ .780		.392	

Table 8.17 (Continued)

(F3)	Q9 = V9	.837	.906	+ .547	+ .424	.700	.820
	Q10 = V10	.761	.757	+ .649	+ .654	.578	.573
	Q11 = V11	.466		+ .885		.217	
	Q12 = V12	.579	.530	+ .816	+ .848	.335	.281
(F4)	Q13 = V13	.870		+ .493		.757	
	Q14 = V14	.896	.866	+ .444	+ .500	.803	.750
	Q15 = V15	.853	.901	+ .522	+ .434	.728	.811
	Q16 = V16	.669	.738	+ .744	+ .675	.447	.545
(F5)	Q17 = V17	.746	.847	+ .666	+ .532	.557	.717
	Q18 = V18	.857	.840	+ .515	+ .542	.735	.706
	Q19 = V19	.452	.442	+ .892	+ .897	.204	.196
	Q20 = V20	.707		+ .707		.500	
(F6)	Q21 = V21	.724	.786	+ .690	+ .618	.524	.618
	Q22 = V22	.617	.526	+ .787	+ .850	.381	.277
	Q23 = V23	.545		+ .839		.297	
	Q24 = V24	.783	.819	+ .622	+ .573	.613	.671

8.6.2.4 Discriminant Analysis

“Discriminant validity refers to the degree to which measures of different model dimensions (theoretical constructs) are unique” (Sethi & King 1994, p.1611). For this to be the case, correlation coefficients *between* theoretical constructs (the factors) should not be significant. EQS provides these correlation coefficients among latent constructs, when the standardized solution is computed (Table 8.18).

Table 8.18: Correlations Among Latent Constructs

Source: Daale, P. 2001, *Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model)*, Document File: 13th and Final Run (Working Papers), 11 September 2001

	F1	F2	F3	F4	F5	F6
	G7 Beh.	Ec.Dev.	Soc.Dev.	Col.Beh.	E.R.Beh.	Cll.Beh.
F1 G7 Beh.	-	.309	.353	.743	.051	.149
F2 Ec.Dev.	-	-	.328	.429	.105	.233
F3 Soc.Dev.	-	-	-	.351	.136	.253
F4 Col.Beh.	-	-	-	-	.083	.329
F5 E.R.Beh.	-	-	-	-	-	.418
F6 Cll.Beh.	-	-	-	-	-	-

Whilst most results were acceptable, the moderately higher correlation between constructs F1 (G7 Behaviour) and F4 (Colonial Behaviour) warranted further examination. Bollen (1989) argues that an effective method to establish discriminant validity between factors in structural analysis is by testing the offending constructs (F1 and F4) first as separate factors and then combined as a single factor. If the resulting χ^2 is significantly different for each measurement model, then G7 Behaviour and Colonial Behaviour should be retained as two separate constructs, providing a significantly better explanation of the data (remembering that the smaller the χ^2 and χ^2 to degrees of freedom ratio, the better). Table 8.19 shows this result.

Table 8.19: Discrimination between G7 Behaviour and Colonial Behaviour

Source: Daale, P. 2001, *Final Study – Optimal Data Analysis (Measurement Model)*, Document File: Discriminant Validity Analysis – Combining Factors 1 [G7 Behaviour] and 4 [Colonial Behaviour] from the 6 Factor Model (Working Papers), 15 November 2001.

Model	S-B χ^2	dof	p	CFI	Robust CFI	RMSEA	(conf. int.)
5 Factors	306.3328	109	.00000	0.859	0.860	0.108	0.095 0.120
6 Factors	191.0228	104	.00000	0.939	0.938	0.073	0.058 0.086

S-B χ^2 Statistic – Difference: 115.31*

(*) "The S-B χ^2 difference is significant [for 5 degrees of freedom] at the .05 and .01 levels" (Lyman Ott 1993, pp.A6-A7).

The findings clearly supported retaining G7 Behaviour (F1) and Colonial behaviour (F4) as two separate constructs (Table 8.19). Overall, the discriminant analysis of the model was established.

[Note: Another *discriminant* measure relates to multicollinearity and singularity with respect to the theoretical constructs of a model. Multicollinearity indicating "the extent to which an *independent variable* varies with other *independent*

variables. Excessively high multicollinearity challenges the statistical assumption that the independent variables are truly independent of each other” (Gefen, Straub & Boudreau 2000, p.69). If the covariance matrix reflects this, EQS will abort the program run. To satisfy the criteria for multicollinearity and singularity, “the *determinant of the input matrix* (EQS) needs to be greater ... than zero (0)” (Tabachnick & Fidell 1996, p.793). In this instance it is 0.12902E-04 and the criteria is satisfied (Daale, P. L. 2001, *Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model)*, Document File: 13th and Final Run (DBA Working Papers – Curtin University), 11 September 2001). In case the criteria was not satisfied, the problem could have been resolved by either deleting the offending variable, or creating a composite.]

8.6.2.5 Goodness of Fit

Goodness of fit measures the correspondence of the actual or observed input (covariance or correlation) matrix with that predicted from the proposed model. Whilst it is more a relative process than one with absolute criteria, the researcher utilized those benchmarks already discussed and outlined in Structural Equation Modeling – *Measures of Fit* (Section 8.6.1.4).

<u>Benchmark</u>	S-B χ^2:dof ratio	between 1 and 2
	NFI and NNFI	above .9
	CFI and Robust CFI	above .9
	IFI	above .9
	MFI	higher is more desirable
	GFI	above .9
	AGFI	above .8
	RMR and SRMR	.05 or less
	RMSEA	between .05 and .08

Result – Overall, the measurement model (final run) is a *moderate* to *good fit* (Table 8.20).

Table 8.20: Goodness of Fit – Measurement Model

Source: Daale, P. 2001, *Initial Run – Measurement Model (24 Variables – 6 Constructs)*, Document File: Initial, 2nd, 3rd, 4th, and 5th Run (Working Papers), 19 August 2001, and: Daale, P. 2001, *Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model)*, Document File: 13th and Final Run (Working Papers), 11 September 2001.

	Initial Run	Final Run (Optimal Meas.Model)
S-B χ^2	596.5713	191.0228*
DOF	237	104
S-B χ^2:dof ratio	2.517	1.836
NFI	.763	.888
NNFI	.797	.920
CFI	.825	.939*
Robust CFI	.842	.938*
IFI	.828	.940
MFI	.305	.761
GFI	.768	.891
AGFI	.707	.840
RMR	.091	.052
SRMR	.080	.051
RMSEA	.101	.073*

(*Robust measure)

8.6.2.6 Reliability Coefficient (Cronbach Alpha)

As with the preliminary analysis, the researcher selected the reliability coefficient *Cronbach's Alpha* (covariance matrix), to determine how well the indicators focused on their corresponding construct and reflected inter item consistency.

Benchmark – The threshold was set at **.70**.

Result – With the exception of a .001 shortfall on *Collegial Behaviour* (F6: .699), all constructs complied with the set criteria (Table 8.21).

Table 8.21: Reliability Coefficients – Measurement Model

Source: Daale, P. 2001, *Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model)*, Document File: 13th and Final Run (Working Papers), 11 September 2001.

	Cronbach's Alpha
<u>Construct 1</u> – <i>G7 Behaviour</i>	0.921
<u>Construct 2</u> – <i>Economic Development</i>	0.876
<u>Construct 3</u> – <i>Social Development</i>	0.771
<u>Construct 4</u> – <i>Colonial Behaviour</i>	0.869
<u>Construct 5</u> – <i>Economic Rationalist Behaviour</i>	0.713
<u>Construct 6</u> – <i>Collegial Behaviour</i>	0.699*

(* when based on the *correlation* matrix: .745)

8.6.2.7 Construct Reliability (Composite)

“Beyond examination of the loadings for each indicator, a principal measure used in assessing the measurement model is the composite reliability of each construct. Reliability is a measure of the internal consistency of the construct indicators, depicting the degree to which they *indicate* the common latent (unobserved) construct. More reliable measures provide the researcher with greater confidence that the individual indicators are all consistent in their measurements. A commonly used threshold value for acceptable reliability is .70, although *this is not an absolute standard*, and values below .70 have been deemed acceptable ... The composite reliability of a construct is calculated as:

$$\text{Construct Reliability} = \frac{(\sum \text{Standardized Loading})^2}{(\sum \text{Standardized Loading})^2 + \sum \text{Measurement Error}^2}$$

(Hair et al. 1998, p.612)

Benchmark – The threshold was set at **.70**.

Result – Whilst two constructs [F5] Economic Rationalist Behaviour and [F6] Collegial Behaviour did not reach the threshold, the difference was not considered significant (Table 8.22). Overall, the construct reliability test was accepted.

Table 8.22: Composite Reliability – Measurement Model

Source: Daale, P. 2001, Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model), Document File: 13th and Final Run (Working Papers), 11 September 2001.

<u>Construct 1</u> – <i>G7 Behaviour</i>	0.8447
<u>Construct 2</u> – <i>Economic Development</i>	0.7744
<u>Construct 3</u> – <i>Social Development</i>	0.7140
<u>Construct 4</u> – <i>Colonial Behaviour</i>	0.7959
<u>Construct 5</u> – <i>Economic Rationalist Behaviour</i>	0.6969
<u>Construct 6</u> – <i>Collegial Behaviour</i>	0.6899

8.6.2.8 Variance Extracted

As previously discussed, “another measure of reliability is the *variance extracted* measure. This measure reflects the overall amount of variance in the indicators accounted for by the latent construct. Higher variance extracted values occur when the indicators are truly representative of the latent construct. The variance extracted measure is a *complementary* measure to the construct reliability value. The variance extracted measure is calculated as:

$$\text{Variance Extracted} = \frac{\sum (\text{Standardized Loading}^2)}{\sum (\text{Standardized Loading}^2) + \sum \text{Measurement Error}}$$

Guidelines *suggest* that the variance extracted value should exceed .50 for a construct” (Hair et al. 1998, p.612).

Benchmark: Variance extracted threshold was set at **.50**.

Result: Three constructs clearly exceeded the benchmark, and three were marginally lower than the suggested benchmark of .50 (Table 8.22). Although the variance extracted remained a complementary measure, it is worth noting that all improved significantly compared to the *initial run*.

Table 8.23: Variance Extracted – Measurement Model

Source: Daale, P. 2001, *Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model)*, Document File: 13th and Final Run (Working Papers), 11 September 2001.

<u>Construct 1</u> – <i>G7 Behaviour</i>	0.6451
<u>Construct 2</u> – <i>Economic Development</i>	0.6329
<u>Construct 3</u> – <i>Social Development</i>	0.4650
<u>Construct 4</u> – <i>Colonial Behaviour</i>	0.5668
<u>Construct 5</u> – <i>Economic Rationalist Behaviour</i>	0.4509
<u>Construct 6</u> – <i>Collegial Behaviour</i>	0.4341

8.6.2.9 Summary

The measurement model (*step 1* in a 2-step approach) successfully specified the indicators for each construct, within acceptable reliability parameters.

Discriminant analysis of the measurement model confirmed the uniqueness of the indicators with respect to the six different construct dimensions of the model. The goodness of fit analysis reflected a *moderate* to *good* fit within well-established benchmarks, whilst acknowledging that the process and parameters were often considered more relative than absolute. The model estimation also identified that the data clearly reflected kurtic distribution with positive skew, confirming the sample data as multivariate non-normal. The Robust Maximum Likelihood estimation facility was used throughout the analysis for this particular reason. Slightly lower than expected variance extracted measures were found, this being the principal reason for classifying the measurement model as having a *moderate* to *good* fit, rather than an unqualified good fit.

8.6.3 Structural Model

The measurement model analysis completed (*step one*), the final stage (*step 2* in a 2-step approach) required testing of the hypothesized dependence relationships between the proposed *structural* model's constructs. In this final stage, the objective was "to show that the null hypotheses – the assumed research model with all its paths – was *insignificant*, meaning that the complete set of paths as specified in the model to be analysed was plausible, given the sample data. Moreover, its goodness of fit tests, such as χ^2 tested the restrictions implied by the model. In other words, the objective of covariance-based SEM was to show that the operationalization of the theory being examined was corroborated and not disconfirmed by the data" (Gefen, Straub & Boudreau 2000, pp.24-25).

8.6.3.1 Hypothesized Model

Figure 8.2 depicts the *hypothesized* (structural) *model* to be tested in this final stage, its hypothesized dependence relationships between constructs already

discussed in detail in Chapter 4 (Theoretical Framework). The model offered the following paths:

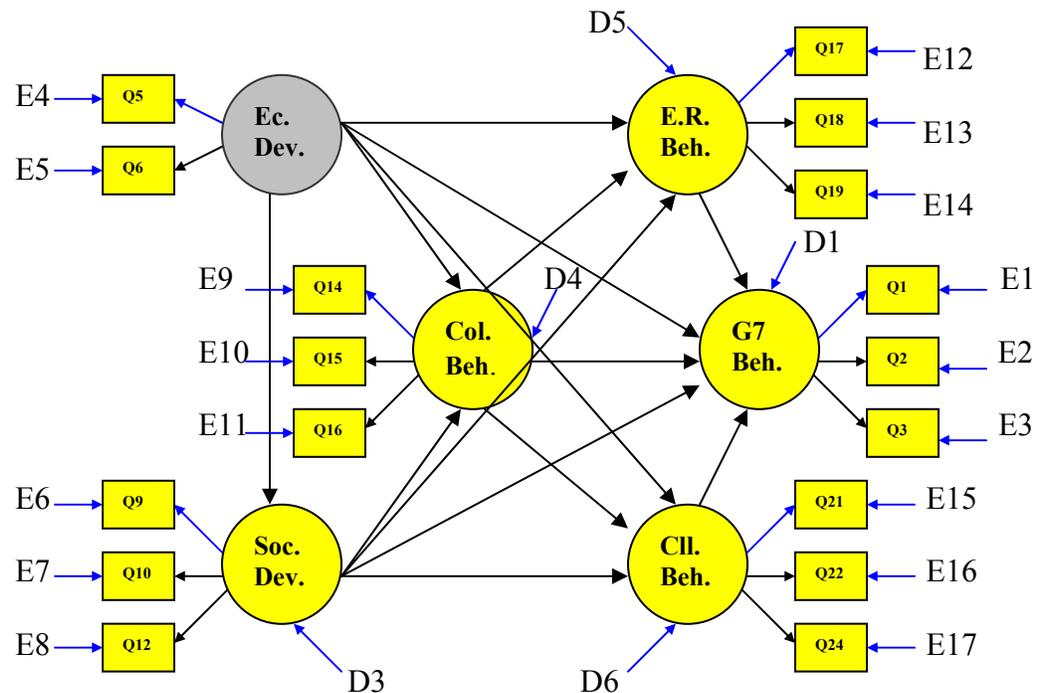


Figure 8.2: Hypothesized Model for Testing Indonesian Business Leaders' Perception of G7 Behaviour

The hypothesized model suggests that *Economic Development* (refer H₁₄) is the only independent construct (factor), directly influencing *Social Development* (refer H₁₅), particularly with respect to availability of wealth (money) and corresponding access to education, health care and general opportunity. The socio-economic environment *experienced* by the individual over his/her lifetime is assumed crucial for continued intellectual development and formation of moral, ethical standards, and values (such as competition, benevolence, fairness and equity, etc). It suggests that this socio-economic setting, coupled with (national and personal) history, both learned and experienced, provides the background for

perception of (external and foreign) *G7 Behaviour*. Is *G7 Behaviour* perceived as *Colonial*, *Economic Rationalist*, or *Collegial*? (refer H₁₁, H₁₂ & H₁₃)

8.6.3.2 Model Identification – Degrees of Freedom

“Model identification focuses on whether there is a unique set of parameters consistent with the data” (Byrne 1994, p.15), that is the “degree to which there is a sufficient number of equations *to solve*, for each of the coefficients (unknowns) to be estimated” (Hair et al. 1998, p.580).

Models can be *just-identified*, where there is a one to one correspondence between the data points and structural parameters (i.e. number of equations equal number of estimated coefficients with no degrees of freedom); *under-identified*, where the number of structural parameters exceeds the number of data points (i.e. cannot be solved); and *over-identified*, where the number of structural parameters is less than the number of data points (Hair et al., 1998; Bentler, 1995). Data points being the variances and covariances of the observed variables (indicators), and degrees of freedom representing the difference between the number of correlations or covariances (data points) and the actual number of coefficients in the model (parameters to be estimated).

Hence, “an *over-identified* model is what the researcher looks for as it results in positive degrees of freedom that allow for the rejection of the model, thereby rendering it of scientific use” (Byrne 1994, p.15).

The hypothesized model offered:

11 measurement regression paths)	
14 structural regression paths)	
17 error variances)	= 48 unknown parameters
5 disturbance variances)	
1 factor variance)	

Table 8.24: Goodness of Fit – Structural Model

Source: Daale, P. 2001, *Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model)*, Document File: 13th and Final Run (Working Papers), 11 September 2001.

S-B χ^2	208.4636*
DOF	105
S-B χ^2:dof ratio	1.985
NFI	.878
NNFI	.907
CFI	.928*
Robust CFI	.926*
IFI	.929
MFI	.725
GFI	.883
AGFI	.829
RMR	.058
SRMR	.071
RMSEA	.079*

(*Robust measure)

Linear Dependency: Although no *warning* messages were created by the EQS program and the structural model (Step 2) converged satisfactorily *without conditions*, the message “MATRIX GFI-ML ... MAY NOT BE POSITIVE DEFINITE” did appear. This indicated possible underlying linear dependency among pairs of measured variables (Hair et al., 1998; Tabachnick & Fidell 1996). Hence, all research questions were again carefully scrutinized to resolve this issue. Consequently, the researcher removed *question 10*, as it appeared linearly dependent with respect to question 9 (theoretical construct – social development). The *adjusted* structural model (Figure 8.3) was then again run through EQS with the following results (Table 8.25):

Table 8.25: Goodness of Fit – Structural Model [Adjusted]

Source: Daale, P. 2001, *Final Study: Optimal Model – Adjusted (Structural Model)*, Document File: Linear Dependency Resolved – Q10 Removed (Working Papers), 17 December 2001.

S-B χ^2	173.5787*
DOF	90
S-B χ^2:dof ratio	1.928

Table 8.25 (Continued)

NFI	.887
NNFI	.913
CFI	.934*
Robust CFI	.934*
IFI	.936
MFI	.764
GFI	.891
AGFI	.835
RMR	.054
SRMR	.068
RMSEA	.078*

(*Robust measure)

All results showed a small and noticeable improvement but most importantly, the issue of “*may not be positive definite*” was resolved. It was now confirmed that the model fitted the data, without reservations.

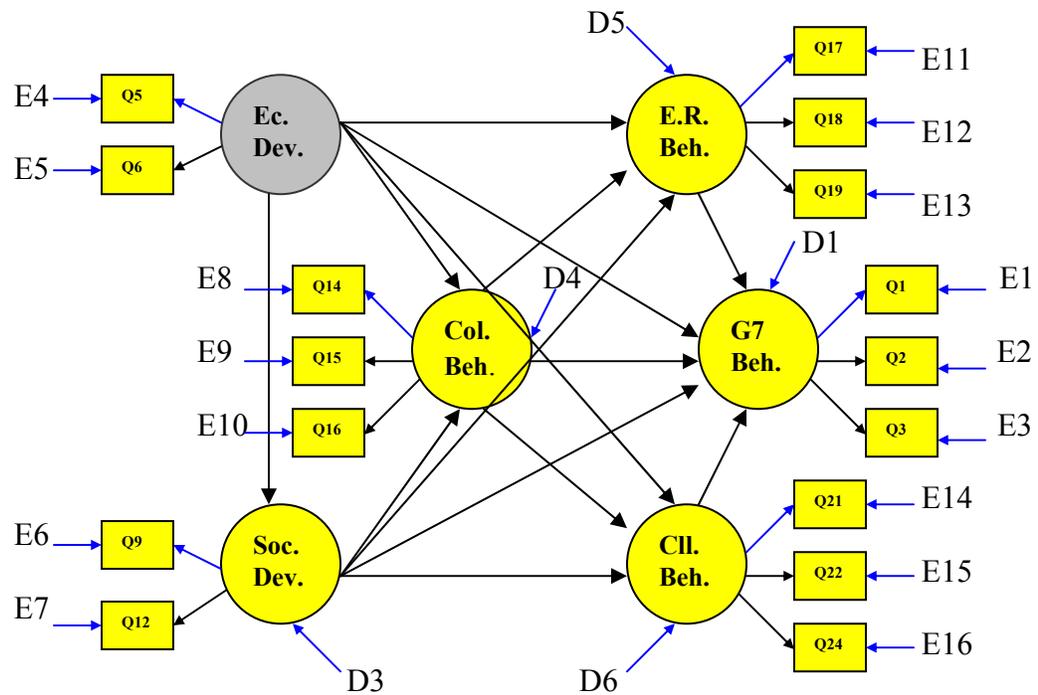


Figure 8.3: Structural Model – Adjusted

Other observations:

- (a) The normalized estimate (Mardia's coefficient) increased marginally but not significantly, from 13.3166 to 14.4792 and;
- (b) Number of free parameters to be estimated decreased from 48 to 46, which was a welcome change with respect to sample size, and;
- (c) With 136 data points and 46 parameters to be estimated, the model remained over-identified with 90 degrees of freedom;
- (d) The determinant of the input matrix also improved from 0.12902E-04 to 0.20239E-04 (multicollinearity & singularity criteria);
- (e) As a double check (a posteriori), the data was also run through a measurement model and findings supported all previous results, with marginal improvements overall [Daale, P. L. 2001, *Final Study – Optimal Data Analysis (Measurement Model - Adjusted)*, Document File: Q10 Removed (DBA Working Papers – Curtin University), 18 December 2001].

8.6.3.4 Model Modification

Although the researcher concluded that the model fitted the data, the question arose whether or not the model could be improved further by either adding additional paths (Lagrange Multiplier test) or by creating a more parsimonious model through deletion of parameters (Wald test).

“The Lagrange Multiplier (LM) evaluates the effect of adding free parameters to a restricted model (ie reducing restrictions on the model), and the Wald (W) evaluates the effect of dropping free parameters from a more complete model (ie adding restrictions to the model)” [Bentler 1995, p.125].

As the model fitted the data, the theory on which the research was based suggested that no restrictions be released or added. Additionally, the researcher

was of the opinion, after examining the suggested pathways offered by LM and W, that no significant improvements were likely.

“The stepwise procedures of the LM and W tests also inflate any potential Type 1 errors” (Tabachnick & Fidell 1996, p.758). Furthermore, each parameter change would have required a post-hoc theoretical justification, which might have confused rather than clarified the proposed theory.

8.6.3.5 Hypotheses Testing

To satisfactorily test the hypotheses, it was necessary to interpret the *construct equations with standard errors and test statistics*. The construct equations measure the extent to which one factor relates to another, that is, the structural path coefficients and t-values between hypothesized constructs, reflecting *direct* relationships (Tabachnick & Fidell, 1996). These structural path coefficients and associated t-values identify and demonstrate both the *direction* and *strength* of each relationship, and as indicated throughout the research, are obtained by using the Robust Maximum Likelihood estimation facility in EQS. “The t-values (Robust scores) need to be significant to support the hypothesized paths and should be above **1.96** or **2.56**, for alpha protection levels of **.05** and **.01**, respectively” (Gefen, Straub & Boudreau 2000, pp.34-35; Byrne 1994, p.60).

The results for the structural relationships are reported in Table 8.26.

Table 8.26: Structural Relationships (Construct Equations)

Source: Daale, P. 2001, *Final Study: Optimal Model – Adjusted (Structural Model)*, Document File: Linear Dependency Resolved – Q10 Removed (Working Papers), 17 December 2001.

Hypothesized Structural Model Path Path	Postulated Path	Standardised coefficient	Z score	Robust Z score
H₁ : Perception of G7 Behaviour (F1), by Indonesian business leaders, is positively associated with their perception of Colonial Behaviour (F4). (Path coefficient significant at $p \geq .01$)	+	.738	9.310	10.344
H₂ : Perception of G7 Behaviour (F1), by Indonesian business leaders, is positively associated with their perception of Economic Rationalist Behaviour (F5).	+	-.008	-0.123	-0.137
H₃ : Perception of G7 Behaviour (F1), by Indonesian business leaders, is negatively associated with their perception of Collegial Behaviour (F6). (Path coefficient significant at $p \geq .01$)	-	-.161	-2.276	-2.572
H₄ : Perception of Economic Development in Indonesia (F2), by Indonesian business leaders, is negatively associated with their perception of G7 Behaviour (F1).	-	-.070	-0.987	-0.851
H₅ : Perception of Social Development in Indonesia (F3), by Indonesian business leaders, is negatively associated with their perception of G7 Behaviour (F1). (Path coefficient significant at $p \geq .05$)	-	.216	2.196	1.898
Results: Hypothesized paths H ₁ and H ₃ are significantly supported at alpha protection levels of .05 and .01 (at Robust); Hypothesized path H ₅ is significantly supported at an alpha protection level of .05 (not at Robust) but opposite to the postulated direction.				
Other Significant Structural Paths (\neq not postulated)	Postulated Path	Standardised coefficient	Z score	Robust Z score
[1] : Perception of Economic Development in Indonesia (F2), by Indonesian business leaders, is significantly associated with their perception of Social Development in Indonesia (F3). (Path coefficient significant at $p \geq .01$)	n/a	.446	4.529	3.855
[2] : Perception of Social Development in Indonesia (F3), by Indonesian business leaders, is significantly associated with their perception of Colonial Behaviour (F4). (Path coefficient significant at $p \geq .01$)	n/a	.276	2.494	2.365
[3] : Perception of Economic Development in Indonesia (F2), by Indonesian business leaders, is significantly associated with their perception of Colonial Behaviour (F4). (Path coefficient significant at $p \geq .01$)	n/a	.305	3.420	2.894

Table 8.26 (Continued)

Other Significant Structural Paths (± not postulated)	Postulated Path	Standardised coefficient	Z score	Robust Z score
[4]: Perception of Social Development in Indonesia (F3), by Indonesian business leaders, is significantly associated with their perception of Collegial Behaviour (F6). (Path coefficient significant at $p \geq .05$)	n/a	.258	2.064	1.957
[5]: Perception of Colonial Behaviour (F4), by Indonesian business leaders, is significantly associated with their perception of Collegial Behaviour (F6). (Path coefficient significant at $p \geq .05$)	n/a	.215	2.196	1.956

Results: Structural paths [1] and [3] are significantly supported at alpha protection levels of .05 and .01 (at Robust);
Structural paths [2], [4] and [5] are significantly supported at an alpha protection level of .05 (at Robust).

(nb: All *path coefficients* [between measured variables and factors in the model] were significant at $p \geq .01$, including the associated *t-values* for the *measurement equations* at an alpha protection level of .01)

Interpretation:

(*Null Hypothesis [H₀] rejected, and: **Null Hypothesis [H₀] accepted)

1. The results provided *strong* support for the principal hypothesis **H₁***:

“Perception of G7 behaviour, by Indonesian business leaders, is positively associated with their perception of colonial behaviour”

The Robust score (+10.344) confirmed the postulated path (+), suggesting that intensifying G7 behaviour is likely to further strengthen perceptions of colonial behaviour.

2. *No* support was found for hypothesis **H₂****:

“Perception of G7 behaviour, by Indonesian business leaders, is (positively) associated with their perception of economic rationalist behaviour”

Although insignificant, the results indicated a negative path (–) in contrast to the one positive path stipulated. The exploratory interviews had indicated some *legitimacy* for G7 countries to behave in the way they did because of their strong economic credentials and market-oriented behaviour (Chapter 6 – Section 6.5). The exploratory interviews also suggested that it was acceptable to exploit any advantages in the market place. This had prompted the researcher to postulate a positive association.

On reflection, it is possible that national sentiment, a colonial legacy and sense of powerlessness during the 1997 – 2001 financial crisis acted as moderating variables.

3. Strong support was found for hypothesis **H₃***:

“Perception of G7 behaviour, by Indonesian business leaders, is negatively associated with their perception of collegial behaviour”

The postulated path (+) was confirmed by the Robust score (-2.572) at a 0.1 alpha protection level. G7 behaviour was clearly seen as the antithesis of collegial behaviour. The literature search also left little doubt about this assumption.

4. No significant support was found for hypothesis **H₄****:

“Perception of economic development in Indonesia, by Indonesian business leaders, is negatively associated with their perception of G7 behaviour”

Findings, although insignificant, did indicate the hypothesis was postulated in the right direction. The researcher can only express similar observations made for point-2 above.

5. There appeared to be *moderate*/significant support at an alpha protection level of .05 for hypothesis (**H₅***):

“Perception of social development in Indonesia, by Indonesian business leaders, is (negatively) associated with their perception of G7 behaviour”

However, the Z score (+2.196) and Robust score (+1.898) did not confirm the postulated path (–) but the contrary. The researcher had expected perceptions of social development to be negatively associated with any increase in G7 behaviour and this proved not to be the case. One can only speculate when analysing the *Other Significant Structural Paths* (\pm not postulated) that, whilst G7 and colonial behaviour may be resented from national independence, historic and cultural sensitivity standpoints, they may also have had a positive influence on Indonesia’s socio-economic living standards post 1945.

Hence, with respect to the *proposed theory* outlined in Chapter 4 (Section 4.3), the hypotheses test results may only provide support to the following extent:

“G7 behaviour is perceived as colonial, by Indonesian business leaders; and is significantly influenced by their perception of social development in Indonesia”.

The findings indicate however, that further research could be justified to analyse the more complex than anticipated relationships between constructs *colonial behaviour*, *G7 behaviour* and *economic development*. The exploratory interviews already hinted at a possible number of intervening variables such as the perception that colonial behaviour, whilst clearly perceived as being exploitative in nature (negative influence), was occasionally described as providing necessary discipline required for economic advancement and civic order (positive influences). This may account for the unpredicted positive association between

colonial behaviour and economic development, and collegial behaviour (*Other Significant Structural Paths* – Table 8.26).

It is likely that other unexplored feelings such as nationalism and diversity of cultural values could also prove to be influential mediating variables. A longitudinal study, proving causal relationships, would be desirable to confirm these assumptions.

Had the sample size of this research project been more substantial, the effects of ethnic origin such as Indonesian-Chinese vis a vis Native-Indonesian (Pribumi) and age could also have been explored.

8.6.3.6 Summary

The *Final Stage* (Study 2 – Stage 2) based on the work and findings of the preceding exploratory interviews (Study 1) and pilot stage (Study 2 – Stage 1), employed confirmatory factor analysis and structural analysis *to test a model and theory* about various perceptions of Indonesian business leaders with respect to G7 behaviour. The earlier exploratory stage refined the insights provided by the literature review and allowed for refinement of the proposed theory and formulation of hypotheses. The exploratory stage also revealed some tentative glimpses of possible mediating influences and ultimately provided the necessary data for the construction of the pilot questionnaire. The pilot allowed the observed variables (questions/indicators) and underlying hypothetical constructs to be thoroughly tested, to create a user-friendly, valid and reliable measuring instrument (*final questionnaire*) for the last stage. The final analysis tested the hypotheses and proposed theory and used the statistical program EQS.

The final questionnaire yielded data from 203 Indonesian business leaders, representing a single cross-sectional random sample, described in Section 8.3 of

this study (Sample Selection –Demographic Data of Respondents). The data was evenly split between native Indonesian and Indonesian Chinese business leaders and was predominantly male. Due to the limited sample size, means and standard deviations of responses based on ethnic difference were not considered. However, this should remain an option for future research.

After a preliminary analysis, the measurement model was refined until a good fit was achieved by sequentially removing a limited number of cases (responses) contributing disproportionately to normalized multivariate kurtosis, and items with high residual values. Cronbach's alpha and construct reliability values supported the model's reliability and satisfied the benchmark levels. Variance extracted measures mostly satisfied reliability criteria but to a somewhat lesser extent. Discriminant validity of the model was clearly established.

Once the measurement model was accepted, the structural relationships among the latent variables (one independent and five dependent) were tested (structural model). These relationships were justified in the literature review, originally presented at Candidacy (September 1999) and subsequently continued throughout the exploratory and pilot stages of the research. The structural relationships outlined in the model also reflected the two key research questions and four objectives on which the proposed research theory was based. Five (5) hypotheses were developed from these and presented with appropriately justified structural paths.

Moderate to good measures of fit were developed for the structural model and all structural path estimates were calculated and presented. Results provided strong support for the principal hypothesis, positively associating Indonesian business leaders' perceptions of G7 and colonial behaviour. A significant link was also found between perception of social development in Indonesia and G7 behaviour, but opposite to the postulated direction. No direct link was supported between economic development in Indonesia and G7 behaviour but the latter was clearly

associated, negatively, with collegial behaviour. Consequently, the proposed theory about perception of G7 behaviour was supported but not with respect to perception of economic development.

It is possible that ethnic origin, associated relative feelings of nationalism, financial-political privileges/exclusions, age and marked cultural differences may have been mediating influences on perceptions of economic development and G7 behaviour. These additional variables are recommended for inclusion into future research, with a sample size closer to 400 participants maximum (valid responses).

To conclude, the researcher argues that results support the theory:

“G7 behaviour is perceived as colonial, by Indonesian business leaders; and is significantly influenced by their perception of social development in Indonesia”

Chapter 9

Conclusions, Implications and Recommendations for Future Research

9.1 Research Project Summary

Based on an extensive literature review and a number of exploratory interviews, the research project examined a proposed theory, that G7 behaviour was perceived as colonial by Indonesian business leaders and, that this perception was significantly influenced by their view of social and economic development in Indonesia. The researcher assumed that this perception would be more apparent during a period of severe financial crisis for Indonesia, when dependence on foreign capital (IMF, WB loans) would be greater. Hence the primary field research (survey) was carried out in 2001, during a time referred to in Indonesia as the 1997-2001 KRISMON (monetary crisis) period.

The background for the research project was considered an environment based on World-Systems theory, Intentional Underdevelopment and Dependency theory, Enlightenment theory, and Institutions theory, most of which engendered key competitive elements reflecting win-lose outcomes to varying degree for participants in a global capitalist economic development race.

The assumption was made that historic legacy and cultural sensitivities matter. That, often development outcomes may be hindered or impeded by a lack of

consideration for these issues, particularly during times of financial crisis when economic development and social progress are at risk.

To test the theory, a number of hypotheses were tested. The necessary field data was obtained through a survey-based questionnaire, which was first thoroughly tested for reliability and validated through a pilot stage (Study 2 – Stage 1). Key constructs and their measured variables were defined and final relationships between the constructs were determined through an EQS structural equation modeling (SEM) technique based on the simplified Bentler-Weeks mathematical model (Study 2 – Stage 2).

Overall, the integrity of the positivist research design was maintained throughout the research project and most importantly a *significant* random sample size of 203 valid responses for SEM was achieved. The final results clearly indicate significant support for the proposed theory with the exception of the social development construct.

9.2 Overview of the Results of Analyses

The 1997 monetary crisis in Asia and subsequent collapse of the Indonesian rupiah (80% devaluation by 1998) followed by an initial literature review, raised two fundamental research questions for this study (Chapter 4):

(1) Is G7 behaviour (ie: G7 influence over IMF & WB multi-lateral loans extended to Indonesia, IMF Structural Adjustment Programmes imposed on Indonesia, and G7 member bi-lateral loans to Indonesia) perceived as colonial (ie: exploitative & controlling), economic rationalist (ie: bi-partisan, market driven & value free), or collegial (ie: beneficial & philanthropic) in nature by Indonesian business leaders?

and;

(2) How does perception of economic and social development in Indonesia by Indonesian business leaders, affect their view of G7 behaviour?

Then, from the full literature review (Chapter 2) and exploratory interviews, which followed, the proposed theory was formulated (Chapter 4):

“G7 behaviour is perceived as colonial by Indonesian business leaders; and is significantly influenced by their perception of socio-economic development in Indonesia”

This theory was tested through five hypotheses (Chapters 4 and 8):

H₁₁: Perception of G7 behaviour, by Indonesian business leaders, is positively associated with their perception of colonial behaviour.

H₁₂: Perception of G7 behaviour, by Indonesian business leaders, is positively associated with their perception of economic rationalist behaviour.

H₁₃: Perception of G7 behaviour, by Indonesian business leaders, is negatively associated with their perception of collegial behaviour.

H₁₄: Perception of economic development in Indonesia, by Indonesian business leaders, is negatively associated with their perception of G7 behaviour.

H₁₅: Perception of social development in Indonesia, by Indonesian business leaders, is negatively associated with their perception of G7 behaviour.

The results (Chapter 8) provided strong support for hypotheses **H₁₁** and **H₁₃** (path coefficient significant at 0.1 alpha protection level) and moderate support for hypothesis **H₁₅** (path coefficient significant at 0.5 alpha protection level). Some

support was found for **H₁₄** but only to the extent the hypothesis was postulated in the right direction (-). No support at all was demonstrated for hypothesis **H₁₂**, which was surprising.

These combined results support the proposed theory to a limited extent and can be summarized as:

“G7 behaviour is perceived as colonial, by Indonesian business leaders; and is significantly influenced by their perception of social development in Indonesia”

Whilst pleasing that the principal hypothesis (**H₁**) was confirmed, the overall findings indicated that the postulated relationships were more complex than anticipated. Particularly, the anticipated relationships between colonial behaviour, G7 behaviour and *economic development* were surprising.

The early work in the research project had already suggested the possible existence of mediating variables. Colonial behaviour was clearly described as exploitative in the literature with respect to administered (occupied) territories but at the same time identified with or linked to a concept of *discipline* for economic development in the exploratory interviews. It is possible that individuals by the very nature of *foreign* domination will always resent an occupying power to a greater or lesser extent, whilst simultaneously admiring (internalised feeling) the prosperity and infrastructure created by the foreign power for its own citizens, and desiring similar outcomes at home. The strength of resentment felt would likely vary according to degree of perceived exploitation (including repatriation of valuable resources and treatment of citizens in the occupied territory) and ability to participate in economic development and comparable prosperity. This assumption appears to be supported by some of the *other significant structural paths* not postulated by the researcher (Table 8.26 – [1], [2], [3] and [5]).

Figure 9.1 below shows the other significant structural paths (dotted lines) not postulated by the researcher:

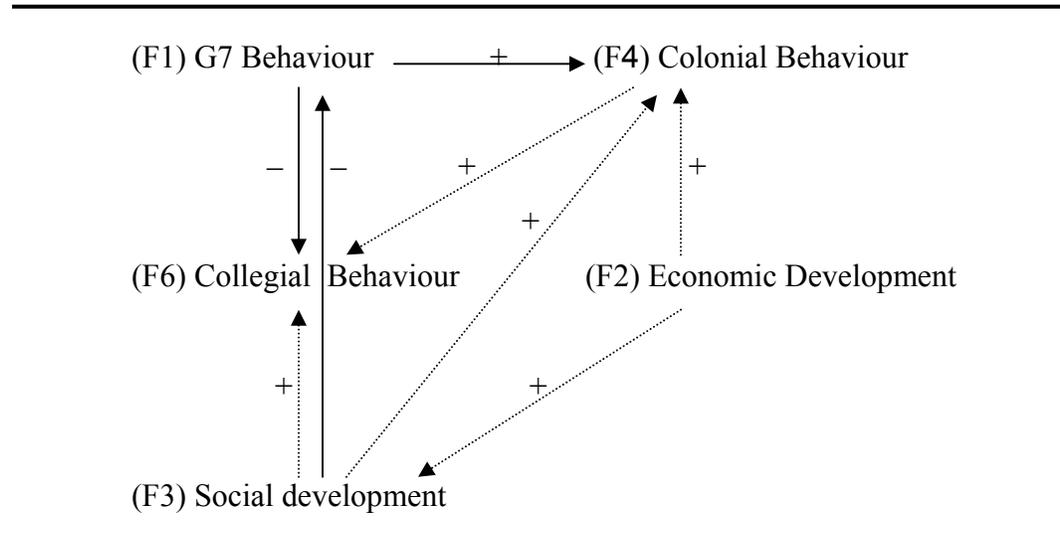


Figure 9.1: Significant Associations – Structural Model

(Source: Table 8.25)

Whilst no hypotheses were defined to test these *other* paths, on the strength of the additional data it is not unreasonable to speculate that the degree of benefit derived from economic development introduced by the colonial power may have been perceived to be associated with new social development opportunities (education, health, etc) becoming available to the local population, and; that although colonial domination was ultimately considered undesirable, the foreign power may have gained some respect for the wealth it created (albeit exported to the home country) through tough economic management and a willingness to implement a fairly brutal discipline to achieve its goals.

The positive association between colonial behaviour and collegial behaviour is harder to understand. Perhaps this may have been influenced by the more benign aspects of post-1945 unilateral development aid to/and foreign investment in Indonesia by the former colonial power and possibly too, the active participation of the Netherlands in the IGCI (Intergovernmental Committee for Indonesia) for many years. There is also a likelihood that the pre-1945 elite continues to be well

represented in leading business circles today, many of their now senior members having been educated at universities abroad (Leiden, Rotterdam, Utrecht, etc).

Cultural sensitivity and cross-cultural understanding are also likely to provide a mediating influence on outcomes. The exploratory interviews suggested that views varied between Chinese Indonesians and native Indonesians (pribumi), particularly with respect to a sense of national identity. Some participants identified the inappropriate treatment of their particular ethnic group (Chinese Indonesian) during the height of the financial crisis (1998) and previous horrendous experience during the 1965 coup as a key-contributing factor to a lesser sense of Indonesian nationalism. Additionally, the literature review had identified references to post 1945 (to 2001) colonial attitudes held by the central government in Jakarta towards islands other than Java. Hence, the picture is complex and not simply Indonesia and the outside world but also the possible marked differences within the country amongst a multitude of different ethnic groups.

9.3 Limitations of the Research Project

In addition to the limitations already identified in Chapter 1 (Section 1.7) and that attributed to the sampling technique for the final stage (Chapter 5 – Section 5.4.1 and Chapter 8 – Section 8.3), some further limiting factors warrant discussion.

- (a) Cross-sectional survey: The research project was based on a cross-sectional survey, reflecting a single moment in time. This allowed the researcher to determine *degree of association* between specified constructs along a specific postulated path (+ or –), to determine support for a proposed theory.

The research design consequently could not explore or determine *cause and effect* eg between colonial behaviour and economic development.

Should this be a desired outcome, longitudinal research would be required and ideally with multiple random sample populations.

- (b) General application: The focus of the research project was on Indonesian business leaders, as the assumed key players in current economic development of the Unitary Republic of Indonesia, a former colonial territory (Dutch East Indies).

Whilst the research project made no statement that the results would be equally applicable to other developing nations and former colonial territories, a strong assumption is made that generalizations can be made to other nations in similar circumstances and background.

To prove that this would indeed be the case, a similar cross-sectional survey should be carried out (ideally, simultaneously) in several developing and Third World countries with shared characteristics and geographically placed in different continents (eg Asia, Africa, India and South America). The same observations as in (a) apply for cause and effect to be established.

- (c) Ethnic and geographic differentiation: The research project did not differentiate on ethnic background and geographic differentiation within Indonesia to any significant extent. Considering the number of different ethnic groups within Indonesia and distant trading centres within the archipelago, this is a likely to be an important limitation.

Whether cross-sectional or longitudinal research is chosen, to address this issue it would be desirable to identify the major population groups close to the most important centres of economic activity in Indonesia and include these in any surveys. Drawbacks of course to such an approach are expense of delivery, required time and distance.

- (d) Military and political “Dwifungsi”: The research project ignored the former official dual role (dwifungsi) of the military in business development (all sectors) and the continuing fact that many Indonesian politicians have very significant business interests. Most Indonesian presidents and their extended families were at the apex of Indonesian business life.

The research project did not set out to include any senior military officers and politicians who continue to exercise control over significant industries. As the sample was random and anonymous, no determination can be made that any members of these groups were included in the sample. Should the sample be exclusive, this would need to be taken into account when evaluating the results.

- (e) Co-Operative industry sector: The Indonesian Co-operative sector was excluded from the research project, primarily on the grounds that their *individual* business member entities would unlikely be classified as medium to large enterprises.

Considering the extent of coverage some Indonesian co-operative structures have (million+ members) and that a specific ministry exists in Indonesia for this sector, it may represent a limitation for the project.

In the light of an apparent absence of similar studies having been undertaken in the past, the researcher considered the chosen research design and approach appropriate as a first major step. Future research, building on the findings of this present research project, will at least have a comparative starting point and access to a reliable and valid measuring instrument.

9.4 Implications of the Results

The results make a very modest contribution towards a better understanding of how Indonesian business leaders perceive the actions of the G7 group towards Indonesia such as often imposed structural adjustment reforms for economic development. The findings shed light on resistance to change, often negotiated in less than ideal circumstances (KRISMON 1997-2001), to foreign initiated demands (IMF, WB, etc) for structural reform in the Indonesian domestic economic, legal and financial sectors.

The results clearly indicate that the colonial history of Indonesia, the associated exploitation and consequent poverty are still remembered by its citizens and as such could have a negative impact on bi-lateral and multi-lateral negotiations for business reform, investment and development if the key participants in any major negotiation process ignore the associated cultural sensitivities. Whilst understanding can always be considered a two-way street, it is not unreasonable to expect that the greater onus might be placed with any more powerful party such as the IMF, WB, G7, individual G10 members and other international players, particularly if the more powerful party is represented or controlled by former colonial powers.

The results are equally applicable to individual foreign leaders and corporations seeking to develop new and/or better relations, joint-ventures, alliances and other cooperative outcomes in Indonesia especially but also in developing and Third World countries in generally.

The implications are that ignorance of history, a lack of appreciating cultural differences and sensitivities are likely to hinder international trade, equitable global economic development and sustainable commonwealth. Even more so, the implication of ignorance so outlined, will unnecessarily inflame and reinforce

negative sentiments during times of crisis, which require mutual respect and understanding between different parties to achieve lasting and fair resolution. During recent crises often the accusation is made that the G7, the IMF and the World Bank have a colonial approach when dealing with developing countries in crisis. Most leaders of these developing countries would likely not disagree with many of the structural demand reforms put forward for their countries to continue to receive foreign aid and development loans, but publicly rankle at the manner in which these demands are framed. Widely reported comments abound ascribed to leaders in Asia, the Middle East and Africa about the aggressive approach taken by many Western leaders and the economic / financial institutions effectively under their control.

It would be a loss if such findings as identified by this research project would simply be ignored on the grounds of economic and financial expediency, or because financial power translated into economic and military might is always right.

Leaders from developing countries across the many sectors in politics and business are more than aware that corruption, a lack of transparency in financial dealings and legal/banking infrastructure inefficiency are major stumbling blocks towards economic progress in their countries. Mostly issues, which have been addressed in the OECD countries through institutional reform since many years. To ensure the same standards are implemented and effectively enforceable in developing countries to sustain significant economic progress, leaders from both sides are urged to explore solutions in a manner respectful of cultural differences and aware of historical injustices. Ignoring such sensitivities, some of which have been researched in this project, is likely to perpetuate conflict and impede equitable economic progress.

9.5 Reflections on Methodology, Design and Method

On reflection, the chosen methodology to carry out the research proved appropriate for the project. However, as progress was made, a number of issues became apparent, which deserve consideration.

Based on the initial exploratory study (semi-structured open-ended interviews), which was a purely qualitative exercise in combination and in parallel with the literature review (Study 1), followed by a quantitative research paradigm (Study2: Stages 1&2) pilot and final stage, the researcher would suggest that a future research project with similar intent may be well served by considering a *mixed-method* research paradigm. Some may view this as a somewhat controversial observation but there appears to be a growing body of well-reasoned evidence that such an approach will enhance rather than detract from survey-based research, particularly when new measuring instruments need to be developed. An excellent reference, to back up this observation would be Creswell's (2003) publication on "Research Design – Qualitative, Quantitative and Mixed Methods Approaches".

A second issue to consider is the much greater difficulty in accessing sample populations abroad, particularly in developing countries experiencing a severe financial and economic crisis. Would this research project have taken place in Australia and with local focus, the time frame required would undeniably have been reduced by a full twelve months and at a lesser cost. This may not be the ultimate consideration for quality research but it was certainly underestimated by the researcher, in spite of his previous experience living in Indonesia.

Third, whilst the chosen method was a cross-sectional survey applied to a *single* population (Indonesian), the outcome might have been more powerful if a second cross-sectional survey could have been carried out simultaneously in a *second* developing country such as Malaysia. This would have allowed a more in-depth exploration of 'colonial behaviour' perceptions, based on different historical

legacies. The literature suggests that English colonial occupation left a more robust public infrastructure behind (railways, postal services, administration and law) than the Dutch colonial system, which might have served newly independent countries better in their struggle to successfully integrate into a global free market place.

An alternative to this last observation, possibly less costly and time consuming could be a stratified sample population within a single country, subjected to multi-level or nested-model analysis (SEM).

9.6 Recommendations for Future Research

The researcher's recommendations for future research are primarily based on the project's limitations (including those listed in Chapter 1 – Section 1.7) and reflections on methodology, research design and method.

Therefore, it is appropriate to recommend that at least the following issues be incorporated into future similar research projects:

- (a) Ethnic differentiation (parallel surveys or nested models);
- (b) Simultaneous survey of at least two locations (developing nations sharing similar colonial legacies) and preferably more (eg Indonesia [Dutch], Malaysia [English], Argentina [Spanish] and Brazil [Portuguese]);
- (c) Longitudinal research project, to determine cause and effect;
- (d) Particularly if limited to one developing country, stratify sample populations into socio-economic groups (wealthy elite, middle class and working poor), and;

- (e) In consideration of low-income status of many developing countries and continued reliance on agriculture, distinguish between urban and rural areas when interpreting results.

Additionally, the researcher recommends the use of structural equation modeling (SEM) as a very appropriate, versatile and user-friendly analytical tool for any *similar* research project incorporating the above listed issues, to evaluate (ie specify, estimate and test) hypothesized interrelationships among a number of substantive theoretical constructs. Whilst several SEM programmes are available and the researcher was introduced to LISREL, EQS, and AMOS in preparation for this project, the EQS programme based on the simplified Bentler-Weeks mathematical model is recommended, as it incorporates a unique *Robust* Maximum Likelihood estimation facility particularly suited to small sample non-normal data.

