THE INDONESIAN DEVELOPMENT EXPERIENCE

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THE INDONESIAN DEVELOPMENT EXPERIENCE

A COLLECTION
OF WRITINGS
AND SPEECHES
of

WIDJOJO NITISASTRO

FOREWORD
BY
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First published in Singapore in 2011 by ISEAS Publishing
Institute of Southeast Asian Studies
30 Heng Mui Keng Terrace
Pasir Panjang
Singapore 119614

E-mail: publish@iseas.edu.sg
Website: <http://bookshop.iseas.edu.sg>

We acknowledge Penerbit Buku Kompas for granting permission to produce a selection of articles originally published in Bahasa Indonesia in the book *Pengalaman Pembangunan Indonesia: Kumpulan Tulisan Dan Uraian Widjojo Nitisastro* with Foreword by Emil Salim, co-edited by Tina Widjojo Nitisastro (Jakarta, 2010).

ISEAS Library Cataloguing-in-Publication Data

Nitisastro, Widjojo,
The Indonesian development experience : a collection of writings and speeches.
1. Indonesia—Economic conditions—1945–1966.
2. Indonesia—Economic conditions—1966–1997.
3. Indonesia—Economic policy.
I. Title.
HC447 N73 2011

ISBN 978-981-4311-75-5 (soft cover)
ISBN 978-981-4311-83-0 (eBook PDF)

Photograph of Widjojo Nitisastro on the spine and page vi from the *Tributes for Widjojo Nitisastro by Friends from 27 Foreign Countries* published by Penerbit Buku Kompas. Reprinted with permission.

The cover design is based on the original Bahasa Indonesia version of the book as conceptualized by AN Rahmawanta.

Typeset by International Typesetters Pte Ltd
Printed in Singapore by Photoplates Pte Ltd

To my grandchildren

WITA (Sawitri Miriani)
MIRA (Emiria Wijayanti)
RAFI (Rafi Pradana Widjojo)

May this concise economic history bring benefit to you and your peers

WIDJOJO NITISASTRO

Contents

Foreword

As Indonesia entered the 1960s, its economy nosedived into an alarming exponential degradation. The cost of living index in Jakarta hit 100 per cent per year from 1962–64 before “shooting up” to 650 per cent from December 1964 to December 1965. The prices of daily necessities went up every day and Indonesia was trapped in spiral hyperinflation.

Building the nation

The main reason behind the hyperinflation was the uncontrollable increase of the volume of money driven by a deficit in the State Budget. There was a strong linkage between the increase in the deficit and the overflowing volume of money. Even if some 45 per cent of the total State Budget were to be channelled for military purposes, the impact on the economy in terms of increasing the flow of the volume of goods and services would not be that big. Its impact on boosting state revenue would be equally insignificant because most of the revenue would be spent on war preparation. The problem was the combination of the bulging revenue deficit, the allocation of revenue for unproductive purposes, and the rise of the volume of money. These things together had triggered the hyperinflation.

The trade and service balance of payments in the 1960s also showed an alarming rise in deficit. As exports and imports dropped, there was a need to repay our foreign debts. All of these things had nibbled into our foreign reserves which tumbled from US$326.4 million (1960) to US$8.6 million (1965).

Almost half of the total US$2.4 billion in foreign debts was spent by the Indonesian Armed Forces (ABRI), making it a power to be reckoned in terms of military equipment, weapons, fighter jets and warships, a leading edge for a developing country with a meager income. But this was unavoidable because the head of state had made a political decision to prepare for a war to win West Irian back into Indonesia's fold. Later, the "crust" Malaysia policy, was adopted. The war drums were then beaten even harder to fight the "Capitalist and Imperialist Blocks" in the then Cold War era.

In this "war economy" situation of the 1960s, emotions were fanned and patriotism whipped up. It was during this time that Sukarno embarked on nation and national character building, a process through which the minds of the people were infused with thoughts of nationhood and singular awareness of the motherland. His talent for boosting the spirit of the people with his fiery oration justified him a place in history when the nation was consolidating itself, but not without the relegating of economic development down in the priority scale.

