Who pulled the strings? A comparative study of Indonesian and Vietnamese tax reform
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Foreword

Since my first visit to Southeast Asia in the 1980s I have been taken by this part of the world. Over the last 17 years I have spent much of my time (both working and holidaying) in the Asian region and particularly in Indonesia. The contrast between my country of birth, the Netherlands, and Southeast Asia could not have been bigger. I grew up with the rigidity of a Calvinist heritage of soberness, seriousness, self-importance and work rather than pleasures. Southeast Asia and Indonesia, in particular, has the delight of chaos, the personal warm heartedness and generosity and the strength of communities. It has shown me a lightness of being that has made my life so much richer and more enjoyable (having an Irish husband helps too).

During my research and international tax advisory work in the 1990s it became clear to me that Vietnam and Indonesia had taken very different approaches towards the flood of foreign advisers invading their countries. In both countries, I met some of the most respected foreign advisers with impressive expertise. Unfortunately, I met then, and still continue to meet, some less-than-impressive advisers.1 I have been taken aback by the level of mediocrity and irrelevance in some foreign advisory reports, filled with rhetoric about what countries should or should not do, without any link to reality. Foreign advisers who felt they could advise on matters they actually knew very little about, but because they felt superior, would provide it anyway. This often results in shallow advice that any government official could just pull off the internet or find in a library textbook on the ABC of tax. I am painfully aware that these advisers are often hired by ill-informed donor agency bureaucrats, pushing the political agenda of the agency or the ‘buzz’ concepts in fashion at the time and that these donor agencies, in turn, had to demonstrate responsiveness to their financiers, the governments of donor countries. This puts additional strain on advisers and makes it even more important that they act in the most professional manner.

The arrogance of certain donor agencies and individual advisers seems never ending, but Southeast Asian governments are becoming increasingly assertive and do not shy away from putting institutions and people in their place.2 The Vietnamese were, and still are, miles ahead in their assertiveness compared to many other South East Asian countries. I witnessed Vietnamese bureaucrats outsmarting an overly smug in-country IMF representative who was trying to lay down the law with the Vietnamese Government. On the other hand, I saw Indonesian Government officials, equally frustrated with donor agency advisers, much less successfully trying to outmanoeuvre them.3

Some of the foreign advice was and is heavily pushed by multinational companies with their own different agenda. Worse still, these agendas are sometimes copied by donor agencies who confuse trade policies with sound development aid. Multinational

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1 As we say in the world of aid, the ‘three M factors’ that have prompted the adviser to go abroad: mediocre, misfit or marriage break-up.
2 I am aware, though, that countries like East Timor, so dependent on foreign aid, are hardly in a position to stand up to foreign advisers.
3 Having said that, in 2006, the Indonesian Minister of Finance, Sri Mulyani, told an IMF delegation that she had had enough of short-term, fly-in fly-out advisers and that they needed to come up with something better if they wanted to be involved in donor projects with her department.
companies would argue with the Indonesian and Vietnamese governments that taxes were the determining factor in deciding where to locate their overseas operations while they would tell me in private meetings that it actually was not all that important.

These experiences over the years have been the reason for conducting this PhD study. Why did Vietnamese bureaucrats act with so much assertion compared to their Indonesian counterparts? And was the role of sometime mediocre foreign advisers as big as it seemed or was the reality different? And what was the role of multinationals? Is globalisation truly that important?

I have worked on a range of aid projects and still have much to learn.4

Fremantle
Western Australia
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4 Over the last 15 years, I have been involved in a range of development aid and investment projects in China, Indonesia, East Timor, and Vietnam. Since 2004, I have been the project director of a large five-year aid project (funded by the Australian Government) on economic governance in Indonesia. One of the core focuses of this project is assisting the Director General of Taxation in Indonesia in various areas of tax administrative reform. Over the last 15 years I have advised numerous foreign investors regarding tax issues in Southeast Asia. I am senior associate of Melbourne University, where I guest lecture in Asian Comparative Tax Laws.