9.7 Conclusion

By and large, the research outcome provided significant support for the proposed theory, that:

“G7 behaviour is perceived as colonial, by Indonesian business leaders; and is significantly influenced by their perception of social development in Indonesia”

The challenge is now extended to others, to build on these research findings and further contribute to cross-cultural understanding, to enhance mutual respect and cooperation.

Finally, we need to remind ourselves when concluding a research project (quantitative or qualitative) that “the critical search for truth is constrained to

be tolerant of ambiguity and pluralism, and its outcome will necessarily be knowledge that is relative and fallible rather than absolute or certain. Hence, the quest for knowledge must be endlessly self-revising” (Tarnas 1991, p.396).

“All human understanding is interpretation, and no interpretation is final”
(Tarnas 1991, p.397)

References and Bibliography

- Acemoglu, D., Johnson, S. & Robinson, J. A. 2001, *Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution*, National Bureau of Economic Research, Cambridge, MA [Online]. Available: www.nber.org/papers/w8460 [2002, April 7].
- Aguiton, C., Petrella, R. & Udry, C-A. 2001, 'The Mechanisms of Exclusion', in *The Other Davos: The Globalization of Resistance to the World Economic System*, eds F. Houtart & F. Polet, Zed Books Ltd, London, p.27.
- Ajayi Ade, J. F. 2000, *Unfinished Business: Confronting the Legacies of Slavery and Colonialism in Africa* (UN International Day for the Abolition of Slavery 2000) [Online]. Available: www.africacentre.org.uk/Unfinishedbusinesspapers.htm [2002, April 30].
- Alexander, R. T. 1999, 'The Emerging World-System and Colonial Yucatán: The Archeology of Core-Periphery Integration, 1780-1847', in *World-Systems Theory in Practice: Leadership, Production, and Exchange*, ed P. N. Kardiulas, Rowman & Littlefield Publishers Inc, Lanham, pp. 105,118,118.
- All-African People's Conference (Accra) 1958, 'Resolution on Imperialism and Colonialism', *All-African People's Conference News Bulletin*, Vol.1, No.4, 1959, pp.1,2 [Online]. Available: www.fordham.edu/halsall/mod/1958-aapc-res1.html [2002, April 13].
- Anderson, B. 1991, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, Verso, New York.
- Anderson, J. C. & Gerbing, D. W. 1992, 'Assumptions and Comparative Strengths of the Two-Step Approach: Comment on Fornell and Yi', *Sociological Methods & Research*, Vol.20, No.3 (February), pp.321-333.
- Arndt, H. W. 2000, 'Going It Alone: The Rise of Separatism', *The Australian Financial Review*, 14 January, p.5.

- Arrighi, G. 1999, 'The Global Market', *Journal of World-Systems Research*, Vol.5, Nr.2, Spring 1999, pp. 199-224 [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/v5n2a4.htm> [1999, September 28].
- Arrighi, G. 1999, 'The Global Market', in *Introduction: The Future of Globalization*, ed S. Manning, *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999), p.139 [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/v5n2intro.htm> [1999, September 28].
- Ashcroft, B. 2001, *Post-Colonial Transformation*, Routledge, London.
- Ashraf, A. 1997, 'Conspiracy Theories and the Persian Mind', in *Encyclopaedia Iranica*, Abadan Publishing Co, pp.1-5 [Online].
Available: www.iranian.com/May96/Opinion/Conspiracy.html [2002, Apr 13].
- Ayittey, G. B. N. 1994, 'Aid for Black Elephants: How Foreign Assistance Has Failed Africa', in *Perpetuating Poverty: The World Bank, the IMF, and the Developing World*, eds D. Bandow & I. Vasquez, CATO Institute, Washington, pp.125-126,127.
- Bhagwati, J. 2003, 'Criticism of Free Trade', *Businesspundit* [Online].
Available: www.businesspundit.com/archives/000588.html [2004, February 7].
- Bhagwati, J. 2004, *In Defense of Globalization: How the New World Economy Is Helping Rich and Poor Alike*, Oxford University Press, N.Y.
- Bailin, A. 2001, *From Traditional to Institutionalized Hegemony: G8 Governance* [Online]. Available: www.g7.utoronto.ca/g7/scholar/bailin/bailin2000.pdf [2001, August 2].
- Bales, K. 1999, *Disposable People: New Slavery and the Global Economy*, University of California Press, Berkeley.
- Bandow, D 1994, 'The IMF: A Record of Addiction and Failure', in *Perpetuating Poverty: The World Bank, the IMF, and the Developing World*, eds D. Bandow & I. Vasquez, CATO Institute, Washington, pp.31,32-36.
- Bandow, D. & Vasquez, I (eds) 1994, *Perpetuating Poverty: The World Bank, the IMF, and the Developing World*, CATO Institute, Washington.

- Barker, G. 1999, 'Business groups chary on open aid for East Timor', *The Australian Financial Review*, 4 November.
- Barrett-Lennard, B. 2001, *Anti-Globalisation*, Beach Box Books, Mornington.
- Bello, W., Cunningham, S. & Rau, B. 1994, *Dark Victory: The United States, Structural Adjustment and Global Poverty*, Pluto Publishers, London.
- Bentler, P. M. 1990, 'Comparative Fit Indexes in Structural Models', *Psychological Bulletin*, Vol.107, No.2, pp.238-246.
- Bentler, P. M. 1995, *EQS Structural Equations Program Manual*, Multivariate Software Inc, Encino CA.
- Bentler, P. M. & Dudgeon, P. 1996, 'Covariance structure analysis: statistical practice, theory, and directions', *Annual Review of Psychology*, Vol.47, p.563(30) [Online]. Available: http://web3.searchbank.com/infotraining/session/135/774/28240338w3/23!bmk_5 [1998, September 11].
- Bentler, P. M. & Wu, E. J. C. 1995, *EQS for Windows User's Guide*, Multivariate Software Inc, Encino CA.
- Boediono 2001, *The Fund-Supported Program in Indonesia: Comparing Its Implementation Under Three Regimes* [Online].
Available: www.imf.org/external/np/pdr/cond/2001/eng/sem/071001bo.htm [4 February 2004].
- Blomstrom, M. & Hettne, B. 1984, *Development Theory in Transition: The Dependency Debate and Beyond - Third World Responses*, Zed Books, London.
- Bollen, K. A. 1989, *Structural Equations with Latent Variables*, Wiley, NY.
- Bollen, K. A. 1990, 'Overall Fit in Covariance Structure Models: Two Types of Sample Size Effects', *Psychological Bulletin*, Vol.107, No.2, pp.256-259.
- Bond, P. 1999, 'Global Economic Crisis: A View From South Africa', *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999) [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/v5n2all.htm> (1999, September 28)

- Boomsma, A. 1983, 'On the robustness of LISREL (maximum likelihood estimation) against small sample size and nonnormality', University of Groningen – Netherlands (unpublished doctoral dissertation), in Holmes-Smith, P. 1999, *Introduction to Structural Equation Modelling Using LISREL and AMOS – Teaching Notes*, SREAMS (ACSPRI Winter Program), University of Western Australia, Perth, p.105.
- Booth, A. 1998, *The Indonesian Economy in the Nineteenth and Twentieth Centuries: A History of Missed Opportunities*, MacMillan Press Ltd, London.
- Bornschier, V. 1998, 'The Civilizational Project and Its Discontents: Towards a Viable Global Market Society', in *Introduction: The Future of Globalization*, ed S. Manning 1999, *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999), p.138 [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/v5n2intro.htm> [1999, September 28].
- Bornschier, V. & Chase-Dunn, C. 1985, *Trans-National Corporations and Underdevelopment*, Praeger Publishers, New York.
- Bretton Woods Committee* [Online]. Available: www.brettonwoods.org [2002, May 28].
- Brim, J. A. & Spain, D. H. 1974, *Research Design in Anthropology – Paradigms and Pragmatics in the Testing of Hypotheses*, Holt, Rinehart and Winston Inc, New York.
- Brislin, R. W. 1976, 'Comparative Research Methodology: Cross-Cultural Studies', *International Journal of Psychology*, Vol.11, Nr.3, pp.215-229.
- Brislin, R., Lonner, W. & Thorndike, R. 1973, *Cross-Cultural Research Methods*, John Wiley, New York.
- British Indonesia Committee (Taylor, J.) 1974, *Regression and Exploitation in Indonesia*, Bertrand Russell Peace Foundation, Nottingham.
- Budiman, A. (ed) 1990, *State and Civil Society in Indonesia*, Monash Papers on Southeast Asia – No.22 (Monash University – Centre of Southeast Asian Studies), Aristoc Press Pty Ltd, Glen Waverley.

- Burchill, S. 1999, 'In-Your-Face Globalisation Yields Democratic Deficit', *The Australian Financial Review*, 12 August.
- Burchill, S. 2000, 'Exposing the Limits of Thinkable Thought: On Thought Control in the Free World', *The Australian Financial Review*, 18 Feb., p.3.
- Busia, K. 1967, *Colonialism: Africa in Search of Democracy*, Routledge and Kegan Paul, London.
- Byrne, B. M. 1994, *Structural Equation Modeling with EQS and EQS/Windows – Basic Concepts, Applications, and Programming*, SAGE Publications Inc, Thousand Oaks, CA.
- Cambridge International Dictionary of English 2001* [Online]. Available: http://dictionary.cambridge.org/define.asp?key=colony*1+0 [2002, February 3].
- Caufield, C. 1996, *Masters of Illusion: The World Bank and the Poverty of Nations*, Henry Holt and Company Inc; New York.
- Césaire, A. 1955, *Discours sur le colonialisme*, French & European Publications, ISBN 0828890838.
- Césaire, A. 1950, 'Discourse on Colonialism' (Translated by Joan Pinkham 2000), in *Needham on Césaire, A. Needham 2001, Journal of Colonialism and Colonial History*, Vol.2, Nr.2 (Fall 2001) [Online]. Available: http://muse.jhu.edu/journals/journal_of_colonialism_and_colonial_history/v002/2.2needham.html [2002, April 30].
- Chase-Dunn, C. 1990, 'Resistance to Imperialism: Semiperipheral Actors', *Review*, Vol.13, Nr.1, p.31.
- Chase-Dunn, C. 1999, 'World-Systems Theory in Practice – Foreword', in *World-Systems Theory in Practice: Leadership, Production, and Exchange*, ed P. N. Kardiulas, Rowman & Littlefield Publishers Inc, Lanham, p.xi,xi,xii.
- Chase-Dunn, C. 1999, 'Globalization: A World-Systems Perspective', *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999) [Online]. Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/Chase-Dunn/v5n2a3.htm> [1999, September 28].

- Chatterjee, P. 1986, 'Nationalist Thought and the Colonial World', in *Nationalism and Cultural Practice in the Postcolonial World*, N. Lazarus, Cambridge University Press, Cambridge, pp.128-129.
- Chauvel, R. 2000, 'Islands of Discontent', *The Australian Financial Review*, 22-23 January, p.22.
- Chossudovsky, M. 1998, *The Globalization of Poverty: Impacts of IMF and World Bank Reforms*, Pluto Press, Annandale, NSW.
- Clarke, B. 1998, 'The Asian Financial Crisis' (ABC Interview), *Money, Markets and the Economy* [Online]. Available: www.abc.net.au/money/vault/programs/prg12.htm [2004, February 7].
- Club de Paris, *Paris Club: Permanent Members and Other Official Creditors* [Online]. Available: <http://www.clubdeparis.org> [2002, January 5].
- Coakes, S. J. & Steed, L. G. 1999, *SPSS – Analysis without Anguish*, John Wiley & Sons Australia Ltd, Milton.
- Colenbrander, H. T. 1925, 'Koloniale Geschiedenis' (Colonial History), in *Indonesian Trade and Society – Essays in Asian Social and Economic History*, J. C. van Leur, W. van Hoeve Publishers Ltd, The Hague, p.89).
- Cooper, R. 2000, 'Sen and Sensibility: The Road from Serfdom', *The Australian Financial Review*, 28 January, p.6.
- Cornell, A. 1999, 'A Non-Market, Socialist Economy', *The Australian Financial Review*, 12 June
- Cornell, A. 2000, 'IMF Advised to Increase Rates for Tardy Borrowers', *The Australian Financial Review*, 10 July, p.23.
- Coronil, F. 2000, 'Towards a Critique of Globalcentrism: Speculations on Capitalism's Nature', in *Millennial Capitalism and the Culture of Neoliberalism*, eds J. Comaroff & J. L. Comaroff, Public Culture – University of Chicago, Chicago.
- Cox, E. 1995, *A Truly Civil Society* (1995 Boyer Lectures), Australian Broadcasting Corporation, Sydney.
- Creswell, J. W. 1994, *Research Design – Qualitative and Quantitative Approaches*, Sage Publications, London.

- Creswell, J. W. 2003, *Research Design – Qualitative, Quantitative, and Mixed Methods Approaches*, Sage Publications, London.
- Daale, P. L. 2000, *Peripheral Decolonization and Global Coloniality – Perspectives from the core and periphery, with illustrations from Indonesia*, Asia Pacific Researchers in Organization Studies 2000 Conference on ‘Organizing Knowledge, Economies and Societies [World-Systems Session], University of Technology Sydney.
- Daale, P. L. 2000, *Principal Components: Factor Analysis – G7 Behaviour*, Document File: Factor Analysis (DBA Working Papers – Curtin University), 21 October 2000.
- Daale, P. L. 2000, *Principal Components: Factor Analysis – Economic Development*, Document File: Factor Analysis (DBA Working Papers – Curtin University), 21 October 2000.
- Daale, P. L. 2000, *Principal Components: Factor Analysis – Social Development*, Document File: Factor Analysis (DBA Working Papers – Curtin University), 21 October 2000.
- Daale, P. L. 2000, *Principal Components: Factor Analysis – Colonial Behaviour*, Document File: Factor Analysis (DBA Working Papers – Curtin University), 21 October 2000.
- Daale, P. L. 2000, *Principal Components: Factor Analysis – Economic Rationalist Behaviour*, Document File: Factor Analysis (DBA Working Papers – Curtin University), 21 October 2000.
- Daale, P. L. 2000, *Principal Components: Factor Analysis – Collegial Behaviour*, Document File: Factor Analysis (DBA Working Papers – Curtin University), 21 October 2000.
- Daale, P. L. 2000, *Principal Components: Exploratory Factor Analysis – 24 Indicators*, Document File: Factor Analysis [DBA Working Papers – Curtin University], 1 November 2000.
- Daale, P. L. 2001, *Frequency Tables – Final Study*, Document File: Final Study (DBA Working Papers – Curtin University), 25 May 2001.

- Daale, P. L. 2001, *Initial Run – Measurement Model (24 Variables – 6 Constructs)*, Document File: Initial, 2nd, 3rd, 4th, and 5th Run (DBA Working Papers – Curtin University), 19 August 2001.
- Daale, P. L. 2001, *Final Study – Optimal Data Analysis (Measurement Model) and Optimal Model (Structural Model)*, Document File: 13th and Final Run (DBA Working Papers – Curtin University), 11 September 2001.
- Daale, P. L. 2001, *SPSS (Preliminary) & EQS (Measurement Models) File*, [DBA Working Papers – Curtin University], 23 September 2001.
- Daale, P. L. 2001, *Final Study – Optimal Data Analysis (Measurement Model)*, Document File: Discriminant Validity Analysis – Combining Factors 1 [G7 Behaviour] and 4 [Colonial Behaviour] from the 6 Factor Model (DBA Working Papers – Curtin University), 15 November 2001.
- Daale, P. L. 2001, *Final Study: Optimal Model – Adjusted (Structural Model)*, Document File: Linear Dependency Resolved – Q10 Removed (DBA Working Papers – Curtin University), 17 December 2001.
- Daale, P. L. 2001, *Final Study – Optimal Data Analysis (Measurement Model - Adjusted)*, Document File: Q10 Removed (DBA Working Papers – Curtin University), 18 December 2001.
- Darlington, R. B. 2001, *Factor Analysis*, Cornell University [Online].
Available: www.psych.cornell.edu/Darlington/factor.htm [2001, May 20].
- Davidson, A., Jaccard, J., Triandis, H. C., Morales, M. & Diaz-Geurrero, R. 1976, 'Cross-Cultural Model Testing: Toward a Solution of the Emic-Etic Dilemma', *International Journal of Psychology*, Vol.11, pp.1-13.
- Davidson, S. 2000, 'Globalisation Building Democracy', *The Australian Financial Review*, 20 January, p.16.
- Day, C. 1900, 'The Dutch Colonial Fiscal System', in *Essays in Colonial Finance: Publications of the American Economics Association – Third Series*, Vol.1, No.3 (August).
- De Soto, H. 2000, *The Mystery of Capital: Why Capitalisms Triumphs in the West and Fails Everywhere Else*, Bantam Press, London.

- Ding, L., Velicer, W. F. & Harlow, L. L. 1995, 'Effects of Estimation Methods, Number of Indicators per Factor and Improper Solutions on Structural Equation Modeling Fit Indices' *Structural Equation Modeling*, Vol.2, pp.119-143, in J. F. Hair, R. E. Anderson, R. L. Tatham & W. C. Black 1998, *Multivariate Data Analysis*, Prentice-Hall International (UK) Limited, London, p.598.
- Djojohadikusumo, S. 1991, 'An Economist's Approach to Historical Perspectives: Some Random Observations', in *New Challenges in the Modern Economic History of Indonesia*, ed J. T. Lindblad, Programme of Indonesian Studies (ISBN: 90-9006126-6), Leiden, pp.42,43,44.
- Dodd, T. 2002, 'Indonesia Calls for Help with Its Debts', *The Australian Financial Review*, 4 April, p.12.
- Dow Jones International News Service (25 September 2000), *World Development News* [Online]. Available: www.worldbank.org/wbi/governance/other_growth.htm [2002, Oct. 19].
- Dowidar, M. 1975, 'Economic Development in the Dependent World', in *World Inequality: Origins and Perspectives on The World System*, ed I. Wallerstein, Black Rose Books Ltd, Montréal, pp.50,52,61-62
- Ebbs, R. 2002, *Global Finance or Economic Crimes Against Humanity?* [Online]. Available: www.feedback.nildram.co.uk/richardebbs/essays/gfinance.htm [2004, February 4].
- Emeagwali, G. 1998, 'Colonialism and Science: The African Case', in *Conference on Matrices of Scientific Knowledge*, Oxford University, Oxford [Online]. Available: <http://user.aol.com/afriforum/colonial.htm> [2002, April 13].
- Ehrenberg, J. 1999, *Civil Society: The Critical History of an Idea*, New York University Press, New York.
- England, V. 1999, 'Breeding Ground for Frustration', *South China Morning Post*, 2 December (Australia-Indonesia Business Council Limited) [Online]. Available: <http://www.aibc.net.au> [1999, December 4].

- Falaakh, M. F. 1999, 'Nahdlatul Ulama and Civil Society in Indonesia', in *Islam and Civil Society in Southeast Asia*, eds N. Mitsuo & S. Siddique & O. F. Bajunid, Institute of Southeast Asian Studies, Singapore, pp.34,36,36,49.
- Falk, R. 2000, 'The Case for Democratic Globalisation', *The Australian Financial Review*, 7 January, p.17.
- Falk, R. 1999, *Predatory Globalization: A Critique*, Blackwell Publishers Inc, Malden, MA.
- Fan, X. & Wang, L. 1998, 'Effects of potential confounding factors on fit indices and parameter estimates for true and misspecified SEM models', *Educational and Psychological Measurement*, Vol.58, No.2, pp.701-735.
- Ferraro, V. & Rosser, M. 1994, 'Global Debt and Third World Development', in *World Security: Challenges for a New Century*, eds M. Klare & D. Thomas, St Martin's Press, New York, pp.332-355 [Online].
Available: www.mtholyoke.edu/acad/intrel/globdebt.htm [2002, April 9].
- Finger, M. J. 1994, 'The High Cost of Trade Protectionism to the Third World', in *Perpetuating Poverty: The World Bank, the IMF, and the Developing World*, eds D. Bandow & I. Vasquez, CATO Institute, Washington, p.317.
- Fischer, S. 1999, *On the Need for an International Lender of Last Resort* [Online].
Available: www.imf.org/external/np/speeches/1999/010399.HTM [2000, November 3].
- Fowler, F. J. 1988, *Survey Research Methods*, Sage Publications, Newbury Park.
- Fowler, H. W. & Fowler, F. G. 1976 (eds), *The Concise Oxford Dictionary of Current English*, Oxford University Press, Oxford.
- Fox, C. 1999, 'Corporate Chorus on Integrity', *The Australian Financial Review*, 18 November.
- Frank, A. G. 1969, *Latin America: Underdevelopment or Revolution – Essays on the Development of Underdevelopment and the Immediate Enemy*, Monthly Review Press, New York.

- Frank, A.G. 1969, 'Sociology of Development and Underdevelopment of Sociology', *Latin America – Underdevelopment or Revolution*, Monthly Review Press, New York.
- Frank, A.G. 1971, *Sociology of Development and Underdevelopment of Sociology*, Pluto Press, London.
- Frank, A. G. & Gills, B. K. (eds) 1993, *The World System: Five Hundred Years or Five Thousand?*, Routledge, London.
- Friedman, B. M. 2002, 'Globalization: Stiglitz's Case', *The New York Review of Books*, Vol.49, Nr.13 – August 15, 2002 [Online].
Available: www.nybooks.com/articles/15630 [2004, February 2].
- Friedman, J. 1999, 'Indigenous Struggles and the Discreet Charm of the Bourgeoisie', *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999) [Online]. Available:
<http://csf.colorado.edu/wsystems/jwst/vol5/num2/Friedman/v5n2a10.htm>
[1999, September 28].
- Gefen, D., Straub, D. W. & Boudreau, M-C. 2000, 'Structural Equation Modeling and Regression: Guidelines for Research Practice' *Communications of AIS*, Vol.4, Art.7, pp.5,24-25,34-35,35,36,69.
- Gelber, H. G. 2001, *Nations Out of Empires: European Nationalism and the Transformation of Asia*, Palgrave, Houndmills, Basingstoke.
- Gerbing, D. W. & Anderson, J. C. 1985, 'The Effect of Sampling Error and Model Characteristics on Parameter Estimation for Maximum Likelihood Confirmatory Factor Analysis', *Multivariate Behavioural Research*, Vol.20, pp.255-271.
- Gissinger, R. & Gleditsch, N. P. 1999, 'Globalization and Conflict: Welfare, Distribution, and Political Unrest', *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999) [Online]. Available:
<http://csf.colorado.edu/wsystems/jwst/vol5/num2/Gissinger/v5n2a8.htm>
[1999, September 28].

- Gissinger, R. & Gleditsch, N. P. 1998, 'Globalization and Conflict: Welfare, Distribution and Political Unrest', in *Introduction: The Future of Globalization*, ed S. Manning 1999, *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999), p.139 [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/v5n2intro.htm> [1999, September 28].
- Goodin, R. E. 1987, 'Exploiting a Situation and Exploiting a Person', in *Modern Theories of Exploitation*, ed A. Reeve, Sage Publications, London, p.167.
- Gouda, F. 2000, 'Mimicry and Projection in the Colonial Encounter: The Dutch East Indies/Indonesia as Experimental Laboratory, 1900-1942', *Journal of Colonialism and Colonial History*, Vol.1, Nr.2 (Winter 2000) [Online].
Available: http://muse.jhu.edu/journals/journal_of_colonialism_and_colonial_history/v001/1.2gouda.html [2002, April 30].
- Gray, J. 2000, 'The Overcrowded Road to Riches: On Challenging the Reassuring Rhetoric of the Global Free Market', *The Australian Financial Review*, 14 July, p3.
- Grayson, D., Visiting Professor at Curtin University of Technology 2002.
Quoting a remark made by a local presenter at the *2001 Africa Development Forum*, 27 June.
- Greenlees, D. 2000, 'Shadow Play', *The Australian Financial Review*, 22-23 January, p.17.
- Guba, E. G. & Lincoln, Y. S. 1989, *Fourth Generation Evaluation*, Sage Publications, Thousand Oaks.
- Guerin, B. 2003, 'Bank Indonesia: Changing of the guard', *Asia Times Online* [Online].
Available: www.atimes.com/atimes/Southeast_Asia/EB21Ae02.html [2004, February 19].
- Gupta, S., Clements, B., Gillingham, R., Schiller, C., Verhoeven, M. & Alonso-Terme, R. 1998, *Should Equity Be a Goal of Economic Policy?*, International Monetary Fund (Fiscal Affairs Division); Washington.

- Haas, R. N. 1999, 'The Case for a Concert of Great Powers', *The Australian Financial Review*, 15 November.
- Hair Jr, J. F., Anderson, R. E., Tatham, R. L. & Black, W. C. 1998, *Multivariate Data Analysis*, Prentice-Hall International (UK) Limited, London.
- Hartcher, P. & Cornell, A. 1999, 'Mr Yen, the Man Who Started the Asian Crisis', *The Australian Financial Review Magazine*, July.
- Hartcher, P. 2000, 'Profile: James Wolfensohn's Ultimate Challenge', *The Australian Financial Review Magazine*, 31 March, pp.22-33.
- Hartcher, P. 2000, 'How the West Lost Its Sway in the East', *The Australian Financial Review*, 21 June, p.11.
- Hartcher, P. 2000, 'Australia advised to take the soft option: The value of employing 'soft power' tactics', *The Australian Financial Review*, 27 January.
- Hartcher, P. 2002, 'US reins in IMF with tough debt rules', *The Australian Financial Review*, 22 April, pp.1,11.
- Hartcher, P. 2002, 'Bush Betrays World's Free-Trade Expectations', *The Australian Financial Review*, 25 June, pp.1,67.
- Haynes, J. 1997, *Democracy and Civil Society in the Third World: Politics and New Political Movements*, Polity Press, Cambridge.
- Held, D., McGrew, A., Goldblatt, D. & Perraton, J. 1999, '*Global Transformations: Politics, Economics and Culture*', Stanford University Press, Stanford.
- Hill, H. 1996, *The Indonesian Economy since 1966: Southeast Asia's Emerging Giant*, Cambridge University Press, Cambridge.
- Holmes-Smith, P. 1999, *Introduction to Structural Equation Modelling Using LISREL and AMOS – Teaching Notes*, SREAMS (ACSPRI Winter Program), University of Western Australia, Perth.
- Hoogvelt, A. 1997, *Globalization and the Postcolonial World: The New Political Economy of Development*, MacMillan Press Limited, Houndmills, Basingstoke.

- Hoogvelt, A. 2001, *Globalisation and the Postcolonial World: The New Political Economy of Development*, Palgrave, Houndmills, Basingstoke.
- Houtart, F. & Polet, F (eds) 2001, *The Other Davos: The Globalization of Resistance to the World Economic System*, Zed Books Ltd, London.
- Huntington, E. 1945, *Mainsprings of Civilization*, J. Wiley and Sons, New York.
- Indahyani Jusuf, 2001, 'Fighting Racism and Xenophobia', *The Jakarta Post*, 8 February (Australia-Indonesia Business Council Limited) [Online]. Available: <http://www.aibc.net.au> [2001, February 10].
- Institute of International Finance, *Sovereign Debt Restructuring* [Online]. Available: www.iif.com/ipi/sovereign.quagga [2001, December 15].
- International Labour Office 1999, 'Progress Report on the Country Studies on the Social Impact of Globalization', *Working Party on the Social Dimensions of the Liberalization of International Trade (274th Session)*, Geneva, Switzerland [Online]. Available: <http://www.ilo.org/public/english/20gb/docs/gb274/sdl-2.htm> [1999, September 5].
- International Labour Office 1999, '24 Million East Asian Jobs Go', *The Australian Financial Review*, 18 March.
- International Monetary Fund* [Online]. Available: www.imf.org [2001, January 10].
- International Monetary Fund 1992, 'World Economic Outlook' (Tables A46 & A48, pp.157, 162, 163), in *Global Debt and Third World Development*, V. Ferraro & M. Rosser 1994, in *World Security: Challenges for a New Century*, eds M. Klare & D. Thomas, St Martin's Press, New York, pp.332-355 [Online]. Available: www.mtholyoke.edu/acad/intrel/globdebt.htm [2002, April 9].
- International Monetary Fund 1998, *World Economic Outlook 1998: Including World Economic and Financial Surveys and Occasional Papers 154-161*, IMF, Washington.

- Jakarta Central Bureau of Statistics 1994 (various rounds), 'Survei Sosial Ekonomi Nasional, Pengeluaran untuk Konsumsi Penduduk', in *The Indonesian Economy in the Nineteenth and Twentieth Centuries: A History of Missed Opportunities*, A. Booth, MacMillan Press Ltd, London, p.122.
- James, D. 2000, 'Which Capitalism?', *Management Today* (Australian Institute of Management), BRW Media, May 2000, pp.4-6.
- Jomo, K. S. (ed) 1998, *Tigers in Trouble: Financial Governance, Liberalisation and Crises in East Asia*, Hong Kong University Press, Hong Kong.
- Kaldor, N. 1960-1989, *Collected Economic Essays 1960-1980*, Vol.2, London.
- Kamo, T. 1996, 'Globalism, Regionalism and Nationalism: Asia in Search of its Role in the Twenty-First Century', in *Globalism, Regionalism and Nationalism: Asia in Search of its Role in the Twenty-First Century*, ed Y. Yamamoto, Blackwell Publishers Ltd, Oxford, pp.13,13,14,14,15,20.
- Kardiulas, P. N. (ed) 1999, *World-Systems Theory in Practice: Leadership, Production, and Exchange*, Rowman & Littlefield Publishers Inc, Lanham.
- Kaufmann, D. & Kraay, A. 2002, 'Growth Without Governance', in *GRICS II: Governance Research Indicator Country Snapshot – Comparison within INDONESIA for all Six Governance Indicators* [Online].
Available: http://info.worldbank.org/beeps/kkz/sc_chart.asp [26 October 2002].
- Keane, J. 1998, *Civil Society: Old Images, New Visions*, Stanford University Press, Stanford.
- Khor, M. 2000, *Globalization and the South: Some Critical Issues*, Third World Network, Penang.
- Kieniewicz, J. 1983, *On Expansion and Domination: Theories of Colonialism*, Warsaw University, Poland.
- Kling, B. K. & Pearson, M. N. (eds) 1979, *The Age of Partnership: Europeans in Asia before Dominion*, University Press Hawaii, Honolulu.
- Köhler, G. 1999, 'Global Keynesianism and Beyond', *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999) [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/v5n2a5.htm> [1999, September 28].

- Köhler, G. 1998, 'Global Keynesianism and Beyond', in *Introduction: The Future of Globalization*, ed S. Manning 1999, *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999), p.139 [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/v5n2intro.htm> [1999, September 28].
- Korner, P. 1986, *The IMF and the Debt Crisis: A Guide to the Third World's Dilemma* (Im Teufelskreis der Verschuldung), Zed Books, Atlantic Highlands NJ.
- Koukoulas, S. 2000, 'The Asian Tigers Bite Back', *The Australian Financial Review*, 21 January, p.46.
- Kuznets, S. 1971, *Economic Growth of Nations: Total Output and production Structure*, Cambridge University Press, Cambridge.
- Landes, D. S. 1999, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor*, Abacus, London.
- Larrain, J. 1989, *Theories of Development: Capitalism, Colonialism and Dependency*, Polity Press, Cambridge, Massachusetts.
- Leary, D. E. 1984, 'Philosophy, Psychology, and Reality', *American Psychologist*, Vol.39, p.918, in J. C. Anderson & D. W. Gerbing 1992, 'Assumptions and Comparative Strengths of the Two-Step Approach: Comment on Fornell and Yi', *Sociological Methods & Research*, Vol.20, No.3 (February), p.323.
- Lee, R. 1989, *France and the Exploitation of China, 1885-1901: A Study in Economic Imperialism*, Oxford University Press Inc, New York, p.267.
- Lentner, H. H. 2000, *Civil Society and Conditions of Peace*, Unpublished (NYU).
- Levitt, T. 1992, 'The Globalization of Markets', in *Transnational Management: Text, Cases, and Readings in Cross-Border Management*, C. A. Bartlet & S. Ghoshall [Electronic]. Available: Curtin University Library and Information Service E-Reserve/sn000040556 [2002, May 18].
- Library of Congress Country Studies 1992, *Indonesia – The National Revolution, 1945-50* [Online]. Available: [http://lcweb2.loc.gov/cgi-bin/query2/r?frd/cstdy:@field\(DOCID+id0030\)and...+id0032](http://lcweb2.loc.gov/cgi-bin/query2/r?frd/cstdy:@field(DOCID+id0030)and...+id0032) [2004, February 16].

- Lindblad, J. T. 2002, *The Importance of Indonesianisasi during the Transition from the 1930s to the 1960s* [Online].
Available: www.iisg.nl/research/ecgrowthlindblad.pdf [2004, February 10].
- Lyman Ott, R. 1993, *An Introduction to Statistical Methods and Data Analysis*, Duxbury Press, Belmont, CA.
- MacCallum, R. C. & Austin, J. T. 2000, 'Applications of Structural Equation Modeling in Psychological Research', *Annual Review of Psychology*, Annual 200 , p.201 (pp1-30), Murdoch University Library, Perth.
- MacCallum, R. C., Browne, M. W. & Sugawara, H. M. 1996, 'Power analysis and determination of sample size for covariance structure modelling', *Psychological Methods*, Vol.1, pp.130-149.
- Machiavelli, N [1519] 1987, *Discourses on Livy*, Oxford University Press, N.Y.
- Madison, G. B. 1998, *The Political Economy of Civil Society and Human Rights*, Routledge, London.
- Mahathir, M. 1997, 'Southeast Asia Currency Crisis - Annual Meeting of IMF/WB', *Foreign Policy Bulletin* [Online].
Available: http://www.foreignaffairs.org/envoy/documents/v8n6_imf.html [1999, July 5].
- Mahathir, M. (1998), 'Revitalisation of Japanese and East Asian Economies', *The Fifth Symposium of the Institute for International Monetary Affairs*, Tokyo [Online].
Available: <http://www.mtholyoke.edu/aintrel/mahathir.htm> [1999, July 5].
- Makin, A.J. 1994, *International Capital Mobility and External Account Determination*, St Martin's Press, New York.
- Manicas, P. T. & Secord, P. F. 1984, 'Implications for Psychology: Reply to Comments', *American Psychologist*, Vol.39, p.923, in J. C. Anderson & D. W. Gerbing 1992, 'Assumptions and Comparative Strengths of the Two-Step Approach: Comment on Fornell and Yi', *Sociological Methods & Research*, Vol.20, No.3 (February), p.323.

- Manning, S. (ed) 1999, 'Introduction: The Future of Globalization', *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999), p.138 [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/v5n2intro.htm> [1999, September 28].
- Marshall, A [1890] 1949, *Principles of Economics*, Macmillan Publishers Limited, London.
- McCormack, B. 1999, 'Fifty Years of Indonesian Development: "One Nation," Under Capitalism ...', *Journal of World-Systems Research*, Vol.5, Nr.1, (Spring 1999), pp.60,51 [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/v5n1a3.htm> [1999, June 3].
- Milanovic, B. & Yitzhaki, S. 2002, *Decomposing World Income Distribution: Does the World Have a Middle Class?* [Online].
Available: www.worldbank.org/research/inequality/world%20income%20distribution/decompose.pdf [23 February 2002].
- Mintz, J. S. 1961, *Indonesia – A Profile*, D. van Nostrand Company Inc, NY.
- Mitsuo, N. & Siddique, S. & Bajunid, O. F. (eds) 2001, *Islam and Civil Society in Southeast Asia*, Institute of Southeast Asian Studies, Singapore.
- Moghadam, V. M. 1998, 'Gender and Globalization: Female Labour and Women's Mobilization', in *Introduction: The Future of Globalization*, ed S. Manning 1999, *Journal of World-Systems Research*, Vol.5, Nr.2 (Spring 1999), p.139 [Online].
Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/num2/v5n2intro.htm> [1999, September 28].
- Mokyr, J. 1984, 'Disparities, Gaps and Abysses', *Economic Development and Cultural Change*, Vol.33, No.1, p.176.
- Montesquieu, C [1748] 1989, *The Spirit of the Laws*, Cambridge University Press, New York.
- Morgan, G. & Smircich, L. 1980, 'The Case for Qualitative Research', *Academy of Management Review*, Vol.5, pp.491-500.

- Mulaik, S. A. 1984, 'Realism, Pragmatism, and the Implications of the New Philosophy of Science for Psychology', *American Psychologist*, Vol.39, p.920, in J. C. Anderson & D. W. Gerbing 1992, 'Assumptions and Comparative Strengths of the Two-Step Approach: Comment on Fornell and Yi', *Sociological Methods & Research*, Vol.20, No.3 (February), p.323.
- Muravchik, J. 1999, 'US Critics Caught Up in Daze of Empire', *The Australian Financial Review*, 6 April.
- Nadel, G. H. 1964, *Imperialism and Colonialism*, Collier-MacMillan Limited, London.
- Nagtegaal, L. 1996, *Riding the Dutch Tiger: The Dutch East Indies Company and the NorthEast Coast of Java, 1680 – 1743*, Koninklijk Instituut voor Taal-, Land- en Volkenkunde, Leiden.
- Naseem, S. M. 2000, 'IMF, WB: Reforming the Reformers', *The Dawn Group of Newspapers*, April 24, p.3 [Online].
Available: www.dawn.com/2000/04/24/ebr1.htm [2002, April 13].
- Neil, A. B. 1974, *Indonesia in transition*, Oxford University Press, London.
- Neill, W. T. 1973, *Twentieth-Century Indonesia*, Columbia University Press, NY.
- Nye, J. S. 1988, 'Neorealism and Neoliberalism', *Journal of International Relations*, (January 1988), pp.247,246-247. Available: Curtin University Library and Information Service E-Reserve/dc6003370x [1999, Dec. 5].
- Olson, H. 1999, *Quantitative "Versus" Qualitative Research: The Wrong Question*, University of Alberta – School of Library and Information Studies [Online].
Available: <http://www.ualberta.ca/dept/slis/cais/olson.htm> [1999, July 30].
- O'Rourke, P. J. 1999, *Eat the Rich: A Treatise on Economics*, Pan Macmillan Australia Pty Limited, Sydney.
- Osborne, M. 1997, *SOUTHEAST ASIA: An Introductory History*, Allen & Unwin Pty Ltd, St Leonards, NSW.
- Osterhammel, J. 1999, 'Colonialism', in Sahadeo on Osterhammel, J. Sahadeo 2001, *Journal of Colonialism and Colonial History*, Vol.2, Nr.1 (Spring 2002) [Online]. Available:

<http://muse.jhu.edu/journals/cch/v002/2.1sahadeo.html> [2002, April 30].

Pandian, M. S. S. 1999, 'Resisting Modernity: Two Stories – One, Colonial; another Postcolonial', in *The Unfinished Agenda: Nation-Building in South Asia*, eds M. Hasan & N. Nakazato, Manohar Publishers, New Delhi, pp.345,348,349,350.

Parenti, M. 1995, *Against Empire* [Online].

Available: www.michaelparenti.org/Imperialism101.html [2002, April 30].

Patten, C. 2001, *Flowers in Stony Places: Making the most of Globalization*, Sir Robert Menzies Lecture Trust, Melbourne.

Pearson, M. N. 1988, *Before Colonialism: Theories on Asian-European Relations 1500-1750*, Oxford University Press, Oxford.

Petras, J. & Veltmeyer, H. 2001, *Globalization Unmasked: Imperialism in the 21st Century*, Zed Books, New York.

Pike, K. L. 1967, *Language in relation to a unified theory of the structure of human behaviour*, Mouton, The Hague.

Pike, K. L. 1982, *Linguistic Concepts: An Introduction to Tagmemics*, University of Nebraska Press, Lincoln.

Powell, J. 1994, 'Self-Determination through Unilateral Free Trade', in *Perpetuating Poverty: The World Bank, the IMF, and the Developing World*, eds D. Bandow & I. Vásquez, CATO Institute, Washington, pp.342, 345.

Pusey, M. 1998, 'Economic Rationalism, Human Rights and Civil Society', in *Globalisation, Human Rights and Civil Society*, eds M. Jones & P. Kriesler, Prospect Media Pty Ltd, St Leonards, NSW, pp.168,168,168,170,182.

Quibria, M. G. & Dowling, J. M. (eds) 1996, *Current Issues in Economic Development: An Asian Perspective*, Oxford University Press (for the ADB), Hong Kong.

Rabkin, J. 2000, 'Why National Sovereignty Still Matters', *The Australian Financial Review*, 7 January, p.17.

Rand, A. 1984, *Capitalism: The Unknown Ideal* [Online].

Available: www.capitalism.org [2002, May 24].

- Reeve, A. (ed) 1987, *Modern Theories of Exploitation*, Sage Publications, London.
- Reich, R. 1999, 'A Grant Capital Plan', *The Australian Financial Review*, July 1999.
- Reich, R. 2000, 'Welcome to the State of Virtual Reality', *The Australian Financial Review*, 10 January, p.55.
- Reicher, S. & Hopkins, N. 2001, *Self and Nation: Categorization, Contestation and Mobilization*, Sage Publications Ltd, London.
- Rempel, G. 2002, *Mercantilism*, pp.1-5 [Online]. Available: <http://mars.acnet.wnec.edu/~grempe/courses/wc2/lectures/mercantilism.html> [2001, December 15].
- Richardson, M. 2001, 'Fears grow as Indonesia stumbles', *The International Herald Tribune*, 14 March.
- Ricklefs, M. C. 2001, *A History of Modern Indonesia since c.1200*, Palgrave, Houndmills, Basingstoke.
- Rigg, J. 1997, *Southeast Asia: The Human Landscape of Modernization and Development*, Routledge; London.
- Roberts, P. C. 1994, 'Development Planning in Latin America: The Lifeblood of the Mercantilist State', in *Perpetuating Poverty: The World Bank, the IMF, and the Developing World*, eds D. Bandow & I. Vasquez, CATO Institute, Washington, p.148.
- Rosenberg, J. 1994, *The Empire of Civil Society: A Critique of the Realist Theory of International Relations*, Verso, London.
- Rossmann, G. B. & Rallis, S. F. 1998, *Learning in the field: An introduction to qualitative research*, Sage Publications Inc, Thousand Oaks, CA.
- Sadli, M. 1999, 'The Indonesian Crisis', in *Southeast Asia's Economic Crisis – Origins, Lessons, and the Way Forward*, eds H.W. Arndt & H. Hill [Electronic]. Available: Curtin University Library and Information Service E-Reserve/sn000520645 [2004, February 6].

- Sala-i-Martin, X. 2001, *The Disturbing "Rise" of Global Income Inequality* [Online].
Available: www.econ.upf.es/deehome/what/wpapers/postscripts/616.pdf
[1 August, 2001].
- Salleh, H. 2000, 'Globalization and the Challenges to Malay Nationalism as the Essence of Malaysian Nationalism', in *Nationalism and Globalization: East and West*, ed L. Suryadinata, Institute of Southeast Asian Studies, Singapore, pp.132,133,133,167.
- Sartre, J-P. 1964 (translated by Haddour, A. & Brewer, S. & McWilliams, T. 2001), *Colonialism and Neocolonialism*, Routledge, London.
- Sarwono Kusumaatdja & Wimar Witoelar 1999, 'Indonesia-Australia Ties', *The Jakarta Post*, 30 November (Australia-Indonesia Business Council Limited) [Online]. Available: www.aibc.net.au [1999, December 1].
- Satorra, A. & Bentler, P. M. 1994, 'Corrections to test statistics and standard errors in covariance structure analysis', in *Latent Variables Analysis: Applications for Developmental Research*, eds A. von Eye & C. C. Clogg, SAGE Publications Inc, Thousand Oaks CA, pp.399-419.
- Schumacker, R. E. & Lomax, R. G. 1996, *A Beginner's Guide to Structural Equation Modeling*, Lawrence Erlbaum Associates – Publishers, Mahwah, New Jersey.
- Schwartz, J. 1995, 'In Defense of Exploitation', *Economics and Philosophy*, October Issue, pp.1,14,2 [Online].
Available: <http://lists.village.virginia.edu/~spoons/marxism/DefenseE.htm>
[2001, March 24].
- Scott-Ladd, B. 2001, *Measurement Development and Cross-Sectional Estimates*, PhD Thesis – Murdoch University, Perth.
- Seabrook, J. 1998, 'Globalisation's Truth: Free Markets and Captive People', *The Australian Financial Review*, 3 July, p.4.
- Seers, D. (ed) 1981, *Dependency Theory: A Critical Reassessment*, Pinter Publishers, London.

- Sejarah Indonesia 2004, *An Online Timeline of Indonesian History* [Online].
Available: www.gimonca.com/sejarah/sejarah08.shtml [2004, February 16].
- Sethi, V. & King, W. R. 1994, 'Development of Measures to Assess the Extent to which an Information Technology Application Provides Competitive Advantage', *Management Science*, Vol.40, No.12 (December), pp.1603,1610,1611.
- Singham, P. T. 1998, 'Others Watch Malaysia's Challenge to IMF', *The West Australian*, 12 September.
- Smith, A. 1776, *The Wealth of Nations*, The Adam Smith Institute, UK [Online].
Available: www.adamsmith.org.uk/smith/quotes.htm [2002, March 22].
- Spybey, T. 1992, *Social Change, Development and Dependency: Modernity, Colonialism and the Development of the West*, Polity Press, Cambridge, Massachusetts.
- St Columban Mission Society 2002, *Jubilee 2000: A Debt-Free Start for a Billion People*, [Online].
Available: www.columban.org.au/J&P&Ecology/jubilee2000.htm [2002, April 1].
- Steiner, H. 1987, 'Exploitation: A Liberal Theory Amended, Defended and Extended', in *Modern Theories of Exploitation*, ed A. Reeve, Sage Publications, London, p.133.
- Stern, N. 2000, *World Development News* [Online]. Available:
www.worldbank.org/wbi/governance/other_growth.htm [2002, Oct. 19].
- Stiglitz, J. E. 2002, *Globalization and Its Discontents*, WW Norton & Company, NY.
- Strauss, A. & Corbin, J. 1998, *Basics of qualitative research: Grounded theory procedures and techniques*, Sage Publications Inc, Thousand Oaks, CA.
- Sui, D. Z. 1999, *Contextualizing Geographic Information Systems (GIS): Toward a Critical Theory of Geographic Information Science*, Texas A&M University [Online].
Available: <http://www.geo.wvu.edu/il9/papers/sui.html> [1999, July 30].
- Sukarno 1963, *Independence Address*, in: McCormack, B. 1999, 'Fifty Years of Indonesian Development: "One Nation," Under Capitalism ...', *Journal of World-Systems Research*, Vol.5, Nr.1, (Spring 1999), p.54 [Online].

- Available: <http://csf.colorado.edu/wsystems/jwsr/vol5/v5n1a3.htm> [1999, June 3].
- Suryadinata, L. 2000, 'Nation-Building and Nation-Destroying: The Challenge of Globalization in Indonesia', in *Nationalism and Globalization: East and West*, ed L. Suryadinata, Institute of Southeast Asian Studies, Singapore, pp.38,38,39,39,65.
- Sweeney, J. 1999, 'WTO – Enemy Number One', *The Australian Financial Review*, 25 November.
- Tabachnick, B. G. & Fidell, L. S. 1996, *Using Multivariate Statistics*, Harper Collins College Publishers, New York.
- Tanaka, J. S. 1984, 'How Big is Big Enough? – Sample Size and Goodness of Fit in Structural Equation Models with Latent Variables', *Child Development*, Vol.58; pp.134-146.
- Tarnas, R. 1991, *The Passion of the Western Mind – Understanding the Ideas That Have Shaped Our World View*, Ballantine Books, New York.
- Tawney, R. H. 1975, *Equality*, Unwin Books, London.
- Tornquist, O. 2001, 'Where did Indonesia go wrong?', *The Jakarta Post*, 10 April.
- Trochim, W. M. K. 2001, *Idea of Construct Validity*, Cornell University [Online].
Available: <http://trochim.human.cornell.edu/kb/considea.htm> [2001, May 12].
- Uji Coba 2004, *Independensi Bank Indonesia (Perspektif Historis)* [Online].
Available: <http://mas-avant0.tripod.com/politik/id7.html> [2004, February 19].
- United Nations, *Human Development Report 1999 – Human Development in This Age of Globalization* [Online].
Available: http://hdr.undp.org/reports/global/1999/en/pdf/hdr_1999_ch1.pdf [2000, September 6].
- United Nations 1999, 'Human Development Report 1999', in *The Disturbing Rise” of Global Income Inequality*, X. Sala-i-Martin [Online].
Available: <http://www.econ.upf.es/deehome/what/wpapers/postscripts/616.pdf> [1 August, 2001].
- United Nations 2002, *The United Nations and Decolonization: History*, Palestine and Decolonization Section, Dept of Public Information [Online].
Available: www.un.org/Depts/dpi/decolonization/history.htm [2002, April 1].

University of Arizona 2001, *Cronbach's Alpha* [Online].

Available: www.u.arizona.edu/ic/forms/Help/alpha_rh.htm [2001, April 25].

Universität Mannheim 2001, *SFB 504 Glossary: Validity* [Online].

Available: www.sfb504.uni-mannheim.de/glossary/validity.htm [2001, May 12].

Urban, P. A. & Shortman, E. M. 1999, 'Thoughts on the Periphery: The Ideological Consequences of Core/Periphery Relations', in *World-Systems Theory in Practice: Leadership, Production, and Exchange*, ed P. N. Kardiulas, Rowman & Littlefield Publishers Inc, Lanham, p. 128.

Ursell, G. & Blyton, P. 1988, *State, Capital and Labour: Changing Patterns of Power and Dependence*, MacMillan Press Ltd, London.

US Network for Global Economic Justice, *International Monetary Fund (IMF) / World Bank "debt relief" for poor and indebted countries* [Online].

Available: www.50years.org/action/s26/factsheet1.html [2001, Dec.4].