As the nation solidified itself, a new generation emerged with dreams of a prosperous and affluent Indonesia. The Indonesian revolution had brought forth a new generation with many of its members educated in universities. If the "war economy" condition were not addressed, the disillusionment among university communities would accumulate, not only among students but lecturers alike; all of whom were becoming more critical of the direction of the nation due to their dream of an accomplished and productive Indonesia.

On the global political stage, the wars that had raged primarily in Vietnam, China and Korea had subsided and shifted into economic development. Indonesia was not spared by the spirit of the age that swept over Asia in the 1970s.

After the war, new countries were born in Asia and Africa, all of which were developing countries that had to deal with their economic backwardness. Whereas, initially economic school of thought focused on microeconomy, the spirit of the age in the 1950s had demanded it to shift it into focusing on solutions to developmental economy problems relevant to developing countries.

It was in 1950 that the University of Indonesia opened its School of Economics (FEUI). The school's orientation was initially continental Europe because it was dominated by Dutch professors.

The nationalist fervor sweeping the country in the 1950s did not spare the campus of the University of Indonesia. There was a need to train Indonesian professors to run FEUI and at the same time shift its education orientation from Western continental to the more relevant school of thought which was development economy. It was for this purpose that a program was launched in which dozens of lecturers were sent abroad in batches, particularly to the University of California at Berkeley.

A dispute with the head of state in the 1950s had prompted the dean of the School of Economics, Professor Soemitro Djojohadikusumo, to leave the campus. In the ensuing political chaos, FEUI was handed over to Professor Djokosutono who was assisted by first batch FEUI alumni, including Widjojo Nitisastro. The overseas study programme for lecturers continued from one year to another so that by the end of 1960s all of the subjects at FEUI were taught by Indonesian lecturers with an international standard of education. FEUI's orientation in education was to develop the intellectual capacity of students to understand economic science for policy formulation for developing countries in general and Indonesia in particular.

Building the economy

One of the FEUI alumni sent to the University of California at Berkeley to pursue his doctoral studies was Widjojo Nitisastro, who later became the head of FEUI upon his return.

As Indonesian leaders drenched themselves in war frenzy and political madness to win President Sukarno's trust, economic rationality fell into greater jeopardy. A strong view that economics was not important had gained currency among government circles; so much so that books on economic theory by Keynes were burned.

It was in this kind of situation that Professor Widjojo Nitisastro presented his inaugural speech as a professor of economics titled "Economic Analysis and Development Planning" at FEUI in August 1963. At that time, the common rhetoric of the nation was splashed with vocabulary taken from the compulsory "Seven Basic Elements for Indoctrination", but Widjojo Nitisastro employed "barren" scientific words while putting development issues into economic analysis perspectives imbued with basic elements, such us efficiency, rationality, consistency and decision making processes, among the alternatives which played a central role in development planning methodology. This rational approach has since been part of his policies, which were to be implemented by the upcoming New Order government.

This rational economic approach featured prominently in FEUI's ideas proposed by Widjojo Nitisastro on "The New Path in Economic, Financial and Development Policies" to the Provisional People's Consultative Assembly, which convened in 1966. This convention later issued MPRS No. XXIII/1966 Decree on "Reform of the Foundations of Economic, Financial and Development Policies" containing clauses from FEUI's contribution of thoughts, which were written in terse language.

In this thinking, the ideological foundation of development was Economic Democracy, which did not allow the free fight liberalism, etatism or monopoly that undermined public interests. In the short term, a stabilization programme to control inflation and a rehabilitation programme to build infrastructure were given particular priority. Focus was then shifted to long term development using a priority scale in the sectors of agriculture, infrastructure, industry, mining and oil. The line of thought on our journey to build a just and prosperous society was simple but put down in lucid and rational language. There was no hidden "message from sponsors" nor ideological stowaways. The substance of the document was a reversal of the model and system of development that had brought the Indonesian economy to its knees for correction purposes by means of clear and measured economic rationality.