US Network for Global Economic Justice, *The IMF and Corporate Welfare* [Online].

Available: www.50years.org/action/s26/factsheet1.html [2001, Dec.4].

Verzola, R. 1998, *Globalization: The Third Wave* (International Conference: 'Colonialism to Globalization: Five Centuries after Vasco da Gama') [Online].

Available: www.igc.org/trac/feature/microsoft/globalization/verzola.html [1999, September 5].

Vidyasagar, N. & Shekhar, V. C. 2004, 'Stiglitz's Second Thoughts', *The Times of India* [Online].

Available: <http://timesofindia.indiatimes.com/articleshow/423351.cms> [2004, February 7].

Wahyuni, S. 2001, 'Indonesia needs shock therapy whereby IMF, WB leave the country', *The Jakarta Post*, 8 March.

- Wallerstein, I. 1974, *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, Academic Press Inc (London) Ltd, London.
- Wade, R. 1998, *The Asian Debt – and – Development Crisis of 1997-?: Causes and Consequences* [Online].
Available: www.wright.edu/~tdung/wade-wd-9808.htm [11 February 2004].
- Wallerstein, I. (ed) 1975, *World Inequality: Origins and Perspectives on the World System*, Black Rose Books Ltd, Montréal.
- Wallerstein, I. 1980, *The Modern World-System II: Mercantilism and the Consolidation of the European World-Economy, 1600 – 1750*, Academic Press Inc (London) Ltd, London.
- Wallerstein, I. 1991, *Geopolitics and Geoculture: Essays on the Changing World-System*, Cambridge University Press, Cambridge.
- Walton, J. & Seddon, D. 1994, *Free Markets and Food Riots: The Politics of Global Adjustment*, Blackwell Publishers, Oxford.
- Warren, B. 1973, 'Imperialism and Capitalist Industrialization', *New Left Review*, Nr 81, September-October 1973, pp.3-44.
- Weber, M. 1971 (Translated by Parsons, T.), *The Protestant Ethic and the Spirit of Capitalism*, Unwin University Books, London.
- Wikipedia, *Gini Coefficient*, [Online]. Available:
www.wikipedia.org/w/wiki.phtml?title=Gini_coefficient [25 February 2002].
- Williams, G. 1968, *The Expansion of Europe in the Eigtheenth Century: Overseas Rivalry, Discovery and Exploitation*, Blandford Press, London.
- Winters, J. A. 1996, *Power in Motion: Capital Mobility and the Indonesian State*, Cornell University Press, New York.
- Wolff, R. D. 1999, 'Limiting the State versus Expanding it: A Criticism of this Debate', in *Contemporary Economic Theory: Radical Critiques of Neoliberalism*, ed A. Vlachou, MacMillan Press Ltd, London, pp.72,74,74,80.
- Wolfson, M. H. 2000, 'Neoliberalism and International Financial Instability', *Review of Radical Political Economics*, Vol.32, Nr.3. Available: Curtin

University Library and Information Service E-Reserve/dc60046261 [2001, August 1].

World Bank Group [Online].

Available: www.worldbank.org [2002, February 14].

World Bank 1995, 'The Distribution of World Income: World Development Report – 1995' in *The Globalization of Poverty: Impacts of IMF and World Bank Reforms*, M. Chossudovsky, Zed Books, Atlantic Highlands, NJ, p.39.

World Bank 1999, *HIPC – Debt Relief for Sustainable Development: Perspectives on the Current Framework and Options for Change – Summary of Comments from Civil Society* [Online].

Available: www.worldbank.org/hipc/hipc-review/perspectives-apr-1999/perpectives-apr-1999.htm#llb [2002, April 7].

World Bank 2002, *Classification of Economies* [Online]. Available: www.worldbank.org/data/databytopic/class.htm#Severely_indebted [2002 April 7].

World Bank 2002, *Global Economic Prospects and the Developing Countries 2001: Data on Poverty* [Online]. Available:

www.worldbank.org/poverty/data/trends/income.htm [17 August 2002].

World Bank 2002, *Indonesia At A Glance* [Online]. Available (ditto for: nld_, jap_, kor_): www.worldbank.org/data/countrydata/aag/idn_aag.pdf [2002, 19 October].

World Bank 2002, *Poverty Line and Number of Population Below the Poverty Line 1976-2000* [Online]. Available:

[http://Inweb18.worldbank.org/eap/eap.nsf/Attachments/poverty/\\$File/poverty00.pdf](http://Inweb18.worldbank.org/eap/eap.nsf/Attachments/poverty/$File/poverty00.pdf) [25 October 2002].

World Bank 1999, *Understanding and Responding to Poverty* [Online]. Available: www.worldbank.org/poverty/mission/up1.htm [12 November 2000].

World Bank 2002, *The World Bank and Indonesia* [Online]. Available:

[http://wbIn0018.worldbank.org/eap/eap.nsf/Attachments/wb&ind/\\$File/wb&ind.pdf](http://wbIn0018.worldbank.org/eap/eap.nsf/Attachments/wb&ind/$File/wb&ind.pdf) [26 October 2002].

World Bank 2002, *World Development Indicators 2001: World View* [Online].

Available: www.worldbank.org/data/wdi2001/worldview.htm [10 August 2002].

- World Bank 2002, *World & Country Profiles at a Glance* (Extracts) [Online].
Available: <http://www.worldbank.org> [10 August 2002].
- Yamamoto, Y. (ed) 1999, *Globalism, Regionalism and Nationalism: Asia in Search of its Role in the Twenty-First Century*, Blackwell Publishers Ltd, Oxford.
- Yu, A. 2001, *Using SAS for Item Analysis and Test Construction – Cronbach's Alpha*, Arizona State University [Online].
Available: <http://seamonkey.ed.asu.edu/~alex/teaching/assessment/alpha.html>
[2001, April 25].
- Zikmund, W. G. 1997, *Business Research Methods*, The Dryden Press – Harcourt Brace College Publishers, Fort Worth.

Table 2.5: Comparative "Performance" Indicators - Some Facts (1996)

Source: World Bank, *World & Country Profiles at a Glance* (Extracts) [Online].
Available: <http://www.worldbank.org> [10 August 2002].

	G10 = OECD High Income Countries										
	G7							Netherlands	Belgium	Sweden	Switzerland
	USA	UK	Germany	France	Italy	Canada	Japan				
Population (million)	268.2	58.8	81.9	58.0	57.4	29.7	125.8	15.5	10.2	8.8	7.1
GNP per capita (US\$)	28,020	19,600	28,870	26,270	19,880	19,020	40,940	25,940	26,440	25,710	44,350
FDI as % of GDP	1.0	2.8	-0.1	1.4	0.3	1.1	-	2.0	n/a	2.2	1.2
Export share of World Trade (%)	13.3	6.2	9.0	6.8	4.4	3.0	9.6	3.1	2.6	1.3	1.6
Mean Tariff (%)	5.2	6.7	6.7	6.7	6.7	7.5	5.7	6.7	6.7	n/a	-
Government Surplus/Deficit as % of GDP	-2.2	-5.3	-1.8	-6.5	-7.6	-3.7	-1.5	-4.9	-3.9	-11.1	-1.0
External debt as % of GDP	n/a	n/a	n/a	N/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Growth (%) in external debt	n/a	n/a	n/a	N/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nr of phone lines per 1000 people	640	528	538	564	440	602	489	543	465	682	640
Average price (US\$) per 3 minute phonecall	n/a	1.86	2.87	3.03	3.36	1.16	5.10	2.69	3.05	2.65	2.43
Nr of televisions per 1000 people	806	612	493	598	436	709	700	495	464	476	493
Nr of Internet hosts per 1000 people	442	149	106	50	37	228	76	219	85	321	207
Nr of PCs per 1000 people	362	192	233	150	92	192	128	232	167	214	408
Km of paved road per million people	14,195	6,300	7,895	N/a	5,497	12,163	6,769	7,013	n/a	11,792	n/a
Literacy rate (%)	99.0	99.0	99.0	99.0	98.0	99.0	99.0	99.0	99.0	99.0	99.0
Tertiary school enrolments (% of school aged children)	81.0	48.0	43.0	50.0	41.0	103.0	40.0	49.0	49.0	43.0	32.0
Life expectancy	77	77	76	78	78	79	80	77	77	79	78
Science Graduates as a % of total graduates	15	26	32	27	17	16	26	22	28	26	25
Patent applications	235,440	115,754	136,615	89,766	64,955	43,604	388,957	63,739	53,651	70,561	69,742
Patents granted	101,419	48,350	56,633	55,681	29,898	9,139	109,100	23,444	19,477	20,816	20,345

GNP per Capita: GNP per capita figures are calculated according to the World Bank Atlas method. The resulting estimate of GDP is then divided by the midyear population to obtain the per capita figures.

FDI as % of GDP: Net foreign direct investment (FDI) as % of GDP: Net change in foreign investment between the reporting country and the rest of the world. Foreign direct investments include all capital transactions that are made to acquire a lasting interest (usually 10% or more of the voting stock) in an enterprise operating in a country other than that of the investor. FDI is the sum of equity capital, reinvestment of earnings, other long-term capital and short-term capital as shown in the balance of payments.

Export Share of World Trade: Exports of goods and services in the reporting country as a percent of total world exports. Export of goods and services is the sum of merchandise exports f.o.b. (free on board value), exports of non-factor services (such as freight, insurance and travel for instance) and factor receipts.

Export share is defined as export of goods and services in the reporting country divided by total world exports.

Mean Tariff: Simple average of the applied rates for all products subject to tariffs.

Government Deficit/Surplus as % of GDP: Government surplus/deficit is defined as the sum of total government revenue plus all grants received less total expenditure, government lending and repayment.

External Debt as % of GDP: Ratio of the discounted value of future debt service to GDP.

Table 2.6: Comparative "Performance" Indicators - Some Facts (1996)

Source: World Bank, *World & Country Profiles at a Glance* (Extracts) [Online].
Available: <http://www.worldbank.org> [10 August 2002].

	Former Colonial Territories - Some Examples									
	Low Income		Low Middle Income		Upper Middle Income					
	Chad	India	Indonesia	Philippines	Argentina	Brazil	Malaysia	Mauritius	Mexico	South Africa
Population (million)	6.9	945.6	197.2	69.8	35.2	161.7	21.1	1.1	92.6	39.9
GNP per capita (US\$)	160	380	1,080	1,160	8,380	4,400	4,370	3,710	3,670	3,520
FDI as % of GDP	1.5	0.7	3.5	5.9	1.5	1.3	4.5	0.9	2.3	0.1
Export share of World Trade (%)	-	0.6	0.7	0.4	0.3	0.8	1.0	-	0.9	0.5
Mean Tariff (%)	n/a	30.0	13.2	11.2	13.5	14.6	9.1	29.1	13.5	8.8
Government Surplus/Deficit as % of GDP	n/a	-6.0	2.2	0.6	-1.1	-9.4	2.3	-1.2	-0.5	-5.9
External debt as % of GDP	51.0	22.0	64.0	51.0	31.0	26.0	52.0	45.0	44.0	18.0
Growth (%) in external debt	187.9	187.3	105.0	11.2	n/a	-12.3	31.8	-3.1	15.4	n/a
Nr of phone lines per 1000 people	1	15	21	25	174	96	183	162	96	100
Average price (US\$) per 3 minute phonecall	14.07	6.35	6.07	6.22	7.37	4.68	5.99	5.85	3.01	5.04
Nr of televisions per 1000 people	2	64	232	125	347	289	228	219	192	123
Nr of Internet hosts per 1000 people	-	0.05	0.54	0.59	5.32	4.20	19.30	1.84	3.72	30.67
Nr of PCs per 1000 people	-	1.5	4.8	9.3	24.6	18.4	42.8	31.9	29.0	37.7
Km of paved road per million people	41	1,076	870	n/a	1,781	2,888	3,500	1,563	994	1,444
Literacy rate (%)	48.0	52.0	84.0	95.0	96.0	83.0	83.0	83.0	90.0	82.0
Tertiary school enrolments (% of school aged children)	1.0	n/a	11.0	27.0	41.0	11.0	11.0	6.0	14.0	17.0
Life expectancy	48	63	65	66	73	67	72	71	72	65
Science Graduates as a % of total graduates	11	20	11	30	32	19	28	26	32	n/a
Patent applications	n/a	6,566	n/a	n/a	n/a	25,797	4,052	7	23,669	11,050
Patents granted	n/a	1,613	n/a	n/a	1,004	2,659	1,753	3	3,538	5,453

Table 2.7: Comparative "Performance" Indicators - Some Facts (1996–1999–2000)Source: World Bank, *World & Country Profiles at a Glance* (Extracts) [Online].Available: <http://www.worldbank.org> [10 August 2002].

	Countries											
	World Profile			High Income Prof. (OECD)			Middle Income Profile			Low Income Profile		
	1996	1999	2000	1996	1999	2000	1996	1999	2000	1996	1999	2000
Population (million)	5,700.0	6,000.0	6,100.0	831.6	847.0	852.1	2,600.0	2,700.0	2,700.0	2,300.0	2,400.0	2,500.0
GNI per capita (US\$)	5,250	5,040	5,170	28,010	27,420	28,310	1,950	1,920	1,970	440	410	410
GDP (trillion US\$)	29.9	30.7	31.5	22.8	23.8	24.1	5.3	5.0	5.5	1.0	1.0	1.0
Inflation, GDP deflator (annual %)	54.7	51.6	47.9	4.0	1.1	1.8	73.1	55.3	50.2	9.6	13.4	10.0
FDI (billion US\$)	360.3	927.6	1,200.0	216.7	731.4	989.5	113.2	174.6	160.1	17.6	9.7	6.6
Aid per capita (US\$)	n/a	n/a	n/a	-	-	-	8.6	8.8	7.8	10.9	9.7	9.3
Nr of fixed lines and mobile phones per 1000 people	154	233	286	686	963	1,132	96	176	232	18.3	26.8	28.7
Nr of Internet users (million)	58.3	242.0	366.5	51.0	180.5	256.9	5.1	46.9	87.3	0.6	4.8	9.3
Nr of PCs per 1000 people	48.2	68.5	78.3	238.1	353.8	400.5	15.1	27.2	33.1	2.9	4.3	5.1
Illiteracy rate, adult male (% of males 15+)	n/a	n/a	n/a	1.0	1.0	1.0	10.5	9.4	9.0	30.9	29.0	28.3
Illiteracy rate, adult female (% of females 15+)	n/a	n/a	n/a	1.0	1.0	1.0	21.9	19.9	19.2	50.7	47.9	47.0
Life expectancy	n/a	n/a	69.5	77.8	n/a	78.1	68.8	n/a	69.5	55.5	n/a	58.9

Table 2.8: Comparative "Performance" Indicators - Some Facts (1996–1999–2000)Source: World Bank, *World & Country Profiles at a Glance* (Extracts) [Online].Available: <http://www.worldbank.org> [10 August 2002].

	Regions											
	Latin America & Caribbean Data Profile			East Asia & Pacific Data Profile			Sub-Saharan Africa Data Profile			South Asia Data Profile		
	1996	1999	2000	1996	1999	2000	1996	1999	2000	1996	1999	2000
Population (million)	485	508	516	1,800	1,800	1,900	595	643	659	1,300	1,300	1,400
GNI per capita (US\$)	3,640	3,640	3,670	1,080	1,010	1,060	530	490	470	410	430	440
GDP (billion US\$)	1,900.0	1,800.0	2,000.0	2,000.0	1,900.0	2,100.0	332.7	319.6	322.7	512.9	579.5	596.8
Inflation, GDP deflator (annual %)	24.5	27.8	50.0	6.6	9.6	7.4	21.0	9.6	11.9	7.3	4.0	4.1
FDI (billion US\$)	43.8	88.0	75.1	61.0	55.9	52.1	4.5	7.9	6.7	3.5	3.1	3.1
Aid per capita (US\$)	15.4	11.7	9.7	4.4	5.4	4.6	27.8	20.6	20.4	4.1	3.2	3.1
Nr of fixed lines and mobile phones per 1000 people	112.5	210.1	270.6	59.0	124.0	170.6	13.4	24.3	31.6	14.4	25.2	30.7
Nr of Internet users (million)	1.5	10.5	19.1	1.4	25.9	51.9	0.6	2.4	3.7	0.4	3.0	5.4
Nr of PCs per 1000 people	24.5	37.6	43.6	8.6	17.0	21.7	n/a	8.2	9.2	1.9	3.2	4.2
Illiteracy rate, adult male (% of males 15+)	11.8	11.0	10.7	9.6	8.3	7.9	34.0	31.1	30.1	36.4	34.5	33.9
Illiteracy rate, adult female (% of females 15+)	14.1	12.9	12.5	24.0	21.5	20.7	52.0	48.0	46.7	60.9	58.2	57.3
Life expectancy	n/a	n/a	70.4	n/a	n/a	69.1	n/a	n/a	46.5	n/a	n/a	62.4

**Table 2.9: Comparative "Performance" Indicators
Some Facts (1996–1999–2000)**

Source: World Bank, *World & Country Profiles at a Glance* (Extracts) [Online].
Available: <http://www.worldbank.org> [10 August 2002].

	Least Developed Countries UN Classification Data Profile			Heavily Indebted Poor Countries (HIPC) Data Profile		
	1996	1999	2000	1996	1999	2000
Population (million)	599.8	645.5	660.0	575.1	618.3	632.2
GNI per capita (US\$)	260	280	280	280	310	300
GDP (billion US\$)	169.1	184.1	190.5	182.6	197.9	200.9
Inflation, GDP deflator (annual %)	19.3	17.2	9.1	9.9	12.1	7.2
FDI (billion US\$)	2.5	5.3	4.3	5.0	8.0	6.6
Aid per capita (US\$)	23.5	19.1	18.9	29.6	24.2	23.3
Nr of fixed lines and mobile phones per 1000 people	3.6	6.0	7.9	7.0	12.4	17.4
Nr of Internet users (thousand)	11	362	768	34	567	1,300
Nr of PCs per 1000 people	-	2.0	2.4	-	3.6	4.3
Illiteracy rate, adult male (% of males 15+)	40.0	37.6	36.9	29.5	27.3	26.6
Illiteracy rate, adult female (% of females 15+)	61.4	58.1	57.1	47.0	43.7	42.6
Life expectancy	n/a	n/a	50.5	n/a	n/a	50.9

GDP (Gross Domestic Product): The value of all final goods and services produced in a country in one year (see also GNP). GDP can be measured by adding up all of an economy's incomes – wages, interest, profits, and rents – or expenditures – consumption, investment, government purchases, and net exports (exports minus imports). Both results should be the same because one person's expenditure is always another person's income, so the sum of all incomes must equal the sum of all expenditures.

GNP/GNI (Gross National Product/Income): The value of all final goods and services produced in a country in one year (GDP) plus income that residents have received from abroad, minus income claimed by non-residents. *GNP may be much less than GDP if much of the income from a country's production flows to foreign persons or firms.* But if the people or firms of a country hold large amounts of the stocks and bonds of firms or governments of other countries, and receive income from them, GNP may be greater than GDP. For most countries, however, these statistical indicators differ significantly.

Example:

	Indonesia	Malaysia	Mexico
	2000	2000	2000
GNI (billions US\$)	119.9	78.5	497.0
GDP (billions US\$)	153.3	89.7	574.5

"Gross" (as in GDP, GNP, GNI) indicates that the value lost through the *wear and tear* of capital used in production is not deducted from the value of total output.

Table 2.10: Debt and Consumption Indicators - Some FactsSource: World Bank, *World & Country Profiles at a Glance* (Extracts) [Online].Available: <http://www.worldbank.org> [10 August 2002]

	GDP (billion US\$)			GDP (% Average Annual Growth)			Total Debt Outstanding (External: millions US\$)			Total Debt (% of GDP)			Total Debt Service (External: millions US\$)			Private Consumption (% of GDP)			Private Consumption (% Average Annual Growth)		
	1980	1990	1999	1980-90	1990-00	1999	1980	1990	1999	1980	1990	1999	1980	1990	1999	1980	1990	1999	1980-90	1990-00	1999
USA	2,771.5	5,750.8	9,205.7	3.6	3.4	3.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	63.5	66.8	n/a	3.8	3.2	n/a
UK	535.7	967.6	1,441.8	3.2	2.5	2.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	58.6	62.5	65.8	4.2	2.6	4.2
Germany	n/a	n/a	2,111.9	n/a	1.5	1.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	57.7	n/a	1.3	2.1
France	682.1	1,215.9	1,432.3	2.4	1.7	2.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	55.8	55.3	54.8	2.1	1.1	2.5
Italy	451.3	1,102.4	1,171.0	2.4	1.5	1.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	58.1	57.5	59.5	2.9	1.2	1.7
Canada	266.0	572.7	634.9	3.3	2.9	4.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	53.4	56.6	57.9	3.4	2.4	3.4
Japan	1,059.3	2,970.0	4,346.9	4.0	1.3	0.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	58.8	58.0	n/a	3.7	1.7	n/a
Netherlands	179.3	296.0	393.7	2.3	2.9	3.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	48.4	47.8	50.1	1.7	2.7	4.2
Belgium	121.6	197.3	248.4	2.1	2.0	2.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	56.0	55.5	53.6	1.9	1.5	2.0
Sweden	130.0	237.9	238.7	2.3	1.8	3.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	48.6	48.1	50.5	2.0	0.6	4.0
Switzerland	107.5	228.4	258.3	2.0	0.7	1.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	62.3	57.3	n/a	1.6	0.6	n/a
Chad	1.0	1.7	1.6	6.1	2.2	1.0	284	524	1,142	27.5	30.1	73.4	6	12	32	n/a	88.6	93.9	3.5	1.3	-
India (*)	188.8	266.4	457.0	5.6	6.1	4.0	22,709	85,421	103,677	12.0	32.1	22.7	785	4,559	10,727	70.8	67.3	66.5	5.7	4.8	4.3
Indonesia	76.4	114.4	141.3	6.1	4.2	0.8	20,938	69,872	150,844	27.4	61.1	106.7	3,084	9,946	17,900	50.4	58.9	73.3	5.6	6.5	4.6
Philippines	32.5	44.3	76.2	1.0	3.3	3.4	17,417	30,580	52,022	53.6	69.0	68.3	2,183	3,590	6,732	66.7	71.5	68.0	2.2	3.9	0.4
Argentina	77.0	141.4	283.3	-0.7	4.3	-3.4	27,157	62,232	145,994	35.3	44.0	51.5	4,182	6,158	27,900	n/a	77.1	70.1	n/a	2.8	-3.2
Brazil	235.0	465.0	529.4	2.7	2.9	0.8	71,520	119,877	241,468	30.4	25.8	45.6	14,757	8,168	67,522	69.7	59.3	61.8	1.2	5.7	6.1
Malaysia	24.9	44.0	79.0	5.3	7.0	6.1	6,611	15,328	45,939	26.5	34.8	58.1	934	4,333	4,695	54.2	51.9	41.6	3.8	3.8	0.8
Mauritius	1.1	2.6	4.2	6.2	5.3	3.3	467	974	2,464	41.3	36.9	58.2	52	154	261	75.5	64.6	65.3	6.7	4.8	4.8
Mexico	223.5	262.7	479.4	1.1	3.1	3.8	57,378	104,442	167,626	25.7	39.8	35.0	10,958	11,311	39,760	65.1	69.6	67.1	1.4	2.4	4.3
South Africa	80.5	112.0	130.2	1.0	2.0	1.9	n/a	n/a	24,158	n/a	n/a	18.6	n/a	n/a	4,839	54.3	62.8	63.3	2.4	2.6	1.1
(*) India:	1981	1991	2000	1981-91	1991-01	2000	1981	1991	2000	1981	1991	2000	1981	1991	2000	1981	1991	2000	1981-91	1991-01	2000

Table 2.11: Distribution of World Income (1993)

Source: Chossudovsky, M. 1998, *The Globalization of Poverty: Impacts of IMF and World Bank Reforms*, Zed Books, Atlantic Highlands, NJ, p.39

	Population (millions)	Share of World Population	Per Capita Income (US\$)	Total Income (billion US\$)	Share of World Income (%)
Low-Income Third World (US\$)	3,077.8	56.0	379	1,166.5	4.9
Sub-Saharan Africa	599.0	10.9	520	311.5	1.3
South Asia	1,194.4	21.7	310	370.3	1.5
China	1,178.4	21.4	490	577.4	2.4
Middle-Income Third World	1,218.9	22.2	2,397	2,921.7	12.2
Total Third World	4,296.7	78.2	951	4,088.2	17.1
Eastern Europe and Ex-USSR	392.3	7.1	2,665	1,045.5	4.4
Total Poor Countries (*)	4,689.0	85.3	1,095	5,133.7	21.5
OECD Countries (**)	812.2	14.6	22,924	18,618.9	77.9
Total Rich Countries	812.4	14.7	23,090	18,758.3	78.5
World Total	5,501.4	100.0	4,343	23,892.0	100.0

Source: Estimated from World Bank data in *World Development Report 1995*; Washington, DC; 1995; pp 162-163
 (*) Total Poor Countries is the sum of Total Third World and Eastern Europe and Ex-USSR but excludes the low income countries of the EX-USSR
 (**) Excluding Iceland, Mexico and Turkey
 Note: The categories and weights differ from those of the World Bank; Tajikistan, Georgia and Armenia are included in Eastern Europe and Ex-USSR

Table 2.12: Developing Countries' External Debt (billion US\$)

Source: Chossudovsky, M. 1998, *The Globalization of Poverty: Impacts of IMF and World Bank Reforms*, Zed Books, Atlantic Highlands, NJ, p.46

	Total External Debt	Long-Term Debt	Short-Term Debt	Use of IMF Credit
1980	658	481	164	12
1981	672	498	159	14
1982	745	557	168	20
1983	807	633	140	33
1984	843	675	132	36
1985	990	809	141	40
1986	1,218	996	179	43
1987	1,369	1,128	198	43
1988	1,375	1,127	213	35
1989	1,427	1,151	244	32
1990	1,539	1,226	278	35
1991	1,627	1,286	303	38
1992	1,696	1,328	329	38
1993	1,812	1,424	349	39
1994 (*)	1,945	1,538	366	41

Source: World Bank, *World Debt Tables*, several issues, Washington, DC
 (*) Projected
 Note: The pre-1985 data are based on all countries reporting to the World Bank and are not directly comparable to the post-1985 data

Table 2.13: Use of IMF Credit by Eligible Countries 1947–1989
Some Examples (former colonial territories)

Source: Bandow, D. 1994, 'The IMF: A Record of Addiction and Failure', in *Perpetuating Poverty: The World Bank, the IMF, and the Developing World*, eds D. Bandow & I. Vásquez, CATO Institute, Washington, pp.32-36

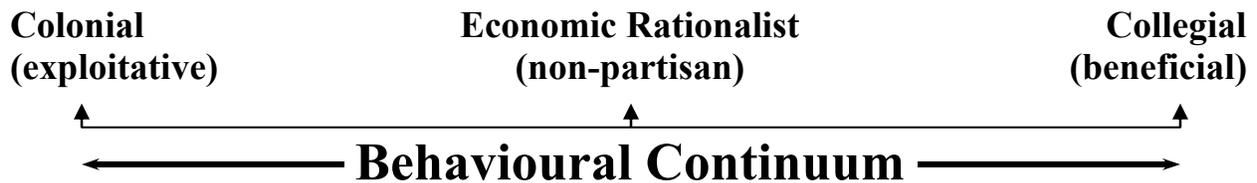
	First Year Used	Number of Years Used	% of Years Used
Low Income Countries			
Chad	1970	20	100
India	1949	34	83
Low Middle Income Countries			
Indonesia	1956	24	71
Philippines	1955	29	83
Upper Middle Income Countries			
Argentina	1957	23	70
Brazil	1951	23	59
Malaysia	1976	6	60
Mauritius	1969	14	67
Mexico	1976	12	86
South Africa	1976	9	82

Interview Questions

Open-Ended ~ Semi-Structured

Six sections:

1. G7 Behaviour
2. Economic Development in Indonesia
3. Social Development in Indonesia
4. Colonial Behaviour
5. Economic Rational Behaviour
6. Collegial Behaviour



Section 1: G7 Behaviour

Introduction: The G7 Group of nations are made up of the United States of America, the United Kingdom, Germany, France, Italy, Canada, and Japan. These are all former colonial powers, with the exception of Canada. Jointly, as the G7 Group, they are the world's richest group of nations, accounting for just over 10% of the world population, whilst they receive in excess of 60% of the world's yearly income. The G7 have executive control over the International Monetary Fund and the World Bank and have the power to veto proposed loans to developing countries, including Indonesia.

I am interested in listening to your views and perception of the G7, specifically within the context of G7 executive control over IMF & WB multi-lateral loans extended to Indonesia (nb: the current rescue package for the 1997- crisis), IMF Structural Adjustment Programmes imposed on Indonesia (nb: bank restructuring programme, subsidies removal from fuel, rice, etc), and G7 member bi-lateral loans to Indonesia.

To this end, I would like to ask you some questions. Please feel free to answer these questions in any way you like and remember that this questionnaire interview is strictly confidential. I am legally bound to ensure this confidentiality, under the regulations of the Ethics Committee of Curtin University of Technology. Once the findings have been analysed, no reference will exist or remain to you as the interviewee/respondent.

[nb: Explore the reasons behind the answers given, where appropriate]

Question 1: What are your views with respect to the G7 (IMF & WB) as a power group and moneylender & donor to developing nations such as Indonesia?

Question 2: Do you consider the G7 to act in everyone's interest? Please provide some reasons for your answer.

Question 3: What are your views on the concept of G7 (IMF & WB) exercising power as the world's financial controller?

Question 4: How would you classify the attitude and behaviour of the G7 towards Indonesia in particular, and developing nations generally?

Question 5: When Indonesia requests the assistance of the IMF, like President Soeharto did in 1997/98, do you feel that Indonesia is treated with respect and on an equal footing with all other nations?

Questions 6: Is the behaviour of the G7 (IMF & WB), generally perceived by Indonesians as courteous and polite?

Question 7: The fact that the G7 includes a super-power (USA) and includes some of the most powerful NATO members (France, UK), does this have any bearing on their attitude and behaviour towards Indonesia?

Question 8: How do you perceive the assistance the G7 (IMF & WB) provide to Indonesia?

Question 9: Do you feel that the G7, as a group of wealthy & developed nations, are in a legitimate position to best advise or impose structural reform programmes on developing nations, such as Indonesia?

Question 10: How do you view G7 (IMF & WB) interest in Indonesia?

Section 2: Economic Development in Indonesia

Introduction: The objective of this section is to hear your views about economic development in Indonesia. Some questions may require you to estimate an answer (eg average income in Indonesia). Please remember that I am interested in your perception and not judging your answer as correct, or otherwise, in any way.

Question 11: Based on your perception of the national economy of Indonesia, what do you estimate the GDP (Gross Domestic Product) per citizen to be?

Question 12: Based on your perception of the national economy of Indonesia, what do you estimate the average real income per citizen to be?

Question 13: On a comparative basis with other nations, how do you perceive the purchasing power of the average citizen to be, within Indonesia?

Question 14: How large do you perceive Indonesia's "foreign debt" to be, as a percentage (%) of GDP?

Question 15: What is your perception and estimate of Indonesia's "current account"?

Question 16: What are your views on "inflation" in Indonesia and what is your estimate of CPI over the last 12 months?

Question 17: How would you breakdown the current "consumption expenditure" of the average Indonesian? [such as, % of income spent on: (1) housing, (2) food, (3) clothing, (4) education, (5) transport & communication, (6) health care, (7) savings, (8) other consumables]

Question 18: How do you perceive employment opportunities to be in Indonesia?; and: What is your estimate of national unemployment in Indonesia? (% of total population)

Question 19: What are your views on foreign direct investment in Indonesia? (ie: not IMF & WB)

Question 20: What are your views on domestic investment in Indonesia?

Section 3: Social Development in Indonesia

Introduction: The objective of this section is to hear your views about social development in Indonesia. Some questions may require you to estimate an answer (eg average life expectancy in Indonesia). Please remember that I am interested in your perception and not judging your answer as correct, or otherwise, in any way.

Question 21: Based on education opportunities across Indonesia, what % of the population do you estimate are able to read and write with confidence?

Question 22: What do you estimate the level of education attainment to be in Indonesia? That is: % of population with tertiary, secondary, or primary education.

Question 23: What are your views about access to information in Indonesia?

Question 24: What are your views about freedom of speech in Indonesia?

Question 25: What are your views about political freedom in Indonesia?

Question 26: What % of the Indonesian population do you estimate own a telephone, or have access to a telephone within reasonable proximity to their home?

Question 27: What % of the Indonesian population do you estimate have ready access to clean drinking water? (ie: piped potable water) Is this an important issue?

Question 28: Do most Indonesians have access to sufficient food and a balanced diet, on a daily basis? What do you estimate their average daily calorie intake to be?

Question 29: Is infant mortality an issue in Indonesia? What do you estimate it to be?

Question 30: What are your views on health care in Indonesia? (issues: access, price, quality)

Section 4: Colonial Behaviour

Introduction: The objective of this section is to determine your concept of what constitutes 'colonial behaviour'. There are no right or wrong answers, as it is your perception/concept that matters.

Question 31: How would you describe colonial behaviour? Please name some key characteristics.

Question 32: Do you feel that colonial behaviour is an issue of the past, or do you perceive it to be alive today? (neo-colonialism)

Question 33: Considering the history of Indonesia over the last 300 years, is the nation still being subjected to neo-colonial attitudes by foreign powers & institutions?

Question 34: Assuming (neo)colonial attitudes still exist, are these specific to certain countries, or regions if you like? Or institutions?

Question 35: How do these neo-colonial attitudes towards Indonesia manifest themselves?

Question 36: What are your views on racism and prejudice, with respect to colonial behaviour?

Question 37: In your view, do Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism?

Question 38: Is nationalism important?

Question 39: In your opinion, which of the following terms are appropriate to describe (neo)colonial behaviour:

- exploitative
- oppressive
- dominating
- imperial
- foreign

- prejudiced
- racist
- euro-centric
- assumed moral superiority
- other?

Question 40: Do you perceive colonial behaviour in any way as beneficial?

Section 5: Economic Rationalist Behaviour

Introduction: The objective of this section is to determine your concept of what constitutes 'economic rationalist behaviour'. There are no right or wrong answers, as it is your perception/concept that matters.

Question 41: How would you describe economic rationalist behaviour? Please name some key characteristics.

Question 42: Would you describe economic rationalist behaviour as non-partisan?

Question 43: In your view, does economic rationalist behaviour assume, or aspire to, a level playing field for all participants (Indonesian and foreign)?

Question 44: In your opinion, is economic rationalist behaviour market oriented, competitive, and without prejudice?

Question 45: Would you describe economic rationalist behaviour as wealth creating and global in outlook?

Question 46: Would you describe economic rationalist behaviour as value free and purely driven by financial return on investment?

Question 47: How would you describe the long-term agenda of foreign direct investors in Indonesia?

Question 48: How would you describe the long-term agenda of Indonesian businessmen when engaging in foreign direct investment abroad?

Question 49: Would you view economic rationalist behaviour as laissez-faire and impersonal?

Question 50: Do you perceive economic rationalist behaviour in any way as beneficial?

Section 6: Collegial Behaviour

Introduction: The objective of this section is to determine your concept of what constitutes ‘collegial behaviour’. There are no right or wrong answers, as it is your perception/concept that matters.

Question 51: How would you describe collegial behaviour? Please name some key characteristics.

Question 52: In your view, do any countries exhibit genuine collegial behaviour towards Indonesia? Could you identify these?

Question 53: Does collegial behaviour by foreign countries promote self-determination and economic independence in Indonesia?

Question 54: Does collegial behaviour foster economic prosperity and genuine commonwealth between nations? How does it achieve this?

Question 55: Does collegial behaviour foster global economic integration?

Question 56: Does collegial behaviour by other countries towards Indonesia promote national unity? How does it achieve this?

Question 57: Do you perceive collegial behaviour in any way as beneficial?

Question 58: If collegial behaviour by other countries towards Indonesia is perceived as beneficial, is it likely to impact at all on Indonesia’s foreign debt and current account performance? How would it do so?

Question 59: Would you describe collegial behaviour as altruistic & philanthropic?

Question 60: Do you perceive Indonesia’s behaviour towards other countries as beneficial? Could you identify some recipient countries and give examples of beneficial outcomes?

Demographic Data (Please note: Do not write your name.):

Age:

Gender:

Ethnic Background:

Company Size: Number of Employees ; Annual Turnover

Industry Sector:

Geographic Location of Company in Indonesia:

Thank you for your participation and I will be pleased to provide you with an executive summary of the thesis findings.

Content Analysis – Notes [1]

Appendix 6.2

[1] Interview Extracts (30 November 1999): **Mr Agus Suherman** (nb: Mr Agus is a Board Member of the Indonesian Chamber of Commerce and Industry in Jakarta)

Demographic Data:

Age: 42 years

Gender: Male

Ethnic Background: Chinese Indonesian

Company: Size: >150 employees; Annual Turnover: >US\$40 million p.a.

Industry Sector: Infrastructure Development (Roads & Land)

Geographic Location of Company in Indonesia: HO in Jakarta but activities across Java

1. Pre 1997 Indonesia's government was based on an ideal for prosperity.
2. Soeharto would seek prosperity through G7 (IGCI, CGI) soft loans and grants.
3. Corruption in Indonesia forced the G7 (IMF & WB) to change their collegial approach to economic rationalist.
4. G7's economic rationalist approach is a good thing for Indonesia.
5. The G7 acts in Indonesia's interest.
6. G7 action is economic rationalist and this is a positive thing.
7. G7 actions are driven by self-interest, protecting G7 long term investments in Indonesia.
8. G7 actions benefit Indonesia.
9. G7 loans are conditional and appropriately so.
10. G7 (IMF & WB) have consultants inside Indonesian government departments, assisting with loan applications.
11. G7 consultants benefit financially.
12. Indonesian civil servants benefit financially by awarding G7 facilitated contracts to Indonesian colleagues within private enterprise.
13. G7 behaviour after 1965 is perceived as beneficial because it created employment and new business opportunities.
14. G7 behaviour has led to an increase in Indonesian living standards.
15. G7 have always been aware of Indonesia's financial debt position.
16. G7 have economists working inside the Indonesian government, IMF and WB.
17. G7 see Indonesia as a global player and any SAPs imposed are done so, accordingly.
18. SAPs are neither respectful or disrespectful of Indonesia but simply necessary if the country is to remain a global player.
19. People who disagree with the IMF SAPs are doing so from a political point of view.
20. Many government officials who criticise the IMF are corrupt.
21. From a cultural perspective, G7 behaviour towards Indonesia is considered impolite.
22. Indonesians do however understand, that G7 behaviour is caused by Indonesian corruption and fraud.
23. There is no difference in attitude from an international perspective.
24. The power of G7 does influence its attitude towards Indonesia.
25. Under economic rationalist philosophy, it is appropriate to protect investments.

26. Indonesian business acts in the same manner (economic rationalist).
27. I perceive the assistance from the G7 as economic rationalist and positive.
28. The G7 are best placed today to advise Indonesia on how to become a successful global player.
29. The IMF is taking the correct economic rationalist approach.
30. The G7's approach to Indonesia is economic rationalist. Their interest and approach benefits Indonesia, as well as their own investments.
31. I would guess that the GDP per citizen in Indonesia is around US\$500 to US\$600 p.a.
32. I would say the average real income per citizen in Indonesia is around US\$600 p.a.
33. It is very difficult to compare the purchasing power of the average Indonesian with that of other countries. The land provides most essentials outside the monetary system.
34. Indonesia's foreign debt is considerable greater than its GDP. Perhaps around US\$150 billion (56% public sector, 44% private sector)
35. It is difficult to estimate Indonesia's current account figures. However, I know that the current account is always in deficit and underestimated by the government.
36. I estimate inflation in 1999 to be below 10%.
37. I estimate inflation will rise to double digit figures, next year.
38. Inflation is affected by the currency crisis, the economy and the crisis in Indonesian political institutions and law enforcement agencies.
39. Consumption expenditure is different for the city as compared to the country. I already mentioned this previously (Q13). If you take a middle class family in Jakarta, earning Rp120 million per year (around US\$20,000), understanding that Indonesians do not pay tax on these earnings, I could say: 20% on housing; 20% on car; 25% on savings; 15% on food & clothing; 10% on education and 10% on other consumables.
40. Employment opportunities are difficult during this crisis, especially for people who cannot afford to move. The crisis has resulted in an unemployment level of between 20% and 30%, across Indonesia.
41. FDI in Indonesia is at present unstable and insignificant.
42. FDI is good for Indonesia, both as capital and portfolio investment.
43. Most overseas (FDI) investors have adopted a wait and see attitude.
44. Many domestic investors are carefully watching developments in Indonesia, and meanwhile are keeping their cash funds in overseas accounts.
45. At least 95% or more of the population can read and write well.
46. I think at least 20% of the population has tertiary education and 50% plus, secondary. More than 70% would have completed primary school.
47. Access to information depends very much on your network of people and your location.
48. Today there is definitely freedom of speech.
49. Today there is political freedom, just like with freedom of speech.
50. Telephone access is universal through publicly available facilities. Ownership is 1 telephone per 300 people.
51. No one in Indonesia has access to safe or clean drinking water. Everything has to be boiled.

52. I don't know about calories but I guess that more than 90% of people have access to sufficient food every day.
53. Whilst I cannot give an estimate, infant mortality is only a problem in rural areas. In the city, poor people are looked after.
54. Health care for the general population is poor in Indonesia.
55. Health care is not a problem for rich people as they go to Singapore and Australia.
56. There are not enough doctors in Indonesia.
57. A successful doctor doesn't spend enough time with his patients, because the more patients he can see in a day, the more money he makes.
58. There is a lack of adequate medical equipment and medication in Indonesia.
59. People's inability to pay for good medical treatment limits their access to quality health care.
60. Police, lawyers and hospitals are all bad in Indonesia.
61. Colonial behaviour is when people exploit others for their own benefit.
62. Exploitation is the key characteristic of colonial behaviour.
63. The positive side of colonialism is discipline.
64. Colonial behaviour is an issue of the past and does not apply to Indonesia today.
65. The G7 and the IMF behaviour is economic rationalist.
66. The G7 and the IMF, if they are not careful, may be perceived as crossing the line into colonial behaviour.
67. Neo-colonial attitudes are not really specific to any countries or regions.
68. Racism is not an issue with respect to economic/financial matters in Indonesia.
69. Some individuals use racism for political purposes.
70. Colonial behaviour does reinforce feelings of nationalism but this has nothing to do with foreigners.
71. Nationalism in Indonesia is a reaction to the oppression under Soeharto.
72. IMF behaviour sometimes is a contributory factor to Indonesian nationalism.
73. I don't know if nationalism is an important issue.
74. All these terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating (foreign & domestic), prejudiced, assumed world superiority.
75. The older generation thought that the sense of discipline, colonialism brought to Indonesia, was a good thing.
76. I describe economic rationalist behaviour as using each other for mutual benefit.
77. Economic rationalist behaviour is non-partisan but if one has an advantage and benefits more, that's OK.
78. A level playing field is an ideal but in reality everyone uses their own advantage. I think this is the same for Indonesians and foreigners.
79. Economic rationalist behaviour is market oriented, competitive and without prejudice but everyone is expected to benefit, even if somewhat differently.
80. From a businessman's point of view, economic rationalist behaviour is wealth creating and global in outlook.
81. People invest to create wealth and the world is a global market.
82. Economic rationalist behaviour is driven by financial return on investment but nothing anyone does is entirely value free. Self interest does play a role and so do (protective feelings towards) family and friends.

83. Most foreign investors take a long term view when considering business in Indonesia. Take one of my partners, he's French and has actually increased his investment during the KRISMON period, to ensure the business will survive and grow in the longer term.
84. The more experienced Indonesian businessmen take a long term view, especially when large investments are made. However, the domestic climate is such today, that most can only afford to take a short to medium term view.
85. Economic rationalist behaviour is not entirely laissez-faire and impersonal.
86. Economic rationalist behaviour can be beneficial if, through adherence to economic discipline, it creates wealth for all parties.
87. Economic rationalist behaviour can be personal if we choose to help family and friends.
88. Economic rationalist behaviour is laissez-faire in so far that it is the market which creates the opportunity.
89. Yes, economic rationalist behaviour is beneficial, because like I said, it benefits all involved, even if unevenly.
90. Plenty of people still engage in collegial behaviour.
91. Collegial behaviour is likely to be limited to certain communities.
92. Investment decisions can be based on friendship and a desire to help members of your family.
93. When helping your own business community, your close network, ethnicity is not an issue.

Questionnaire Extracts (30 November 1999): Mr Agus Suherman

Section 1 – G7 Behaviour

Q1

- This is a complex answer. Let me describe a picture. Pre the financial crisis in 1997, Soeharto was in control and governed on the basis of an ideal for prosperity. It was idealistic and Indonesia focused on aid in the form of soft loans (long term, no interest) and grants. Soeharto would seek prosperity by dependence on these two types of loans, arranged or managed through IGCI ('Intergovernmental Committee for Indonesia': formerly chaired by the Dutch) and now CGI ('Committee for Government of Indonesia': Dutch excluded).
- However, corruption became such a big issue that the lending parties (IMF, WB, G7) changed this beneficial or collegial attitude to one demanding control. Economic rationalism replaced the former attitude of unconditional help. That's how I view G7 today but it is a good thing for Indonesia.

Q2

- I consider G7 to act in Indonesia's interest. Their action is economic rationalist but I perceive this as positive. I compare their action to Japan's Miazawa Plan, which invests money in countries like Indonesia, interest free almost and for the long term. Japan then provides ongoing loans in times of crisis to sustain and protect their own investments in Indonesia. Because it is driven by self-interest you can term it economic rationalist but Indonesia benefits and profits as well, so it can also be collegial.

- Japanese loans are conditional, so why should G7 loans not be? The current economic rationalist approach by G7 to Indonesia is definitely positive.

Q3

- Well, everyone benefits, why not? G7 through IMF, WB, or through bi-lateral arrangements, they all have consultants within the Indonesian government departments helping to prepare loan applications. In my industry I know those involved in loan applications for housing and infrastructure projects (roads). G7 may be exercising power as money lender but the Indonesian government influences the G7 consultants and once a project loan is approved, many Indonesian individuals (both in Government and working in private industry) benefit by awarding the contracts to those private companies in which they have an interest! (Financial leakage).

Q4

- From the point of view of the Indonesian population in general, especially after 1965, G7 behaviour towards Indonesia is seen as beneficial, because it has created employment and many new business opportunities. Everyone sees a definite increase in living standards.

Q5

- Well, G7 knew about Indonesia's foreign debt position all along. After all, they have many economists working in Indonesia and in the IMF and WB. I see their approach as realistic and in 1997 and later, their attitude is one of either you are ready and willing, or not, to become and act as a global player. I see that their treatment is based on Indonesia being a global player and therefore the choices discussed must be based on protecting what has been achieved so far. The structural adjustment programmes are not to be considered as respectful or disrespectful but simply as necessary for Indonesia to be a global player.
- The (Indonesian) business community's point of view is that the treatment of Indonesia by the IMF is based on its ability to compete on a global basis. It is the correct approach. Those who say differently are talking from a political point of view, rather than an economic one.
- For example, take BULOG, the agency that controls the rice trade. It imports rice at market value but it pays domestic growers at below market value. Local growers (paddies) are only allowed to sell to BULOG and they are aware of this price disadvantage. As a result, Indonesia needs to import more rice than necessary because local people do not see any advantage in growing or increasing rice crops. BULOG then dictates a non-market price. Rice is subsidised by price interference, imports supported by foreign loans and the whole activity full of corruption by BULOG officials.
- The IMF wants to see the rice subsidy removed and the rice market opened up to competition. The Indonesian business community supports this and approves of the IMF plan. The same must happen to Pertamina.

Q6

- Well, from a cultural perspective, Indonesians may consider G7 behaviour as impolite but they realize that it is not the result of an action by the strong (G7) towards the weak (Indonesia) but rather between the strong and the naughty! (corrupt). The photo everyone talked about, of Michel Camdessus and Soeharto, may have angered some people (Michel Camdessus with crossed arms, standing over Soeharto signing the IMF contract) but people also realised that corruption

and bad financial decisions were intentional. So, it is behaviour between the strong and the naughty. I think, from an international social behaviour standpoint, there is no difference in attitude.

Q7

- The fact that the G7 includes a super-power (USA) and the most powerful NATO members, of course has bearing on their attitude and behaviour towards Indonesia. However, also due to its economic rationalist approach, it is appropriate that people (G7) should protect investments already made to ensure development progress. Indonesian business does the same.

Q8

- I perceive the assistance from the G7 as economic rationalist and positive.

Q9

- Yes, the G7 are best placed today to advise Indonesia how to become a successful global player. Soeharto always had a political response, rather than economic but the IMF particularly is taking the correct economic rationalist approach.

Q10

- The G7's approach to Indonesia is economic rationalist. Their interest and approach benefits Indonesia, as well as their own investments.

Section 2 – Economic Development in Indonesia

Q11

- I would guess that the GDP per citizen in Indonesia is around US\$500 to US\$600 p.a.

Q12

- Well, let's see with respect to the average real income per citizen. The President has a monthly salary of US\$7,000, a minister US\$4,000, a director general US\$500, a director US\$300 and the minimum wage in Indonesia is US\$40 per month. A taxi driver earns around Rp20,000 per day, which is US\$3, so US\$90 per month. Yes, I would say the average real income is close to the GDP per capita, around US\$600 p.a.

Q13

- It is very difficult to answer, on a comparative basis with other nations, what the purchasing power of the average citizen is in Indonesia. The Indonesian living style is so different and it is also very different between city and the countryside. Outside the main cities, your plot of land provides most of your food, or you can exchange goods with neighbours. You get your materials for the house from the forest and also the fruits. Rivers and wells provide free water and schools are free, so you don't need much money. In the city it is different, especially for the middle class but they still have their link with the kampung (village) in the countryside.

Q14

- I can't tell you exactly the size of Indonesia's foreign debt as a % of GDP but I know it is much greater than the GDP. Maybe US\$150 billion, 80 billion from the public sector and 70 billion from the private sector.

Q15

- It is very difficult to estimate Indonesia's current account, also the government figures cannot be trusted. I know that the current account is always understated and always in deficit.

Indonesian Customs is very corrupt, so recording of export and import figures is never true. Sometimes the government even publishes a current account surplus! The free exchange rate (no control) also doesn't help.

Q16

- I would estimate inflation over the last 12 months (1999) to be below 10% but by the end of 2000 it will again be double digit. The government also devalues the currency and this doesn't help. But overall, CPI is driven by a realistic value and a psychological value (perception of market confidence in fundamentals and political stability).
- Inflation will increase next year in spite of the overall Asian recovery, because in Indonesia the currency, the economy, political institutions and law enforcement are all in crises and there are no firm solutions yet.

Q17

- Consumption expenditure is different for the city as compared to the country. I already mentioned this previously (Q13). If you take a middle class family in Jakarta, earning Rp120 million per year (around US\$20,000), understanding that Indonesians do not pay tax on these earnings, I could say: 20% on housing; 20% on car; 25% on savings; 15% on food & clothing; 10% on education and 10% on other consumables.

Q18

- Employment opportunities are difficult during this crisis, especially for people who cannot afford to move. The crisis has resulted in an unemployment level of between 20% and 30%, across Indonesia.

Q19

- Private foreign direct investment at the moment is very unstable and fickle. During 98/99 it has been insignificant as most overseas investors are taking a wait and see attitude. Personally, I welcome FDI as positive for Indonesia, both in infrastructure as well as portfolio investment through the FSX.

Q20

- Of course domestic investment still takes place but those who can, still maintain their cash funds in overseas accounts. We too are carefully watching the developments in Indonesia.

Section 3 – Social Development in Indonesia

Q21

- Oh, at least 95%, or more, of the population can read and write well.

Q22

- That's difficult to assess but I think at least 20% of the population has tertiary education and 50% plus, secondary. More than 70% would have completed primary school.

Q23

- This is not easy to answer because access to information in Indonesia depends very much on your network of people and not so much on facilities. Location is important as well.

Q24

- Today there is definitely freedom of speech. This was not so during the Soeharto years but it started to change after 1996. Just consider Mr Wanandi! Before Habibie, nothing was said openly.

Q25

- There is today, just like with freedom of speech.

Q26

- I would estimate there to be 1 telephone for every 300 people, that is ownership. Access is universal, if you consider public facilities and privately owned phone and fax shops (wartel).

Q27

- No one in Indonesia has access to safe or clean drinking water. Everything has to be boiled.

Q28

- I don't know about calories but I guess that more than 90% of people have access to sufficient food every day.

Q29

- Infant mortality is a problem in Indonesia but only in the rural areas. In the big cities it is not a problem and even poor people are looked after. I cannot give an estimate.

Q30

- Health care for the general population is poor in Indonesia, very poor. There is a popular saying that police, hospitals and lawyers are all bad in Indonesia. Health care is not a problem for the rich people as they go to Australia and Singapore. There are also not enough doctors in Indonesia and if one doctor is really good, he doesn't spend enough time with you, just a few minutes, because the more patients he can see, the more money he makes.
- Health care is also very limited in Indonesia by the lack of equipment, medication and people's ability to pay for treatment.

Section 4 – Colonial Behaviour

Q31

- Colonial behaviour is when people exploit others for their own benefit. So, I guess I would say, exploitation is the key characteristic. My parents told me though, that, the positive side of Dutch colonialism was the discipline that came with it.

Q32

- Colonial behaviour is an issue of the past and does not apply to Indonesia today.

Q33

- Well, the G7 and IMF are acting as economic rationalists but if they are not careful with future developments they might be perceived as crossing the line. They will have to guard against this.

Q34

- Neo-colonial attitudes are not really specific to any countries or regions.

Q35

- ...

Q36

- Racial prejudice is not an issue, with respect to the economic approach in Indonesia but it is used by some for their political agenda.

Q37

- I say yes but this has nothing to do with foreigners but rather as a result of Soeharto. Existing feelings of nationalism are a reaction to the oppression people felt under Soeharto. Sometimes the IMF also contributes.

Q38

- Nationalism is an issue but is it important? I don't know.

Q39

- All these terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating (foreign & domestic), prejudiced, assumed world superiority.

Q40

- As I said before, the discipline colonialism brought to Indonesia was thought to be good by my parents' generation. I was born in 1957, so I can't really say.

Section 5 – Economic Rationalist Behaviour

Q41

- I describe economic rationalist behaviour as using each other for mutual benefit.

Q42

- Yes I would but if I have an advantage and benefit more, that's OK.

Q43

- A level playing field is an ideal but in reality everyone uses their own advantage. I think this is the same for Indonesians and foreigners.

Q44

- Economic rationalist behaviour is market oriented, competitive and without prejudice but everyone is expected to benefit, even if somewhat differently.

Q45

- From a businessman's point of view, that's right. You invest to create wealth and it is a global market.

Q46

- I say yes but at the same time nothing anyone does is entirely value free. Self-interest does play a role and then there is your own family and friends.

Q47

- Most foreign investors take a long term view when considering business in Indonesia. Take one of my partners, he's French and has actually increased his investment during the KRISMON period, to ensure the business will survive and grow in the longer term.

Q48

- The more experienced Indonesian businessmen take a long term view, especially when large investments are made. However, the domestic climate is such today, that most can only afford to take a short to medium term view.

Q49

- No, not entirely. It is somewhere between collegial and impersonal. It is beneficial if economic discipline is adhered to and creates wealth for all parties. It is laissez-faire in so far that the market creates the opportunity but at the same time we sometimes choose to help our friends and family.

Q50

- Yes, economic rationalist behaviour is beneficial, because like I said, it benefits all involved, even if unevenly.

Section 6 – Collegial Behaviour

Q51

- Plenty of people still engage in collegial behaviour. Not all businessmen have an economic rationalist approach but this is likely to be limited to certain communities only. Investment decisions can be based on friendship and a desire to help members of your family.
- When helping your own business community, your close network, ethnicity is not an issue.

Q52

- None come to mind.

Q53 to Q60

(My note) Mr Agus clearly described G7 behaviour as economic rational with beneficial overtones. He described his own behaviour, as a businessman, to be economic rationalist but motivated by collegial intent.

[2] Questionnaire Extracts (6 December 1999): **Drs Ngurah Switasomiya**

Demographic Data:

Age: 63 years

Gender: Male

Ethnic Background: Native Indonesian (Pribumi – Balinese Aristocracy)

Company: Size: n/a employees; Annual Turnover: >US\$10 million p.a.

Industry Sector: Fuel (petrol), Hotels and Restaurants.

Geographic Location of Company in Indonesia: Bali

Section 1 – G7 Behaviour

Q1

- The G7 will support and become involved in any sector, which will help developing countries achieve wealth and a better system of government.

Q2

- The G7 do not act equally in everyone's best interest, because of personal agenda. For example, the 'Becak' problem needs a socio-cultural approach and not just a power approach (ie a ban by Decree).

Q3

- The G7, as the World's Financial Controller, need to pro-actively monitor & control their lending programmes, in order not to create corruption in developing countries.

Q4

- The G7 tend to push Indonesia around and become involved in both public and private sectors, which deeply influences national policies.

Q5

- The IMF does not treat Indonesia with respect and acts only as an investor. They treated Brazil in a similar fashion. Each country however has different economic and political problems and should therefore be treated in a uniquely different manner.

Q6

- No. The behaviour of the G7 (IMF & WB) is not generally perceived by Indonesians as courteous and polite but as chauvinistic and selfish.

Q7

- Yes. The G7's super-power status does negatively affect their attitude and behaviour towards Indonesia.

Q8

- G7 assistance to Indonesia contains many good ideas but which are difficult and hard to implement for Indonesia.

Q9

- The G7 is in a legitimate position to best advise Indonesia (ie SAPs) but Indonesia has a right to seek the most appropriate reform (socio-cultural need).

Q10

- G7 interest in Indonesia is mainly driven by its view of the country as a potential market for its products.

Section 2 – Economic Development in Indonesia

Q11

- It is hard to determine the GDP per capita in rupiah, as it tends to be expressed in US\$.

Q12

- I estimate GDP per capita to be Rp1,2 million p.a. (US\$180)

Q13

- On a comparative basis with other nations, the purchasing power of Indonesians is declining but on the other hand, speculative gains can be much greater.

Q14

- I expect Indonesia's foreign debt to be somewhere between 20 to 40% of GDP.

Q15

- Indonesia's current account will be minimal (surplus or deficit).

Q16

- Indonesia's inflation is around 24%. CPI is affected by the devaluation of the IDR.

Q17

- Consumption expenditure of the average Indonesian is the following: Housing 7.5%, Food 7.5%, Clothing 5%, Education 20%, Transport & Communication 5%, Health Care 15%, Savings 20%, Other Consumables 20%.

Q18

- Employment opportunities in Indonesia have not kept pace with population growth. National unemployment is 27% of the 'total' population and 80% of the 'eligible' population.

Q19

- Foreign direct investment in Indonesia is a good idea but there is no advantage if local ownership is zero.

Q20

- Domestic investment is obstructed by free trade and financial power (presumably G7) and entrepreneurial behaviour.

Section 3 – Social Development in Indonesia

Q21

- I estimate that 90% of the population can read and write with confidence.

Q22

- I estimate that 33% of the total population has tertiary education, 54% secondary, and 70% primary education.

Q23

- Access to information in Indonesia is easy.

Q24

- Freedom of speech is better now than during the previous era.

Q25

- Political freedom is better now than during the previous era.

Q26

- About 27% of Indonesians own a telephone or have easy access to one.

Q27

- About 25% of Indonesians have access to clean drinking water. Yes, it is an important issue.

Q28

- No. Most Indonesians do not have access to enough food on a daily basis or a balanced diet. I don't know what their average daily calorie intake is.

Q29

- I don't know.

Q30

- Access to health care in Indonesia is easy but the price is expensive and the quality is fair.

Section 4 – Colonial Behaviour

Q31

- Colonial behaviour is best described as 'power' focused. It is characterized by the use of power as the key tool to achieve a desired outcome. Colonial behaviour tends to be exploitative and dominating.

Q32

- Colonialism is alive today (neo-colonialism).

Q33

- Indonesia is still subject to colonialism, not through a defined (identified) foreign power (political entity) but through a policy of (foreign) financial dependency based on loans.

Q34

- I don't know about specific countries but the G7 still has a colonial attitude.

Q35

- Neo-colonial attitudes (by foreign powers) towards Indonesia are manifested through involvement in Indonesian domestic policy.

Q36

- No idea

Q37

- Indonesian perceptions of foreign neo-colonial behaviour do reinforce feelings of nationalism but on the other hand Indonesians don't care about it because they can't do anything to change it.

Q38

- Nationalism is important but we need to understand, why?

Q39

- Appropriate terms to describe (neo) colonial behaviour are exploitative, dominating, imperial, prejudiced and racist.

Q40

- Colonial behaviour is beneficial if it results in a better life (for Indonesians).

Section 5 – Economic Rationalist Behaviour

Q41

- I would describe economic rationalist behaviour as rational and fair.

Q42

- Economic rationalist behaviour works for everyone in every sector of the economy.

Q43

- Economic rationalist behaviour must aim at a level playing field for all participants, accommodating different levels of participant sophistication.

Q44

- Economic rationalist behaviour is market oriented and influenced more by need rather than by supply and demand.

Q45

- I would describe economic rationalist behaviour as fair.

Q46

- Economic rationalist behaviour is based on free trade, market need & demand and available capital.

Q47

- No idea

Q48

- The agenda of Indonesian businessmen when investing abroad is focused on product quality & service improvement, the absence of protectionism and anti-dumping policies.

Q49

- No idea.

Q50

- Economic rationalist behaviour is beneficial to the consumer.

Section 6 – Collegial Behaviour

Q51

- I would describe collegial behaviour as natural, friendly and helpful.

Q52

- Yes, several countries exhibit collegial behaviour towards Indonesia. For example, Germany and Japan.

Q53

- Collegial behaviour by foreign countries does not promote self-determination and economic independence in Indonesia.

Q54

- No idea.

Q55

- Collegial behaviour does foster global and regional economic integration.

Q56

- No idea.

Q57

- Collegial behaviour is beneficial if it is unconditional.

Q58

- Collegial behaviour is beneficial if it has a positive impact on the currency exchange rate.

Q59

- No idea.

Q60

- Cooperation is an expression of beneficial behaviour.

[3] Interview Extracts (25 January 2000): **Mr Frankie Rungkat**

Demographic Data:

Age: n/a years (estimated at 50 years)

Gender: Male

Ethnic Background: Native Indonesian (Pribumi from Manado, Sulawesi)

Company: Size: n/a employees; Annual Turnover: >US\$25 million p.a. (estimate)

Industry Sector: Printing and Printing Supplies for Export.

Geographic Location of Company in Indonesia: Jakarta

1. G7 perceived as neo-colonialist.
2. Corruption in Indonesia a considerable cause of current distress.

[4] Interview Extracts (29 January 2000): **Drs Wisnu Lohanatha**

Demographic Data:

Age: 62 years

Gender: Male

Ethnic Background: Chinese Indonesian (7th generation)

Group of Companies: Size: >1000 employees; Annual Turnover: >US\$60 million p.a.

Industry Sector: Property Development & Construction (Real Estate)

Geographic Location of Company in Indonesia: Jakarta & West Java (Jakarta, Bogor, Tangerang, Bekasi)

1. Indonesia opened up to foreign investment in 1971 by Presidential Decree, to become part of the global community.
2. English replaced Dutch as the principal language of business.
3. Indonesia's development was guided by Indonesians trained in the West (Berkeley mafia).
4. Development loans to Indonesia have been issued by the IMF & WB since 1971.
5. The Dutch were influential in the creation of the IMF and its relationship to Indonesia.
6. Early IMF loans were guided by Benelux advice and Dutch leadership (IGCI = intergovernmental committee for Indonesia).
7. In 1992, Dutch influence linked future G7/IGCI funding to humanitarian issues. This was resisted by Indonesia and in the same year Indonesia forced out the Dutch from the IGCI, the intergovernmental committee regrouping as the CGI (consultative group for Indonesia).
8. Indonesian business leaders historically have had a good perception of the CGI & G7 and perceive the G7 as beneficial.
9. Indonesian business leaders' attitude towards the G7 is changing (for the worse).
10. Indonesian corruption is not beneficial to Indonesia. Nearly 70% of the safety-net provisions (money) under IMF structural adjustment programmes does not reach its intended target.
11. IMF & WB continue to lend money despite this corruption, making them co-responsible for it, creating a moral hazard. This makes the true intention of the G7 (IMF & WB) doubtful (ie possibly not beneficial).
12. IMF & WB contribute to Indonesia's foreign debt and growing insolvency.
13. G7 ignores the social cost of its actions in Indonesia and tolerates corruption.
14. Chinese Indonesians want more cultural equality and homogeneity. Native Indonesian's don't want this.
15. Native Indonesians are more corrupt than Chinese Indonesians.
16. Chinese Indonesians appreciate learning, pribumi prefer overt displays of material wealth.
17. G7 continues to lend to a corrupt government. The key players in power remain the same. IMF continues to accept corruption.
18. Chinese Indonesians are less passionate about nationalism, because of the way they have been treated.
19. Chinese Indonesians may feel more pride for China's achievements than Indonesia's.
20. Indonesia's foreign debt is enormous but I don't care.

21. Indonesia doesn't have real statesmen. Self-interest comes first.
22. The IMF & WB are to blame for the financial crisis happening (in Indonesia). They were aware of all the corruption over the years and they continued to allow Indonesia to build-up foreign debt.
23. Honest businessmen are punished if they try to tackle corruption (eg Benny Moerdani).
24. The G7 tolerated corruption but had the power/leverage to do something about it. Instead, they didn't.
25. Colonialism hasn't disappeared but it is present in the manipulation of financial/economic world markets by the G7.
26. The G7 pursue and contribute to intentional indebtedness, through IMF & WB actions.
27. East would exploit West, if it had the chance. Colonialism, as in exploitation, is a human characteristic.

Questionnaire Extracts (31 January 2000): Drs Wisnu Lohanatha

Section 1 – G7 Behaviour

Q1

- It is good that the G7 are willing to help Indonesia overcome the financial crisis.
- The G7 wants to benefit economically and politically from their assistance.
- We (Indonesians) are grateful.

Q2

- The G7 aim to create a better market for their products and to gain control over the government.

Q3

- The G7 (IMF & WB) have the ability to stabilize currencies.

Q4

- Whilst businessmen feel differently about it, the G7' attitude is sometimes too arrogant.

Q5

- Indonesia is not treated on an equal basis by the G7. When we requested IMF assistance we had to "sacrifice" our national pride.

Q6

- The behaviour of the G7 (IMF & WB) is generally not perceived as courteous and polite. However, at the time of the crisis, the Soeharto & Habibie governments were not liked by Indonesians and we appreciated the G7 for their pressure on these two governments.

Q7

- The G7's power influences their attitude and behaviour towards Indonesia.

Q8

- I perceive G7 assistance to Indonesia as positive.

Q9

- The G7 are in a legitimate position to best advise Indonesia but they must include Indonesian views & findings.

Q10

- The G7 like to benefit economically and politically from Indonesia.

Section 2 – Economic Development in Indonesia

Q11

- The GDP per citizen is US\$600 per annum.

Q12

- The average real income per citizen is US\$200 per annum.

Q13

- The purchasing power of the average citizen in Indonesia compared to:
 - Japan, is very very low;
 - India, is better;
 - China, is equal.

Q14

- Compared to GDP, Indonesia's foreign debt is in excess of 100%.

Q15 (No comment)

Q16

- CPI is low in Indonesia, because of lack of purchasing power. It is around 3 to 4%.

Q17

- It is difficult to determine a breakdown of consumption expenditure, including what is spent on food, education and transport.

Q18

- With Indonesia's current political problems, employment opportunity will be bad for at least two years.
- National unemployment is 15%.

Q19

- With growing ethnic/religious strife, FDI is basically nil. Once the country stabilizes it will be good again.

Q20

- Domestic investment is recovering somewhat but affected by ethnic/religious strife.

Section 3 – Social Development in Indonesia

Q21

- 30% of the population can read and write with confidence.

Q22

- 1% of the population has tertiary education;
- 10% has secondary education;
- 20% has primary education.

Q23

- There is good access to information in Indonesia. The question is though, is the information reliable?

Q24

- Whilst freedom of speech is better now in Indonesia (post Soeharto), people are still frightened.

Q25

- Political freedom is better now in Indonesia but people are still frightened.

Q26

- 20% of Indonesians either own a telephone or have good access to one.

Q27

- 20% of Indonesian have ready access to clean drinking water.
- Access to clean drinking water is an important issue.

Q28

- Most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis.
- Their average daily calorie intake is 800 cal.

Q29

- Infant mortality is an issue in Indonesia.
- Infant mortality is 5%.

Q30

- Access to health care is good in the cities but not so good in rural areas.

Section 4 – Colonial Behaviour

Q31

- Colonial behaviour from an economic point of view can be described as ‘robbery’ and from a political point of view as the ‘absence of human rights’.

Q32

- Colonialism is still alive today (neo-colonialism).

Q33

- Indonesia is still subjected to neo-colonial attitudes by foreign powers & institutions.

Q34

- Colonial attitudes still exist and are specific to (G7) countries and institutions.

Q35

- From an economic point of view, neo-colonial attitudes manifest themselves through (foreign) control of the price of resources (export commodities) and politically, through (foreign) intervention and pressure on as to whom should be in government.

Q36

- Colonial behaviour is racist and prejudiced to the extent that they (G7) more easily provide help to individuals of their own race.

Q37

- Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.

Q38

- Nationalism is important.

Q39

- Colonial behaviour is best described by terms such as oppressive, prejudiced, racist, euro-centric and assumed moral superiority.

Q40

- I do not perceive colonial behaviour to be beneficial in any way.

Section 5 – Economic Rationalist Behaviour

Q41

- Economic rationalist behaviour is best described by helping the economy of others, to achieve a better world economy. Characteristics of economic rationalist behaviour are soft loans, restructuring loans, donations and opening of markets for export.

Q42

- I would describe economic rationalist behaviour to be 80% non-partisan.

Q43

- Economic rationalist behaviour aspires towards a level playing field for all participants (Indonesian and foreign).

Q44

- Economic rationalist behaviour is market oriented and competitive but slightly prejudiced.

Q45

- Economic rationalist behaviour is wealth creating and global in outlook.

Q46

- Economic rationalist behaviour is primarily driven by financial return on investment but slightly affected by political values.

Q47

- The long-term agenda of foreign investors in Indonesia is affected by political instability.

Q48

- Although money has no nationality, Indonesian businessmen when pursuing global (international) business opportunities do not sacrifice national interests.

Q49

- Economic rationalist behaviour is 80% laissez-faire and impersonal.

Q50

- I do perceive economic rationalist behaviour as beneficial.

Section 6 – Collegial Behaviour

Q51

- Collegial behaviour is best described by, rich countries ‘helping’ poor countries. Characteristics of collegial behaviour are donations, education programs, technology transfers and systems transfers.

Q52

- Some countries do exhibit genuine collegial behaviour towards Indonesia. These are the USA, Holland, UK, France, Germany, Australia, Japan and Canada.

Q53

- Collegial behaviour by foreign countries towards Indonesia does assist Indonesian self-determination and economic independence.

Q54

- Collegial behaviour does foster economic prosperity and genuine commonwealth between nations. It is achieved by donations to the needy, education programs and technology transfer. It leads to the creation of a better man and better living conditions.

Q55

- Collegial behaviour does foster global economic integration.

Q56

- Collegial behaviour by other countries towards Indonesia promotes national unity. It does so through creating a better man and better conditions, which in turn lead to better government and better systems.

Q57

- Collegial behaviour is beneficial.

Q58

- Collegial behaviour towards Indonesia does and doesn't impact, at the same time, on Indonesia's foreign debt and current account performance. Ultimately, the key factor is 'trust' in Indonesia.

Q59

- Collegial behaviour is altruistic and philanthropic. It is one of the positive points of human behaviour.

Q60

- Some aspects of Indonesia's behaviour towards other countries can be classified as beneficial. For example, it was one of the founders & leaders of the 'non-bloc / alliance countries'; it organized a conference supporting the Palestinians against Israel; it facilitated dialogue between Marcos and Philippine government.

[5] Interview Extracts (31 January 2000): **Mr Hartono Wibisono**

Demographic Data:

Age: n/a years (estimated at 55 years)

Gender: Male

Ethnic Background: Chinese Indonesian

Company: Size: 26 employees; Annual Turnover: >US\$10 million p.a.

Industry Sector: Engineering, Copper Systems, Food Export

Geographic Location of Company in Indonesia: Java (Locations also in China & Singapore)

Nb: My impression is that Mr Hartono considerably understated the extent and size of his business interests. His brother in law is Mr Gunawan Setiadarma (one of the 10 richest men in Indonesia and allied to the Indonesian military & police).

1. A cause-effect link between large business and ABRI involvement in a particular business.
2. A cause-effect link between minimum or no corporate tax payable and ABRI involvement in a particular business.

3. G7 interest directly linked to perceived potential market (based on population size) and natural resources in Indonesia.
4. G7 manipulates & uses IMF and WB for its own political and economic gain.
5. G7 lending is perceived as conditional to Indonesia opening up its market and industries to G7 members.
6. G7 rules are not beneficial to Indonesia.
7. G7, through IMF & WB actions, does not consider the social cost of deregulation to Indonesians.
8. IMF & WB structural adjustment programmes increase unemployment.
9. G7 cares about economic rationalism and creating profitable conditions for G7 countries.
10. Protectionism is good for Indonesia (examples given ABKINDO).
11. Indonesia has no leverage with G7 (IMF & WB), because it is very poor.
12. Engagement with G7 is necessary, because some business is better than no business.
13. Indonesia is dependent on G7 and foreign capital.
14. Aspects of structural adjustment programmes (SAPs) and foreign manipulation, which promote democracy, are beneficial.
15. Democracy is good to break the power of the military (ABRI) in Indonesia's political and economic systems.
16. Chinese Indonesians suffer in times of political conflict. This destroys feelings of nationalism for this ethnic group.
17. Indonesians resent Australia for its role in East Timor.
18. It will be difficult for Indonesia to change (improve), as the same corrupt elite remains in power (financially, economically, or politically).

[6] Questionnaire Extracts (28 April 2000): **Ms Hermien Sarengat** (nb: Ms Sarengat was voted "CEO of the Year – 1999" in Indonesia)

Demographic Data:

Age: 49 years

Gender: Female

Ethnic Background: Javanese Indonesian

Company: Size: >100 employees; Annual Turnover: >US\$16 million

Industry Sector: Manufacturing, Services and Trading

Geographic Location of Company in Indonesia: H/O Jakarta, Java

Section 1 – G7 Behaviour

Q1

- The G7 act in a rather arrogant and bullying manner to Indonesia.

Q2

- The G7 only act in their own interest but this is normal business practice.

Q3

- The G7 exercise power as the world's financial controller by 'interfering' in other countries' affairs.

Q4

- The behaviour of G7 towards Indonesia and developing nations is 'patronizing'.

Q5

- No comment.

Q6

- G7 (IMF & WB) behaviour is generally perceived by Indonesians to be courteous and polite.

Q7

- G7 power does affect their attitude to Indonesia in some areas.

Q8

- G7 (IMF & WB) assistance provided to Indonesia is generally appreciated, however in some instances they are considered to be meddling in the 'internal affairs' of Indonesia.

Q9

- The G7 are in a legitimate position to advise Indonesia on structural reform programmes but not to 'impose' them.

Q10

- G7 will benefit from a united Indonesia in the long run.

Section 2 – Economic Development in Indonesia

Q11

- I estimate the GDP per citizen to be US\$800 p.a.

Q12

- I estimate the average real income per citizen to be US\$600 p.a. for the upper lower class.

Q13

- Compared to the USA, the purchasing power of the average Indonesian citizen is lower but compared to Bangladesh it is higher.

Q14

- I perceive Indonesia's foreign debt to be above 50% of GDP.

Q15

- Indonesia's current account is adequate, if managed appropriately, especially when considering the higher oil prices. I estimate it to be at Rp200 trillion (US\$25 billion), based on the Annual Government Budget figures (RAPBN).

Q16

- Inflation over the last 12 months stands at minus 0.4 to 0.5%.

Q17

- Consumption expenditure breakdown for the average Indonesian is: 20% on housing, 50% on food, 5% on clothing, 5% on education, 10% on transport & communication, 5% on health care, 1% on savings and 4% on other.

Q18

- Employment opportunity depends on one's social level (socio-economic status), the lower level having less opportunity. I estimate national unemployment to be 3.5%.

Q19

- FDI is good for Indonesia.

Q20

- Domestic investment is good for Indonesia.

Section 3 – Social Development in Indonesia

Q21

- I estimate that 80% of the population can read and write with confidence.

Q22

- I estimate that 1% of the Indonesian population has tertiary education, 19% secondary education and 79% primary education.

Q23

- Access to information in Indonesia is improving steadily.

Q24

- Freedom of speech has improved tremendously over the last two years.

Q25

- Political freedom has improved tremendously over the last two years.

Q26

- I estimate that 10% of Indonesians either own a telephone or have reasonable access to one.

Q27

- Piped potable water does not exist in Indonesia. Only 10% of households have access to clean water. This is an important issue.

Q28

- Most Indonesians do not have access to sufficient food and a balanced diet on a daily basis. I estimate the average daily calorie intake to be 1200 calories.

Q29

- Infant mortality is an issue in Indonesia and I estimate it to be around 3deaths per 1000 births.

Q30

- Access to health care in Indonesia is not good for the majority of people. It is expensive and of low quality. It is a different story for the rich.

Section 4 – Colonial Behaviour

Q31

- Colonial behaviour is about controlling, pressuring, driving, dominating and fooling people.

Q32

- Colonial behaviour is alive today and expressed through financial power (\$).

Q33

- Indonesia is still subjected to some neo-colonial attitudes by foreign powers.

Q34

- Colonial attitudes are not so much specific to countries, regions or institutions but rather to ‘issues’.

Q35

- Neo-colonial attitudes towards Indonesia are manifest through G7 impositions without consideration of local culture or values.

Q36

- Colonialism fostered racism and prejudice, the effect of which is still evident today.

Q37

- Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.

Q38

- Nationalism is important but not to condone racism and prejudice.

Q39

- The following terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating, imperial and assumed moral superiority.

Q40

- I do not perceive colonialism to be beneficial in any way.

Section 5 – Economic Rationalist Behaviour

Q41

- Economic rationalist behaviour is best described by optimising economic benefit without social (humanitarian) consideration.

Q42

- Economic rationalist behaviour is non-partisan.

Q43

- Economic rationalist behaviour assumes/aspires to a level playing field for all participants.

Q44

- In pure form, economic rationalist behaviour is market oriented, competitive and without prejudice.

Q45

- Economic rationalist behaviour is wealth creating and global in outlook.

Q46

- Economic rationalist behaviour is value free and purely driven by financial return on investment.

Q47

- The long term agenda of foreign direct investors in Indonesia is based on optimal returns on investment but at a pre-determined level of risk.

Q48

- Indonesian businessmen's long term agenda for investment abroad is based on optimal investment returns.

Q49

- Economic rationalist behaviour is laissez-faire and impersonal.

Q50

- I perceive economic rationalist behaviour to be beneficial.

Section 6 – Collegial Behaviour

Q51

- Collegial behaviour is aimed at improving the living standards of others, through unconditional assistance with no strings attached.

Q52

- Numerous countries exhibit collegial behaviour towards Indonesia through the provision of foreign aid.

Q53

- Although the success of specific aid programmes depends on the recipient, generally speaking, collegial behaviour by foreign countries does promote self-determination and economic independence.

Q54

- Collegial behaviour, through the provision of education and self-help programmes, does foster economic prosperity and commonwealth between nations.

Q55

- Collegial behaviour does foster global economic integration.

Q56

- Collegial behaviour by other countries towards Indonesia does not necessarily promote national unity, as the country is very fragmented.

Q57

- I perceive collegial behaviour to be beneficial.

Q58

- Collegial behaviour by other countries towards Indonesia positively impacts in the long term on the foreign debt and current account performance, primarily by improving per capita output.

Q59

- I would describe collegial behaviour as altruistic and philanthropic.

Q60

- I do not perceive Indonesia's behaviour towards other countries as beneficial, at least not in an economic sense.

Content Analysis – Notes [2]

Appendix 6.3

1. Pre 1997 Indonesia's government was based on an ideal for prosperity.
2. Soeharto would seek prosperity through G7 (IGCI, CGI) soft loans and grants.
3. Corruption in Indonesia forced the G7 (IMF & WB) to change their collegial approach to economic rationalist.
4. G7's economic rationalist approach is a good thing for Indonesia.
5. The G7 acts in Indonesia's interest.
6. G7 action is economic rationalist and this is a positive thing.
7. G7 actions are driven by self-interest, protecting G7 long term investments in Indonesia.
8. G7 actions benefit Indonesia.
9. G7 loans are conditional and appropriately so.
10. G7 (IMF & WB) have consultants inside Indonesian government departments, assisting with loan applications.
11. G7 consultants benefit financially.
12. Indonesian civil servants benefit financially by awarding G7 facilitated contracts to Indonesian colleagues within private enterprise.
13. G7 behaviour after 1965 is perceived as beneficial because it created employment and new business opportunities.
14. G7 behaviour has led to an increase in Indonesian living standards.
15. G7 have always been aware of Indonesia's financial debt position.
16. G7 have economists working inside the Indonesian government, IMF and WB.
17. G7 see Indonesia as a global player and any SAPs imposed are done so, accordingly.
18. SAPs are neither respectful or disrespectful of Indonesia but simply necessary if the country is to remain a global player.
19. People who disagree with the IMF SAPs are doing so from a political point of view.
20. Many government officials who criticise the IMF are corrupt.
21. From a cultural perspective, G7 behaviour towards Indonesia is considered impolite.
22. Indonesians do however understand, that G7 behaviour is caused by Indonesian corruption and fraud.
23. There is no difference in attitude from an international perspective.
24. The power of G7 does influence its attitude towards Indonesia.
25. Under economic rationalist philosophy, it is appropriate to protect investments.
26. Indonesian business acts in the same manner (economic rationalist).
27. I perceive the assistance from the G7 as economic rationalist and positive.
28. The G7 are best placed today to advise Indonesia on how to become a successful global player.
29. The IMF is taking the correct economic rationalist approach.
30. The G7's approach to Indonesia is economic rationalist. Their interest and approach benefits Indonesia, as well as their own investments.
31. I would guess that the GDP per citizen in Indonesia is around US\$500 to US\$600 p.a.
32. I would say the average real income per citizen in Indonesia is around US\$600 p.a.

33. It is very difficult to compare the purchasing power of the average Indonesian with that of other countries. The land provides most essentials outside the monetary system.
34. Indonesia's foreign debt is considerable greater than its GDP. Perhaps around US\$150 billion (56% public sector, 44% private sector)
35. It is difficult to estimate Indonesia's current account figures. However, I know that the current account is always in deficit and underestimated by the government.
36. I estimate inflation in 1999 to be below 10%.
37. I estimate inflation will rise to double digit figures, next year.
38. Inflation is affected by the currency crisis, the economy and the crisis in Indonesian political institutions and law enforcement agencies.
39. Consumption expenditure is different for the city as compared to the country. I already mentioned this previously (Q13). If you take a middle class family in Jakarta, earning Rp120 million per year (around US\$20,000), understanding that Indonesians do not pay tax on these earnings, I could say: 20% on housing; 20% on car; 25% on savings; 15% on food & clothing; 10% on education and 10% on other consumables.
40. Employment opportunities are difficult during this crisis, especially for people who cannot afford to move. The crisis has resulted in an unemployment level of between 20% and 30%, across Indonesia.
41. FDI in Indonesia is at present unstable and insignificant.
42. FDI is good for Indonesia, both as capital and portfolio investment.
43. Most overseas (FDI) investors have adopted a wait and see attitude.
44. Many domestic investors are carefully watching developments in Indonesia, and meanwhile are keeping their cash funds in overseas accounts.
45. At least 95% or more of the population can read and write well.
46. I think at least 20% of the population has tertiary education and 50% plus, secondary. More than 70% would have completed primary school.
47. Access to information depends very much on your network of people and your location.
48. Today there is definitely freedom of speech.
49. Today there is political freedom, just like with freedom of speech.
50. Telephone access is universal through publicly available facilities. Ownership is 1 telephone per 300 people.
51. No one in Indonesia has access to safe or clean drinking water. Everything has to be boiled.
52. I don't know about calories but I guess that more than 90% of people have access to sufficient food every day.
53. Whilst I cannot give an estimate, infant mortality is only a problem in rural areas. In the city, poor people are looked after.
54. Health care for the general population is poor in Indonesia.
55. Health care is not a problem for rich people as they go to Singapore and Australia.
56. There are not enough doctors in Indonesia.
57. A successful doctor doesn't spend enough time with his patients, because the more patients he can see in a day, the more money he makes.
58. There is a lack of adequate medical equipment and medication in Indonesia.
59. People's inability to pay for good medical treatment limits their access to quality health care.

60. Police, lawyers and hospitals are all bad in Indonesia.
61. Colonial behaviour is when people exploit others for their own benefit.
62. Exploitation is the key characteristic of colonial behaviour.
63. The positive side of colonialism is discipline.
64. Colonial behaviour is an issue of the past and does not apply to Indonesia today.
65. The G7 and the IMF behaviour is economic rationalist.
66. The G7 and the IMF, if they are not careful, may be perceived as crossing the line into colonial behaviour.
67. Neo-colonial attitudes are not really specific to any countries or regions.
68. Racism is not an issue with respect to economic/financial matters in Indonesia.
69. Some individuals use racism for political purposes.
70. Colonial behaviour does reinforce feelings of nationalism but this has nothing to do with foreigners.
71. Nationalism in Indonesia is a reaction to the oppression under Soeharto.
72. IMF behaviour sometimes is a contributory factor to Indonesian nationalism.
73. I don't know if nationalism is an important issue.
74. All these terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating (foreign & domestic), prejudiced, assumed world superiority.
75. The older generation thought that the sense of discipline, colonialism brought to Indonesia, was a good thing.
76. I describe economic rationalist behaviour as using each other for mutual benefit.
77. Economic rationalist behaviour is non-partisan but if one has an advantage and benefits more, that's OK.
78. A level playing field is an ideal but in reality everyone uses their own advantage. I think this is the same for Indonesians and foreigners.
79. Economic rationalist behaviour is market oriented, competitive and without prejudice but everyone is expected to benefit, even if somewhat differently.
80. From a businessman's point of view, economic rationalist behaviour is wealth creating and global in outlook.
81. People invest to create wealth and the world is a global market.
82. Economic rationalist behaviour is driven by financial return on investment but nothing anyone does is entirely value free. Self interest does play a role and so do (protective feelings towards) family and friends.
83. Most foreign investors take a long term view when considering business in Indonesia. Take one of my partners, he's French and has actually increased his investment during the KRISMON period, to ensure the business will survive and grow in the longer term.
84. The more experienced Indonesian businessmen take a long term view, especially when large investments are made. However, the domestic climate is such today, that most can only afford to take a short to medium term view.
85. Economic rationalist behaviour is not entirely laissez-faire and impersonal.
86. Economic rationalist behaviour can be beneficial if, through adherence to economic discipline, it creates wealth for all parties.
87. Economic rationalist behaviour can be personal if we choose to help family and friends.
88. Economic rationalist behaviour is laissez-faire in so far that it is the market which creates the opportunity.

89. Yes, economic rationalist behaviour is beneficial, because like I said, it benefits all involved, even if unevenly.
90. Plenty of people still engage in collegial behaviour.
91. Collegial behaviour is likely to be limited to certain communities.
92. Investment decisions can be based on friendship and a desire to help members of your family.
93. When helping your own business community, your close network, ethnicity is not an issue.

1. G7 perceived as neo-colonialist.

2. Corruption in Indonesia a considerable cause of current distress.

1. Indonesia opened up to foreign investment in 1971 by Presidential Decree, to become part of the global community.
2. English replaced Dutch as the principal language of business.
3. Indonesia's development was guided by Indonesians trained in the West (Berkeley mafia).
4. Development loans to Indonesia have been issued by the IMF & WB since 1971.
5. The Dutch were influential in the creation of the IMF and its relationship to Indonesia.
6. Early IMF loans were guided by Benelux advice and Dutch leadership (IGCI = intergovernmental committee for Indonesia).
7. In 1992, Dutch influence linked future G7/IGCI funding to humanitarian issues. This was resisted by Indonesia and in the same year Indonesia forced out the Dutch from the IGCI, the intergovernmental committee regrouping as the CGI (consultative group for Indonesia).
8. Indonesian business leaders historically have had a good perception of the CGI & G7 and perceive the G7 as beneficial.
9. Indonesian business leaders' attitude towards the G7 is changing (for the worse).
10. Indonesian corruption is not beneficial to Indonesia. Nearly 70% of the safety-net provisions (money) under IMF structural adjustment programmes does not reach its intended target.
11. IMF & WB continue to lend money despite this corruption, making them co-responsible for it, creating a moral hazard. This makes the true intention of the G7 (IMF & WB) doubtful (ie possibly not beneficial).
12. IMF & WB contribute to Indonesia's foreign debt and growing insolvency.
13. G7 ignores the social cost of its actions in Indonesia and tolerates corruption.
14. Chinese Indonesians want more cultural equality and homogeneity. Native Indonesian's don't want this.
15. Native Indonesians are more corrupt than Chinese Indonesians.
16. Chinese Indonesians appreciate learning, pribumi prefer overt displays of material wealth.
17. G7 continues to lend to a corrupt government. The key players in power remain the same. IMF continues to accept corruption.
18. Chinese Indonesians are less passionate about nationalism, because of the way they have been treated.
19. Chinese Indonesians may feel more pride for China's achievements than Indonesia's.
20. Indonesia's foreign debt is enormous but I don't care.

21. Indonesia doesn't have real statesmen. Self-interest comes first.
22. The IMF & WB are to blame for the financial crisis happening (in Indonesia). They were aware of all the corruption over the years and they continued to allow Indonesia to build-up foreign debt.
23. Honest businessmen are punished if they try to tackle corruption (eg Benny Moerdani).
24. The G7 tolerated corruption but had the power/leverage to do something about it. Instead, they didn't.
25. Colonialism hasn't disappeared but it is present in the manipulation of financial/economic world markets by the G7.
26. The G7 pursue and contribute to intentional indebtedness, through IMF & WB actions.
27. East would exploit West, if it had the chance. Colonialism, as in exploitation, is a human characteristic.

1. A cause-effect link between large business and ABRI involvement in a particular business.
2. A cause-effect link between minimum or no corporate tax payable and ABRI involvement in a particular business.
3. G7 interest directly linked to perceived potential market (based on population size) and natural resources in Indonesia.
4. G7 manipulates & uses IMF and WB for its own political and economic gain.
5. G7 lending is perceived as conditional to Indonesia opening up its market and industries to G7 members.
6. G7 rules are not beneficial to Indonesia.
7. G7, through IMF & WB actions, does not consider the social cost of deregulation to Indonesians.
8. IMF & WB structural adjustment programmes increase unemployment.
9. G7 cares about economic rationalism and creating profitable conditions for G7 countries.
10. Protectionism is good for Indonesia (examples given ABKINDO).
11. Indonesia has no leverage with G7 (IMF & WB), because it is very poor.
12. Engagement with G7 is necessary, because some business is better than no business.
13. Indonesia is dependent on G7 and foreign capital.
14. Aspects of structural adjustment programmes (SAPs) and foreign manipulation, which promote democracy, are beneficial.
15. Democracy is good to break the power of the military (ABRI) in Indonesia's political and economic systems.
16. Chinese Indonesians suffer in times of political conflict. This destroys feelings of nationalism for this ethnic group.
17. Indonesians resent Australia for its role in East Timor.
18. It will be difficult for Indonesia to change (improve), as the same corrupt elite remains in power (financially, economically, or politically).

Section 1 – G7 Behaviour

Q1

- This is a complex answer. Let me describe a picture. Pre the financial crisis in 1997, Soeharto was in control and governed on the basis of an ideal for prosperity. It was idealistic and Indonesia focused on aid in the form of soft loans (long term, no interest) and grants. Soeharto would seek prosperity by dependence on these two types of loans, arranged or managed through IGCI ('Intergovernmental Committee for Indonesia': formerly chaired by the Dutch) and now CGI ("Committee for Government of Indonesia": Dutch excluded).
- However, corruption became such a big issue that the lending parties (IMF, WB, G7) changed this beneficial or collegial attitude to one demanding control. Economic rationalism replaced the former attitude of unconditional help. That's how I view G7 today but it is a good thing for Indonesia.
- The G7 will support and become involved in any sector, which will help developing countries achieve wealth and a better system of government.
- It is good that the G7 are willing to help Indonesia overcome the financial crisis.
- The G7 wants to benefit economically and politically from their assistance.
- We (Indonesians) are grateful.
- The G7 act in a rather arrogant and bullying manner to Indonesia.

Q2

- I consider G7 to act in Indonesia's interest. Their action is economic rationalist but I perceive this as positive. I compare their action to Japan's Miazawa Plan, which invests money in countries like Indonesia, interest free almost and for the long term. Japan then provides ongoing loans in times of crisis to sustain and protect their own investments in Indonesia. Because it is driven by self-interest you can term it economic rationalist but Indonesia benefits and profits as well, so it can also be collegial.
- Japanese loans are conditional, so why should G7 loans not be? The current economic rationalist approach by G7 to Indonesia is definitely positive.
- The G7 do not act equally in everyone's best interest, because of personal agenda. For example, the 'Becak' problem needs a socio-cultural approach and not just a power approach (ie a ban by Decree).
- The G7 aim to create a better market for their products and to gain control over the government.
- The G7 only act in their own interest but this is normal business practice.

Q3

- Well, everyone benefits, why not? G7 through IMF, WB, or through bi-lateral arrangements, they all have consultants within the Indonesian government departments helping to prepare loan applications.

In my industry I know those involved in loan applications for housing and infrastructure projects (roads). G7 may be exercising power as money lender but the Indonesian government influences the G7 consultants and once a project loan is approved, many Indonesian individuals (both in Government and working in private industry) benefit by awarding the contracts to those private companies in which they have an interest! (Financial leakage).

- The G7, as the World's Financial Controller, need to pro-actively monitor & control their lending programmes, in order not to create corruption in developing countries.
- The G7 (IMF & WB) have the ability to stabilize currencies.
- The G7 exercise power as the world's financial controller by 'interfering' in other countries' affairs.

Q4

- From the point of view of the Indonesian population in general, especially after 1965, G7 behaviour towards Indonesia is seen as beneficial, because it has created employment and many new business opportunities. Everyone sees a definite increase in living standards.
- The G7 tend to push Indonesia around and become involved in both public and private sectors, which deeply influences national policies.
- Whilst businessmen feel differently about it, the G7' attitude is sometimes too arrogant.
- The behaviour of G7 towards Indonesia and developing nations is 'patronizing'.

Q5

- Well, G7 knew about Indonesia's foreign debt position all along. After all, they have many economists working in Indonesia and in the IMF and WB. I see their approach as realistic and in 1997 and later, their attitude is one of either you are ready and willing, or not, to become and act as a global player. I see that their treatment is based on Indonesia being a global player and therefore the choices discussed must be based on protecting what has been achieved so far. The structural adjustment programmes are not to be considered as respectful or disrespectful but simply as necessary for Indonesia to be a global player.
- The (Indonesian) business community's point of view is that the treatment of Indonesia by the IMF is based on its ability to compete on a global basis. It is the correct approach. Those who say differently are talking from a political point of view, rather than an economic one.
- For example, take BULOG, the agency that controls the rice trade. It imports rice at market value but it pays domestic growers at below market value. Local growers (paddies) are only allowed to sell to BULOG and they are aware of this price disadvantage. As a result, Indonesia needs to import more rice than necessary because local people do not see any advantage in growing or increasing

rice crops. BULOG then dictates a non-market price. Rice is subsidised by price interference, imports supported by foreign loans and the whole activity full of corruption by BULOG officials.

- The IMF wants to see the rice subsidy removed and the rice market opened up to competition. The Indonesian business community supports this and approves of the IMF plan. The same must happen to Pertamina.
- The IMF does not treat Indonesia with respect and acts only as an investor. They treated Brazil in a similar fashion. Each country however has different economic and political problems and should therefore be treated in a uniquely different manner.
- Indonesia is not treated on an equal basis by the G7. When we requested IMF assistance we had to “sacrifice” our national pride.

Q6

- Well, from a cultural perspective, Indonesians may consider G7 behaviour as impolite but they realize that it is not the result of an action by the strong (G7) towards the weak (Indonesia) but rather between the strong and the naughty! (corrupt). The photo everyone talked about, of Michel Camdessus and Soeharto, may have angered some people (Michel Camdessus with crossed arms, standing over Soeharto signing the IMF contract) but people also realised that corruption and bad financial decisions were intentional. So, it is behaviour between the strong and the naughty. I think, from an international social behaviour standpoint, there is no difference in attitude.
- No. The behaviour of the G7 (IMF & WB) is not generally perceived by Indonesians as courteous and polite but as chauvinistic and selfish.
- The behaviour of the G7 (IMF & WB) is generally not perceived as courteous and polite. However, at the time of the crisis, the Soeharto & Habibie governments were not liked by Indonesians and we appreciated the G7 for their pressure on these two governments.
- G7 (IMF & WB) behaviour is generally perceived by Indonesians to be courteous and polite.

Q7

- The fact that the G7 includes a super-power (USA) and the most powerful NATO members, of course has bearing on their attitude and behaviour towards Indonesia. However, also due to its economic rationalist approach, it is appropriate that people (G7) should protect investments already made to ensure development progress. Indonesian business does the same.
- Yes. The G7's super-power status does negatively affect their attitude and behaviour towards Indonesia.
- The G7's power influences their attitude and behaviour towards Indonesia.
- G7 power does affect their attitude to Indonesia in some areas.

Q8

- I perceive the assistance from the G7 as economic rationalist and positive.
- G7 assistance to Indonesia contains many good ideas but which are difficult and hard to implement for Indonesia.
- I perceive G7 assistance to Indonesia as positive.
- G7 (IMF & WB) assistance provided to Indonesia is generally appreciated, however in some instances they are considered to be meddling in the 'internal affairs' of Indonesia.

Q9

- Yes, the G7 are best placed today to advise Indonesia how to become a successful global player. Soeharto always had a political response, rather than economic but the IMF particularly is taking the correct economic rationalist approach.
- The G7 is in a legitimate position to best advise Indonesia (ie SAPs) but Indonesia has a right to seek the most appropriate reform (socio-cultural need).
- The G7 are in a legitimate position to best advise Indonesia but they must include Indonesian views & findings.
- The G7 are in a legitimate position to advise Indonesia on structural reform programmes but not to 'impose' them.

Q10

- The G7's approach to Indonesia is economic rationalist. Their interest and approach benefits Indonesia, as well as their own investments.
- G7 interest in Indonesia is mainly driven by its view of the country as a potential market for its products.
- The G7 like to benefit economically and politically from Indonesia.
- G7 will benefit from a united Indonesia in the long run.

Section 2 – Economic Development in Indonesia

Q11

- I would guess that the GDP per citizen in Indonesia is around US\$500 to US\$600 p.a.
- It is hard to determine the GDP per capita in rupiah, as it tends to be expressed in US\$.
- The GDP per citizen is US\$600 per annum.
- I estimate the GDP per citizen to be US\$800 p.a.

Q12

- Well, let's see with respect to the average real income per citizen. The President has a monthly salary of US\$7,000, a minister US\$4,000, a director general US\$500, a director US\$300 and the minimum wage in Indonesia is US\$40 per month. A taxi driver earns around Rp20,000 per day, which is US\$3, so US\$90 per month. Yes, I would say the average real income is close to the GDP per capita, around US\$600 p.a.
- I estimate GDP per capita to be Rp1,2 million p.a. (US\$180)
- The average real income per citizen is US\$200 per annum.
- I estimate the average real income per citizen to be US\$600 p.a. for the upper lower class.

Q13

- It is very difficult to answer, on a comparative basis with other nations, what the purchasing power of the average citizen is in Indonesia. The Indonesian living style is so different and it is also very different between city and the countryside. Outside the main cities, your plot of land provides most of your food, or you can exchange goods with neighbours. You get your materials for the house from the forest and also the fruits. Rivers and wells provide free water and schools are free, so you don't need much money. In the city it is different, especially for the middle class but they still have their link with the kampung (village) in the countryside.
- On a comparative basis with other nations, the purchasing power of Indonesians is declining but on the other hand, speculative gains can be much greater.
- The purchasing power of the average citizen in Indonesia compared to:
 - Japan, is very very low;
 - India, is better;
 - China, is equal.
- Compared to the USA, the purchasing power of the average Indonesian citizen is lower but compared to Bangladesh it is higher.

Q14

- I can't tell you exactly the size of Indonesia's foreign debt as a % of GDP but I know it is much greater than the GDP. Maybe US\$150 billion, 80 billion from the public sector and 70 billion from the private sector.
- I expect Indonesia's foreign debt to be somewhere between 20 to 40% of GDP.
- Compared to GDP, Indonesia's foreign debt is in excess of 100%.
- I perceive Indonesia's foreign debt to be above 50% of GDP.

Q15

- It is very difficult to estimate Indonesia's current account, also the government figures cannot be trusted. I know that the current account is always understated and always in deficit.

Indonesian Customs is very corrupt, so recording of export and import figures is never true. Sometimes the government even publishes a current account surplus! The free exchange rate (no control) also doesn't help.

- Indonesia's current account will be minimal (surplus or deficit).
- Indonesia's current account is adequate, if managed appropriately, especially when considering the higher oil prices. I estimate it to be at Rp200 trillion (US\$25 billion), based on the Annual Government Budget figures (RAPBN).

Q16

- I would estimate inflation over the last 12 months (1999) to be below 10% but by the end of 2000 it will again be double digit. The government also devalues the currency and this doesn't help. But overall, CPI is driven by a realistic value and a psychological value (perception of market confidence in fundamentals and political stability).
- Inflation will increase next year in spite of the overall Asian recovery, because in Indonesia the currency, the economy, political institutions and law enforcement are all in crises and there are no firm solutions yet.
- Indonesia's inflation is around 24%. CPI is affected by the devaluation of the IDR.
- CPI is low in Indonesia, because of lack of purchasing power. It is around 3 to 4%.
- Inflation over the last 12 months stands at minus 0.4 to 0.5%.

Q17

- Consumption expenditure is different for the city as compared to the country. I already mentioned this previously (Q13). If you take a middle class family in Jakarta, earning Rp120 million per year (around US\$20,000), understanding that Indonesians do not pay tax on these earnings, I could say: 20% on housing; 20% on car; 25% on savings; 15% on food & clothing; 10% on education and 10% on other consumables.
- Consumption expenditure of the average Indonesian is the following: Housing 7.5%, Food 7.5%, Clothing 5%, Education 20%, Transport & Communication 5%, Health Care 15%, Savings 20%, Other Consumables 20%.
- It is difficult to determine a breakdown of consumption expenditure, including what is spent on food, education and transport.
- Consumption expenditure breakdown for the average Indonesian is: 20% on housing, 50% on food, 5% on clothing, 5% on education, 10% on transport & communication, 5% on health care, 1% on savings and 4% on other.

Q18

- Employment opportunities are difficult during this crisis, especially for people who cannot afford to move. The crisis has resulted in an unemployment level of between 20% and 30%, across Indonesia.
- Employment opportunities in Indonesia have not kept pace with population growth. National unemployment is 27% of the 'total' population and 80% of the 'eligible' population.
- With Indonesia's current political problems, employment opportunity will be bad for at least two years.
- National unemployment is 15%.
- Employment opportunity depends on one's social level (socio-economic status), the lower level having less opportunity. I estimate national unemployment to be 3.5%.

Q19

- Private foreign direct investment at the moment is very unstable and fickle. During 98/99 it has been insignificant as most overseas investors are taking a wait and see attitude. Personally, I welcome FDI as positive for Indonesia, both in infrastructure as well as portfolio investment through the FSX.
- Foreign direct investment in Indonesia is a good idea but there is no advantage if local ownership is zero.
- With growing ethnic/religious strife, FDI is basically nil. Once the country stabilizes it will be good again.
- FDI is good for Indonesia.

Q20

- Of course domestic investment still takes place but those who can, still maintain their cash funds in overseas accounts. We too are carefully watching the developments in Indonesia.
- Domestic investment is obstructed by free trade and financial power (presumably G7) and entrepreneurial behaviour.
- Domestic investment is recovering somewhat but affected by ethnic/religious strife.
- Domestic investment is good for Indonesia.

Section 3 – Social Development in Indonesia

Q21

- Oh, at least 95%, or more, of the population can read and write well.
- I estimate that 90% of the population can read and write with confidence.

- 30% of the population can read and write with confidence.
- I estimate that 80% of the population can read and write with confidence.

Q22

- That's difficult to assess but I think at least 20% of the population has tertiary education and 50% plus, secondary. More than 70% would have completed primary school.
- I estimate that 33% of the total population has tertiary education, 54% secondary, and 70% primary education.
- 1% of the population has tertiary education;
- 10% has secondary education;
- 20% has primary education.
- I estimate that 1% of the Indonesian population has tertiary education, 19% secondary education and 79% primary education.

Q23

- This is not easy to answer because access to information in Indonesia depends very much on your network of people and not so much on facilities. Location is important as well.
- Access to information in Indonesia is easy.
- There is good access to information in Indonesia. The question is though, is the information reliable?
- Access to information in Indonesia is improving steadily.

Q24

- Today there is definitely freedom of speech. This was not so during the Soeharto years but it started to change after 1996. Just consider Mr Wanandi! Before Habibie, nothing was said openly.
- Freedom of speech is better now than during the previous era.
- Whilst freedom of speech is better now in Indonesia (post Soeharto), people are still frightened.
- Freedom of speech has improved tremendously over the last two years.

Q25

- There is today, just like with freedom of speech.
- Political freedom is better now than during the previous era.
- Political freedom is better now in Indonesia but people are still frightened.

- Political freedom has improved tremendously over the last two years.

Q26

- I would estimate there to be 1 telephone for every 300 people, that is ownership. Access is universal, if you consider public facilities and privately owned phone and fax shops (wartel).
- About 27% of Indonesians own a telephone or have easy access to one.
- 20% of Indonesians either own a telephone or have good access to one.
- I estimate that 10% of Indonesians either own a telephone or have reasonable access to one.

Q27

- No one in Indonesia has access to safe or clean drinking water. Everything has to be boiled.
- About 25% of Indonesians have access to clean drinking water. Yes, it is an important issue.
- 20% of Indonesian have ready access to clean drinking water.
- Access to clean drinking water is an important issue.
- Piped potable water does not exist in Indonesia. Only 10% of households have access to clean water. This is an important issue.

Q28

- I don't know about calories but I guess that more than 90% of people have access to sufficient food every day.
- No. Most Indonesians do not have access to enough food on a daily basis or a balanced diet. I don't know what their average daily calorie intake is.
- Most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis.
- Their average daily calorie intake is 800 cal.
- Most Indonesians do not have access to sufficient food and a balanced diet on a daily basis. I estimate the average daily calorie intake to be 1200 calories.

Q29

- Infant mortality is a problem in Indonesia but only in the rural areas. In the big cities it is not a problem and even poor people are looked after. I cannot give an estimate.
- I don't know.
- Infant mortality is an issue in Indonesia.
- Infant mortality is 5%.

- Infant mortality is an issue in Indonesia and I estimate it to be around 3 deaths per 1000 births.

Q30

- Health care for the general population is poor in Indonesia, very poor. There is a popular saying that police, hospitals and lawyers are all bad in Indonesia. Health care is not a problem for the rich people as they go to Australia and Singapore. There are also not enough doctors in Indonesia and if one doctor is really good, he doesn't spend enough time with you, just a few minutes, because the more patients he can see, the more money he makes.
- Health care is also very limited in Indonesia by the lack of equipment, medication and people's ability to pay for treatment.
- Access to health care in Indonesia is easy but the price is expensive and the quality is fair.
- Access to health care is good in the cities but not so good in rural areas.
- Access to health care in Indonesia is not good for the majority of people. It is expensive and of low quality. It is a different story for the rich.

Section 4 – Colonial Behaviour

Q31

- Colonial behaviour is when people exploit others for their own benefit. So, I guess I would say, exploitation is the key characteristic. My parents told me though, that, the positive side of Dutch colonialism was the discipline that came with it.
- Colonial behaviour is best described as 'power' focused. It is characterized by the use of power as the key tool to achieve a desired outcome. Colonial behaviour tends to be exploitative and dominating.
- Colonial behaviour from an economic point of view can be described as 'robbery' and from a political point of view as the 'absence of human rights'.
- Colonial behaviour is about controlling, pressuring, driving, dominating and fooling people.

Q32

- Colonial behaviour is an issue of the past and does not apply to Indonesia today.
- Colonialism is alive today (neo-colonialism).
- Colonialism is still alive today (neo-colonialism).
- Colonial behaviour is alive today and expressed through financial power (\$).

Q33

- Well, the G7 and IMF are acting as economic rationalists but if they are not careful with future developments they might be perceived as crossing the line. They will have to guard against this.
- Indonesia is still subject to colonialism, not through a defined (identified) foreign power (political entity) but through a policy of (foreign) financial dependency based on loans.
- Indonesia is still subjected to neo-colonial attitudes by foreign powers & institutions.
- Indonesia is still subjected to some neo-colonial attitudes by foreign powers.

Q34

- Neo-colonial attitudes are not really specific to any countries or regions.
- I don't know about specific countries but the G7 still has a colonial attitude.
- Colonial attitudes still exist and are specific to (G7) countries and institutions.
- Colonial attitudes are not so much specific to countries, regions or institutions but rather to 'issues'.

Q35

- ...
- Neo-colonial attitudes (by foreign powers) towards Indonesia are manifested through involvement in Indonesian domestic policy.
- From an economic point of view, neo-colonial attitudes manifest themselves through (foreign) control of the price of resources (export commodities) and politically, through (foreign) intervention and pressure on as to whom should be in government.
- Neo-colonial attitudes towards Indonesia are manifest through G7 impositions without consideration of local culture or values.

Q36

- Racial prejudice is not an issue, with respect to the economic approach in Indonesia but it is used by some for their political agenda.
- Colonial behaviour is racist and prejudiced to the extent that they (G7) more easily provide help to individuals of their own race.
- Colonialism fostered racism and prejudice, the effect of which is still evident today.

Q37

- I say yes but this has nothing to do with foreigners but rather as a result of Soeharto. Existing feelings of nationalism are a reaction to the oppression people felt under Soeharto. Sometimes the IMF also contributes.

- Indonesian perceptions of foreign neo-colonial behaviour do reinforce feelings of nationalism but on the other hand Indonesians don't care about it because they can't do anything to change it.
- Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.
- Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.

Q38

- Nationalism is an issue but is it important? I don't know.
- Nationalism is important but we need to understand, why?
- Nationalism is important.
- Nationalism is important but not to condone racism and prejudice.

Q39

- All these terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating (foreign & domestic), prejudiced, assumed world superiority.
- Appropriate terms to describe (neo) colonial behaviour are exploitative, dominating, imperial, prejudiced and racist.
- Colonial behaviour is best described by terms such as oppressive, prejudiced, racist, euro-centric and assumed moral superiority.
- The following terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating, imperial and assumed moral superiority.

Q40

- As I said before, the discipline colonialism brought to Indonesia was thought to be good by my parents' generation. I was born in 1957, so I can't really say.
- Colonial behaviour is beneficial if it results in a better life (for Indonesians).
- I do not perceive colonial behaviour to be beneficial in any way.
- I do not perceive colonialism to be beneficial in any way.

Section 5 – Economic Rationalist Behaviour

Q41

- I describe economic rationalist behaviour as using each other for mutual benefit.
- I would describe economic rationalist behaviour as rational and fair.

- Economic rationalist behaviour is best described by helping the economy of others, to achieve a better world economy. Characteristics of economic rationalist behaviour are soft loans, restructuring loans, donations and opening of markets for export.
- Economic rationalist behaviour is best described by optimising economic benefit without social (humanitarian) consideration.

Q42

- Yes I would but if I have an advantage and benefit more, that's OK.
- Economic rationalist behaviour works for everyone in every sector of the economy.
- I would describe economic rationalist behaviour to be 80% non-partisan.
- Economic rationalist behaviour is non-partisan.

Q43

- A level playing field is an ideal but in reality everyone uses their own advantage. I think this is the same for Indonesians and foreigners.
- Economic rationalist behaviour must aim at a level playing field for all participants, accommodating different levels of participant sophistication.
- Economic rationalist behaviour aspires towards a level playing field for all participants (Indonesian and foreign).
- Economic rationalist behaviour assumes/aspires to a level playing field for all participants.

Q44

- Economic rationalist behaviour is market oriented, competitive and without prejudice but everyone is expected to benefit, even if somewhat differently.
- Economic rationalist behaviour is market oriented and influenced more by need rather than by supply and demand.
- Economic rationalist behaviour is market oriented and competitive but slightly prejudiced.
- In pure form, economic rationalist behaviour is market oriented, competitive and without prejudice.

Q45

- From a businessman's point of view, that's right. You invest to create wealth and it is a global market.
- I would describe economic rationalist behaviour as fair.
- Economic rationalist behaviour is wealth creating and global in outlook.

- Economic rationalist behaviour is wealth creating and global in outlook.

Q46

- I say yes but at the same time nothing anyone does is entirely value free. Self-interest does play a role and then there is your own family and friends.
- Economic rationalist behaviour is based on free trade, market need & demand and available capital.
- Economic rationalist behaviour is primarily driven by financial return on investment but slightly affected by political values.
- Economic rationalist behaviour is value free and purely driven by financial return on investment.

Q47

- Most foreign investors take a long term view when considering business in Indonesia. Take one of my partners, he's French and has actually increased his investment during the KRISMON period, to ensure the business will survive and grow in the longer term.
- No idea
- The long-term agenda of foreign investors in Indonesia is affected by political instability.
- The long term agenda of foreign direct investors in Indonesia is based on optimal returns on investment but at a pre-determined level of risk.

Q48

- The more experienced Indonesian businessmen take a long term view, especially when large investments are made. However, the domestic climate is such today, that most can only afford to take a short to medium term view.
- The agenda of Indonesian businessmen when investing abroad is focused on product quality & service improvement, the absence of protectionism and anti-dumping policies.
- Although money has no nationality, Indonesian businessmen when pursuing global (international) business opportunities do not sacrifice national interests.
- Indonesian businessmen's long term agenda for investment abroad is based on optimal investment returns.

Q49

- No, not entirely. It is somewhere between collegial and impersonal. It is beneficial if economic discipline is adhered to and creates wealth for all parties. It is laissez-faire in so far that the market creates the opportunity but at the same time we sometimes choose to help our friends and family.
- Economic rationalist behaviour is 80% laissez-faire and impersonal.

- Economic rationalist behaviour is laissez-faire and impersonal.
- Q50
- Yes, economic rationalist behaviour is beneficial, because like I said, it benefits all involved, even if unevenly.
 - Economic rationalist behaviour is beneficial to the consumer.
 - I do perceive economic rationalist behaviour as beneficial.
 - I perceive economic rationalist behaviour to be beneficial.

Section 6 – Collegial Behaviour

- Q51
- Plenty of people still engage in collegial behaviour. Not all businessmen have an economic rationalist approach but this is likely to be limited to certain communities only. Investment decisions can be based on friendship and a desire to help members of your family.
 - When helping your own business community, your close network, ethnicity is not an issue.
 - I would describe collegial behaviour as natural, friendly and helpful.
 - Collegial behaviour is best described by, rich countries ‘helping’ poor countries. Characteristics of collegial behaviour are donations, education programs, technology transfers and systems transfers.
 - Collegial behaviour is aimed at improving the living standards of others, through unconditional assistance with no strings attached.

- Q52
- None come to mind.
 - Yes, several countries exhibit collegial behaviour towards Indonesia. For example, Germany and Japan.
 - Some countries do exhibit genuine collegial behaviour towards Indonesia. These are the USA, Holland, UK, France, Germany, Australia, Japan and Canada.
 - Numerous countries exhibit collegial behaviour towards Indonesia through the provision of foreign aid.

- Q53
- Collegial behaviour by foreign countries does not promote self-determination and economic independence in Indonesia.
 - Collegial behaviour by foreign countries towards Indonesia does assist Indonesian self-determination and economic independence.

- Although the success of specific aid programmes depends on the recipient, generally speaking, collegial behaviour by foreign countries does promote self-determination and economic independence.

Q54

- Collegial behaviour does foster economic prosperity and genuine commonwealth between nations. It is achieved by donations to the needy, education programs and technology transfer. It leads to the creation of a better man and better living conditions.
- Collegial behaviour, through the provision of education and self-help programmes, does foster economic prosperity and commonwealth between nations.

Q55

- Collegial behaviour does foster global and regional economic integration.
- Collegial behaviour does foster global economic integration.
- Collegial behaviour does foster global economic integration.

Q56

- Collegial behaviour by other countries towards Indonesia promotes national unity. It does so through creating a better man and better conditions, which in turn lead to better government and better systems.
- Collegial behaviour by other countries towards Indonesia does not necessarily promote national unity, as the country is very fragmented.

Q57

- Collegial behaviour is beneficial if it is unconditional.
- Collegial behaviour is beneficial.
- I perceive collegial behaviour to be beneficial.

Q58

- Collegial behaviour is beneficial if it has a positive impact on the currency exchange rate.
- Collegial behaviour towards Indonesia does and doesn't impact, at the same time, on Indonesia's foreign debt and current account performance. Ultimately, the key factor is 'trust' in Indonesia.
- Collegial behaviour by other countries towards Indonesia positively impacts in the long term on the foreign debt and current account performance, primarily by improving per capita output.

Q59

- Collegial behaviour is altruistic and philanthropic. It is one of the positive points of human behaviour.
- I would describe collegial behaviour as altruistic and philanthropic.

Q60

- Cooperation is an expression of beneficial behaviour.
- Some aspects of Indonesia's behaviour towards other countries can be classified as beneficial. For example, it was one of the founders & leaders of the 'non-bloc / alliance countries'; it organized a conference supporting the Palestinians against Israel; it facilitated dialogue between Marcos and Philippine government.
- I do not perceive Indonesia's behaviour towards other countries as beneficial, at least not in an economic sense.

Content Analysis – Notes [3]

Appendix 6.4

Section 1: Grouping of Statements by “chunks of meaning”

G7 Behaviour

11. Indonesia has no leverage with G7 (IMF & WB), because it is very poor.
28. The G7 are best placed today to advise Indonesia on how to become a successful global player.
30. The G7's approach to Indonesia is economic rationalist. Their interest and approach benefits Indonesia, as well as their own investments.
13. G7 behaviour after 1965 is perceived as beneficial because it created employment and new business opportunities.
- Q7. The G7's power influences their attitude and behaviour towards Indonesia.
7. G7 actions are driven by self-interest, protecting G7 long-term investments in Indonesia.
8. G7 actions benefit Indonesia.
78. A level playing field is an ideal but in reality everyone uses their own advantage, I think this is the same for Indonesians and foreigners.
4. G7's economic rationalist approach is a good thing for Indonesia.
5. The G7 acts in Indonesia's interest.
9. G7 cares about economic rationalism and creating profitable conditions for G7 countries.
10. G7 (IMF & WB) have consultants inside Indonesian government departments, assisting with loan applications.
- Q10. The G7 like to benefit economically and politically from Indonesia.
11. G7 consultants benefit financially.
4. G7 manipulates & uses IMF and WB for its own political and economic gain.
29. The IMF is taking the correct economic rationalist approach.
- Q8. I perceive G7 assistance to Indonesia as positive.
14. G7 behaviour has led to an increase in Indonesian living standards.
16. G7 have economists working inside the Indonesian government, IMF and WB.
15. G7 have always been aware of Indonesia's financial debt position.
1. G7 is perceived as neo-colonialist.
6. G7 action is economic rationalist and this is a positive thing.
8. Indonesian business leaders historically have had a good perception of the CGI & G7 and perceive the G7 as beneficial.
9. G7 loans are conditional and appropriately so.
65. The G7 and the IMF behaviour is economic rationalist.
- Q1. The G7 will support and become involved in any sector, which will help developing countries achieve wealth and a better system of government.
- Q5. The IMF does not treat Indonesia with respect and acts only as an investor. They treated Brazil in a similar fashion. Each country however has different economic and political problems and should therefore be treated in a uniquely different manner.
- Q6. No. The behaviour of the G7 (IMF & WB) is not generally perceived by Indonesians as courteous and polite but as chauvinistic and selfish.
66. The G7 and the IMF, if they are not careful, may be perceived as crossing the line into colonial behaviour.
- Q7. Yes. The G7's super-power status does negatively affect their attitude and behaviour towards Indonesia.

Q4. The G7 tend to push Indonesia around and become involved in both public and private sectors, which deeply influences national policies.

Q8. G7 assistance to Indonesia contains many good ideas but which are difficult and hard to implement for Indonesia.

Q10. G7 interest in Indonesia is mainly driven by its view of the country as a potential market for its products.

Q2. The G7 aim to create a better market for their products and to gain control over the government.

Q20. Domestic investment is obstructed by free trade and financial power (presumably G7) and entrepreneurial behaviour.

6. G7 rules are not beneficial to Indonesia.

27. I perceive the assistance from the G7 as economic rationalist and positive.

22. The IMF & WB are to blame for the financial crisis happening (in Indonesia). They were aware of all the corruption over the years and they continued to allow Indonesia to build-up foreign debt.

Q6. The behaviour of the G7 (IMF & WB) is generally not perceived as courteous and polite. However, at the time of the crisis, the Soeharto & Habibie governments were not liked by Indonesians and we appreciated the G7 for their pressure on these two governments.

Q1. It is good that the G7 are willing to help Indonesia overcome the financial crisis. The G7 wants to benefit economically and politically from their assistance. We (Indonesians) are grateful.

5. G7 lending is perceived as conditional to Indonesia opening up its market and industries to G7 members.

Q5. Indonesia is not treated on an equal basis by the G7. When we requested IMF assistance we had to “sacrifice” our national pride.

24. The power of G7 does influence its attitude towards Indonesia.

3. G7 interest is directly linked to perceived potential market (based on population size) and natural resources in Indonesia.

11. IMF & WB continue to lend money despite this corruption, making them co-responsible for it, creating a moral hazard. This makes the true intention of the G7 (IMF & WB) doubtful (ie possibly not beneficial).

Q1. The G7 act in a rather arrogant and bullying manner to Indonesia.

Q2. The G7 only act in their own interest but this is normal business practice.

Q3. The G7 exercise power as the world’s financial controller by ‘interfering’ in other countries’ affairs.

Q4. The behaviour of G7 towards Indonesia and developing nations is ‘patronizing’.

Q6. G7 (IMF & WB) behaviour is generally perceived by Indonesians to be courteous and polite.

Q7. G7 power does affect their attitude to Indonesia in some areas.

Q8. G7 (IMF & WB) assistance provided to Indonesia is generally appreciated, however in some instances they are considered to be meddling in the ‘internal affairs’ of Indonesia.

Q9. The G7 are in a legitimate position to advise Indonesia on structural reform programmes but not to ‘impose’ them.

Q10. G7 will benefit from a united Indonesia in the long run.

22. Indonesians do however understand, that G7 behaviour is caused by Indonesian corruption and fraud.

Q2. The G7 do not act equally in everyone's best interest, because of personal agenda. For example, the 'Becak' problem needs a socio-cultural approach and not just a power approach (ie a ban by Decree).

7. G7, through IMF & WB actions, does not consider the social cost of deregulation to Indonesians.

21. From a cultural perspective, G7 behaviour towards Indonesia is considered impolite.

13. G7 ignores the social cost of its actions in Indonesia and tolerates corruption.

Q9. The G7 are in a legitimate position to best advise Indonesia but they must include Indonesian views & findings.

Q9. The G7 is in a legitimate position to best advise Indonesia (ie SAPs) but Indonesia has a right to seek the most appropriate reform (socio-cultural need).

12. Engagement with G7 is necessary, because some business is better than no business.

Q3. The G7 (IMF & WB) have the ability to stabilize currencies.

17. G7 see Indonesia as a global player and any SAPs imposed are done so, accordingly.

14. Aspects of structural adjustment programmes (SAPs) and foreign manipulation which promote democracy, are beneficial.

8. IMF & WB structural adjustment programmes increase unemployment.

19. People who disagree with the IMF SAPs are doing so from a political point of view.

18. SAPs are neither respectful or disrespectful of Indonesia but simply necessary if the country is to remain a global player.

Economic Rationalist Behaviour

Q42. Economic rationalist behaviour works for everyone in every sector of the economy.

Q43. Economic rationalist behaviour must aim at a level playing field for all participants, accommodating different levels of participant sophistication.

Q45. I would describe economic rationalist behaviour as fair.

Q50. Economic rationalist behaviour is beneficial to the consumer.

25. Under economic rationalist philosophy, it is appropriate to protect investments.

76. I describe economic rationalist behaviour as using each other for mutual benefit.

Q41. Economic rationalist behaviour is best described by helping the economy of others, to achieve a better world economy. Characteristics of economic rationalist behaviour are soft loans, donations and opening of markets for export.

87. Economic rationalist behaviour can be personal if we choose to help family and friends.

Q42. I would describe economic rationalist behaviour to be 80% non-partisan.

Q49. Economic rationalist behaviour is 80% laissez-faire and impersonal.

86. Economic rationalist behaviour can be beneficial if, through adherence to economic discipline, it creates wealth for all parties.

89. Yes, economic rationalist behaviour is beneficial, because like I said, it benefits all involved, even if unevenly.

88. Economic rationalist behaviour is laissez-faire in so far that it is the market which creates the opportunity.

Q44. Economic rationalist behaviour is market oriented and competitive but slightly prejudiced.

Q43. Economic rationalist behaviour aspires towards a level playing field for all participants (Indonesian and foreign).

Q45. Economic rationalist behaviour is wealth creating and global in outlook.

Q50. I do perceive economic rationalist behaviour as beneficial.

85. Economic rationalist behaviour is not entirely laissez-faire and impersonal.

- Q46.** Economic rationalist behaviour is primarily driven by financial return on investment but slightly affected by political values.
- 77.** Economic rationalist behaviour is non-partisan but if one has an advantage and benefits more, that's OK.
- 80.** From a businessman's point of view, economic rationalist behaviour is wealth creating and global in outlook.
- 82.** Economic rationalist behaviour is driven by financial return on investment but nothing anyone does is entirely value free. Self interest does play a role and so do (protective feeling towards) family and friends.
- 79.** Economic rationalist behaviour is market oriented, competitive and without prejudice but everyone is expected to benefit, even if somewhat differently.
- Q44.** Economic rationalist behaviour is market oriented and influenced more by need rather than by supply and demand.
- Q41.** I would describe economic rationalist behaviour as rational and fair.
- Q46.** Economic rationalist behaviour is based on free trade, market need & demand and available capital.
- 26.** Indonesian business acts in the same manner (economic rationalist).
- Q41.** Economic rationalist behaviour is best described by optimising economic benefit without social (humanitarian) consideration.
- Q42.** Economic rationalist behaviour is non-partisan.
- Q43.** Economic rationalist behaviour assumes/aspires to a level playing field for all participants.
- Q44.** In pure form, economic rationalist behaviour is market oriented, competitive and without prejudice.
- Q45.** Economic rationalist behaviour is wealth creating and global in outlook.
- Q46.** Economic rationalist behaviour is value free and purely driven by financial return on investment.
- Q49.** Economic rationalist behaviour is laissez-faire and impersonal.
- Q50.** I perceive economic rationalist behaviour to be beneficial.

Colonial Behaviour

- 64.** Colonial behaviour is an issue of the past and does not apply to Indonesia today.
- Q40.** I do not perceive colonial behaviour to be beneficial in any way.
- Q32.** Colonialism is alive today (neo-colonialism).
- Q35.** Neo-colonial attitudes (by foreign powers) towards Indonesia are manifested through involvement in Indonesian domestic policy.
- Q33.** Indonesia is still subjected to neo-colonial attitudes by foreign powers & institutions.
- 27.** East would exploit West, if it had the chance. Colonialism, as in exploitation, is a human characteristic.
- 23.** There is no difference in attitude from an international perspective.
- Q36.** Colonial behaviour is racist and prejudiced to the extent that they (G7) more easily provide help to individuals of their own race.
- Q35.** From an economic point of view, neo-colonial attitudes manifest themselves through (foreign) control of the price of resources (export commodities) and politically, through (foreign) intervention and pressure on as to whom should be in government.
- Q39.** Colonial behaviour is best described by terms such as oppressive, prejudiced, racist, euro-centric and assumed moral superiority.
- 62.** Exploitation is the key characteristic of colonial behaviour.
- 67.** Neo-colonial attitudes are not really specific to any countries or regions.

61. Colonial behaviour is when people exploit others for their own benefit.
75. The older generation thought that, the sense of discipline colonialism brought to Indonesia, was a good thing.
66. The G7 and the IMF, if they are not careful, may be perceived as crossing the line into colonial behaviour.
63. The positive side of colonialism is discipline.
74. All these terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating (foreign & domestic), prejudiced, assumed world superiority.
- Q39. Appropriate terms to describe (neo) colonial behaviour are exploitative, dominating, imperial, prejudiced and racist.
- Q34. I don't know about specific countries but the G7 still has a colonial attitude.
9. Indonesian business leaders' attitude towards the G7 is changing (for the worse).
- Q31. Colonial behaviour from an economic point of view can be described as 'robbery' and from a political point of view as the 'absence of human rights'.
- Q40. Colonial behaviour is beneficial if it results in a better life (for Indonesians).
- Q34. Colonial attitudes still exist and are specific to (G7) countries and institutions.
25. Colonialism hasn't disappeared but it is present in the manipulation of financial / economic worlds markets by the G7.
12. IMF & WB contribute to Indonesia's foreign debt and growing insolvency.
26. The G7 pursue and contribute to intentional indebtedness, through IMF & WB actions.
13. Indonesia is dependent on G7 and foreign capital.
- Q31. Colonial behaviour is best described as 'power' focused. It is characterized by the use of power as the key tool to achieve a desired outcome. Colonial behaviour tends to be exploitative and dominating.
- Q4. Whilst businessmen feel differently about it, the G7' attitude is sometimes too arrogant.
- Q32. Colonialism is still alive today (neo-colonialism).
6. Early IMF loans were guided by Benelux advice and Dutch leadership (IGCI = intergovernmental committee for Indonesia).
4. Development loans to Indonesia have been issued by the IMF & WB since 1971.
- Q33. Indonesia is still subject to colonialism, not through a defined (identified) foreign power (political entity) but through a policy of (foreign) financial dependency based on loans.
- Q31. Colonial behaviour is about controlling, pressuring, driving, dominating and fooling people.
- Q32. Colonial behaviour is alive today and expressed through financial power (\$).
- Q33. Indonesia is still subjected to some neo-colonial attitudes by foreign powers.
- Q34. Colonial attitudes are not so much specific to countries, regions or institutions but rather to 'issues'.
- Q35. Neo-colonial attitudes towards Indonesia are manifest through G7 impositions without consideration of local culture or values.
- Q39. The following terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating, imperial and assumed moral superiority.
- Q40. I do not perceive colonialism to be beneficial in any way.

Nationalism

- Q48. Although money has no nationality, Indonesian businessmen when pursuing global (international) business opportunities do not sacrifice national interests.
- Q37. Indonesian perceptions of foreign neo-colonial behaviour do reinforce feelings of nationalism but on the other hand Indonesians don't care about it because they can't do anything to change it.

16. Chinese Indonesians suffer in times of political conflict. This destroys feelings of nationalism for this ethnic group.
73. I don't know if nationalism is an important issue.
70. Colonial behaviour does reinforce feelings of nationalism but this has nothing to do with foreigners.
71. Nationalism in Indonesia is a reaction to the oppression under Soeharto.
- Q37. Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.
72. IMF behaviour sometimes is a contributory factor to Indonesian nationalism.
- Q38. Nationalism is important.
- Q5. Indonesia is not treated on an equal basis by the G7. When we requested IMF assistance we had to "sacrifice" our national pride.
- Q38. Nationalism is important but we need to understand, why?
18. Chinese Indonesians are less passionate about nationalism, because of the way they have been treated.
14. Chinese Indonesians want more cultural equality and homogeneity. Native Indonesians don't want this.
19. Chinese Indonesians may feel more pride for China's achievements than Indonesia's.
- Q37. Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.
- Q38. Nationalism is important but not to condone racism and prejudice.

Racism

93. When helping your own business community, your close network, ethnicity is not an issue.
69. Some individuals use racism for political purposes.
68. Racism is not an issue with respect to economic/financial matters in Indonesia.
- Q36. Colonialism fostered racism and prejudice, the effect of which is still evident today.

Collegial Behaviour

- Q58. Collegial behaviour is beneficial if it has a positive impact on the currency exchange rate.
- Q60. Cooperation is an expression of beneficial behaviour.
- Q52. Some countries do exhibit genuine collegial behaviour towards Indonesia. These are the USA, Holland, UK, France, Germany, Australia, Japan and Canada.
- Q52. Yes, several countries exhibit collegial behaviour towards Indonesia. For example, Germany and Japan.
- Q53. Collegial behaviour by foreign countries towards Indonesia does assist Indonesian self-determination and economic independence.
91. Collegial behaviour is likely to be limited to certain communities.
- Q55. Collegial behaviour does foster global and regional economic integration.
- Q57. Collegial behaviour is beneficial if it is unconditional.
- Q53. Collegial behaviour by foreign countries does not promote self-determination and economic independence in Indonesia.
- Q60. Some aspects of Indonesia's behaviour towards other countries can be classified as beneficial. For example, it was one of the founders & leaders of the 'non-bloc / alliance countries'; it organized a conference supporting the Palestinians against Israel; it facilitated dialogue between Marcos and Philippine government.
- Q59. Collegial behaviour is altruistic and philanthropic. It is one of the positive points of human behaviour.
- Q51. I would describe collegial behaviour as natural, friendly and helpful.

92. Investment decisions can be based on friendship and a desire to help members of your family.

Q51. Collegial behaviour is best described by rich countries ‘helping’ poor countries. Characteristics of collegial behaviour are donations, education programs, technology transfers and systems transfers.

Q54. Collegial behaviour does foster economic prosperity and genuine commonwealth between nations. It is achieved by donations to the needy, education programs and technology transfer. It leads to the creation of a better man and better living conditions.

Q56. Collegial behaviour by other countries towards Indonesia promotes national unity. It does so through creating a better man and better conditions, which in turn lead to better government and better systems.

Q55. Collegial behaviour does foster global economic integration.

Q57. Collegial behaviour is beneficial.

90. Plenty of people still engage in collegial behaviour.

Q51. Collegial behaviour is aimed at improving the living standards of others, through unconditional assistance with no strings attached.

Q52. Numerous countries exhibit collegial behaviour towards Indonesia through the provision of foreign aid.

Q53. Although the success of specific aid programmes depends on the recipient, generally speaking, collegial behaviour by foreign countries does promote self-determination and economic independence.

Q54. Collegial behaviour, through the provision of education and self-help programmes, does foster economic prosperity and commonwealth between nations.

Q55. Collegial behaviour does foster global economic integration.

Q56. Collegial behaviour by other countries towards Indonesia does not necessarily promote national unity, as the country is very fragmented.

Q57. I perceive collegial behaviour to be beneficial.

Q59. I would describe collegial behaviour as altruistic and philanthropic.

Q60. I do not perceive Indonesia’s behaviour towards other countries as beneficial, at least not in an economic sense.

Economic Development in Indonesia

Employment

Q18. Employment opportunities in Indonesia have not kept pace with population growth. National unemployment is 27% of the ‘total’ population and 80% of the ‘eligible’ population.

Q18. With Indonesia’s current political problems, employment opportunity will be bad for at least two years. National unemployment is 15%.

40. Employment opportunities are difficult during this crisis, especially for people who cannot afford to move. The crisis has resulted in an unemployment level between 20% and 30%, across Indonesia.

8. IMF & WB structural adjustment programmes increase unemployment.

Q18. Employment opportunity depends on one’s social level (socio-economic status), the lower level having less opportunity. I estimate national unemployment to be 3.5%.

Income & GDP Per Capita

31. I would guess that the GDP per citizen in Indonesia is around US\$500 to US\$600 p.a.

32. I would say the average real income per citizen in Indonesia is around US\$600 p.a.

Q12. The average real income per citizen is US\$200 per annum.

Q11. The GDP per citizen is US\$600 per annum.

Q11. It is hard to determine the GDP per capita in rupiah, as it tends to be expressed in US\$.

Q12. I estimate GDP per capita to be Rp1.2 million p.a. (US\$180).

Q11. I estimate the GDP per citizen to be US\$800 p.a.

Q12. I estimate the average real income per citizen to be US\$600 p.a. for the upper lower class.

Purchasing Power

33. It is very difficult to compare purchasing power of the average Indonesian with that of other countries. The land provides most essentials outside the monetary system.

Q13. On a comparative basis with other nations, the purchasing power of Indonesians is declining but on the other hand, speculative gains can be much greater.

Q13. The purchasing power of the average citizen in Indonesia compared to Japan is very low; compared to India is better and compared to China is equal.

Q13. Compared to the USA, the purchasing power of the average Indonesian citizen is lower but compared to Bangladesh it is higher.

Consumption Expenditure

Q17. It is difficult to determine a breakdown of consumption expenditure, including what is spent on food, education and transport.

39. Consumption expenditure is different for the city as compared to the country. I already mentioned this previously. If you take a middle class family in Jakarta, earning Rp120 million per year (around US\$20,000), understanding that Indonesians do not pay tax on these earnings, I could say: 20% on housing; 20% on car; 25% on savings; 15% on food & clothing; 10% on education and 10% on consumables.

Q17. Consumption expenditure of the average Indonesian is the following: Housing 7.5%, Food 7.5%, Clothing 5%, Education 20%, Transport & Communication 5%, Health Care 15%, Savings 20%, Other Consumables 20%.

Q17. Consumption expenditure breakdown for the average Indonesian is: 20% on housing, 50% on food, 5% on clothing, 5% on education, 10% on transport & communication, 5% on health care, 1% on savings and 4% on other.

Current Account

Q15. Indonesia's current account will be minimal (surplus or deficit).

35. It is difficult to estimate Indonesia's current account figures. However, I know that the current account is always in deficit and underestimated by the government.

Q58. Collegial behaviour towards Indonesia does and doesn't impact, at the same time, on Indonesia's foreign debt and current account performance. Ultimately, the key factor is 'trust' in Indonesia.

Q58. Collegial behaviour by other countries towards Indonesia positively impacts in the long term on the foreign debt and current account performance, primarily by improving per capita output.

Q15. Indonesia's current account is adequate, if managed appropriately, especially when considering the higher oil prices. I estimate it to be at Rp200 trillion (US\$25 billion), based on the Annual Government Budget figures (RAPBN).

Foreign Debt

Q14. I expect Indonesia's foreign debt to be somewhere between 20% to 40% of GDP.

Q14. Compared to GDP, Indonesia's foreign debt is in excess of 100%.

34. Indonesia's foreign debt is considerably greater than its GDP. Perhaps around US\$150 billion (56% public sector, 44% private sector).

Q58. Collegial behaviour towards Indonesia does and doesn't impact, at the same time, on Indonesia's foreign debt and current account performance. Ultimately, the key factor is 'trust' in Indonesia.

20. Indonesia's foreign debt is enormous but I don't care.

2. Soeharto would seek prosperity through G7 (IGCI, CGI) soft loans and grants.

22. The IMF & WB are to blame for the financial crisis happening (in Indonesia). They were aware of all the corruption over the years and they continued to allow Indonesia to build-up foreign debt.

Q58. Collegial behaviour by other countries towards Indonesia positively impacts in the long term on the foreign debt and current account performance, primarily by improving per capita output.

Q14. I perceive Indonesia's foreign debt to be above 50% of GDP.

Domestic Investment

Q20. Domestic investment is obstructed by free trade and financial power (presumably G7) and entrepreneurial behaviour.

44. Many domestic investors are carefully watching developments in Indonesia, and meanwhile are keeping their cash funds in overseas accounts.

Q20. Domestic investment is recovering somewhat but affected by ethnic/religious strife.

84. The more experienced Indonesian businessmen take a long term view, especially when large investments are made. However, the domestic climate is such today, that most can only take a short to medium term view.

Q20. Domestic investment is good for Indonesia.

Foreign Direct Investment

83. Most foreign investors take a long term view when considering business in Indonesia. Take one of my partners, he's French and has actually increased his investment during the KRISMON period, to ensure the business will survive and grow in the longer term.

43. Most overseas (FDI) investors have adopted a wait and see attitude.

42. FDI is good for Indonesia, both as capital and portfolio investment.

41. FDI in Indonesia is at present unstable and insignificant.

Q47. The long-term agenda of foreign investors in Indonesia is affected by political instability.

Q19. Foreign direct investment in Indonesia is a good idea but there is no advantage if local ownership is zero.

1. Indonesia opened up to foreign investment in 1971 by Presidential Decree, to become part of the global community.

Q19. With growing ethnic/religious strife, FDI is basically nil. Once the country stabilizes it will be good again.

81. People invest to create wealth and the world is a global market.

Q47. The long term agenda of foreign direct investors in Indonesia is based on optimal returns on investment but at a pre-determined level of risk.

Q48. Indonesian businessmen's long term agenda for investment abroad is based on optimal investment returns.

Q19. FDI is good for Indonesia.

Protectionism

Q48. The agenda of Indonesian businessmen when investing abroad is focused on product quality & service improvement, the absence of protectionism and anti-dumping policies.

10. Protectionism is good for Indonesia (examples given ABKINDO).

Military

15. Democracy is good to break the power of the military (ABRI) in Indonesia's political and economic systems.

1. A cause-effect link between large business and ABRI involvement in a particular business.

2. A cause-effect link between minimum or no corporate tax payable and ABRI involvement in a particular business.

Inflation

38. Inflation is affected by the currency crisis, the economy and the crisis in Indonesian political institutions and law enforcement agencies.

37. I estimate inflation will rise to double digit figures, next year.

36. I estimate inflation in 1999 to be below 10%.

Q16. CPI is low in Indonesia, because of lack of purchasing power. It is around 3 to 4%.

Q16. Indonesia's inflation is around 24%. CPI is affected by the devaluation of the IDR.

Q16. Inflation over the last 12 months stands at minus 0.4 to 0.5%.

Corruption

22. The IMF & WB are to blame for the financial crisis happening (in Indonesia). They were aware of all the corruption over the years and they continued to allow Indonesia to build-up foreign debt.

13. G7 ignores the social cost of its actions in Indonesia and tolerates corruption.

23. Honest businessmen are punished if they try to tackle corruption (eg Benny Moerdani).

24. The G7 tolerated corruption but had the power/leverage to do something about it. Instead, they didn't.

Q3. The G7, as the World's Financial Controller, need to pro-actively monitor & control their lending programmes, in order not to create corruption in developing countries.

10. Indonesian corruption is not beneficial to Indonesia. Nearly 70% of the safety-net provisions (money) under IMF structural adjustment programmes does not reach its intended target.

15. Native Indonesians are more corrupt than Chinese Indonesians.

11. IMF & WB continue to lend money despite this corruption, making them co-responsible for it, creating a moral hazard. This makes the true intention of the G7 (IMF & WB) doubtful (ie possibly not beneficial).

17. G7 continues to lend to a corrupt government. The key players in power remain the same. IMF continues to accept corruption.

2. Corruption in Indonesia is a considerable cause of distress.

18. It will be difficult for Indonesia to change (improve), as the same corrupt elite remains in power (financially, economically, or politically).

3. Corruption in Indonesia forced the G7 (IMF & WB) to change their collegial approach to economic rationalist.

12. Indonesian civil servants benefit financially by awarding G7 facilitated contracts to Indonesian colleagues within private enterprise.

22. Indonesians do however understand, that G7 behaviour is caused by Indonesian corruption and fraud.

20. Many government officials who criticise the IMF are corrupt.

Social Development in Indonesia

Education

46. I think at least 20% of the population has tertiary education and 50% plus, secondary. More than 70% would have completed primary school.

Q22. I estimate that 33% of the total population has tertiary education, 54% secondary, and 70% primary education.

Q22. 1% of the population has tertiary education, 10% has secondary education, 20% has primary education.

Q22. I estimate that 1% of the Indonesian population has tertiary education, 19% secondary education and 79% primary education.

Literacy

45. At least 95% or more of the population can read and write well.

Q21. 30% of the population can read and write with confidence.

Q21. I estimate that 90% of the population can read and write with confidence.

Q21. I estimate that 80% of the population can read and write with confidence.

Health Care

56. There are not enough doctors in Indonesia.

60. Police, lawyers and hospitals are all bad in Indonesia.

54. Health care for the general population is poor in Indonesia.

53. Whilst I cannot give an estimate, infant mortality is only a problem in rural areas. In the city, poor people are looked after.

57. A successful doctor doesn't spend enough time with his patients, because the more patients he can see in a day, the more money he makes.

Q30. Access to health care in Indonesia is easy but the price is expensive and the quality is fair.

Q30. Access to health care is good in the cities but not so good in rural areas.

Q29. Infant mortality is an issue in Indonesia. Infant mortality is 5%.

58. There is a lack of adequate medical equipment and medication in Indonesia.

59. People's inability to pay for good medical treatment limits their access to quality health care.

55. Health care is not a problem for rich people as they go to Singapore and Australia.

Q30. Access to health care in Indonesia is not good for the majority of people. It is expensive and of low quality. It is a different story for the rich.

Q29. Infant mortality is an issue in Indonesia and I estimate it to be around 3deaths per 1000 births.

Drinking Water

Q27. 20% of Indonesians have ready access to clean drinking water.

51. No one in Indonesia has access to safe or clean drinking water. Everything has to be boiled.

Q27. About 25% of Indonesians have access to clean drinking water. Yes, it is an important issue.

Q27. Piped potable water does not exist in Indonesia. Only 10% of households have access to clean water. This is an important issue.

Food

52. I don't know about calories but I guess that more than 90% of people have access to sufficient food every day.

Q28. No. Most Indonesians do not have access to enough food on a daily basis or a balanced diet. I don't know what their average daily calorie intake is.

Q28. Most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis. Their average daily calorie intake is 800 cal.

Q28. Most Indonesians do not have access to sufficient food and a balanced diet on a daily basis. I estimate the average daily calorie intake to be 1200 calories.

Telephone

Q26. 20% of Indonesians either own a telephone or have good access to one.

50. Telephone access is universal through publicly available facilities. Ownership is 1 telephone per 300 people.

Q26. About 27% of Indonesians own a telephone or have easy access to one.

Q26. I estimate that 10% of Indonesians either own a telephone or have reasonable access to one.

Access to Information

Q23. Access to information in Indonesia is easy.

Q23. There is good access to information in Indonesia. The question is though, is the information reliable?

47. Access to information depends very much on your network of people and your location.

Q23. Access to information in Indonesia is improving steadily.

Freedom of Speech & Political Freedom

Q24. Whilst freedom of speech is better now in Indonesia (post Soeharto), people are still frightened.

48. Today there is definitely freedom of speech.

Q24. Freedom of speech is better now than during the previous era.

Q25. Political freedom is better now than during the previous era.

Q25. Political freedom is better now in Indonesia but people are still frightened.

49. Today there is political freedom, just like with freedom of speech.

Q24. Freedom of speech has improved tremendously over the last two years.

Q25. Political freedom has improved tremendously over the last two years.

Miscellaneous

5. The Dutch were influential in the creation of the IMF and its relationship to Indonesia.

7. In 1992, Dutch influence linked future G7/IGCI funding to humanitarian issues. This was resisted by Indonesia and in the same year Indonesia forced out the Dutch from the IGCI, the intergovernmental committee regrouping as the CGI (consultative group for Indonesia).

2. English replaced Dutch as the principal language of business.

1. Pre 1997 Indonesia's government was based on an ideal for prosperity.

21. Indonesia doesn't have real statesmen. Self-interest comes first.

3. Indonesia's development was guided by Indonesians trained in the West (Berkeley Mafia).

16. Chinese Indonesians appreciate learning, pribumi prefer overt displays of material wealth.

17. Indonesians resent Australia for its role in East Timor.

Section 2: Grouping of Statements by “construct & question number”

Section 1 – G7 Behaviour

Q1

- This is a complex answer. Let me describe a picture. Pre the financial crisis in 1997, Soeharto was in control and governed on the basis of an ideal for prosperity. It was idealistic and Indonesia focused on aid in the form of soft loans (long term, no interest) and grants. Soeharto would seek prosperity by dependence on these two types of loans, arranged or managed through IGCI (‘Intergovernmental Committee for Indonesia’: formerly chaired by the Dutch) and now CGI (“Committee for Government of Indonesia”: Dutch excluded).
- However, corruption became such a big issue that the lending parties (IMF, WB, G7) changed this beneficial or collegial attitude to one demanding control. Economic rationalism replaced the former attitude of unconditional help. That’s how I view G7 today but it is a good thing for Indonesia.
- The G7 will support and become involved in any sector, which will help developing countries achieve wealth and a better system of government.
- It is good that the G7 are willing to help Indonesia overcome the financial crisis.
- The G7 wants to benefit economically and politically from their assistance.
- We (Indonesians) are grateful.
- The G7 act in a rather arrogant and bullying manner to Indonesia.

Q2

- I consider G7 to act in Indonesia’s interest. Their action is economic rationalist but I perceive this as positive. I compare their action to Japan’s Miazawa Plan, which invests money in countries like Indonesia, interest free almost and for the long term. Japan then provides ongoing loans in times of crisis to sustain and protect their own investments in Indonesia. Because it is driven by self-interest you can term it economic rationalist but Indonesia benefits and profits as well, so it can also be collegial.
- Japanese loans are conditional, so why should G7 loans not be? The current economic rationalist approach by G7 to Indonesia is definitely positive.
- The G7 do not act equally in everyone’s best interest, because of personal agenda. For example, the ‘Becak’ problem needs a socio-cultural approach and not just a power approach (ie a ban by Decree).
- The G7 aim to create a better market for their products and to gain control over the government.
- The G7 only act in their own interest but this is normal business practice.

Q3

- Well, everyone benefits, why not? G7 through IMF, WB, or through bi-lateral arrangements, they all have consultants within the Indonesian government departments helping to prepare loan applications. In my industry I know those involved in loan applications for housing and infrastructure projects (roads).

G7 may be exercising power as money lender but the Indonesian government influences the G7 consultants and once a project loan is approved, many Indonesian individuals (both in Government and working in private industry) benefit by awarding the contracts to those private companies in which they have an interest! (Financial leakage).

- The G7, as the World's Financial Controller, need to pro-actively monitor & control their lending programmes, in order not to create corruption in developing countries.
- The G7 (IMF & WB) have the ability to stabilize currencies.
- The G7 exercise power as the world's financial controller by 'interfering' in other countries' affairs.

Q4

- From the point of view of the Indonesian population in general, especially after 1965, G7 behaviour towards Indonesia is seen as beneficial, because it has created employment and many new business opportunities. Everyone sees a definite increase in living standards.
- The G7 tend to push Indonesia around and become involved in both public and private sectors, which deeply influences national policies.
- Whilst businessmen feel differently about it, the G7' attitude is sometimes too arrogant.
- The behaviour of G7 towards Indonesia and developing nations is 'patronizing'.

Q5

- Well, G7 knew about Indonesia's foreign debt position all along. After all, they have many economists working in Indonesia and in the IMF and WB. I see their approach as realistic and in 1997 and later, their attitude is one of either you are ready and willing, or not, to become and act as a global player. I see that their treatment is based on Indonesia being a global player and therefore the choices discussed must be based on protecting what has been achieved so far. The structural adjustment programmes are not to be considered as respectful or disrespectful but simply as necessary for Indonesia to be a global player.
- The (Indonesian) business community's point of view is that the treatment of Indonesia by the IMF is based on its ability to compete on a global basis. It is the correct approach. Those who say differently are talking from a political point of view, rather than an economic one.
- For example, take BULOG, the agency that controls the rice trade. It imports rice at market value but it pays domestic growers at below market value. Local growers (paddies) are only allowed to sell to BULOG and they are aware of this price disadvantage. As a result, Indonesia needs to import more rice than necessary because local people do not see any advantage in growing or increasing rice crops. BULOG then dictates a non-market price. Rice is subsidised by price interference, imports supported by foreign loans and the whole activity full of corruption by BULOG officials.
- The IMF wants to see the rice subsidy removed and the rice market opened up to competition. The Indonesian business community supports this and approves of the IMF plan. The same must happen to Pertamina.

- The IMF does not treat Indonesia with respect and acts only as an investor. They treated Brazil in a similar fashion. Each country however has different economic and political problems and should therefore be treated in a uniquely different manner.
- Indonesia is not treated on an equal basis by the G7. When we requested IMF assistance we had to “sacrifice” our national pride.

Q6

- Well, from a cultural perspective, Indonesians may consider G7 behaviour as impolite but they realize that it is not the result of an action by the strong (G7) towards the weak (Indonesia) but rather between the strong and the naughty! (corrupt). The photo everyone talked about, of Michel Camdessus and Soeharto, may have angered some people (Michel Camdessus with crossed arms, standing over Soeharto signing the IMF contract) but people also realised that corruption and bad financial decisions were intentional. So, it is behaviour between the strong and the naughty. I think, from an international social behaviour standpoint, there is no difference in attitude.
- No. The behaviour of the G7 (IMF & WB) is not generally perceived by Indonesians as courteous and polite but as chauvinistic and selfish.
- The behaviour of the G7 (IMF & WB) is generally not perceived as courteous and polite. However, at the time of the crisis, the Soeharto & Habibie governments were not liked by Indonesians and we appreciated the G7 for their pressure on these two governments.
- G7 (IMF & WB) behaviour is generally perceived by Indonesians to be courteous and polite.

Q7

- The fact that the G7 includes a super-power (USA) and the most powerful NATO members, of course has bearing on their attitude and behaviour towards Indonesia. However, also due to its economic rationalist approach, it is appropriate that people (G7) should protect investments already made to ensure development progress. Indonesian business does the same.
- Yes. The G7’s super-power status does negatively affect their attitude and behaviour towards Indonesia.
- The G7’s power influences their attitude and behaviour towards Indonesia.
- G7 power does affect their attitude to Indonesia in some areas.

Q8

- I perceive the assistance from the G7 as economic rationalist and positive.
- G7 assistance to Indonesia contains many good ideas but which are difficult and hard to implement for Indonesia.
- I perceive G7 assistance to Indonesia as positive.
- G7 (IMF & WB) assistance provided to Indonesia is generally appreciated, however in some instances they are considered to be meddling in the ‘internal affairs’ of Indonesia.

Q9

- Yes, the G7 are best placed today to advise Indonesia how to become a successful global player. Soeharto always had a political response, rather than economic but the IMF particularly is taking the correct economic rationalist approach.
- The G7 is in a legitimate position to best advise Indonesia (ie SAPs) but Indonesia has a right to seek the most appropriate reform (socio-cultural need).
- The G7 are in a legitimate position to best advise Indonesia but they must include Indonesian views & findings.
- The G7 are in a legitimate position to advise Indonesia on structural reform programmes but not to 'impose' them.

Q10

- The G7's approach to Indonesia is economic rationalist. Their interest and approach benefits Indonesia, as well as their own investments.
- G7 interest in Indonesia is mainly driven by its view of the country as a potential market for its products.
- The G7 like to benefit economically and politically from Indonesia.
- G7 will benefit from a united Indonesia in the long run.

Section 2 – Economic Development in Indonesia

Q11

- I would guess that the GDP per citizen in Indonesia is around US\$500 to US\$600 p.a.
- It is hard to determine the GDP per capita in rupiah, as it tends to be expressed in US\$.
- The GDP per citizen is US\$600 per annum.
- I estimate the GDP per citizen to be US\$800 p.a.

Q12

- Well, let's see with respect to the average real income per citizen. The President has a monthly salary of US\$7,000, a minister US\$4,000, a director general US\$500, a director US\$300 and the minimum wage in Indonesia is US\$40 per month. A taxi driver earns around Rp20,000 per day, which is US\$3, so US\$90 per month. Yes, I would say the average real income is close to the GDP per capita, around US\$600 p.a.
- I estimate GDP per capita to be Rp1,2 million p.a. (US\$180)
- The average real income per citizen is US\$200 per annum.
- I estimate the average real income per citizen to be US\$600 p.a. for the upper lower class.

Q13

- It is very difficult to answer, on a comparative basis with other nations, what the purchasing power of the average citizen is in Indonesia. The Indonesian living style is so different and it is also very different between city and the countryside. Outside the main cities, your plot of land provides most of your food, or you can exchange goods with neighbours. You get your materials for the house from the forest and also the fruits. Rivers and wells provide free water and schools are free, so you don't need much money. In the city it is different, especially for the middle class but they still have their link with the kampung (village) in the countryside.
- On a comparative basis with other nations, the purchasing power of Indonesians is declining but on the other hand, speculative gains can be much greater.
- The purchasing power of the average citizen in Indonesia compared to:
 - Japan, is very very low;
 - India, is better;
 - China, is equal.
- Compared to the USA, the purchasing power of the average Indonesian citizen is lower but compared to Bangladesh it is higher.

Q14

- I can't tell you exactly the size of Indonesia's foreign debt as a % of GDP but I know it is much greater than the GDP. Maybe US\$150 billion, 80 billion from the public sector and 70 billion from the private sector.
- I expect Indonesia's foreign debt to be somewhere between 20 to 40% of GDP.
- Compared to GDP, Indonesia's foreign debt is in excess of 100%.
- I perceive Indonesia's foreign debt to be above 50% of GDP.

Q15

- It is very difficult to estimate Indonesia's current account, also the government figures cannot be trusted. I know that the current account is always understated and always in deficit. Indonesian Customs is very corrupt, so recording of export and import figures is never true. Sometimes the government even publishes a current account surplus! The free exchange rate (no control) also doesn't help.
- Indonesia's current account will be minimal (surplus or deficit).
- Indonesia's current account is adequate, if managed appropriately, especially when considering the higher oil prices. I estimate it to be at Rp200 trillion (US\$25 billion), based on the Annual Government Budget figures (RAPBN).

Q16

- I would estimate inflation over the last 12 months (1999) to be below 10% but by the end of 2000 it will again be double digit. The government also devalues the currency and this doesn't help. But overall, CPI is driven by a realistic value and a psychological value (perception of market confidence in fundamentals and political stability).

- Inflation will increase next year in spite of the overall Asian recovery, because in Indonesia the currency, the economy, political institutions and law enforcement are all in crises and there are no firm solutions yet.
- Indonesia's inflation is around 24%. CPI is affected by the devaluation of the IDR.
- CPI is low in Indonesia, because of lack of purchasing power. It is around 3 to 4%.
- Inflation over the last 12 months stands at minus 0.4 to 0.5%.

Q17

- Consumption expenditure is different for the city as compared to the country. I already mentioned this previously (Q13). If you take a middle class family in Jakarta, earning Rp120 million per year (around US\$20,000), understanding that Indonesians do not pay tax on these earnings, I could say: 20% on housing; 20% on car; 25% on savings; 15% on food & clothing; 10% on education and 10% on other consumables.
- Consumption expenditure of the average Indonesian is the following: Housing 7.5%, Food 7.5%, Clothing 5%, Education 20%, Transport & Communication 5%, Health Care 15%, Savings 20%, Other Consumables 20%.
- It is difficult to determine a breakdown of consumption expenditure, including what is spent on food, education and transport.
- Consumption expenditure breakdown for the average Indonesian is: 20% on housing, 50% on food, 5% on clothing, 5% on education, 10% on transport & communication, 5% on health care, 1% on savings and 4% on other.

Q18

- Employment opportunities are difficult during this crisis, especially for people who cannot afford to move. The crisis has resulted in an unemployment level of between 20% and 30%, across Indonesia.
- Employment opportunities in Indonesia have not kept pace with population growth. National unemployment is 27% of the 'total' population and 80% of the 'eligible' population.
- With Indonesia's current political problems, employment opportunity will be bad for at least two years.
- National unemployment is 15%.
- Employment opportunity depends on one's social level (socio-economic status), the lower level having less opportunity. I estimate national unemployment to be 3.5%.

Q19

- Private foreign direct investment at the moment is very unstable and fickle. During 98/99 it has been insignificant as most overseas investors are taking a wait and see attitude. Personally, I welcome FDI as positive for Indonesia, both in infrastructure as well as portfolio investment through the FSX.

- Foreign direct investment in Indonesia is a good idea but there is no advantage if local ownership is zero.
- With growing ethnic/religious strife, FDI is basically nil. Once the country stabilizes it will be good again.
- FDI is good for Indonesia.

Q20

- Of course domestic investment still takes place but those who can, still maintain their cash funds in overseas accounts. We too are carefully watching the developments in Indonesia.
- Domestic investment is obstructed by free trade and financial power (presumably G7) and entrepreneurial behaviour.
- Domestic investment is recovering somewhat but affected by ethnic/religious strife.
- Domestic investment is good for Indonesia.

Section 3 – Social Development in Indonesia

Q21

- Oh, at least 95%, or more, of the population can read and write well.
- I estimate that 90% of the population can read and write with confidence.
- 30% of the population can read and write with confidence.
- I estimate that 80% of the population can read and write with confidence.

Q22

- That's difficult to assess but I think at least 20% of the population has tertiary education and 50% plus, secondary. More than 70% would have completed primary school.
- I estimate that 33% of the total population has tertiary education, 54% secondary, and 70% primary education.
- 1% of the population has tertiary education;
- 10% has secondary education;
- 20% has primary education.
- I estimate that 1% of the Indonesian population has tertiary education, 19% secondary education and 79% primary education.

Q23

- This is not easy to answer because access to information in Indonesia depends very much on your network of people and not so much on facilities. Location is important as well.
- Access to information in Indonesia is easy.

- There is good access to information in Indonesia. The question is though, is the information reliable?

- Access to information in Indonesia is improving steadily.

Q24

- Today there is definitely freedom of speech. This was not so during the Soeharto years but it started to change after 1996. Just consider Mr Wanandi! Before Habibie, nothing was said openly.

- Freedom of speech is better now than during the previous era.

- Whilst freedom of speech is better now in Indonesia (post Soeharto), people are still frightened.

- Freedom of speech has improved tremendously over the last two years.

Q25

- There is today, just like with freedom of speech.

- Political freedom is better now than during the previous era.

- Political freedom is better now in Indonesia but people are still frightened.

- Political freedom has improved tremendously over the last two years.

Q26

- I would estimate there to be 1 telephone for every 300 people, that is ownership. Access is universal, if you consider public facilities and privately owned phone and fax shops (wartel).

- About 27% of Indonesians own a telephone or have easy access to one.

- 20% of Indonesians either own a telephone or have good access to one.

- I estimate that 10% of Indonesians either own a telephone or have reasonable access to one.

Q27

- No one in Indonesia has access to safe or clean drinking water. Everything has to be boiled.

- About 25% of Indonesians have access to clean drinking water. Yes, it is an important issue.

- 20% of Indonesian have ready access to clean drinking water.

- Access to clean drinking water is an important issue.

- Piped potable water does not exist in Indonesia. Only 10% of households have access to clean water. This is an important issue.

Q28

- I don't know about calories but I guess that more than 90% of people have access to sufficient food every day.
- No. Most Indonesians do not have access to enough food on a daily basis or a balanced diet. I don't know what their average daily calorie intake is.
- Most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis.
- Their average daily calorie intake is 800 cal.
- Most Indonesians do not have access to sufficient food and a balanced diet on a daily basis. I estimate the average daily calorie intake to be 1200 calories.

Q29

- Infant mortality is a problem in Indonesia but only in the rural areas. In the big cities it is not a problem and even poor people are looked after. I cannot give an estimate.
- I don't know.
- Infant mortality is an issue in Indonesia.
- Infant mortality is 5%.
- Infant mortality is an issue in Indonesia and I estimate it to be around 3deaths per 1000 births.

Q30

- Health care for the general population is poor in Indonesia, very poor. There is a popular saying that police, hospitals and lawyers are all bad in Indonesia. Health care is not a problem for the rich people as they go to Australia and Singapore. There are also not enough doctors in Indonesia and if one doctor is really good, he doesn't spend enough time with you, just a few minutes, because the more patients he can see, the more money he makes.
- Health care is also very limited in Indonesia by the lack of equipment, medication and people's ability to pay for treatment.
- Access to health care in Indonesia is easy but the price is expensive and the quality is fair.
- Access to health care is good in the cities but not so good in rural areas.
- Access to health care in Indonesia is not good for the majority of people. It is expensive and of low quality. It is a different story for the rich.

Section 4 – Colonial Behaviour

Q31

- Colonial behaviour is when people exploit others for their own benefit. So, I guess I would say, exploitation is the key characteristic. My parents told me though, that, the positive side of Dutch colonialism was the discipline that came with it.

- Colonial behaviour is best described as ‘power’ focused. It is characterized by the use of power as the key tool to achieve a desired outcome. Colonial behaviour tends to be exploitative and dominating.
- Colonial behaviour from an economic point of view can be described as ‘robbery’ and from a political point of view as the ‘absence of human rights’.
- Colonial behaviour is about controlling, pressuring, driving, dominating and fooling people.

Q32

- Colonial behaviour is an issue of the past and does not apply to Indonesia today.
- Colonialism is alive today (neo-colonialism).
- Colonialism is still alive today (neo-colonialism).
- Colonial behaviour is alive today and expressed through financial power (\$).

Q33

- Well, the G7 and IMF are acting as economic rationalists but if they are not careful with future developments they might be perceived as crossing the line. They will have to guard against this.
- Indonesia is still subject to colonialism, not through a defined (identified) foreign power (political entity) but through a policy of (foreign) financial dependency based on loans.
- Indonesia is still subjected to neo-colonial attitudes by foreign powers & institutions.
- Indonesia is still subjected to some neo-colonial attitudes by foreign powers.

Q34

- Neo-colonial attitudes are not really specific to any countries or regions.
- I don’t know about specific countries but the G7 still has a colonial attitude.
- Colonial attitudes still exist and are specific to (G7) countries and institutions.
- Colonial attitudes are not so much specific to countries, regions or institutions but rather to ‘issues’.

Q35

- ...
- Neo-colonial attitudes (by foreign powers) towards Indonesia are manifested through involvement in Indonesian domestic policy.
- From an economic point of view, neo-colonial attitudes manifest themselves through (foreign) control of the price of resources (export commodities) and politically, through (foreign) intervention and pressure on as to whom should be in government.

- Neo-colonial attitudes towards Indonesia are manifest through G7 impositions without consideration of local culture or values.

Q36

- Racial prejudice is not an issue, with respect to the economic approach in Indonesia but it is used by some for their political agenda.
- Colonial behaviour is racist and prejudiced to the extent that they (G7) more easily provide help to individuals of their own race.
- Colonialism fostered racism and prejudice, the effect of which is still evident today.

Q37

- I say yes but this has nothing to do with foreigners but rather as a result of Soeharto. Existing feelings of nationalism are a reaction to the oppression people felt under Soeharto. Sometimes the IMF also contributes.
- Indonesian perceptions of foreign neo-colonial behaviour do reinforce feelings of nationalism but on the other hand Indonesians don't care about it because they can't do anything to change it.
- Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.
- Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.

Q38

- Nationalism is an issue but is it important? I don't know.
- Nationalism is important but we need to understand, why?
- Nationalism is important.
- Nationalism is important but not to condone racism and prejudice.

Q39

- All these terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating (foreign & domestic), prejudiced, assumed world superiority.
- Appropriate terms to describe (neo) colonial behaviour are exploitative, dominating, imperial, prejudiced and racist.
- Colonial behaviour is best described by terms such as oppressive, prejudiced, racist, euro-centric and assumed moral superiority.
- The following terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating, imperial and assumed moral superiority.

Q40

- As I said before, the discipline colonialism brought to Indonesia was thought to be good by my parents' generation. I was born in 1957, so I can't really say.

- Colonial behaviour is beneficial if it results in a better life (for Indonesians).
- I do not perceive colonial behaviour to be beneficial in any way.
- I do not perceive colonialism to be beneficial in any way.

Section 5 – Economic Rationalist Behaviour

Q41

- I describe economic rationalist behaviour as using each other for mutual benefit.
- I would describe economic rationalist behaviour as rational and fair.
- Economic rationalist behaviour is best described by helping the economy of others, to achieve a better world economy. Characteristics of economic rationalist behaviour are soft loans, restructuring loans, donations and opening of markets for export.
- Economic rationalist behaviour is best described by optimising economic benefit without social (humanitarian) consideration.

Q42

- Yes I would but if I have an advantage and benefit more, that's OK.
- Economic rationalist behaviour works for everyone in every sector of the economy.
- I would describe economic rationalist behaviour to be 80% non-partisan.
- Economic rationalist behaviour is non-partisan.

Q43

- A level playing field is an ideal but in reality everyone uses their own advantage. I think this is the same for Indonesians and foreigners.
- Economic rationalist behaviour must aim at a level playing field for all participants, accommodating different levels of participant sophistication.
- Economic rationalist behaviour aspires towards a level playing field for all participants (Indonesian and foreign).
- Economic rationalist behaviour assumes/aspires to a level playing field for all participants.

Q44

- Economic rationalist behaviour is market oriented, competitive and without prejudice but everyone is expected to benefit, even if somewhat differently.
- Economic rationalist behaviour is market oriented and influenced more by need rather than by supply and demand.
- Economic rationalist behaviour is market oriented and competitive but slightly prejudiced.

- In pure form, economic rationalist behaviour is market oriented, competitive and without prejudice.

Q45

- From a businessman's point of view, that's right. You invest to create wealth and it is a global market.
- I would describe economic rationalist behaviour as fair.
- Economic rationalist behaviour is wealth creating and global in outlook.
- Economic rationalist behaviour is wealth creating and global in outlook.

Q46

- I say yes but at the same time nothing anyone does is entirely value free. Self-interest does play a role and then there is your own family and friends.
- Economic rationalist behaviour is based on free trade, market need & demand and available capital.
- Economic rationalist behaviour is primarily driven by financial return on investment but slightly affected by political values.
- Economic rationalist behaviour is value free and purely driven by financial return on investment.

Q47

- Most foreign investors take a long term view when considering business in Indonesia. Take one of my partners, he's French and has actually increased his investment during the KRISMON period, to ensure the business will survive and grow in the longer term.
- No idea
- The long-term agenda of foreign investors in Indonesia is affected by political instability.
- The long term agenda of foreign direct investors in Indonesia is based on optimal returns on investment but at a pre-determined level of risk.

Q48

- The more experienced Indonesian businessmen take a long term view, especially when large investments are made. However, the domestic climate is such today, that most can only afford to take a short to medium term view.
- The agenda of Indonesian businessmen when investing abroad is focused on product quality & service improvement, the absence of protectionism and anti-dumping policies.
- Although money has no nationality, Indonesian businessmen when pursuing global (international) business opportunities do not sacrifice national interests.
- Indonesian businessmen's long term agenda for investment abroad is based on optimal investment returns.

Q49

- No, not entirely. It is somewhere between collegial and impersonal. It is beneficial if economic discipline is adhered to and creates wealth for all parties. It is laissez-faire in so far that the market creates the opportunity but at the same time we sometimes choose to help our friends and family.
- Economic rationalist behaviour is 80% laissez-faire and impersonal.
- Economic rationalist behaviour is laissez-faire and impersonal.

Q50

- Yes, economic rationalist behaviour is beneficial, because like I said, it benefits all involved, even if unevenly.
- Economic rationalist behaviour is beneficial to the consumer.
- I do perceive economic rationalist behaviour as beneficial.
- I perceive economic rationalist behaviour to be beneficial.

Section 6 – Collegial Behaviour

Q51

- Plenty of people still engage in collegial behaviour. Not all businessmen have an economic rationalist approach but this is likely to be limited to certain communities only. Investment decisions can be based on friendship and a desire to help members of your family.
- When helping your own business community, your close network, ethnicity is not an issue.
- I would describe collegial behaviour as natural, friendly and helpful.
- Collegial behaviour is best described by, rich countries ‘helping’ poor countries. Characteristics of collegial behaviour are donations, education programs, technology transfers and systems transfers.
- Collegial behaviour is aimed at improving the living standards of others, through unconditional assistance with no strings attached.

Q52

- None come to mind.
- Yes, several countries exhibit collegial behaviour towards Indonesia. For example, Germany and Japan.
- Some countries do exhibit genuine collegial behaviour towards Indonesia. These are the USA, Holland, UK, France, Germany, Australia, Japan and Canada.
- Numerous countries exhibit collegial behaviour towards Indonesia through the provision of foreign aid.

Q53

- Collegial behaviour by foreign countries does not promote self-determination and economic independence in Indonesia.
- Collegial behaviour by foreign countries towards Indonesia does assist Indonesian self-determination and economic independence.
- Although the success of specific aid programmes depends on the recipient, generally speaking, collegial behaviour by foreign countries does promote self-determination and economic independence.

Q54

- Collegial behaviour does foster economic prosperity and genuine commonwealth between nations. It is achieved by donations to the needy, education programs and technology transfer. It leads to the creation of a better man and better living conditions.
- Collegial behaviour, through the provision of education and self-help programmes, does foster economic prosperity and commonwealth between nations.

Q55

- Collegial behaviour does foster global and regional economic integration.
- Collegial behaviour does foster global economic integration.
- Collegial behaviour does foster global economic integration.

Q56

- Collegial behaviour by other countries towards Indonesia promotes national unity. It does so through creating a better man and better conditions, which in turn lead to better government and better systems.
- Collegial behaviour by other countries towards Indonesia does not necessarily promote national unity, as the country is very fragmented.

Q57

- Collegial behaviour is beneficial if it is unconditional.
- Collegial behaviour is beneficial.
- I perceive collegial behaviour to be beneficial.

Q58

- Collegial behaviour is beneficial if it has a positive impact on the currency exchange rate.
- Collegial behaviour towards Indonesia does and doesn't impact, at the same time, on Indonesia's foreign debt and current account performance. Ultimately, the key factor is 'trust' in Indonesia.
- Collegial behaviour by other countries towards Indonesia positively impacts in the long term on the foreign debt and current account performance, primarily by improving per capita output.

Q59

- Collegial behaviour is altruistic and philanthropic. It is one of the positive points of human behaviour.

- Q60
- I would describe collegial behaviour as altruistic and philanthropic.
 - Cooperation is an expression of beneficial behaviour.
 - Some aspects of Indonesia's behaviour towards other countries can be classified as beneficial. For example, it was one of the founders & leaders of the 'non-bloc / alliance countries'; it organized a conference supporting the Palestinians against Israel; it facilitated dialogue between Marcos and Philippine government.
 - I do not perceive Indonesia's behaviour towards other countries as beneficial, at least not in an economic sense.

Content Analysis – Notes [4]

Section 1: Grouping of Statements by “construct & chunks of meaning”

G7 Behaviour

Economic Rationalism

30. The G7's approach to Indonesia is economic rationalist. Their interest and approach benefits Indonesia, as well as their own investments.
4. G7's economic rationalist approach is a good thing for Indonesia.
9. G7 cares about economic rationalism and creating profitable conditions for G7 countries.
29. The IMF is taking the correct economic rationalist approach.
6. G7 action is economic rationalist and this is a positive thing.
65. The G7 and the IMF behaviour is economic rationalist.
27. I perceive the assistance from the G7 as economic rationalist and positive.
18. SAPs are neither respectful or disrespectful of Indonesia but simply necessary if the country is to remain a global player.
17. G7 see Indonesia as a global player and any SAPs imposed are done so, accordingly.

Collegial

13. G7 behaviour after 1965 is perceived as beneficial because it created employment and new business opportunities.
8. G7 actions benefit Indonesia.
5. The G7 acts in Indonesia's interest.
- Q8. I perceive G7 assistance to Indonesia as positive.
14. G7 behaviour has led to an increase in Indonesian living standards.
8. Indonesian business leaders historically have had a good perception of the CGI & G7 and perceive the G7 as beneficial.
- Q1. The G7 will support and become involved in any sector, which will help developing countries achieve wealth and a better system of government.
- Q1. It is good that the G7 are willing to help Indonesia overcome the financial crisis. The G7 wants to benefit economically and politically from their assistance. We (Indonesians) are grateful.
14. Aspects of structural adjustment programmes (SAPs) and foreign manipulation which promote democracy, are beneficial.

Colonial

1. G7 is perceived as neo-colonialist.
66. The G7 and the IMF, if they are not careful, may be perceived as crossing the line into colonial behaviour.

Self Interest

7. G7 actions are driven by self-interest, protecting G7 long-term investments in Indonesia.
- Q10. The G7 like to benefit economically and politically from Indonesia.
11. G7 consultants benefit financially.
- Q6. No. The behaviour of the G7 (IMF & WB) is not generally perceived by Indonesians as courteous and polite but as chauvinistic and selfish.
- Q10. G7 interest in Indonesia is mainly driven by its view of the country as a potential market for its products.

Q2. The G7 aim to create a better market for their products and to gain control over the government.

5. G7 lending is perceived as conditional to Indonesia opening up its market and industries to G7 members.

3. G7 interest is directly linked to perceived potential market (based on population size) and natural resources in Indonesia.

Q2. The G7 only act in their own interest but this is normal business practice.

6. G7 rules are not beneficial to Indonesia.

Arrogant & Use of Power

Q7. The G7's power influences their attitude and behaviour towards Indonesia.

Q7. Yes. The G7's super-power status does negatively affect their attitude and behaviour towards Indonesia.

Q4. The G7 tend to push Indonesia around and become involved in both public and private sectors, which deeply influences national policies.

24. The power of G7 does influence its attitude towards Indonesia.

Q1. The G7 act in a rather arrogant and bullying manner to Indonesia.

Q3. The G7 exercise power as the world's financial controller by 'interfering' in other countries' affairs.

Q4. The behaviour of G7 towards Indonesia and developing nations is 'patronizing'.

Q7. G7 power does affect their attitude to Indonesia in some areas.

11. Indonesia has no leverage with G7 (IMF & WB), because it is very poor.

Q4. Whilst businessmen feel differently about it, the G7' attitude is sometimes too arrogant.

Legitimacy

28. The G7 are best placed today to advise Indonesia on how to become a successful global player.

9. G7 loans are conditional and appropriately so.

Q9. The G7 are in a legitimate position to advise Indonesia on structural reform programmes but not to 'impose' them.

Q9. The G7 are in a legitimate position to best advise Indonesia but they must include Indonesian views & findings.

Q9. The G7 is in a legitimate position to best advise Indonesia (ie SAPs) but Indonesia has a right to seek the most appropriate reform (socio-cultural need).

Lack of Respect

Q5. The IMF does not treat Indonesia with respect and acts only as an investor. They treated Brazil in a similar fashion. Each country however has different economic and political problems and should therefore be treated in a uniquely different manner.

Q6. The behaviour of the G7 (IMF & WB) is generally not perceived as courteous and polite. However, at the time of the crisis, the Soeharto & Habibie governments were not liked by Indonesians and we appreciated the G7 for their pressure on these two governments.

21. From a cultural perspective, G7 behaviour towards Indonesia is considered impolite.

Socio-Cultural Insensitivity

Q5. Indonesia is not treated on an equal basis by the G7. When we requested IMF assistance we had to "sacrifice" our national pride.

Q2. The G7 do not act equally in everyone's best interest, because of personal agenda. For example, the 'Becak' problem needs a socio-cultural approach and not just a power approach (ie a ban by Decree).

7. G7, through IMF & WB actions, does not consider the social cost of deregulation to Indonesians.

13. G7 ignores the social cost of its actions in Indonesia and tolerates corruption.

Q8. G7 assistance to Indonesia contains many good ideas but which are difficult and hard to implement for Indonesia.

Dishonest

10. G7 (IMF & WB) have consultants inside Indonesian government departments, assisting with loan applications.

16. G7 have economists working inside the Indonesian government, IMF and WB.

15. G7 have always been aware of Indonesia's financial debt position.

Q20. Domestic investment is obstructed by free trade and financial power (presumably G7) and entrepreneurial behaviour.

22. The IMF & WB are to blame for the financial crisis happening (in Indonesia). They were aware of all the corruption over the years and they continued to allow Indonesia to build-up foreign debt.

11. IMF & WB continue to lend money despite this corruption, making them co-responsible for it, creating a moral hazard. This makes the true intention of the G7 (IMF & WB) doubtful (ie possibly not beneficial).

No Category

78. A level playing field is an ideal but in reality everyone uses their own advantage, I think this is the same for Indonesians and foreigners.

Q6. G7 (IMF & WB) behaviour is generally perceived by Indonesians to be courteous and polite.

Q8. G7 (IMF & WB) assistance provided to Indonesia is generally appreciated, however in some instances they are considered to be meddling in the 'internal affairs' of Indonesia.

Q10. G7 will benefit from a united Indonesia in the long run.

22. Indonesians do however understand, that G7 behaviour is caused by Indonesian corruption and fraud.

12. Engagement with G7 is necessary, because some business is better than no business.

Q3. The G7 (IMF & WB) have the ability to stabilize currencies.

8. IMF & WB structural adjustment programmes increase unemployment.

19. People who disagree with the IMF SAPs are doing so from a political point of view.

Economic Rationalist Behaviour

Non Partisan

Q42. Economic rationalist behaviour works for everyone in every sector of the economy.

Q43. Economic rationalist behaviour must aim at a level playing field for all participants, accommodating different levels of participant sophistication.

Q45. I would describe economic rationalist behaviour as fair.

Q42. I would describe economic rationalist behaviour to be 80% non-partisan.

Q49. Economic rationalist behaviour is 80% laissez-faire and impersonal.

Q43. Economic rationalist behaviour aspires towards a level playing field for all participants (Indonesian and foreign).

77. Economic rationalist behaviour is non-partisan but if one has an advantage and benefits more, that's OK.

Q42. Economic rationalist behaviour is non-partisan.

Q43. Economic rationalist behaviour assumes/aspires to a level playing field for all participants.

Q49. Economic rationalist behaviour is laissez-faire and impersonal.

Q41. I would describe economic rationalist behaviour as rational and fair.

Beneficial

Q50. Economic rationalist behaviour is beneficial to the consumer.

Q41. Economic rationalist behaviour is best described by helping the economy of others, to achieve a better world economy. Characteristics of economic rationalist behaviour are soft loans, donations and opening of markets for export.

86. Economic rationalist behaviour can be beneficial if, through adherence to economic discipline, it creates wealth for all parties.

89. Yes, economic rationalist behaviour is beneficial, because like I said, it benefits all involved, even if unevenly.

Q50. I do perceive economic rationalist behaviour as beneficial.

79. Economic rationalist behaviour is market oriented, competitive and without prejudice but everyone is expected to benefit, even if somewhat differently.

Q45. Economic rationalist behaviour is wealth creating and global in outlook.

Q50. I perceive economic rationalist behaviour to be beneficial.

76. I describe economic rationalist behaviour as using each other for mutual benefit.

87. Economic rationalist behaviour can be personal if we choose to help family and friends.

80. From a businessman's point of view, economic rationalist behaviour is wealth creating and global in outlook.

Market Driven

88. Economic rationalist behaviour is laissez-faire in so far that it is the market which creates the opportunity.

Q46. Economic rationalist behaviour is based on free trade, market need & demand and available capital.

Q44. In pure form, economic rationalist behaviour is market oriented, competitive and without prejudice.

Economic-Financial Optimisation

Q41. Economic rationalist behaviour is best described by optimising economic benefit without social (humanitarian) consideration.

Q46. Economic rationalist behaviour is value free and purely driven by financial return on investment.

No Category

25. Under economic rationalist philosophy, it is appropriate to protect investments.

Q44. Economic rationalist behaviour is market oriented and competitive but slightly prejudiced.

85. Economic rationalist behaviour is not entirely laissez-faire and impersonal.

Q46. Economic rationalist behaviour is primarily driven by financial return on investment but slightly affected by political values.

82. Economic rationalist behaviour is driven by financial return on investment but nothing anyone does is entirely value free. Self interest does play a role and so do (protective feeling towards) family and friends.

Q44. Economic rationalist behaviour is market oriented and influenced more by need rather than by supply and demand.

26. Indonesian business acts in the same manner (economic rationalist).

Colonial Behaviour

Indonesia still Subject to Colonial Behaviour

Q35. Neo-colonial attitudes (by foreign powers) towards Indonesia are manifested through involvement in Indonesian domestic policy.

Q33. Indonesia is still subjected to neo-colonial attitudes by foreign powers & institutions.

Q33. Indonesia is still subject to colonialism, not through a defined (identified) foreign power (political entity) but through a policy of (foreign) financial dependency based on loans.

Q33. Indonesia is still subjected to some neo-colonial attitudes by foreign powers.

Q35. Neo-colonial attitudes towards Indonesia are manifest through G7 impositions without consideration of local culture or values.

Description

Q39. Colonial behaviour is best described by terms such as oppressive, prejudiced, racist, euro-centric and assumed moral superiority.

62. Exploitation is the key characteristic of colonial behaviour.

61. Colonial behaviour is when people exploit others for their own benefit.

74. All these terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating (foreign & domestic), prejudiced, assumed world superiority.

Q39. Appropriate terms to describe (neo) colonial behaviour are exploitative, dominating, imperial, prejudiced and racist.

Q31. Colonial behaviour from an economic point of view can be described as 'robbery' and from a political point of view as the 'absence of human rights'.

Q31. Colonial behaviour is best described as 'power' focused. It is characterized by the use of power as the key tool to achieve a desired outcome. Colonial behaviour tends to be exploitative and dominating.

Q31. Colonial behaviour is about controlling, pressuring, driving, dominating and fooling people.

Q39. The following terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating, imperial and assumed moral superiority.

27. East would exploit West, if it had the chance. Colonialism, as in exploitation, is a human characteristic.

Perception of G7 as Colonial

Q36. Colonial behaviour is racist and prejudiced to the extent that they (G7) more easily provide help to individuals of their own race.

66. The G7 and the IMF, if they are not careful, may be perceived as crossing the line into colonial behaviour.

Q34. I don't know about specific countries but the G7 still has a colonial attitude.

Q34. Colonial attitudes still exist and are specific to (G7) countries and institutions.

25. Colonialism hasn't disappeared but it is present in the manipulation of financial / economic worlds markets by the G7.

Negative Sentiment towards G7 & Foreign Powers

Q35. From an economic point of view, neo-colonial attitudes manifest themselves through (foreign) control of the price of resources (export commodities) and politically, through (foreign) intervention and pressure on as to whom should be in government.

9. Indonesian business leaders' attitude towards the G7 is changing (for the worse).

12. IMF & WB contribute to Indonesia's foreign debt and growing insolvency.

26. The G7 pursue and contribute to intentional indebtedness, through IMF & WB actions.

13. Indonesia is dependent on G7 and foreign capital.

Nationalism

Q48. Although money has no nationality, Indonesian businessmen when pursuing global (international) business opportunities do not sacrifice national interests.

Q37. Indonesian perceptions of foreign neo-colonial behaviour do reinforce feelings of nationalism but on the other hand Indonesians don't care about it because they can't do anything to change it.

16. Chinese Indonesians suffer in times of political conflict. This destroys feelings of nationalism for this ethnic group.

73. I don't know if nationalism is an important issue.

70. Colonial behaviour does reinforce feelings of nationalism but this has nothing to do with foreigners.

71. Nationalism in Indonesia is a reaction to the oppression under Soeharto.

Q37. Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.

72. IMF behaviour sometimes is a contributory factor to Indonesian nationalism.

Q38. Nationalism is important.

Q5. Indonesia is not treated on an equal basis by the G7. When we requested IMF assistance we had to "sacrifice" our national pride.

Q38. Nationalism is important but we need to understand, why?

18. Chinese Indonesians are less passionate about nationalism, because of the way they have been treated.

14. Chinese Indonesians want more cultural equality and homogeneity. Native Indonesians don't want this.

19. Chinese Indonesians may feel more pride for China's achievements than Indonesia's.

Q37. Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.

Q38. Nationalism is important but not to condone racism and prejudice.

Racism

93. When helping your own business community, your close network, ethnicity is not an issue.

69. Some individuals use racism for political purposes.

68. Racism is not an issue with respect to economic/financial matters in Indonesia.

Q36. Colonialism fostered racism and prejudice, the effect of which is still evident today.

No Category

64. Colonial behaviour is an issue of the past and does not apply to Indonesia today.

Q32. Colonialism is alive today (neo-colonialism).

Q32. Colonialism is still alive today (neo-colonialism).

Q32. Colonial behaviour is alive today and expressed through financial power (\$).

23. There is no difference in attitude from an international perspective.

67. Neo-colonial attitudes are not really specific to any countries or regions.

75. The older generation thought that, the sense of discipline colonialism brought to Indonesia, was a good thing.

63. The positive side of colonialism is discipline.

Q40. Colonial behaviour is beneficial if it results in a better life (for Indonesians).

Q40. I do not perceive colonial behaviour to be beneficial in any way.

Q40. I do not perceive colonialism to be beneficial in any way.

6. Early IMF loans were guided by Benelux advice and Dutch leadership (IGCI = intergovernmental committee for Indonesia).

4. Development loans to Indonesia have been issued by the IMF & WB since 1971.

Q34. Colonial attitudes are not so much specific to countries, regions or institutions but rather to 'issues'.

Collegial Behaviour

Description

Q60. Cooperation is an expression of beneficial behaviour.

Q57. Collegial behaviour is beneficial if it is unconditional.

Q59. Collegial behaviour is altruistic and philanthropic. It is one of the positive points of human behaviour.

Q51. I would describe collegial behaviour as natural, friendly and helpful.

Q51. Collegial behaviour is best described by rich countries 'helping' poor countries. Characteristics of collegial behaviour are donations, education programs, technology transfers and systems transfers.

Q57. Collegial behaviour is beneficial.

Q57. I perceive collegial behaviour to be beneficial.

Q59. I would describe collegial behaviour as altruistic and philanthropic.

Q51. Collegial behaviour is aimed at improving the living standards of others, through unconditional assistance with no strings attached.

Q52. Numerous countries exhibit collegial behaviour towards Indonesia through the provision of foreign aid.

Consequences of Collegial Behaviour

Q58. Collegial behaviour is beneficial if it has a positive impact on the currency exchange rate.

Q53. Collegial behaviour by foreign countries towards Indonesia does assist Indonesian self-determination and economic independence.

Q55. Collegial behaviour does foster global and regional economic integration.

Q54. Collegial behaviour does foster economic prosperity and genuine commonwealth between nations. It is achieved by donations to the needy, education programs and technology transfer. It leads to the creation of a better man and better living conditions.

Q56. Collegial behaviour by other countries towards Indonesia promotes national unity. It does so through creating a better man and better conditions, which in turn lead to better government and better systems.

Q55. Collegial behaviour does foster global economic integration.

Q53. Although the success of specific aid programmes depends on the recipient, generally speaking, collegial behaviour by foreign countries does promote self-determination and economic independence.

Q54. Collegial behaviour, through the provision of education and self-help programmes, does foster economic prosperity and commonwealth between nations.

Q55. Collegial behaviour does foster global economic integration.

No Category

Q52. Some countries do exhibit genuine collegial behaviour towards Indonesia. These are the USA, Holland, UK, France, Germany, Australia, Japan and Canada.

Q52. Yes, several countries exhibit collegial behaviour towards Indonesia. For example, Germany and Japan.

91. Collegial behaviour is likely to be limited to certain communities.

Q53. Collegial behaviour by foreign countries does not promote self-determination and economic independence in Indonesia.

Q60. Some aspects of Indonesia's behaviour towards other countries can be classified as beneficial. For example, it was one of the founders & leaders of the 'non-bloc / alliance countries'; it organized a conference supporting the Palestinians against Israel; it facilitated dialogue between Marcos and Philippine government.

92. Investment decisions can be based on friendship and a desire to help members of your family.

90. Plenty of people still engage in collegial behaviour.

Q56. Collegial behaviour by other countries towards Indonesia does not necessarily promote national unity, as the country is very fragmented.

Q60. I do not perceive Indonesia's behaviour towards other countries as beneficial, at least not in an economic sense.

Economic Development in Indonesia**Employment**

Q18. Employment opportunities in Indonesia have not kept pace with population growth. National unemployment is 27% of the 'total' population and 80% of the 'eligible' population.

Q18. With Indonesia's current political problems, employment opportunity will be bad for at least two years. National unemployment is 15%.

40. Employment opportunities are difficult during this crisis, especially for people who cannot afford to move. The crisis has resulted in an unemployment level between 20% and 30%, across Indonesia.

8. IMF & WB structural adjustment programmes increase unemployment.

Q18. Employment opportunity depends on one's social level (socio-economic status), the lower level having less opportunity. I estimate national unemployment to be 3.5%.

Income & GDP Per Capita

31. I would guess that the GDP per citizen in Indonesia is around US\$500 to US\$600 p.a.

32. I would say the average real income per citizen in Indonesia is around US\$600 p.a.

Q12. The average real income per citizen is US\$200 per annum.

Q11. The GDP per citizen is US\$600 per annum.

Q11. It is hard to determine the GDP per capita in rupiah, as it tends to be expressed in US\$.

Q12. I estimate GDP per capita to be Rp1.2 million p.a. (US\$180).

Q11. I estimate the GDP per citizen to be US\$800 p.a.

Q12. I estimate the average real income per citizen to be US\$600 p.a. for the upper lower class.

Purchasing Power

33. It is very difficult to compare purchasing power of the average Indonesian with that of other countries. The land provides most essentials outside the monetary system.

Q13. On a comparative basis with other nations, the purchasing power of Indonesians is declining but on the other hand, speculative gains can be much greater.

Q13. The purchasing power of the average citizen in Indonesia compared to Japan is very low; compared to India is better and compared to China is equal.

Q13. Compared to the USA, the purchasing power of the average Indonesian citizen is lower but compared to Bangladesh it is higher.

Consumption Expenditure

Q17. It is difficult to determine a breakdown of consumption expenditure, including what is spent on food, education and transport.

39. Consumption expenditure is different for the city as compared to the country. I already mentioned this previously. If you take a middle class family in Jakarta, earning Rp120 million per year (around US\$20,000), understanding that Indonesians do not pay tax on these earnings, I could say: 20% on housing; 20% on car; 25% on savings; 15% on food & clothing; 10% on education and 10% on consumables.

Q17. Consumption expenditure of the average Indonesian is the following: Housing 7.5%, Food 7.5%, Clothing 5%, Education 20%, Transport & Communication 5%, Health Care 15%, Savings 20%, Other Consumables 20%.

Q17. Consumption expenditure breakdown for the average Indonesian is: 20% on housing, 50% on food, 5% on clothing, 5% on education, 10% on transport & communication, 5% on health care, 1% on savings and 4% on other.

Current Account

Q15. Indonesia's current account will be minimal (surplus or deficit).

35. It is difficult to estimate Indonesia's current account figures. However, I know that the current account is always in deficit and underestimated by the government.

Q58. Collegial behaviour towards Indonesia does and doesn't impact, at the same time, on Indonesia's foreign debt and current account performance. Ultimately, the key factor is 'trust' in Indonesia.

Q58. Collegial behaviour by other countries towards Indonesia positively impacts in the long term on the foreign debt and current account performance, primarily by improving per capita output.

Q15. Indonesia's current account is adequate, if managed appropriately, especially when considering the higher oil prices. I estimate it to be at Rp200 trillion (US\$25 billion), based on the Annual Government Budget figures (RAPBN).

Foreign Debt

Q14. I expect Indonesia's foreign debt to be somewhere between 20% to 40% of GDP.

Q14. Compared to GDP, Indonesia's foreign debt is in excess of 100%.

34. Indonesia's foreign debt is considerably greater than its GDP. Perhaps around US\$150 billion (56% public sector, 44% private sector).

Q58. Collegial behaviour towards Indonesia does and doesn't impact, at the same time, on Indonesia's foreign debt and current account performance. Ultimately, the key factor is 'trust' in Indonesia.

20. Indonesia's foreign debt is enormous but I don't care.

2. Soeharto would seek prosperity through G7 (IGCI, CGI) soft loans and grants.

22. The IMF & WB are to blame for the financial crisis happening (in Indonesia). They were aware of all the corruption over the years and they continued to allow Indonesia to build-up foreign debt.

Q58. Collegial behaviour by other countries towards Indonesia positively impacts in the long term on the foreign debt and current account performance, primarily by improving per capita output.

Q14. I perceive Indonesia's foreign debt to be above 50% of GDP.

Domestic Investment

Q20. Domestic investment is obstructed by free trade and financial power (presumably G7) and entrepreneurial behaviour.

44. Many domestic investors are carefully watching developments in Indonesia, and meanwhile are keeping their cash funds in overseas accounts.

Q20. Domestic investment is recovering somewhat but affected by ethnic/religious strife.

84. The more experienced Indonesian businessmen take a long term view, especially when large investments are made. However, the domestic climate is such today, that most can only take a short to medium term view.

Q20. Domestic investment is good for Indonesia.

Foreign Direct Investment

83. Most foreign investors take a long term view when considering business in Indonesia. Take one of my partners, he's French and has actually increased his investment during the KRISMON period, to ensure the business will survive and grow in the longer term.

43. Most overseas (FDI) investors have adopted a wait and see attitude.

42. FDI is good for Indonesia, both as capital and portfolio investment.

41. FDI in Indonesia is at present unstable and insignificant.

Q47. The long-term agenda of foreign investors in Indonesia is affected by political instability.

Q19. Foreign direct investment in Indonesia is a good idea but there is no advantage if local ownership is zero.

1. Indonesia opened up to foreign investment in 1971 by Presidential Decree, to become part of the global community.

Q19. With growing ethnic/religious strife, FDI is basically nil. Once the country stabilizes it will be good again.

81. People invest to create wealth and the world is a global market.

Q47. The long term agenda of foreign direct investors in Indonesia is based on optimal returns on investment but at a pre-determined level of risk.

Q48. Indonesian businessmen's long term agenda for investment abroad is based on optimal investment returns.

Q19. FDI is good for Indonesia.

Protectionism

Q48. The agenda of Indonesian businessmen when investing abroad is focused on product quality & service improvement, the absence of protectionism and anti-dumping policies.

10. Protectionism is good for Indonesia (examples given ABKINDO).

Military

15. Democracy is good to break the power of the military (ABRI) in Indonesia's political and economic systems.

1. A cause-effect link between large business and ABRI involvement in a particular business.

2. A cause-effect link between minimum or no corporate tax payable and ABRI involvement in a particular business.

Inflation

- 38.** Inflation is affected by the currency crisis, the economy and the crisis in Indonesian political institutions and law enforcement agencies.
- 37.** I estimate inflation will rise to double digit figures, next year.
- 36.** I estimate inflation in 1999 to be below 10%.
- Q16.** CPI is low in Indonesia, because of lack of purchasing power. It is around 3 to 4%.
- Q16.** Indonesia's inflation is around 24%. CPI is affected by the devaluation of the IDR.
- Q16.** Inflation over the last 12 months stands at minus 0.4 to 0.5%.

Corruption

- 22.** The IMF & WB are to blame for the financial crisis happening (in Indonesia). They were aware of all the corruption over the years and they continued to allow Indonesia to build-up foreign debt.
- 13.** G7 ignores the social cost of its actions in Indonesia and tolerates corruption.
- 23.** Honest businessmen are punished if they try to tackle corruption (eg Benny Moerdani).
- 24.** The G7 tolerated corruption but had the power/leverage to do something about it. Instead, they didn't.
- Q3.** The G7, as the World's Financial Controller, need to pro-actively monitor & control their lending programmes, in order not to create corruption in developing countries.
- 10.** Indonesian corruption is not beneficial to Indonesia. Nearly 70% of the safety-net provisions (money) under IMF structural adjustment programmes does not reach its intended target.
- 15.** Native Indonesians are more corrupt than Chinese Indonesians.
- 11.** IMF & WB continue to lend money despite this corruption, making them co-responsible for it, creating a moral hazard. This makes the true intention of the G7 (IMF & WB) doubtful (ie possibly not beneficial).
- 17.** G7 continues to lend to a corrupt government. The key players in power remain the same. IMF continues to accept corruption.
- 2.** Corruption in Indonesia is a considerable cause of distress.
- 18.** It will be difficult for Indonesia to change (improve), as the same corrupt elite remains in power (financially, economically, or politically).
- 3.** Corruption in Indonesia forced the G7 (IMF & WB) to change their collegial approach to economic rationalist.
- 12.** Indonesian civil servants benefit financially by awarding G7 facilitated contracts to Indonesian colleagues within private enterprise.
- 22.** Indonesians do however understand, that G7 behaviour is caused by Indonesian corruption and fraud.
- 20.** Many government officials who criticise the IMF are corrupt.

Social Development in Indonesia

Education

- 46.** I think at least 20% of the population has tertiary education and 50% plus, secondary. More than 70% would have completed primary school.
- Q22.** I estimate that 33% of the total population has tertiary education, 54% secondary, and 70% primary education.
- Q22.** 1% of the population has tertiary education, 10% has secondary education, 20% has primary education.
- Q22.** I estimate that 1% of the Indonesian population has tertiary education, 19% secondary education and 79% primary education.

Literacy

45. At least 95% or more of the population can read and write well.

Q21. 30% of the population can read and write with confidence.

Q21. I estimate that 90% of the population can read and write with confidence.

Q21. I estimate that 80% of the population can read and write with confidence.

Health Care

56. There are not enough doctors in Indonesia.

60. Police, lawyers and hospitals are all bad in Indonesia.

54. Health care for the general population is poor in Indonesia.

53. Whilst I cannot give an estimate, infant mortality is only a problem in rural areas. In the city, poor people are looked after.

57. A successful doctor doesn't spend enough time with his patients, because the more patients he can see in a day, the more money he makes.

Q30. Access to health care in Indonesia is easy but the price is expensive and the quality is fair.

Q30. Access to health care is good in the cities but not so good in rural areas.

Q29. Infant mortality is an issue in Indonesia. Infant mortality is 5%.

58. There is a lack of adequate medical equipment and medication in Indonesia.

59. People's inability to pay for good medical treatment limits their access to quality health care.

55. Health care is not a problem for rich people as they go to Singapore and Australia.

Q30. Access to health care in Indonesia is not good for the majority of people. It is expensive and of low quality. It is a different story for the rich.

Q29. Infant mortality is an issue in Indonesia and I estimate it to be around 3deaths per 1000 births.

Drinking Water

Q27. 20% of Indonesians have ready access to clean drinking water.

51. No one in Indonesia has access to safe or clean drinking water. Everything has to be boiled.

Q27. About 25% of Indonesians have access to clean drinking water. Yes, it is an important issue.

Q27. Piped potable water does not exist in Indonesia. Only 10% of households have access to clean water. This is an important issue.

Food

52. I don't know about calories but I guess that more than 90% of people have access to sufficient food every day.

Q28. No. Most Indonesians do not have access to enough food on a daily basis or a balanced diet. I don't know what their average daily calorie intake is.

Q28. Most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis. Their average daily calorie intake is 800 cal.

Q28. Most Indonesians do not have access to sufficient food and a balanced diet on a daily basis. I estimate the average daily calorie intake to be 1200 calories.

Telephone

Q26. 20% of Indonesians either own a telephone or have good access to one.

50. Telephone access is universal through publicly available facilities. Ownership is 1 telephone per 300 people.

Q26. About 27% of Indonesians own a telephone or have easy access to one.

Q26. I estimate that 10% of Indonesians either own a telephone or have reasonable access to one.

Access to Information

Q23. Access to information in Indonesia is easy.

Q23. There is good access to information in Indonesia. The question is though, is the information reliable?

47. Access to information depends very much on your network of people and your location.

Q23. Access to information in Indonesia is improving steadily.

Freedom of Speech & Political Freedom

Q24. Whilst freedom of speech is better now in Indonesia (post Soeharto), people are still frightened.

48. Today there is definitely freedom of speech.

Q24. Freedom of speech is better now than during the previous era.

Q25. Political freedom is better now than during the previous era.

Q25. Political freedom is better now in Indonesia but people are still frightened.

49. Today there is political freedom, just like with freedom of speech.

Q24. Freedom of speech has improved tremendously over the last two years.

Q25. Political freedom has improved tremendously over the last two years.

Miscellaneous

5. The Dutch were influential in the creation of the IMF and its relationship to Indonesia.

7. In 1992, Dutch influence linked future G7/IGCI funding to humanitarian issues. This was resisted by Indonesia and in the same year Indonesia forced out the Dutch from the IGCI, the intergovernmental committee regrouping as the CGI (consultative group for Indonesia).

2. English replaced Dutch as the principal language of business.

1. Pre 1997 Indonesia's government was based on an ideal for prosperity.

21. Indonesia doesn't have real statesmen. Self-interest comes first.

3. Indonesia's development was guided by Indonesians trained in the West (Berkeley Mafia).

16. Chinese Indonesians appreciate learning, pribumi prefer overt displays of material wealth.

17. Indonesians resent Australia for its role in East Timor.

Section 2: Grouping of Statements by “construct & question number”**Section 1 – G7 Behaviour**

Q1

- This is a complex answer. Let me describe a picture. Pre the financial crisis in 1997, Soeharto was in control and governed on the basis of an ideal for prosperity. It was idealistic and Indonesia focused on aid in the form of soft loans (long term, no interest) and grants. Soeharto would seek prosperity by dependence on these two types of loans, arranged or managed through IGCI (“Intergovernmental Committee for Indonesia”: formerly chaired by the Dutch) and now CGI (“Committee for Government of Indonesia”: Dutch excluded).
- However, corruption became such a big issue that the lending parties (IMF, WB, G7) changed this beneficial or collegial attitude to one demanding control. Economic rationalism replaced the former attitude of unconditional help. That's how I view G7 today but it is a good thing for Indonesia.

- The G7 will support and become involved in any sector, which will help developing countries achieve wealth and a better system of government.
- It is good that the G7 are willing to help Indonesia overcome the financial crisis.
- The G7 wants to benefit economically and politically from their assistance.
- We (Indonesians) are grateful.
- The G7 act in a rather arrogant and bullying manner to Indonesia.

Q2

- I consider G7 to act in Indonesia's interest. Their action is economic rationalist but I perceive this as positive. I compare their action to Japan's Miazawa Plan, which invests money in countries like Indonesia, interest free almost and for the long term. Japan then provides ongoing loans in times of crisis to sustain and protect their own investments in Indonesia. Because it is driven by self-interest you can term it economic rationalist but Indonesia benefits and profits as well, so it can also be collegial.
- Japanese loans are conditional, so why should G7 loans not be? The current economic rationalist approach by G7 to Indonesia is definitely positive.
- The G7 do not act equally in everyone's best interest, because of personal agenda. For example, the 'Becak' problem needs a socio-cultural approach and not just a power approach (ie a ban by Decree).
- The G7 aim to create a better market for their products and to gain control over the government.
- The G7 only act in their own interest but this is normal business practice.

Q3

- Well, everyone benefits, why not? G7 through IMF, WB, or through bi-lateral arrangements, they all have consultants within the Indonesian government departments helping to prepare loan applications. In my industry I know those involved in loan applications for housing and infrastructure projects (roads). G7 may be exercising power as money lender but the Indonesian government influences the G7 consultants and once a project loan is approved, many Indonesian individuals (both in Government and working in private industry) benefit by awarding the contracts to those private companies in which they have an interest! (Financial leakage).
- The G7, as the World's Financial Controller, need to pro-actively monitor & control their lending programmes, in order not to create corruption in developing countries.
- The G7 (IMF & WB) have the ability to stabilize currencies.
- The G7 exercise power as the world's financial controller by 'interfering' in other countries' affairs.

Q4

- From the point of view of the Indonesian population in general, especially after 1965, G7 behaviour towards Indonesia is seen as beneficial, because it has created employment and many new business opportunities. Everyone sees a definite increase in living standards.

- The G7 tend to push Indonesia around and become involved in both public and private sectors, which deeply influences national policies.
- Whilst businessmen feel differently about it, the G7' attitude is sometimes too arrogant.
- The behaviour of G7 towards Indonesia and developing nations is 'patronizing'.

Q5

- Well, G7 knew about Indonesia's foreign debt position all along. After all, they have many economists working in Indonesia and in the IMF and WB. I see their approach as realistic and in 1997 and later, their attitude is one of either you are ready and willing, or not, to become and act as a global player. I see that their treatment is based on Indonesia being a global player and therefore the choices discussed must be based on protecting what has been achieved so far. The structural adjustment programmes are not to be considered as respectful or disrespectful but simply as necessary for Indonesia to be a global player.
- The (Indonesian) business community's point of view is that the treatment of Indonesia by the IMF is based on its ability to compete on a global basis. It is the correct approach. Those who say differently are talking from a political point of view, rather than an economic one.
- For example, take BULOG, the agency that controls the rice trade. It imports rice at market value but it pays domestic growers at below market value. Local growers (paddies) are only allowed to sell to BULOG and they are aware of this price disadvantage. As a result, Indonesia needs to import more rice than necessary because local people do not see any advantage in growing or increasing rice crops. BULOG then dictates a non-market price. Rice is subsidised by price interference, imports supported by foreign loans and the whole activity full of corruption by BULOG officials.
- The IMF wants to see the rice subsidy removed and the rice market opened up to competition. The Indonesian business community supports this and approves of the IMF plan. The same must happen to Pertamina.
- The IMF does not treat Indonesia with respect and acts only as an investor. They treated Brazil in a similar fashion. Each country however has different economic and political problems and should therefore be treated in a uniquely different manner.
- Indonesia is not treated on an equal basis by the G7. When we requested IMF assistance we had to "sacrifice" our national pride.

Q6

- Well, from a cultural perspective, Indonesians may consider G7 behaviour as impolite but they realize that it is not the result of an action by the strong (G7) towards the weak (Indonesia) but rather between the strong and the naughty! (corrupt). The photo everyone talked about, of Michel Camdessus and Soeharto, may have angered some people (Michel Camdessus with crossed arms, standing over Soeharto signing the IMF contract) but people also realised that corruption and bad financial decisions were intentional. So, it is behaviour between the strong and the naughty. I think, from an international social behaviour standpoint, there is no difference in attitude.
- No. The behaviour of the G7 (IMF & WB) is not generally perceived by Indonesians as courteous and polite but as chauvinistic and selfish.

- The behaviour of the G7 (IMF & WB) is generally not perceived as courteous and polite. However, at the time of the crisis, the Soeharto & Habibie governments were not liked by Indonesians and we appreciated the G7 for their pressure on these two governments.
- G7 (IMF & WB) behaviour is generally perceived by Indonesians to be courteous and polite.

Q7

- The fact that the G7 includes a super-power (USA) and the most powerful NATO members, of course has bearing on their attitude and behaviour towards Indonesia. However, also due to its economic rationalist approach, it is appropriate that people (G7) should protect investments already made to ensure development progress. Indonesian business does the same.
- Yes. The G7's super-power status does negatively affect their attitude and behaviour towards Indonesia.
- The G7's power influences their attitude and behaviour towards Indonesia.
- G7 power does affect their attitude to Indonesia in some areas.

Q8

- I perceive the assistance from the G7 as economic rationalist and positive.
- G7 assistance to Indonesia contains many good ideas but which are difficult and hard to implement for Indonesia.
- I perceive G7 assistance to Indonesia as positive.
- G7 (IMF & WB) assistance provided to Indonesia is generally appreciated, however in some instances they are considered to be meddling in the 'internal affairs' of Indonesia.

Q9

- Yes, the G7 are best placed today to advise Indonesia how to become a successful global player. Soeharto always had a political response, rather than economic but the IMF particularly is taking the correct economic rationalist approach.
- The G7 is in a legitimate position to best advise Indonesia (ie SAPs) but Indonesia has a right to seek the most appropriate reform (socio-cultural need).
- The G7 are in a legitimate position to best advise Indonesia but they must include Indonesian views & findings.
- The G7 are in a legitimate position to advise Indonesia on structural reform programmes but not to 'impose' them.

Q10

- The G7's approach to Indonesia is economic rationalist. Their interest and approach benefits Indonesia, as well as their own investments.
- G7 interest in Indonesia is mainly driven by its view of the country as a potential market for its products.

- The G7 like to benefit economically and politically from Indonesia.
- G7 will benefit from a united Indonesia in the long run.

Section 2 – Economic Development in Indonesia

Q11

- I would guess that the GDP per citizen in Indonesia is around US\$500 to US\$600 p.a.
- It is hard to determine the GDP per capita in rupiah, as it tends to be expressed in US\$.
- The GDP per citizen is US\$600 per annum.
- I estimate the GDP per citizen to be US\$800 p.a.

Q12

- Well, let's see with respect to the average real income per citizen. The President has a monthly salary of US\$7,000, a minister US\$4,000, a director general US\$500, a director US\$300 and the minimum wage in Indonesia is US\$40 per month. A taxi driver earns around Rp20,000 per day, which is US\$3, so US\$90 per month. Yes, I would say the average real income is close to the GDP per capita, around US\$600 p.a.
- I estimate GDP per capita to be Rp1,2 million p.a. (US\$180)
- The average real income per citizen is US\$200 per annum.
- I estimate the average real income per citizen to be US\$600 p.a. for the upper lower class.

Q13

- It is very difficult to answer, on a comparative basis with other nations, what the purchasing power of the average citizen is in Indonesia. The Indonesian living style is so different and it is also very different between city and the countryside. Outside the main cities, your plot of land provides most of your food, or you can exchange goods with neighbours. You get your materials for the house from the forest and also the fruits. Rivers and wells provide free water and schools are free, so you don't need much money. In the city it is different, especially for the middle class but they still have their link with the kampung (village) in the countryside.
- On a comparative basis with other nations, the purchasing power of Indonesians is declining but on the other hand, speculative gains can be much greater.
- The purchasing power of the average citizen in Indonesia compared to:
 - Japan, is very very low;
 - India, is better;
 - China, is equal.
- Compared to the USA, the purchasing power of the average Indonesian citizen is lower but compared to Bangladesh it is higher.

Q14

- I can't tell you exactly the size of Indonesia's foreign debt as a % of GDP but I know it is much greater than the GDP. Maybe US\$150 billion, 80 billion from the public sector and 70 billion from the private sector.
- I expect Indonesia's foreign debt to be somewhere between 20 to 40% of GDP.
- Compared to GDP, Indonesia's foreign debt is in excess of 100%.
- I perceive Indonesia's foreign debt to be above 50% of GDP.

Q15

- It is very difficult to estimate Indonesia's current account, also the government figures cannot be trusted. I know that the current account is always understated and always in deficit. Indonesian Customs is very corrupt, so recording of export and import figures is never true. Sometimes the government even publishes a current account surplus! The free exchange rate (no control) also doesn't help.
- Indonesia's current account will be minimal (surplus or deficit).
- Indonesia's current account is adequate, if managed appropriately, especially when considering the higher oil prices. I estimate it to be at Rp200 trillion (US\$25 billion), based on the Annual Government Budget figures (RAPBN).

Q16

- I would estimate inflation over the last 12 months (1999) to be below 10% but by the end of 2000 it will again be double digit. The government also devalues the currency and this doesn't help. But overall, CPI is driven by a realistic value and a psychological value (perception of market confidence in fundamentals and political stability).
- Inflation will increase next year in spite of the overall Asian recovery, because in Indonesia the currency, the economy, political institutions and law enforcement are all in crises and there are no firm solutions yet.
- Indonesia's inflation is around 24%. CPI is affected by the devaluation of the IDR.
- CPI is low in Indonesia, because of lack of purchasing power. It is around 3 to 4%.
- Inflation over the last 12 months stands at minus 0.4 to 0.5%.

Q17

- Consumption expenditure is different for the city as compared to the country. I already mentioned this previously (Q13). If you take a middle class family in Jakarta, earning Rp120 million per year (around US\$20,000), understanding that Indonesians do not pay tax on these earnings, I could say: 20% on housing; 20% on car; 25% on savings; 15% on food & clothing; 10% on education and 10% on other consumables.
- Consumption expenditure of the average Indonesian is the following: Housing 7.5%, Food 7.5%, Clothing 5%, Education 20%, Transport & Communication 5%, Health Care 15%, Savings 20%, Other Consumables 20%.

- It is difficult to determine a breakdown of consumption expenditure, including what is spent on food, education and transport.
- Consumption expenditure breakdown for the average Indonesian is: 20% on housing, 50% on food, 5% on clothing, 5% on education, 10% on transport & communication, 5% on health care, 1% on savings and 4% on other.

Q18

- Employment opportunities are difficult during this crisis, especially for people who cannot afford to move. The crisis has resulted in an unemployment level of between 20% and 30%, across Indonesia.
- Employment opportunities in Indonesia have not kept pace with population growth. National unemployment is 27% of the 'total' population and 80% of the 'eligible' population.
- With Indonesia's current political problems, employment opportunity will be bad for at least two years.
- National unemployment is 15%.
- Employment opportunity depends on one's social level (socio-economic status), the lower level having less opportunity. I estimate national unemployment to be 3.5%.

Q19

- Private foreign direct investment at the moment is very unstable and fickle. During 98/99 it has been insignificant as most overseas investors are taking a wait and see attitude. Personally, I welcome FDI as positive for Indonesia, both in infrastructure as well as portfolio investment through the FSX.
- Foreign direct investment in Indonesia is a good idea but there is no advantage if local ownership is zero.
- With growing ethnic/religious strife, FDI is basically nil. Once the country stabilizes it will be good again.
- FDI is good for Indonesia.

Q20

- Of course domestic investment still takes place but those who can, still maintain their cash funds in overseas accounts. We too are carefully watching the developments in Indonesia.
- Domestic investment is obstructed by free trade and financial power (presumably G7) and entrepreneurial behaviour.
- Domestic investment is recovering somewhat but affected by ethnic/religious strife.
- Domestic investment is good for Indonesia.

Section 3 – Social Development in Indonesia

Q21

- Oh, at least 95%, or more, of the population can read and write well.
- I estimate that 90% of the population can read and write with confidence.
- 30% of the population can read and write with confidence.
- I estimate that 80% of the population can read and write with confidence.

Q22

- That's difficult to assess but I think at least 20% of the population has tertiary education and 50% plus, secondary. More than 70% would have completed primary school.
- I estimate that 33% of the total population has tertiary education, 54% secondary, and 70% primary education.
- 1% of the population has tertiary education;
- 10% has secondary education;
- 20% has primary education.
- I estimate that 1% of the Indonesian population has tertiary education, 19% secondary education and 79% primary education.

Q23

- This is not easy to answer because access to information in Indonesia depends very much on your network of people and not so much on facilities. Location is important as well.
- Access to information in Indonesia is easy.
- There is good access to information in Indonesia. The question is though, is the information reliable?
- Access to information in Indonesia is improving steadily.

Q24

- Today there is definitely freedom of speech. This was not so during the Soeharto years but it started to change after 1996. Just consider Mr Wanandi! Before Habibie, nothing was said openly.
- Freedom of speech is better now than during the previous era.
- Whilst freedom of speech is better now in Indonesia (post Soeharto), people are still frightened.
- Freedom of speech has improved tremendously over the last two years.

Q25

- There is today, just like with freedom of speech.
- Political freedom is better now than during the previous era.

- Political freedom is better now in Indonesia but people are still frightened.
- Political freedom has improved tremendously over the last two years.

Q26

- I would estimate there to be 1 telephone for every 300 people, that is ownership. Access is universal, if you consider public facilities and privately owned phone and fax shops (wartel).
- About 27% of Indonesians own a telephone or have easy access to one.
- 20% of Indonesians either own a telephone or have good access to one.
- I estimate that 10% of Indonesians either own a telephone or have reasonable access to one.

Q27

- No one in Indonesia has access to safe or clean drinking water. Everything has to be boiled.
- About 25% of Indonesians have access to clean drinking water. Yes, it is an important issue.
- 20% of Indonesian have ready access to clean drinking water.
- Access to clean drinking water is an important issue.
- Piped potable water does not exist in Indonesia. Only 10% of households have access to clean water. This is an important issue.

Q28

- I don't know about calories but I guess that more than 90% of people have access to sufficient food every day.
- No. Most Indonesians do not have access to enough food on a daily basis or a balanced diet. I don't know what their average daily calorie intake is.
- Most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis.
- Their average daily calorie intake is 800 cal.
- Most Indonesians do not have access to sufficient food and a balanced diet on a daily basis. I estimate the average daily calorie intake to be 1200 calories.

Q29

- Infant mortality is a problem in Indonesia but only in the rural areas. In the big cities it is not a problem and even poor people are looked after. I cannot give an estimate.
- I don't know.
- Infant mortality is an issue in Indonesia.
- Infant mortality is 5%.

- Infant mortality is an issue in Indonesia and I estimate it to be around 3deaths per 1000 births.

Q30

- Health care for the general population is poor in Indonesia, very poor. There is a popular saying that police, hospitals and lawyers are all bad in Indonesia. Health care is not a problem for the rich people as they go to Australia and Singapore. There are also not enough doctors in Indonesia and if one doctor is really good, he doesn't spend enough time with you, just a few minutes, because the more patients he can see, the more money he makes.
- Health care is also very limited in Indonesia by the lack of equipment, medication and people's ability to pay for treatment.
- Access to health care in Indonesia is easy but the price is expensive and the quality is fair.
- Access to health care is good in the cities but not so good in rural areas.
- Access to health care in Indonesia is not good for the majority of people. It is expensive and of low quality. It is a different story for the rich.

Section 4 – Colonial Behaviour

Q31

- Colonial behaviour is when people exploit others for their own benefit. So, I guess I would say, exploitation is the key characteristic. My parents told me though, that, the positive side of Dutch colonialism was the discipline that came with it.
- Colonial behaviour is best described as 'power' focused. It is characterized by the use of power as the key tool to achieve a desired outcome. Colonial behaviour tends to be exploitative and dominating.
- Colonial behaviour from an economic point of view can be described as 'robbery' and from a political point of view as the 'absence of human rights'.
- Colonial behaviour is about controlling, pressuring, driving, dominating and fooling people.

Q32

- Colonial behaviour is an issue of the past and does not apply to Indonesia today.
- Colonialism is alive today (neo-colonialism).
- Colonialism is still alive today (neo-colonialism).
- Colonial behaviour is alive today and expressed through financial power (\$).

Q33

- Well, the G7 and IMF are acting as economic rationalists but if they are not careful with future developments they might be perceived as crossing the line. They will have to guard against this.

- Indonesia is still subject to colonialism, not through a defined (identified) foreign power (political entity) but through a policy of (foreign) financial dependency based on loans.
- Indonesia is still subjected to neo-colonial attitudes by foreign powers & institutions.
- Indonesia is still subjected to some neo-colonial attitudes by foreign powers.

Q34

- Neo-colonial attitudes are not really specific to any countries or regions.
- I don't know about specific countries but the G7 still has a colonial attitude.
- Colonial attitudes still exist and are specific to (G7) countries and institutions.
- Colonial attitudes are not so much specific to countries, regions or institutions but rather to 'issues'.

Q35

- Neo-colonial attitudes (by foreign powers) towards Indonesia are manifested through involvement in Indonesian domestic policy.
- From an economic point of view, neo-colonial attitudes manifest themselves through (foreign) control of the price of resources (export commodities) and politically, through (foreign) intervention and pressure on as to whom should be in government.
- Neo-colonial attitudes towards Indonesia are manifest through G7 impositions without consideration of local culture or values.

Q36

- Racial prejudice is not an issue, with respect to the economic approach in Indonesia but it is used by some for their political agenda.
- Colonial behaviour is racist and prejudiced to the extent that they (G7) more easily provide help to individuals of their own race.
- Colonialism fostered racism and prejudice, the effect of which is still evident today.

Q37

- I say yes but this has nothing to do with foreigners but rather as a result of Soeharto. Existing feelings of nationalism are a reaction to the oppression people felt under Soeharto. Sometimes the IMF also contributes.
- Indonesian perceptions of foreign neo-colonial behaviour do reinforce feelings of nationalism but on the other hand Indonesians don't care about it because they can't do anything to change it.
- Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.
- Indonesian perceptions of foreign neo-colonial behaviour reinforce feelings of nationalism.

Q38

- Nationalism is an issue but is it important? I don't know.
- Nationalism is important but we need to understand, why?
- Nationalism is important.
- Nationalism is important but not to condone racism and prejudice.

Q39

- All these terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating (foreign & domestic), prejudiced, assumed world superiority.
- Appropriate terms to describe (neo) colonial behaviour are exploitative, dominating, imperial, prejudiced and racist.
- Colonial behaviour is best described by terms such as oppressive, prejudiced, racist, euro-centric and assumed moral superiority.
- The following terms are appropriate to describe colonial behaviour: exploitative, oppressive, dominating, imperial and assumed moral superiority.

Q40

- As I said before, the discipline colonialism brought to Indonesia was thought to be good by my parents' generation. I was born in 1957, so I can't really say.
- Colonial behaviour is beneficial if it results in a better life (for Indonesians).
- I do not perceive colonial behaviour to be beneficial in any way.
- I do not perceive colonialism to be beneficial in any way.

Section 5 – Economic Rationalist Behaviour

Q41

- I describe economic rationalist behaviour as using each other for mutual benefit.
- I would describe economic rationalist behaviour as rational and fair.
- Economic rationalist behaviour is best described by helping the economy of others, to achieve a better world economy. Characteristics of economic rationalist behaviour are soft loans, restructuring loans, donations and opening of markets for export.
- Economic rationalist behaviour is best described by optimising economic benefit without social (humanitarian) consideration.

Q42

- Yes I would but if I have an advantage and benefit more, that's OK.
- Economic rationalist behaviour works for everyone in every sector of the economy.

- I would describe economic rationalist behaviour to be 80% non-partisan.

- Economic rationalist behaviour is non-partisan.

Q43

- A level playing field is an ideal but in reality everyone uses their own advantage. I think this is the same for Indonesians and foreigners.

- Economic rationalist behaviour must aim at a level playing field for all participants, accommodating different levels of participant sophistication.

- Economic rationalist behaviour aspires towards a level playing field for all participants (Indonesian and foreign).

- Economic rationalist behaviour assumes/aspires to a level playing field for all participants.

Q44

- Economic rationalist behaviour is market oriented, competitive and without prejudice but everyone is expected to benefit, even if somewhat differently.

- Economic rationalist behaviour is market oriented and influenced more by need rather than by supply and demand.

- Economic rationalist behaviour is market oriented and competitive but slightly prejudiced.

- In pure form, economic rationalist behaviour is market oriented, competitive and without prejudice.

Q45

- From a businessman's point of view, that's right. You invest to create wealth and it is a global market.

- I would describe economic rationalist behaviour as fair.

- Economic rationalist behaviour is wealth creating and global in outlook.

- Economic rationalist behaviour is wealth creating and global in outlook.

Q46

- I say yes but at the same time nothing anyone does is entirely value free. Self-interest does play a role and then there is your own family and friends.

- Economic rationalist behaviour is based on free trade, market need & demand and available capital.

- Economic rationalist behaviour is primarily driven by financial return on investment but slightly affected by political values.

- Economic rationalist behaviour is value free and purely driven by financial return on investment.

Q47

- Most foreign investors take a long term view when considering business in Indonesia. Take one of my partners, he's French and has actually increased his investment during the KRISMON period, to ensure the business will survive and grow in the longer term.
- No idea
- The long-term agenda of foreign investors in Indonesia is affected by political instability.
- The long term agenda of foreign direct investors in Indonesia is based on optimal returns on investment but at a pre-determined level of risk.

Q48

- The more experienced Indonesian businessmen take a long term view, especially when large investments are made. However, the domestic climate is such today, that most can only afford to take a short to medium term view.
- The agenda of Indonesian businessmen when investing abroad is focused on product quality & service improvement, the absence of protectionism and anti-dumping policies.
- Although money has no nationality, Indonesian businessmen when pursuing global (international) business opportunities do not sacrifice national interests.
- Indonesian businessmen's long term agenda for investment abroad is based on optimal investment returns.

Q49

- No, not entirely. It is somewhere between collegial and impersonal. It is beneficial if economic discipline is adhered to and creates wealth for all parties. It is laissez-faire in so far that the market creates the opportunity but at the same time we sometimes choose to help our friends and family.
- Economic rationalist behaviour is 80% laissez-faire and impersonal.
- Economic rationalist behaviour is laissez-faire and impersonal.

Q50

- Yes, economic rationalist behaviour is beneficial, because like I said, it benefits all involved, even if unevenly.
- Economic rationalist behaviour is beneficial to the consumer.
- I do perceive economic rationalist behaviour as beneficial.
- I perceive economic rationalist behaviour to be beneficial.

Section 6 – Collegial Behaviour

Q51

- Plenty of people still engage in collegial behaviour. Not all businessmen have an economic rationalist approach but this is likely to be limited to certain communities only.

Investment decisions can be based on friendship and a desire to help members of your family.

- When helping your own business community, your close network, ethnicity is not an issue.
- I would describe collegial behaviour as natural, friendly and helpful.
- Collegial behaviour is best described by, rich countries ‘helping’ poor countries. Characteristics of collegial behaviour are donations, education programs, technology transfers and systems transfers.
- Collegial behaviour is aimed at improving the living standards of others, through unconditional assistance with no strings attached.

Q52

- None come to mind.
- Yes, several countries exhibit collegial behaviour towards Indonesia. For example, Germany and Japan.
- Some countries do exhibit genuine collegial behaviour towards Indonesia. These are the USA, Holland, UK, France, Germany, Australia, Japan and Canada.
- Numerous countries exhibit collegial behaviour towards Indonesia through the provision of foreign aid.

Q53

- Collegial behaviour by foreign countries does not promote self-determination and economic independence in Indonesia.
- Collegial behaviour by foreign countries towards Indonesia does assist Indonesian self-determination and economic independence.
- Although the success of specific aid programmes depends on the recipient, generally speaking, collegial behaviour by foreign countries does promote self-determination and economic independence.

Q54

- Collegial behaviour does foster economic prosperity and genuine commonwealth between nations. It is achieved by donations to the needy, education programs and technology transfer. It leads to the creation of a better man and better living conditions.
- Collegial behaviour, through the provision of education and self-help programmes, does foster economic prosperity and commonwealth between nations.

Q55

- Collegial behaviour does foster global and regional economic integration.
- Collegial behaviour does foster global economic integration.
- Collegial behaviour does foster global economic integration.

Q56

- Collegial behaviour by other countries towards Indonesia promotes national unity. It does so through creating a better man and better conditions, which in turn lead to better government and better systems.
- Collegial behaviour by other countries towards Indonesia does not necessarily promote national unity, as the country is very fragmented.

Q57

- Collegial behaviour is beneficial if it is unconditional.
- Collegial behaviour is beneficial.
- I perceive collegial behaviour to be beneficial.

Q58

- Collegial behaviour is beneficial if it has a positive impact on the currency exchange rate.
- Collegial behaviour towards Indonesia does and doesn't impact, at the same time, on Indonesia's foreign debt and current account performance. Ultimately, the key factor is 'trust' in Indonesia.
- Collegial behaviour by other countries towards Indonesia positively impacts in the long term on the foreign debt and current account performance, primarily by improving per capita output.

Q59

- Collegial behaviour is altruistic and philanthropic. It is one of the positive points of human behaviour.
- I would describe collegial behaviour as altruistic and philanthropic.

Q60

- Cooperation is an expression of beneficial behaviour.
- Some aspects of Indonesia's behaviour towards other countries can be classified as beneficial. For example, it was one of the founders & leaders of the 'non-bloc / alliance countries'; it organized a conference supporting the Palestinians against Israel; it facilitated dialogue between Marcos and Philippine government.
- I do not perceive Indonesia's behaviour towards other countries as beneficial, at least not in an economic sense.

Curtin – University of Technology
Graduate School of Business
Perth – Western Australia

31 July 2000

Dear Participant,

My name is Peter Daale and I am a Doctor of Business Administration research student at Curtin University of Technology in Perth, Western Australia.

The purpose of my research is to determine Indonesian business leaders' perceptions of G7 behaviour (G7 = USA, Canada, UK, Germany, France, Italy, Japan) towards Indonesia during the current difficult financial and economic crisis period (KRISMON 1997-2000). I need to determine whether G7 behaviour is perceived as helpful and beneficial for Indonesia, or as economic rationalist and non-partisan, or if it is perceived as exploitative, arrogant and lacking in cultural sensitivity and respect.

In preparation for the final research programme, I need to conduct a pilot study to ensure that the most important and appropriate questions are asked. To this extent I seek your help by completing the attached pilot questionnaire, the results of which will determine the content of the final research programme.

Whilst the questionnaire is anonymous, should you be interested in receiving a summary of the aggregate findings, you are most welcome to contact me by e-mail (daale@attglobal.net) and I will forward to you the results, once finalized. You may also contact me with any queries you might have concerning this study.

Your help with completing the pilot questionnaire is most sincerely appreciated, as it will directly assist me to progress with my studies. Also, a better understanding by Western countries of Indonesian cultural sensitivities will surely benefit future interaction and mutual support.

Kindest regards,

Peter Daale

Pilot Questionnaire

The following questionnaire has **no** right or wrong answers. It is **your** opinion that matters. For each question please tick the most appropriate answer (1 box only), based on your opinion. **Also**, please indicate whether you consider the question important or not (tick the 'yes', or the 'no' box).

Some definitions:

G7: The "G7" represent the most powerful economies in the world. They are the United States, Canada, Japan, United Kingdom, Germany, France and Italy.

Economic Rationalist Behaviour: Economic Rationalist Behaviour is fair, non-partisan, and market oriented.

Colonial Behaviour: Colonial Behaviour is dominating, based on exploitation and prejudice. [Please note: the term "neo-colonial" describes a modern day resurgence of colonial type behaviour but without the issue of sovereign domination and ownership]

Collegial Behaviour: Collegial Behaviour is helpful, beneficial, and unconditional.

Col. No.
Ident. No. (1-3)
(Office Use Only)

Construct 1 : "G7 Behaviour"

Question 1.1: The G7 control the International Monetary Fund (IMF) and the World Bank, and through these institutions control any multi-lateral loans made to Indonesia.

I strongly agree 1 (4)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 1.2: Question 1.1 is an important question. Yes 1 (5)

No 2

Question 2.1: The G7 approach to Indonesia is Economic Rationalist.

I strongly agree 1 (6)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 2.2: Question 2.1 is an important question Yes 1 (7)

No 2

Question 3.1: The G7 approach to Indonesia is Colonial.

I strongly agree 1 (8)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 3.2: Question 3.1 is an important question. Yes 1 (9)

No 2

Question 4.1: The G7 approach to Indonesia is Collegial.

I strongly agree 1 (10)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 4.2: Question 4.1 is an important question Yes 1 (11)

No 2

Question 5.1: The G7 approach to Indonesia is based on self-interest only.

I strongly agree 1 (12)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 5.2: Question 5.1 is an important question Yes 1 (13)

No 2

Question 6.1: The G7 use their super-power status to interfere in Indonesia's socio-economic and political development.

I strongly agree 1 (14)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 6.2: Question 6.1 is an important question. Yes 1 (15)

No 2

Question 7.1: The G7 are arrogant and do not treat Indonesia with the respect and courtesy it deserves as a sovereign nation.

I strongly agree 1 (16)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 7.2: Question 7.1 is an important question. Yes 1 (17)

No 2

Question 8.1: The G7, through the International Monetary Fund's (IMF) demands for structural reform, do not consider the socio-cultural cost of deregulation to Indonesians.

I strongly agree 1 (18)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 8.2: Question 8.1 is an important question. Yes 1 (19)

No 2

Question 9.1: The G7, through the IMF and World Bank's long established lending programmes, are responsible for the financial crisis (1997-2000) in Indonesia and intentionally want Indonesia to become dependent, so they can gain control over the Indonesian market and exploit it for their own benefit.

I strongly agree 1 (20)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 9.2: Question 9.1 is an important question. Yes 1 (21)

No 2

Question 10.1: The G7 are in a legitimate position to best advise Indonesia on structural reform.

I strongly agree 1 (22)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 10.2: Question 10.1 is an important question. Yes 1 (23)

No 2

Construct 2: “Economic Development in Indonesia”

Question 11.1: The current economic crisis (1997-2000) and very considerable foreign debt burden have significantly reduced employment opportunities in Indonesia.

I strongly agree 1 (24)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 11.2: Question 11.1 is an important question. Yes 1 (25)

No 2

Question 12.1: The Indonesian foreign debt burden, incurred over many years, has made the country dependent on multi-lateral IMF and World Bank loans to survive and recover.

I strongly agree 1 (26)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 12.2: Question 12.1 is an important question. Yes 1 (27)

No 2

Question 13.1: Protectionism is good for Indonesia and necessary to avoid foreign control over Indonesian markets.

I strongly agree 1 (28)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 13.2: Question 13.1 is an important question. Yes 1 (29)

No 2

Question 14.1: IMF and World Bank continued lending to successive corrupt governments, and their bureaucracy, has increased G7 control over the Indonesian economy, reducing Indonesian independence and economic development.

I strongly agree 1 (30)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 14.2: Question 14.1 is an important question. Yes 1 (31)

No 2

Question 15.1: IMF and World Bank continued lending to successive corrupt governments, and their bureaucracy, has created a significant moral hazard.

I strongly agree 1 (32)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 15.2: Question 15.1 is an important question. Yes 1 (33)

No 2

Question 16.1: GDP per capita has significantly declined since the onset of the current economic crisis (1997-2000), markedly impacting on economic progress in Indonesia.

I strongly agree 1 (34)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 16.2: Question 16.1 is an important question. Yes 1 (35)

No 2

Question 17.1: The real income of the average Indonesian citizen has declined significantly since the onset of the monetary crisis (KRISMON) and subsequent structural adjustment programmes imposed by the IMF.

I strongly agree 1 (36)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 17.2: Question 17.1 is an important question. Yes 1 (37)

No 2

Question 18.1: Compared to G7 countries, the purchasing power of the average Indonesian citizen has declined significantly since the onset of the current monetary crisis (1997-2000) and the structural adjustment programmes imposed by the IMF.

I strongly agree 1 (38)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 18.2: Question 18.1 is an important question. Yes 1 (39)

No 2

Question 19.1: Household consumption has declined in Indonesia since the onset of the monetary crisis (1997-2000) and IMF-imposed reforms, reducing the opportunity for economic recovery in Indonesia through renewed domestic investment.

I strongly agree 1 (40)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 19.2: Question 19.1 is an important question. Yes 1 (41)

No 2

Question 20.1: Most of the current account surplus is used to service the foreign debt of Indonesia, leaving little opportunity for the Indonesian government to invest in local infrastructure and economic development programmes for the benefit of the ordinary Indonesian.

I strongly agree 1 (42)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 20.2: Question 20.1 is an important question. Yes 1 (43)

No 2

Question 21.1: The considerable Indonesian foreign debt has made the country sub-ordinate to G7 interests, the IMF and the World Bank, to the extent that Indonesia has lost control over the executive management of its own economic development.

I strongly agree 1 (44)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 21.2: Question 21.1 is an important question. Yes 1 (45)

No 2

Construct 3: “Social Development in Indonesia”

Question 22.1: Since the onset of the monetary crisis (KRISMON) and the IMF imposed reform programmes, access to quality education in Indonesia (SD, SMP-SMA, Universitas) has become less affordable for the average Indonesian family.

I strongly agree 1 (46)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 22.2: Question 22.1 is an important question. Yes 1 (47)

No 2

Question 23.1: Since the onset of the monetary crisis (KRISMON) and the IMF-imposed reform programmes, literacy levels (ability to read and write) of the general population in Indonesia have declined.

I strongly agree 1 (48)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 23.2: Question 23.1 is an important question. Yes 1 (49)

No 2

Question 24.1: Since 1997 (onset of monetary crisis), access to quality health care in Indonesia has become less affordable for the general population.

I strongly agree 1 (50)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 24.2: Question 24.1 is an important question. Yes 1 (51)

No 2

Question 25.1: Since the onset of the monetary crisis in 1997, the quality of health care in Indonesia has declined. This is especially true for services available to the poorer sections of the urban and rural communities, which are dependent on government funding.

I strongly agree 1 (52)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 25.2: Question 25.1 is an important question. Yes 1 (53)

No 2

Question 26.1: The lack of adequate nutrition, limited public health education programmes and generally low level of quality medical care available across Indonesia, all combine to ensure a continued unacceptably high level of infant and maternal mortality, especially amongst the poorer socio-economic regions.

I strongly agree 1 (54)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 26.2: Question 26.1 is an important question. Yes 1 (55)

No 2

Question 27.1: In spite of the current economic crisis and slow-down in development, whether due to G7 interference or not, life expectancy in Indonesia continues to rise and is catching up to that of most developed countries.

I strongly agree 1 (56)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 27.2: Question 27.1 is an important question. Yes 1 (57)

No 2

Question 28.1: The current crisis (1997-2000) has meant reduced availability of government funds for the development of safe piped-potable-water infrastructure projects across Indonesia. The result is that in the year 2000, most Indonesians still do not have access to safe and clean drinking water from the tap.

I strongly agree 1 (58)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 28.2: Question 28.1 is an important question. Yes 1 (59)

No 2

Question 29.1: As a result of slow development progress, largely due to financial constraints and IMF-imposed reforms (such as the removal of subsidies on rice, fuel and cooking oil), most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis.

I strongly agree 1 (60)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 29.2: Question 29.1 is an important question. Yes 1 (61)

No 2

Question 30.1: Good access to telephone communication (either through private ownership or WARTEL availability) is limited to less than half the total population across Indonesia. This is due to a lack of government funding for domestic telecommunication infrastructure projects.

I strongly agree 1 (62)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 30.2: Question 30.1 is an important question. Yes 1 (63)

No 2

Question 31.1: Good access to telephone communication (either through private ownership or WARTEL availability) is limited to less than half the total population across Indonesia. This is due to a severe reduction in private sector foreign direct investment for telecommunication infrastructure projects in Indonesia.

I strongly agree 1 (64)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 31.2: Question 31.1 is an important question. Yes 1 (65)

No 2

Question 32.1: Good access to telephone communication (either through private ownership or WARTEL availability) is limited to less than half the total population across Indonesia. This is due to a current lack of interest by the IMF and World Bank for social development projects in Indonesia.

I strongly agree 1 (66)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 32.2: Question 32.1 is an important question. Yes 1 (67)

No 2

Question 33.1: Access to information, freedom of speech, and political freedom, all continue to improve significantly in Indonesia since the resignation of President Soeharto and the implementation of a more Western style democracy.

I strongly agree 1 (68)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 33.2: Question 33.1 is an important question. Yes 1 (69)

No 2

Construct 4: “Colonial Behaviour”

Question 34.1: Colonial behaviour is best described as exploitative, prejudiced, oppressive and dominating, imperial and based on an assumed moral superiority by foreign powers.

I strongly agree 1 (70)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 34.2: Question 34.1 is an important question. Yes 1 (71)

No 2

Question 35.1: Exploitation of Developing and Third World countries is the key characteristic of (neo)colonial behaviour.

I strongly agree 1 (72)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 35.2: Question 35.1 is an important question. Yes 1 (73)

No 2

Question 36.1: The G7 have a colonial attitude and this is clearly demonstrated through their manipulation of the IMF and world financial markets.

I strongly agree 1 (74)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 36.2: Question 36.1 is an important question. Yes 1 (75)

No 2

Question 37.1: G7 colonial behaviour is evident by their intentional pursuit of Indonesian indebtedness, through World Bank and IMF actions, so they can exploit Indonesia.

I strongly agree 1 (76)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 37.2: Question 37.1 is an important question. Yes 1 (77)

No 2

Question 38.1: Indonesia continues to be subjected to colonial attitudes by foreign powers and international financial institutions, such as the G7 and the IMF and World Bank, through their interference in Indonesian domestic policy.

I strongly agree 1 (78)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 38.2: Question 38.1 is an important question. Yes 1 (79)

No 2

Question 39.1: Indonesia is still subject to colonialism, not by any one identifiable foreign power but through a Western policy of promoting Developing and Third World countries' financial dependency, based on multi-lateral and bi-lateral lending programmes.

I strongly agree 1 (80)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 39.2: Question 39.1 is an important question. Yes 1 (81)

No 2

Question 40.1: Indonesian perception of foreign neo-colonial behaviour strongly reinforces feelings of nationalism and promotes anti-Western sentiment.

I strongly agree 1 (82)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 40.2: Question 40.1 is an important question. Yes 1 (83)

No 2

Question 41.1: Indonesia is not treated on an 'equal' basis, or with respect, by the G7. When we requested IMF assistance we had to 'sacrifice' our national pride.

I strongly agree 1 (84)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 41.2: Question 41.1 is an important question. Yes 1 (85)

No 2

Question 42.1: Neo-colonial attitudes foster racism and prejudice.

I strongly agree 1 (86)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 42.2: Question 42.1 is an important question. Yes 1 (87)

No 2

Question 43.1: From an economic point of view, neo-colonial attitudes manifest themselves through foreign control of the price of Indonesian resources for export, and politically through foreign intervention and pressure as to who should be in government in Indonesia.

I strongly agree 1 (88)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 43.2: Question 43.1 is an important question. Yes 1 (89)

No 2

Construct 5: “Economic Rationalist Behaviour”

Question 44.1: Economic rationalist behaviour is best described as fair, non-partisan, rational, impersonal, market oriented, and focused on a level playing field for all participants.

I strongly agree 1 (90)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 44.2: Question 44.1 is an important question. Yes 1 (91)

No 2

Question 45.1: The nature of economic rationalist behaviour is to equitably benefit every participant, across all economic sectors, anywhere in the world. Economic rationalist behaviour does not discriminate between countries and therefore is without prejudice.

I strongly agree 1 (92)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 45.2: Question 45.1 is an important question. Yes 1 (93)

No 2

Question 46.1: Economic rationalist behaviour creates wealth for all participants, through the adherence to strict economic and financial discipline.

I strongly agree 1 (94)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 46.2: Question 46.1 is an important question. Yes 1 (95)

No 2

Question 47.1: Economic rationalist behaviour optimises economic benefit without socio-cultural and humanitarian consideration.

I strongly agree 1 (96)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 47.2: Question 47.1 is an important question. Yes 1 (97)

No 2

Question 48.1: Economic rationalist behaviour is without political agenda and purely driven by financial return on investment.

I strongly agree 1 (98)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 48.2: Question 48.1 is an important question. Yes 1 (99)

No 2

Question 49.1: Economic rationalist behaviour is based on free-market laissez-faire (liberal) economic discipline.

I strongly agree 1 (100)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 49.2: Question 49.1 is an important question. Yes 1 (101)

No 2

Question 50.1: The attitude of the G7, the IMF and World Bank towards Indonesia is clearly based on economic rationalist behaviour.

I strongly agree 1 (102)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 50.2: Question 50.1 is an important question. Yes 1 (103)

No 2

Question 51.1: G7 and IMF economic rationalist behaviour is sensitive to Indonesian culture and has provided clear benefits for the Indonesian people.

I strongly agree 1 (104)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 51.2: Question 51.1 is an important question. Yes 1 (105)

No 2

Question 52.1: The IMF rescue package, in answer to the monetary crisis of 1997-2000 (KRISMON), is contingent on Indonesia complying with IMF imposed structural adjustment programmes. These IMF structural adjustment programmes are economic rationalist in nature.

I strongly agree 1 (106)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 52.2: Question 52.1 is an important question. Yes 1 (107)

No 2

Question 53.1: Economic rationalist behaviour is global by nature and not specific to Western culture or the G7.

I strongly agree 1 (108)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 53.2: Question 53.1 is an important question. Yes 1 (109)

No 2

Construct 6: “Collegial Behaviour”

Question 54.1: Collegial behaviour is best described as beneficial, helpful, unconditional and philanthropic.

I strongly agree 1 (110)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 54.2: Question 54.1 is an important question. Yes 1 (111)

No 2

Question 55.1: When rich developed nations engage in collegial behaviour towards developing countries such as Indonesia, they provide financial donations, free education and technology transfer programmes, health care assistance, all without imposing conditions.

I strongly agree 1 (112)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 55.2: Question 55.1 is an important question. Yes 1 (113)

No 2

Question 56.1: Collegial behaviour by rich countries is aimed at improving the living standards of developing nations, through on-going assistance without any strings attached.

I strongly agree 1 (114)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 56.2: Question 56.1 is an important question. Yes 1 (115)

No 2

Question 57.1: G7 (IMF and World Bank) behaviour towards Indonesia is clearly collegial.

I strongly agree 1 (116)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 57.2: Question 57.1 is an important question. Yes 1 (117)

No 2

Question 58.1: Collegial behaviour by foreign countries towards Indonesia fosters global and regional economic integration.

I strongly agree 1 (118)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 58.2: Question 58.1 is an important question. Yes 1 (119)

No 2

Question 59.1: Collegial behaviour by foreign countries towards Indonesia assist Indonesian efforts to strengthen national unity and economic independence, whilst at the same time reduce the more limiting effects of protectionism and inward focus of nationalist policies.

I strongly agree 1 (120)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 59.2: Question 59.1 is an important question. Yes 1 (121)

No 2

Question 60.1: G7, IMF and World Bank actions towards Indonesia clearly promote national unity and pride, economic independence and corruption-free government.

I strongly agree 1 (122)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 60.2: Question 60.1 is an important question. Yes 1 (123)

No 2

Question 61.1: IMF imposed structural adjustment programmes for economic reform are respectful of Indonesian culture and clearly collegial in nature.

I strongly agree 1 (124)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 61.2: Question 61.1 is an important question. Yes 1 (125)

No 2

Question 62.1: Collegial behaviour promotes economic prosperity and commonwealth between nations.

I strongly agree 1 (126)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 62.2: Question 62.1 is an important question. Yes 1 (127)

No 2

Question 63.1: G7 behaviour towards Indonesia is courteous, respectful, deeply sensitive to the complexity of local issues, and clearly collegial in nature.

I strongly agree 1 (128)

I agree 2

I don't know 3

I disagree 4

I strongly disagree 5

Question 63.2: Question 63.1 is an important question. Yes 1 (129)

No 2

Demographic Data:

Question 64: Gender. Male 1 (130)

Female 2

Question 65: Age Group. Under 25 Years 1 (131)

25 – 29 Years 2

30 – 34 Years 3

35 – 49 Years 4

50 Years + 5

Question 66: Ethnic Background. Pribumi 1 (132)

Indonesian Chinese 2

Other 3

Question 67: University. Trisakti 1 (133)

Universitas Indonesia 2

Uki 3

Universitas Pancasila 4

Thank you for your kind cooperation.

Curtin – University of Technology
Graduate School of Business
Perth – Western Australia

31 Juli 2000

Kepada Peserta,

Nama saya Peter Daale dan saya seorang pelajar riset dari Doctor of Business Administration di Curtin University of Technology di Perth, Western Australia.

Maksud riset yang saya lakukan ini adalah untuk menentukan pandangan dari para pemimpin bisnis Indonesia tentang tingkah laku negara-negara G7 (G7 = USA, Canada, UK, Germany, France, Italy, Japan) terhadap Indonesia selama periode kesulitan krisis keuangan dan ekonomi sekarang ini (KRISMON 1997-2000). Saya perlu menentukan apakah tingkah laku dari negara-negara G7 dirasa sebagai menolong dan menguntungkan Indonesia, atau sebagai ekonomi rasionalis dan tidak memihak, atau apakah itu di anggap sebagai pemerasan, sombong dan kurang peka terhadap kebudayaan dan rasa hormat.

Di dalam persiapan untuk program riset terakhir, saya perlu mengadakan suatu panduan penyelidikan untuk memastikan bahwa pertanyaan-pertanyaan yang paling penting dan tepat ditanyakan. Oleh karena itu saya meminta bantuan anda dengan melengkapi daftar pertanyaan panduan yang terlampir, hasil-hasilnya akan menentukan isi program riset terakhir.

Meski daftar pertanyaan tersebut tanpa nama, jika anda berminat untuk menerima ringkasan dari kumpulan kesimpulan-kesimpulan, dengan sangat senang hati dapat menghubungi saya melalui e-mail (daale@attglobal.net) dan saya akan kirim hasil-hasilnya kepada anda, setelah selesai. Anda juga boleh menghubungi saya jika anda memiliki pertanyaan-pertanyaan yang berhubungan dengan studi ini.

Saya sangat menghargai pertolongan anda dengan melengkapi daftar pertanyaan panduan ini, karena itu akan membantu saya secara langsung dalam kemajuan studi saya. Juga, pengertian yang lebih baik oleh negara-negara barat terhadap kepekaan kebudayaan Indonesia akan pasti memberikan keuntungan interaksi dan saling membantu di masa yang akan datang.

Hormat saya,

Peter Daale

Daftar Pertanyaan Panduan

Daftar pertanyaan berikut ini **tidak memiliki** jawaban yang benar atau salah. **Pendapat andalah** yang berarti. Untuk setiap pertanyaan tolong beri tanda jawaban yang paling tepat (satu kotak saja), berdasarkan pendapat anda. **Juga**, tolong beri tanda apakah menurut anda pertanyaan tersebut merupakan pertanyaan penting atau tidak (tanda kotak “ya” atau “tidak”).

Beberapa penjelasan:

G7: G7 mewakili negara-negara ekonomi yang terkuat di dunia. Mereka adalah United States, Canada, Japan, United Kingdom, Germany, France dan Italy.

Tingkah laku Ekonomi Rasional: Tingkah laku Ekonomi Rasional adalah adil, tidak memihak, dan berorientasi pada pasar (market oriented).

Tingkah laku Kolonial: Tingkah laku Kolonial adalah menguasai, berdasarkan pada pemerasan (eksploitasi) dan prasangka. [**catatan:** istilah “neo-colonial” menggambarkan tingkah laku jenis kolonial yang muncul lagi di masa modern ini, tapi tanpa persoalan dominasi kekuasaan dan pemilikan]

Tingkah laku Collegial: Tingkah laku Collegial adalah membantu, menguntungkan dan tanpa syarat.

Col. No.
Ident. No. (1-3)
(Office Use Only)

Konsepsi 1: “Tingkah Laku G7”

Pertanyaan 1.1: Negara-negara G7 mengontrol Dana Moneter Internasional (IMF) dan Bank Dunia (World Bank), dan melalui lembaga-lembaga ini mengatur setiap pinjaman-pinjaman multi-lateral yang di buat untuk Indonesia.

- | | | |
|--------------------------|----------------------------|-----|
| Saya sangat setuju | 1 <input type="checkbox"/> | (4) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 1.2: Pertanyaan 1.1 adalah pertanyaan penting. Ya 1 (5)

Tidak 2

Pertanyaan 2.1: Pendekatan yang dilakukan negara-negara G7 kepada Indonesia merupakan Ekonomi Rasionalis.

- | | | |
|--------------------------|----------------------------|-----|
| Saya sangat setuju | 1 <input type="checkbox"/> | (6) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 2.2: Pertanyaan 2.1 adalah pertanyaan penting. Ya 1 (7)

Tidak 2

Pertanyaan 9.1: Negara-negara G7, melalui IMF (Dana Moneter Internasional) dan World Bank (Bank Dunia) merupakan program-program peminjaman yang sudah lama didirikan, bertanggung jawab atas krisis keuangan (1997-2000) di Indonesia, dan dengan sengaja menginginkan Indonesia menjadi bergantung, sehingga mereka dapat mengontrol pasar Indonesia dan mengeksploitasikannya untuk keuntungan sendiri.

Saya sangat setuju 1 (20)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 9.2: Pertanyaan 9.1 adalah pertanyaan penting. Ya 1 (21)

Tidak 2

Pertanyaan 10.1: G7 dalam suatu posisi yang sah untuk memberi saran terbaik kepada Indonesia dalam hal perbaikan struktur.

Saya sangat setuju 1 (22)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 10.2: Pertanyaan 10.1 adalah pertanyaan penting. Ya 1 (23)

Tidak 2

Konsepsi 2: “Perkembangan Ekonomi di Indonesia”

Pertanyaan 11.1: Krisis ekonomi sekarang (1997-2000) dan hutang luar negeri yang sangat membebankan sangat mengurangi kesempatan kerja di Indonesia.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (24) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 11.2: Pertanyaan 11.1 adalah pertanyaan penting. Ya 1 (25)

Tidak 2

Pertanyaan 12.1: Beban hutang luar negeri Indonesia yang di buat selama beberapa tahun, telah membuat negara bergantung pada pinjaman-pinjaman multi-lateral IMF (Dana Moneter Internasional) dan World Bank (Bank Dunia) untuk bertahan hidup dan kembali pulih.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (26) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 12.2: Pertanyaan 12.1 adalah pertanyaan penting. Ya 1 (27)

Tidak 2

Pertanyaan 13.1: Proteksionisme adalah baik bagi Indonesia dan perlu untuk menghindari penguasaan asing atas pasar Indonesia.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (28) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 13.2: Pertanyaan 13.1 adalah pertanyaan penting. Ya 1 (29)

Tidak 2

Pertanyaan 14.1: IMF dan Bank Dunia terus menerus memberikan pinjaman kepada pemerintahan yang korup dan birokrasi telah meningkatkan kontrol G7 dalam mengatur ekonomi Indonesia, mengurangi ketergantungan Indonesia dan perkembangan ekonomi.

- Saya sangat setuju 1 (30)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 14.2: Pertanyaan 14.1 adalah pertanyaan penting. Ya 1 (31)

Tidak 2

Pertanyaan 15.1: IMF dan Bank Dunia terus menerus memberikan pinjaman kepada pemerintahan yang korup dan birokrasi telah menimbulkan bahaya moral.

- Saya sangat setuju 1 (32)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 15.2: Pertanyaan 15.1 adalah pertanyaan penting. Ya 1 (33)

Tidak 2

Pertanyaan 16.1: Pendapatan Domestik Bruto (GDP) per kapita sangat menurun sejak permulaan krisis ekonomi sekarang ini (1997-2000), dan dampaknya telah mempengaruhi perkembangan ekonomi di Indonesia.

- Saya sangat setuju 1 (34)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 16.2: Pertanyaan 16.1 adalah pertanyaan penting. Ya 1 (35)

Tidak 2

Pertanyaan 17.1: Pendapatan riil dari rata-rata warga negara Indonesia sangat menurun sejak permulaan krisis moneter (KRISMON) dan setelah itu dengan program-program penyesuaian terstruktur yang di tentukan oleh IMF.

- Saya sangat setuju 1 (36)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 17.2: Pertanyaan 17.1 adalah pertanyaan penting. Ya 1 (37)

Tidak 2

Pertanyaan 18.1: Dibandingkan dengan negara-negara G7, daya beli dari rata-rata warga negara Indonesia sangat menurun sejak permulaan krisis moneter sekarang ini (1997-2000) dan program-program penyesuaian terstruktur yang di tentukan oleh IMF.

- Saya sangat setuju 1 (38)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 18.2: Pertanyaan 18.1 adalah pertanyaan penting. Ya 1 (39)

Tidak 2

Pertanyaan 19.1: Konsumsi rumah tangga telah menurun di Indonesia sejak permulaan krisis moneter (1997-2000) dan reformasi yang dikenakan IMF, hal tersebut mengurangi kesempatan untuk ekonomi di Indonesia kembali pulih melalui pembaharuan investasi dalam negeri.

- Saya sangat setuju 1 (40)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 19.2: Pertanyaan 19.1 adalah pertanyaan penting. Ya 1 (41)

Tidak 2

Konsepsi 3: “Perkembangan Sosial di Indonesia”

Pertanyaan 22.1: Sejak Permulaan krisis moneter (KRISMON) dan program-program reformasi yang dituntut IMF, masyarakat menengah Indonesia semakin kurang mampu untuk mendapatkan pendidikan yang berkualitas (SD, SMP, SMA, Universitas).

- Saya sangat setuju 1 (46)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 22.2: Pertanyaan 22.1 adalah pertanyaan penting. Ya 1 (47)

Tidak 2

Pertanyaan 23.1: Sejak permulaan krisis moneter (KRISMON) dan program-program reformasi yang dituntut IMF, tingkat literasi (kemampuan membaca dan menulis) dari populasi umum Indonesia telah menurun.

- Saya sangat setuju 1 (48)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 23.2: Pertanyaan 23.1 adalah pertanyaan penting. Ya 1 (49)

Tidak 2

Pertanyaan 24.1: Sejak 1997 (permulaan krisis keuangan) perawatan kesehatan yang berkualitas di Indonesia semakin tidak terjangkau biayanya bagi masyarakat umum.

- Saya sangat setuju 1 (50)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 24.2: Pertanyaan 24.1 adalah pertanyaan penting. Ya 1 (51)

Tidak 2

Pertanyaan 25.1: Sejak permulaan krisis keuangan pada tahun 1997, kualitas pelayanan kesehatan di Indonesia menurun. Hal ini benar terlebih-lebih pelayanan yang tersedia untuk penduduk miskin di kota dan di pedesaan, yang mana hal ini bergantung pada dana pemerintah.

- Saya sangat setuju 1 (52)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 25.2: Pertanyaan 25.1 adalah pertanyaan penting. Ya 1 (53)
Tidak 2

Pertanyaan 26.1: Kekurangan nutrisi yang cukup, terbatasnya program-program pendidikan kesehatan dan secara umum rendahnya tingkat kualitas perawatan pengobatan yang tersedia di seluruh daerah di Indonesia, semuanya memastikan tingginya angka kematian bayi dan ibu yang melahirkan yang terus meningkat terlebih-lebih di antara daerah-daerah sosial-ekonomi yang miskin.

- Saya sangat setuju 1 (54)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 26.2: Pertanyaan 26.1 adalah pertanyaan penting. Ya 1 (55)
Tidak 2

Pertanyaan 27.1: Di samping krisis moneter sekarang ini dan lambatnya pembangunan, apakah hal tersebut disebabkan oleh campur tangannya negara-negara G7 atau tidak, harapan panjangnya hidup di Indonesia terus meningkat dan setaraf dengan kebanyakan negara-negara berkembang lainnya.

- Saya sangat setuju 1 (56)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 27.2: Pertanyaan 27.1 adalah pertanyaan penting. Ya 1 (57)
Tidak 2

Pertanyaan 28.1: Krisis ekonomi sekarang ini (1997-2000) berarti berkurangnya dana pemerintah yang tersedia untuk membangun proyek prasarana pipa air minum yang selamat untuk seluruh Indonesia. Hasilnya di tahun 2000, kebanyakan masyarakat Indonesia masih tidak bisa mendapatkan air minum yang bersih dan sehat dari air leding.

Saya sangat setuju 1 (58)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 28.2: Pertanyaan 28.1 adalah pertanyaan penting. Ya 1 (59)

Tidak 2

Pertanyaan 29.1: Sebagai akibat dari lambatnya kemajuan pembangunan, sebagian besar karena keuangan yang terbatas dan reformasi yang dituntut IMF (seperti penghapusan subsidi beras, bahan bakar dan minyak samin), kebanyakan masyarakat Indonesia hariannya tidak memiliki makanan yang cukup dan seimbang.

Saya sangat setuju 1 (60)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 29.2: Pertanyaan 29.1 adalah pertanyaan penting. Ya 1 (61)

Tidak 2

Pertanyaan 30.1: Penggunaan telepon komunikasi yang baik (baik milik pribadi atau wartel yang tersedia), jumlahnya terbatas kurang dari separuh total populasi di seluruh Indonesia. Hal tersebut karena kurangnya dana pemerintah untuk proyek-proyek prasarana telekomunikasi dalam negeri.

Saya sangat setuju 1 (62)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 30.2: Pertanyaan 30.1 adalah pertanyaan penting. Ya 1 (63)

Tidak 2

Pertanyaan 31.1: Penggunaan telepon komunikasi yang baik (baik milik pribadi atau wartel yang tersedia), jumlahnya terbatas kurang dari separuh total populasi di seluruh Indonesia. Hal tersebut karena pengurangan yang sangat besar dalam sector investasi asing secara langsung untuk proyek-proyek prasarana telekomunikasi di Indonesia

Saya sangat setuju 1 (64)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 31.2: Pertanyaan 31.1 adalah pertanyaan penting. Ya 1 (65)

Tidak 2

Pertanyaan 32.1: Penggunaan telepon komunikasi yang baik (baik milik pribadi atau wartel yang tersedia), jumlahnya terbatas kurang dari separuh total populasi di seluruh Indonesia. Hal tersebut karena kurangnya minat IMF dan Bank Dunia akhir-akhir ini dalam proyek-proyek pembangunan sosial di Indonesia.

Saya sangat setuju 1 (66)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 32.2: Pertanyaan 32.1 adalah pertanyaan penting. Ya 1 (67)

Tidak 2

Pertanyaan 33.1: Memperoleh informasi, kebebasan berbicara, dan kebebasan berpolitik, semuanya tersebut semakin meningkat di Indonesia sejak pengunduran diri President Soeharto dan pelaksanaan demokrasi yang lebih bergaya barat.

Saya sangat setuju 1 (68)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 33.2: Pertanyaan 33.1 adalah pertanyaan penting. Ya 1 (69)

Tidak 2

Konsepsi 4: “Tingkah Laku Kolonial”

Pertanyaan 34.1: Tingkah laku kolonial lebih jelasnya digambarkan pemerasan, berprasangka, menindas dan menguasai, bersifat kerajaan (imperial) dan berdasarkan anggapan bahwa kekuasaan asing memiliki keunggulan moral (superioritas).

- Saya sangat setuju 1 (70)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 34.2: Pertanyaan 34.1 adalah pertanyaan penting. Ya 1 (71)
Tidak 2

Pertanyaan 35.1: Eksploitasi atau pemerasan negara-negara Berkembang dan Dunia Ketiga merupakan karakteristik pokok dari tingkah laku neo-kolonial.

- Saya sangat setuju 1 (72)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 35.2: Pertanyaan 35.1 adalah pertanyaan penting. Ya 1 (73)
Tidak 2

Pertanyaan 36.1: Negara-negara G7 memiliki sikap kolonial dan dengan jelas ini ditunjukkan melalui manipulasi yang di lakukan IMF dan pasar-pasar keuangan dunia.

- Saya sangat setuju 1 (74)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 36.2: Pertanyaan 36.1 adalah pertanyaan penting. Ya 1 (75)
Tidak 2

Pertanyaan 37.1: Tingkah laku kolonial negara-negara G7 terbukti dengan sengajanya mereka mengejar hutang Indonesia, melalui tindakan-tindakan Bank Dunia dan IMF, supaya mereka dapat mengeksploitasi Indonesia.

Saya sangat setuju 1 (76)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 37.2: Pertanyaan 37.1 adalah pertanyaan penting. Ya 1 (77)

Tidak 2

Pertanyaan 38.1: Indonesia terus menerus menjadi sasaran dari tindak tanduk kolonial yang dilakukan oleh kekuasaan asing dan lembaga-lembaga keuangan Internasional seperti G7, IMF dan Bank Dunia, melalui campur tangannya dalam kebijaksanaan dalam negeri Indonesia.

Saya sangat setuju 1 (78)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 38.2: Pertanyaan 38.1 adalah pertanyaan penting. Ya 1 (79)

Tidak 2

Pertanyaan 39.1: Indonesia masih menjadi sasaran kolonialisme, bukan oleh kekuasaan asing apapun yang dapat dikenal tapi melalui kebijaksanaan negara-negara barat dalam hal usahanya membuat negara-negara Berkembang dan negara-negara Dunia Ketiga ketergantungan dalam keuangan, berdasarkan program-program peminjaman multi-lateral dan bi-lateral.

Saya sangat setuju 1 (80)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 39.2: Pertanyaan 39.1 adalah pertanyaan penting. Ya 1 (81)

Tidak 2

Pertanyaan 40.1: Tanggapan masyarakat Indonesia tentang tingkah laku neo-kolonial asing menimbulkan rasa kebangsaan yang sangat kuat dan membangkitkan rasa anti barat.

- Saya sangat setuju 1 (82)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 40.2: Pertanyaan 40.1 adalah pertanyaan penting. Ya 1 (83)

Tidak 2

Pertanyaan 41.1: Indonesia tidak diperlakukan “sama”, atau dengan rasa hormat oleh negara-negara G7. Pada saat kita meminta bantuan IMF kita harus mengorbankan kebanggaan bangsa.

- Saya sangat setuju 1 (84)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 41.2: Pertanyaan 41.1 adalah pertanyaan penting. Ya 1 (85)

Tidak 2

Pertanyaan 42.1: Tingkah laku neo-kolonial memupuk rasisme dan prasangka.

- Saya sangat setuju 1 (86)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 42.2: Pertanyaan 42.1 adalah pertanyaan penting. Ya 1 (87)

Tidak 2

Pertanyaan 43.1: Dilihat dari segi ekonomi, sikap neo-kolonial jelasnya tertonjol melalui pengontrolan asing atas harga sumber-sumber daya yang dimiliki Indonesia untuk ekspor, dan secara politik melalui campur tangan asing dan tekanan atas siapa yang harus berada dalam pemerintahan di Indonesia.

Saya sangat setuju 1 (88)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 43.2: Pertanyaan 43.1 adalah pertanyaan penting. Ya 1 (89)

Tidak 2

Konsepsi 5: “Tingkah Laku Ekonomi Rasionalis”

Pertanyaan 44.1: Tingkah laku ekonomi rasionalis lebih baik digambarkan sebagai tingkah laku yang adil, tidak memihak, masuk akal (rasional), tidak mengenai orang tertentu, berorientasi pada pasar, dan berpusat pada tingkat saling menguntungkan untuk semua peserta.

- Saya sangat setuju 1 (90)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 44.2: Pertanyaan 44.1 adalah pertanyaan penting. Ya 1 (91)
Tidak 2

Pertanyaan 45.1: Sifat dasar dari tingkah laku ekonomi rasionalis adalah dengan adil menguntungkan setiap peserta, untuk semua sector ekonomi di mana pun di dunia. Tingkah laku ekonomi rasionalis tidak membedakan antar negara-negara dan karena itu tanpa prasangka.

- Saya sangat setuju 1 (92)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 45.2: Pertanyaan 45.1 adalah pertanyaan penting. Ya 1 (93)
Tidak 2

Pertanyaan 46.1: Tingkah laku ekonomi rasionalis menciptakan kekayaan bagi semua pesertanya, melalui ketaatan keras terhadap disiplin ekonomi dan keuangan.

- Saya sangat setuju 1 (94)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 46.2: Pertanyaan 46.1 adalah pertanyaan penting. Ya 1 (95)
Tidak 2

Pertanyaan 47.1: Tingkah laku ekonomi rasionalis mengharapkan dengan baik keuntungan ekonomi tanpa pertimbangan kebudayaan sosial dan kemanusiaan.

- Saya sangat setuju 1 (96)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 47.2: Pertanyaan 47.1 adalah pertanyaan penting. Ya 1 (97)

Tidak 2

Pertanyaan 48.1: Tingkah laku ekonomi rasionalis adalah tanpa agenda politik dan dengan semata-mata di dorong oleh keuntungan keuangan pada investasi.

- Saya sangat setuju 1 (98)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 48.2: Pertanyaan 48.1 adalah pertanyaan penting. Ya 1 (99)

Tidak 2

Pertanyaan 49.1: Tingkah laku ekonomi rasionalis berdasarkan pada disiplin ekonomi liberal pasar bebas.

- Saya sangat setuju 1 (100)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 49.2: Pertanyaan 49.1 adalah pertanyaan penting. Ya 1 (101)

Tidak 2

Pertanyaan 53.1: Tingkah laku ekonomi rasionalis pada dasarnya sedunia dan bukan khusus untuk kebudayaan barat atau negara-negara G7.

Saya sangat setuju 1 (108)

Saya setuju 2

Saya tidak tahu 3

Saya tidak setuju 4

Saya sangat tidak setuju 5

Pertanyaan 53.2: Pertanyaan 53.1 adalah pertanyaan penting. Ya 1 (109)

Tidak 2

Pertanyaan 57.1: Negara-negara G7 (IMF dan Bank Dunia) dengan jelas bersikap collegial terhadap Indonesia.

- Saya sangat setuju 1 (116)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 57.2: Pertanyaan 57.1 adalah pertanyaan penting. Ya 1 (117)

Tidak 2

Pertanyaan 58.1: Tingkah laku collegial oleh negara-negara asing terhadap Indonesia memupuk penggabungan ekonomi regional (daerah) dan ekonomi dunia.

- Saya sangat setuju 1 (118)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 58.2: Pertanyaan 58.1 adalah pertanyaan penting. Ya 1 (119)

Tidak 2

Pertanyaan 59.1: Tingkah laku collegial oleh negara-negara asing terhadap Indonesia membantu usaha-usaha Indonesia dalam menguatkan kesatuan nasional dan kemandirian ekonomi, sementara pada saat yang sama juga mengurangi pengaruh proteksionisme yang lebih terbatas dan berpusat pada kebijaksanaan nasional.

- Saya sangat setuju 1 (120)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 59.2: Pertanyaan 59.1 adalah pertanyaan penting. Ya 1 (121)

Tidak 2

Pertanyaan 60.1: Tindakan-tindakan G7, IMF dan Bank Dunia terhadap Indonesia dengan jelas mengembangkan kesatuan dan kebanggaan nasional, kemandirian ekonomi dan pemerintahan yang bebas dari korupsi.

- Saya sangat setuju 1 (122)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 60.2: Pertanyaan 60.1 adalah pertanyaan penting. Ya 1 (123)

Tidak 2

Pertanyaan 61.1: Program-program penyesuaian terstruktur untuk penyusunan kembali ekonomi yang di tetapkan IMF menghormati kebudayaan Indonesia dan dengan jelas bersifat collegial.

- Saya sangat setuju 1 (124)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 61.2: Pertanyaan 61.1 adalah pertanyaan penting. Ya 1 (125)

Tidak 2

Pertanyaan 62.1: Tingkah laku collegial membantu mengembangkan kemakmuran ekonomi dan persemakmuran antar bangsa.

- Saya sangat setuju 1 (126)
- Saya setuju 2
- Saya tidak tahu 3
- Saya tidak setuju 4
- Saya sangat tidak setuju 5

Pertanyaan 62.2: Pertanyaan 62.1 adalah pertanyaan penting. Ya 1 (127)

Tidak 2

Questionnaire – “*Indonesian Business Leaders*”

The following questionnaire has **no** right or wrong answers. It is **your** opinion that matters. For each question please tick the most appropriate answer (1 box only), based on your opinion.

Some definitions:

G7: The “G7” represent the most powerful economies in the world. They are the United States, Canada, Japan, United Kingdom, Germany, France and Italy.

Economic Rationalist Behaviour: Economic Rationalist Behaviour is fair, non-partisan, and market oriented.

Colonial Behaviour: Colonial Behaviour is dominating, based on exploitation and prejudice.

Collegial Behaviour: Collegial Behaviour is helpful, beneficial, and unconditional.

Col. No.
Ident. No. (1-3)
(Office Use Only)

Construct 1 : “G7 Behaviour”

Question 1: The G7 approach to Indonesia is Colonial.

- | | | | |
|---------------------|--------------------------|---|-----|
| I strongly agree | <input type="checkbox"/> | 1 | (4) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 2: The G7 use their super-power status to interfere in Indonesia's socio-economic and political development.

- | | | | |
|---------------------|--------------------------|---|-----|
| I strongly agree | <input type="checkbox"/> | 1 | (5) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 3: The G7 approach to Indonesia is based on self-interest only.

- | | | | |
|---------------------|--------------------------|---|-----|
| I strongly agree | <input type="checkbox"/> | 1 | (6) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 4: The G7, through the IMF and World Bank's long established lending programmes, are responsible for the financial crisis (1997-2000) in Indonesia and intentionally want Indonesia to become dependent, so they can gain control over the Indonesian market and exploit it for their own benefit.

- | | | | |
|---------------------|--------------------------|---|-----|
| I strongly agree | <input type="checkbox"/> | 1 | (7) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Construct 2: “Economic Development in Indonesia”

Question 5: Household consumption has declined in Indonesia since the onset of the monetary crisis (1997-2000) and IMF-imposed reforms, reducing the opportunity for economic recovery in Indonesia through renewed domestic investment.

- | | | | |
|---------------------|--------------------------|---|-----|
| I strongly agree | <input type="checkbox"/> | 1 | (8) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 6: The considerable Indonesian foreign debt has made the country sub-ordinate to G7 interests, the IMF and the World Bank, to the extent that Indonesia has lost control over the executive management of its own economic development.

- | | | | |
|---------------------|--------------------------|---|-----|
| I strongly agree | <input type="checkbox"/> | 1 | (9) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 7: The real income of the average Indonesian citizen has declined significantly since the onset of the monetary crisis (KRISMON) and subsequent structural adjustment programmes imposed by the IMF.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (10) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 8: Compared to G7 countries, the purchasing power of the average Indonesian citizen has declined significantly since the onset of the current monetary crisis (1997-2000) and the structural adjustment programmes imposed by the IMF.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (11) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Construct 3: “Social Development in Indonesia”

Question 9: Since the onset of the monetary crisis (KRISMON) and the IMF imposed reform programmes, access to quality education in Indonesia (SD, SMP-SMA, Universitas) has become less affordable for the average Indonesian family.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (12) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 10: Since the onset of the monetary crisis (KRISMON) and the IMF-imposed reform programmes, literacy levels (ability to read and write) of the general population in Indonesia have declined.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (13) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 11: Since 1997 (onset of monetary crisis), access to quality health care in Indonesia has become less affordable for the general population.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (14) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 12: As a result of slow development progress, largely due to financial constraints and IMF-imposed reforms (such as the removal of subsidies on rice, fuel and cooking oil), most Indonesians do not have access to sufficient food and a balanced diet, on a daily basis.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (15) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Construct 4: “Colonial Behaviour”

Question 13: The G7 have a colonial attitude and this is clearly demonstrated through their manipulation of the IMF and world financial markets.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (16) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 14: G7 colonial behaviour is evident by their intentional pursuit of Indonesian indebtedness, through World Bank and IMF actions, so they can exploit Indonesia.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (17) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 15: Indonesia continues to be subjected to colonial attitudes by foreign powers and international financial institutions, such as the G7 and the IMF and World Bank, through their interference in Indonesian domestic policy.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (18) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 16: Indonesia is still subject to colonialism, not by any one identifiable foreign power but through a Western policy of promoting Developing and Third World countries' financial dependency, based on multi-lateral and bi-lateral lending programmes.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (19) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Construct 5: “Economic Rationalist Behaviour”

Question 17: Economic rationalist behaviour is best described as fair, non-partisan, rational, impersonal, market oriented, and focused on a level playing field for all participants.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (20) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 18: The nature of economic rationalist behaviour is to equitably benefit every participant, across all economic sectors, anywhere in the world. Economic rationalist behaviour does not discriminate between countries and therefore is without prejudice.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (21) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 19: Economic rationalist behaviour creates wealth for all participants, through the adherence to strict economic and financial discipline.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (22) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 20: Economic rationalist behaviour is global by nature and not specific to Western culture or the G7.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (23) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Construct 6: “Collegial Behaviour”

Question 21: Collegial behaviour is best described as beneficial, helpful, unconditional and philanthropic.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (24) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 22: When rich developed nations engage in collegial behaviour towards developing countries such as Indonesia, they provide financial donations, free education and technology transfer programmes, health care assistance, all without imposing conditions.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (25) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 23: Collegial behaviour by rich countries is aimed at improving the living standards of developing nations, through on-going assistance without any strings attached.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (26) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Question 24: Collegial behaviour promotes economic prosperity and commonwealth between nations.

- | | | | |
|---------------------|--------------------------|---|------|
| I strongly agree | <input type="checkbox"/> | 1 | (27) |
| I agree | <input type="checkbox"/> | 2 | |
| I don't know | <input type="checkbox"/> | 3 | |
| I disagree | <input type="checkbox"/> | 4 | |
| I strongly disagree | <input type="checkbox"/> | 5 | |

Demographic Data:

Question 25: Gender:

- | | | | |
|--------|--------------------------|---|------|
| Male | <input type="checkbox"/> | 1 | (28) |
| Female | <input type="checkbox"/> | 2 | |

Question 26: Age Group:

- | | | | |
|----------------|--------------------------|---|------|
| Under 30 Years | <input type="checkbox"/> | 1 | (29) |
| 30 – 39 Years | <input type="checkbox"/> | 2 | |
| 40 – 49 Years | <input type="checkbox"/> | 3 | |
| 50 – 59 Years | <input type="checkbox"/> | 4 | |
| 60 Years + | <input type="checkbox"/> | 5 | |

Question 27: Ethnic Background:

- | | | | |
|--------------------|--------------------------|---|------|
| Pribumi | <input type="checkbox"/> | 1 | (30) |
| Indonesian Chinese | <input type="checkbox"/> | 2 | |
| Other | <input type="checkbox"/> | 3 | |

Question 28: Company Size based on Number of Employees:

- | | | | |
|-------------------------------|--------------------------|---|------|
| Less than 50 Employees | <input type="checkbox"/> | 1 | (31) |
| Between 50 and 99 Employees | <input type="checkbox"/> | 2 | |
| Between 100 and 249 Employees | <input type="checkbox"/> | 3 | |
| Between 250 and 499 Employees | <input type="checkbox"/> | 4 | |
| Between 500 and 999 Employees | <input type="checkbox"/> | 5 | |
| 1000 Employees + | <input type="checkbox"/> | 6 | |

Question 29: Company Size based on Annual Turnover (Gross):

- | | | | |
|--|--------------------------|---|------|
| Under US\$10 Million | <input type="checkbox"/> | 1 | (32) |
| Between US\$10 Million and US\$24 Million | <input type="checkbox"/> | 2 | |
| Between US\$25 Million and US\$49 Million | <input type="checkbox"/> | 3 | |
| Between US\$50 Million and US\$100 Million | <input type="checkbox"/> | 4 | |
| US\$100 Million + | <input type="checkbox"/> | 5 | |

Question 30: Industry Sector:

- | | | | |
|------------------------------|--------------------------|----|------|
| Manufacturing | <input type="checkbox"/> | 1 | (33) |
| Construction & Development | <input type="checkbox"/> | 2 | |
| Mining | <input type="checkbox"/> | 3 | |
| Hotel & Tourism | <input type="checkbox"/> | 4 | |
| Banking, Finance & Insurance | <input type="checkbox"/> | 5 | |
| Transport | <input type="checkbox"/> | 6 | |
| Food & Processing | <input type="checkbox"/> | 7 | |
| Education | <input type="checkbox"/> | 8 | |
| Government & Armed Forces | <input type="checkbox"/> | 9 | |
| Other | <input type="checkbox"/> | 10 | |

Question 31: Geographic Location of Company Activity in Indonesia:
(Please tick as many boxes as are applicable)

- | | | |
|------------|--------------------------|---|
| Java | <input type="checkbox"/> | 1 |
| Sumatra | <input type="checkbox"/> | 2 |
| Kalimantan | <input type="checkbox"/> | 3 |
| Sulawesi | <input type="checkbox"/> | 4 |
| Bali | <input type="checkbox"/> | 5 |
| Irian Jaya | <input type="checkbox"/> | 6 |
| Other | <input type="checkbox"/> | 7 |

(34 – 40)

Thank you kindly for your participation.

Curtin – University of Technology
Graduate School of Business
Perth – Western Australia

4 December 2000

Dear Participant,

My name is Peter Daale and I am a Doctor of Business Administration research student at Curtin University of Technology in Perth, Western Australia.

The purpose of my research is to determine your perception as Indonesian business leaders, of G7 behaviour (G7 = USA, Canada, UK, Germany, France, Italy, Japan) towards Indonesia during the current difficult financial and economic crisis period (KRISMON 1997- 2000). I need to determine whether G7 behaviour (eg: such as its control over World Bank loans, IMF loans and structural adjustment programmes) is perceived as helpful and beneficial for Indonesia, or as economic rationalist and non-partisan, or if it is perceived as exploitative, arrogant and lacking in cultural sensitivity and respect.

Your participation by completing the attached questionnaire will allow me to embark on the final stage of my research programme. The questionnaire content has been based on the findings of an initial exploratory study and a pilot programme, completed with the kind assistance of some of your business colleagues and by the Economics Faculties of Universitas Indonesia, Trisakti, Uki, and Universitas Pancasila.

Whilst the questionnaire is anonymous, should you be interested in receiving a summary of the aggregate findings, you are most welcome to contact me by e-mail (daale@attglobal.net) and I will forward to you the results, once finalized. You may also contact me with any queries you might have concerning this study.

Your help with completing the questionnaire is most sincerely appreciated, as it will directly assist me to progress with my studies. More importantly, a better understanding by Western countries of Indonesian cultural sensitivities, particularly by Australia, will surely benefit future interaction and mutual support.

Kindest regards,

Peter Daale

Curtin – University of Technology
Graduate School of Business
Perth – Western Australia

2 April 2001

Kepada Peserta,

Nama saya Peter Daale dan saya seorang pelajar riset dari Doctor of Business Administration di Curtin University of Technology di Perth, Western Australia.

Maksud riset yang saya lakukan ini adalah untuk menentukan pandangan anda sebagai pemimpin bisnis Indonesia tentang tingkah laku negara-negara G7 (G7 = USA, Canada, UK, Germany, France, Italy, Japan) terhadap Indonesia selama periode kesulitan krisis keuangan dan ekonomi sekarang ini (KRISMON 1997-2000). Saya perlu menentukan apakah tingkah laku dari negara-negara G7 (contoh: seperti kontrolnya atas pinjaman-pinjaman Bank Dunia, pinjaman-pinjaman IMF dan program-program penyesuaian terstrukturnya) dirasa sebagai menolong dan menguntungkan Indonesia, atau sebagai ekonomi rasionalis dan tidak memihak, atau apakah itu dianggap sebagai pemerasan, sombong dan kurang peka terhadap kebudayaan dan rasa hormat.

Partisipasi anda dengan melengkapi daftar pertanyaan terlampir akan membolehkan saya untuk memulai tahap terakhir dari program riset saya. Isi daftar pertanyaan telah dilakukan atas dasar kesimpulan-kesimpulan dari awal studi penyelidikan dan program panduan, yang dilengkapi dengan bantuan yang baik dari beberapa teman-teman bisnis anda dan oleh Fakultas-Fakultas Ekonomi Universitas Indonesia, Trisakti, Uki, dan Universitas Pancasila.

Meski daftar pertanyaan tersebut tanpa nama, jika anda berminat untuk menerima ringkasan dari kumpulan kesimpulan-kesimpulan akan tetapi, anda dengan senang hati dapat menghubungi saya melalui e-mail (pdaale@attglobal.net) dan saya akan kirim hasil-hasilnya kepada anda, setelah selesai. Anda juga boleh menghubungi saya jika anda memiliki pertanyaan-pertanyaan yang berhubungan dengan studi ini.

Bantuan anda dengan melengkapi daftar pertanyaan ini sangat saya hargai, karena itu akan membantu saya secara langsung dalam kemajuan studi saya. Lebih pentingnya, pengertian yang lebih baik oleh negara-negara Barat terhadap kepekaan kebudayaan Indonesia, khususnya oleh Australia, akan pasti memberikan keuntungan interaksi dan saling membantu di masa yang akan datang.

Hormat saya,

Peter Daale

Tolong kembalikan daftar pertanyaan yang telah dilengkapi ke alamat e-mail: pdaale@attglobal.net

Daftar Pertanyaan – “Pemimpin Bisnis Indonesia”

Daftar pertanyaan berikut ini **tidak memiliki** jawaban yang benar atau salah. **Pendapat andalah** yang berarti. Untuk setiap pertanyaan tolong beri tanda jawaban yang paling tepat (satu kotak saja), berdasarkan pendapat anda.

Beberapa penjelasan:

G7: G7 mewakili negara-negara ekonomi yang terkuat di dunia. Mereka adalah United States, Canada, Japan, United Kingdom, Germany, France dan Italy.

Tingkah laku Ekonomi Rasional: Tingkah laku Ekonomi Rasional adalah adil, tidak memihak, dan berorientasi pada pasar (market oriented).

Tingkah laku Kolonial: Tingkah laku Kolonial adalah menguasai, berdasarkan pada pemerasan (eksploitasi) dan prasangka.

Tingkah laku Collegial: Tingkah laku Collegial adalah membantu, menguntungkan dan tanpa syarat.

Col. No.
Ident. No. (1-3)
(Office Use Only)

Konsepsi 1: “Tingkah Laku G7”

Pertanyaan 1: Pendekatan yang dilakukan G7 kepada Indonesia adalah Kolonial.

- | | | |
|--------------------------|----------------------------|-----|
| Saya sangat setuju | 1 <input type="checkbox"/> | (4) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 2: Pendekatan yang dilakukan G7 kepada Indonesia adalah berdasarkan pada kepentingan diri sendiri saja.

- | | | |
|--------------------------|----------------------------|-----|
| Saya sangat setuju | 1 <input type="checkbox"/> | (5) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 3: Negara-negara G7 menggunakan statusnya sebagai negara adi-kuasa untuk mencampuri perkembangan sosial-ekonomi dan politik Indonesia.

- | | | |
|--------------------------|----------------------------|-----|
| Saya sangat setuju | 1 <input type="checkbox"/> | (6) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 4: Negara-negara G7, melalui IMF (Dana Moneter International) dan World Bank (Bank Dunia) merupakan program-program peminjaman yang sudah lama didirikan, bertanggung jawab atas krisis keuangan (1997-2000) di Indonesia, dan dengan sengaja menginginkan Indonesia menjadi bergantung, sehingga mereka dapat mengontrol pasar Indonesia dan mengeksploitasikannya untuk keuntungan sendiri.

- | | | |
|--------------------------|----------------------------|-----|
| Saya sangat setuju | 1 <input type="checkbox"/> | (7) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Konsepsi 2: “Perkembangan Ekonomi di Indonesia”

Pertanyaan 5: Pendapatan riil dari rata-rata warga negara Indonesia sangat menurun sejak permulaan krisis moneter (KRISMON) dan setelah itu dengan program-program penyesuaian terstruktur yang ditentukan oleh IMF.

- | | | |
|--------------------------|----------------------------|-----|
| Saya sangat setuju | 1 <input type="checkbox"/> | (8) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 6: Dibandingkan dengan negara-negara G7, daya beli dari rata-rata warga negara Indonesia sangat menurun sejak permulaan krisis moneter sekarang ini (1997-2000) dan program-program penyesuaian terstruktur yang ditentukan oleh IMF.

- | | | |
|--------------------------|----------------------------|-----|
| Saya sangat setuju | 1 <input type="checkbox"/> | (9) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 7: Konsumsi rumah tangga telah menurun di Indonesia sejak permulaan krisis moneter (1997-2000) dan reformasi yang dikenakan IMF, hal tersebut mengurangi kesempatan untuk ekonomi di Indonesia kembali pulih melalui pembaharuan investasi dalam negeri.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (10) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 8: Hutang luar negeri Indonesia yang sangat besar telah membuat negaraengebawahkan kepentingannya terhadap minat-minat G7, IMF dan Bank Dunia, sehingga Indonesia kehilangan kontrol untuk memimpin perkembangan ekonomi sendiri.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (11) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Konsep 3: “Perkembangan Sosial di Indonesia”

Pertanyaan 9: Sejak Permulaan krisis moneter (KRISMON) dan program-program reformasi yang dituntut IMF, masyarakat menengah Indonesia semakin kurang mampu untuk mendapatkan pendidikan yang berkualitas (SD, SMP, SMA, Universitas).

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (12) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 10: Sejak permulaan krisis moneter (KRISMON) dan program-program reformasi yang dituntut IMF, tingkat literasi (kemampuan membaca dan menulis) dari populasi umum Indonesia telah menurun.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (13) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 11: Sejak 1997 (permulaan krisis keuangan) perawatan kesehatan yang berkualitas di Indonesia semakin tidak terjangkau biayanya bagi masyarakat umum.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (14) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 12: Sebagai akibat dari lambatnya kemajuan pembangunan, sebagian besar karena keuangan yang terbatas dan reformasi yang dituntut IMF (seperti penghapusan subsidi beras, bahan bakar dan minyak samin), kebanyakan masyarakat Indonesia hariannya tidak memiliki makanan yang cukup dan seimbang.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (15) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Konsepsi 4: “Tingkah Laku Kolonial”

Pertanyaan 13: Negara-negara G7 memiliki sikap kolonial dan dengan jelas ini ditunjukkan melalui manipulasi yang di lakukan IMF dan pasar-pasar keuangan dunia.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (16) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 14: Tingkah laku kolonial negara-negara G7 terbukti dengan sengajanya mereka mengejar hutang Indonesia, melalui tindakan-tindakan Bank Dunia dan IMF, supaya mereka dapat mengeksploitasi Indonesia.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (17) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 15: Indonesia terus menerus menjadi sasaran dari tindak tanduk kolonial yang di lakukan oleh kekuasaan asing dan lembaga-lembaga keuangan Internasional seperti G7, IMF dan Bank Dunia, melalui campur tangannya dalam kebijaksanaan dalam negeri Indonesia.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (18) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 16: Indonesia masih menjadi sasaran kolonialisme, bukan oleh kekuasaan asing apapun yang dapat dikenal tapi melalui kebijaksanaan negara-negara barat dalam hal usahanya membuat negara-negara Berkembang dan negara-negara Dunia Ketiga ketergantungan dalam keuangan, berdasarkan program-program peminjaman multi-lateral dan bi-lateral.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (19) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Konsepsi 5: “Tingkah Laku Ekonomi Rasionalis”

Pertanyaan 17: Tingkah laku ekonomi rasionalis lebih baik digambarkan sebagai tingkah laku yang adil, tidak memihak, masuk akal (rasional), tidak mengenai orang tertentu, berorientasi pada pasar, dan berpusat pada tingkat saling menguntungkan untuk semua peserta.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (20) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 18: Sifat dasar dari tingkah laku ekonomi rasionalis adalah dengan adil menguntungkan setiap peserta, untuk semua sector ekonomi di mana pun di dunia. Tingkah laku ekonomi rasionalis tidak membedakan antar negara-negara dan karena itu tanpa prasangka.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (21) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 19: Tingkah laku ekonomi rasionalis menciptakan kekayaan bagi semua pesertanya, melalui ketaatan keras terhadap disiplin ekonomi dan keuangan.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (22) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 20: Tingkah laku ekonomi rasionalis pada dasarnya sedunia dan bukan khusus untuk kebudayaan barat atau negara-negara G7.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (23) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Konsepsi 6: “Tingkah Laku Collegial”

Pertanyaan 21: Tingkah laku Collegial lebih baik digambarkan sebagai menguntungkan, menolong, tanpa syarat dan suka menderma (cinta sesama manusia).

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (24) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 22: Ketika negara- negara membangun yang kaya ikut serta dalam tingkah laku collegial terhadap negara-negara berkembang seperti Indonesia, mereka menyediakan sumbangan keuangan, pendidikan gratis dan program-program pemindahan teknologi, bantuan kesehatan, semuanya tanpa mengenakan syarat-syarat.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (25) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 23: Tingkah laku collegial oleh negara-negara kaya adalah ditujukan pada perbaikan taraf hidup dari negara-negara berkembang, melalui bantuannya yang berkelanjutan tanpa apa-apa syarat.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (26) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Pertanyaan 24: Tingkah laku collegial membantu mengembangkan kemakmuran ekonomi dan persemakmuran antar bangsa.

- | | | |
|--------------------------|----------------------------|------|
| Saya sangat setuju | 1 <input type="checkbox"/> | (27) |
| Saya setuju | 2 <input type="checkbox"/> | |
| Saya tidak tahu | 3 <input type="checkbox"/> | |
| Saya tidak setuju | 4 <input type="checkbox"/> | |
| Saya sangat tidak setuju | 5 <input type="checkbox"/> | |

Data Demografis:

Pertanyaan 25: Jenis Kelamin.

- | | | |
|-----------|----------------------------|------|
| Laki-laki | 1 <input type="checkbox"/> | (28) |
| Perempuan | 2 <input type="checkbox"/> | |

Pertanyaan 26: Kelompok Usia.

- | | | |
|-------------------|----------------------------|------|
| Di bawah 30 Tahun | 1 <input type="checkbox"/> | (29) |
| 30 – 39 Tahun | 2 <input type="checkbox"/> | |
| 40 – 49 Tahun | 3 <input type="checkbox"/> | |
| 50 – 59 Tahun | 4 <input type="checkbox"/> | |
| Di atas 60 Tahun | 5 <input type="checkbox"/> | |

Pertanyaan 27: Latar belakang suku bangsa.

- | | | |
|-------------------|----------------------------|------|
| Pribumi | 1 <input type="checkbox"/> | (30) |
| Chinese Indonesia | 2 <input type="checkbox"/> | |
| Lain-lain | 3 <input type="checkbox"/> | |

Pertanyaan 28: Ukuran perusahaan berdasarkan jumlah pekerja.

- | | | |
|----------------------------|----------------------------|------|
| Kurang dari 50 pekerja | 1 <input type="checkbox"/> | (31) |
| Antara 50 dan 99 pekerja | 2 <input type="checkbox"/> | |
| Antara 100 dan 249 pekerja | 3 <input type="checkbox"/> | |
| Antara 250 dan 499 pekerja | 4 <input type="checkbox"/> | |
| Antara 500 dan 999 pekerja | 5 <input type="checkbox"/> | |
| Lebih dari 1000 pekerja | 6 <input type="checkbox"/> | |

Pertanyaan 29: Ukuran perusahaan berdasarkan pergantian tahunan (penghasilan kotor).

- | | | |
|-------------------------------------|----------------------------|------|
| Di bawah US\$10 juta | 1 <input type="checkbox"/> | (32) |
| Antara US\$10 juta dan US\$24 juta | 2 <input type="checkbox"/> | |
| Antara US\$25 juta dan US\$49 juta | 3 <input type="checkbox"/> | |
| Antara US\$50 juta dan US\$100 juta | 4 <input type="checkbox"/> | |
| Lebih dari US\$100 juta | 5 <input type="checkbox"/> | |

Pertanyaan 30: Sektor industri.

- | | | |
|----------------------------------|-----------------------------|------|
| Manufaktur | 1 <input type="checkbox"/> | (33) |
| Konstruksi dan Pembangunan | 2 <input type="checkbox"/> | |
| Pertambangan | 3 <input type="checkbox"/> | |
| Hotel dan Turisme | 4 <input type="checkbox"/> | |
| Perbankan, Keuangan dan Asuransi | 5 <input type="checkbox"/> | |
| Transportasi | 6 <input type="checkbox"/> | |
| Makanan dan Pengelolaan | 7 <input type="checkbox"/> | |
| Pendidikan | 8 <input type="checkbox"/> | |
| Pemerintahan dan Pertahanan | 9 <input type="checkbox"/> | |
| Lain-Lain | 10 <input type="checkbox"/> | |

Pertanyaan 31: Lokasi geografis dari kegiatan perusahaan di Indonesia.
(Tolong tandai sebanyak mungkin kotak yang dapat dipakai)

Java	1 <input type="checkbox"/>	(34 – 40)
Sumatra	2 <input type="checkbox"/>	
Kalimantan	3 <input type="checkbox"/>	
Sulawesi	4 <input type="checkbox"/>	
Bali	5 <input type="checkbox"/>	
Irian Jaya	6 <input type="checkbox"/>	
Lain-Lain	7 <input type="checkbox"/>	

Terima kasih atas kerjasama anda.