Most interesting is that this economic rationality applies to various economic systems. China, under Mao Zedong, sought to make the great leap forward into an industrial country driven by the communist ideology, but was met with a failure in the 1960s because that nation applied command economy rather than economic rationality. On the other hand, Deng Xiaoping applied economic rationality without being intervened with by communist ideology, while purposely applying market economy. It was proven more effective for the economy as the Chinese people were able to respond to economic stimulants created by the market albeit without abandoning their communist ideology.

The same went with economic development in the United States in the 2000s when its housing credit system was no longer based on economic rationality, but was driven by the greed of creditors who created numerous irrational credit guarantee derivatives. Lenders' failure to pay back their subprime credits ended up in the domino-like collapse of the creditor companies, credit guarantors and colossal banks, one by one, because they did not take into account economic rationality.

From the above examples, it is clear that economic rationality, as revealed by the market, is an important element, but incomplete. The setting of prices based on the liberal supply and demand system does assure prevention of waste and scarcity of goods. Behind this price fixing system are forces that can cause disequilibrium between supply and demand that end up in price distortions. It is in this connection and from the point of view of planning methodology that "prices" fixed by the market need to be intentionally corrected so that goods allocation and other sources are directed to achieve the goals of development.

Hence, unlike the Chicago school of thought, that holds on to the 1976 Nobel Prize winner Milton Friedman's free market capitalism for economy, Widjojo Nitisastro, on the other hand, saw the need of planning to influence the market through intervention in supply or demand. Widjojo Nitisastro's line of thinking is to develop economic analysis in order to understand development issues that will in turn correct the market through development planning by the means of policies allocating production factors to achieve the goals of development. This is the essence of economic planning through the market.

His position as Chairman of the National Development Planning Agency and later Coordinating Minister for the Economy, Finance and Industry during the New Order Government allowed him to exploit his economic analysis potential for Indonesia's development planning.

Top Priority: Food Self-sufficiency

A development process does not occur in a social vacuum but in societal groups with different interests. Factors of production can be allocated to accomplish development goals for specific societal groups. A huge fund allocation for the agricultural sector, for example, will benefit those societal groups in that sector. If it is allocated in industrial or mining sector, those societal groups associated with industry or mining will reap more benefit than groups in other sectors. This is why, it is very important to determine the allocation of production factors to achieve development goals that will offer the biggest benefit for the public.

But, how to determine the specific target if the economy is being plagued by high inflation, economic chaos, a dysfunctional market and a crisis-ridden government and political institutions?

When hyperinflation bites, the first thing to do is to stabilize and rehabilitate the economy to overcome it. The stabilization policy and economic rehabilitation, which were immediately carried out in 1965–66 had to be based on economic principles balanced between revenue and income, export and import, and between the flow of goods and the flow of money, as well as employment opportunities and population growth of productive ages. There was also a need to bring back the principle of efficiency in using economic resources, the principle of justice in dividing the burden and the cake of development and the principle of the need of investment for economic growth. Implementations of these principles were absolute because Widjojo Nitisastro was convinced that they were part of the inner logic of the economy.

Numerous policies came to birth out of these considerations, such as the state budget balance principle, policies to balance exports and imports in trade, in-country investment policy to off-set deficit in capital balance, policy to arrest excessive money supply to balance the flow of goods, intensification of labour-intensive programmes to accommodate the overflow of workers entering the labor market.

When the hyperinflation could be brought under control, it was time to shift to a planned development model. Hence, the first Five-Year Development Plan (Repelita) was launched embracing the 1968–72 years, with the agricultural sector taking a central role, particularly food production. Agriculture is the dominant factor in rural areas. Villagers constituted the bigger part of the population but they belonged to the lowest income bracket. Indonesia has farmers, arable land, irrigation and knowledge about prime seeds, fertilizer and integrated pest control. We have huge potential to increase our rice production. Indonesia's staple food is rice but it has been the biggest rice importer from the world rice market for years. It is fitting, therefore, that the first Repelita primarily focused on food self-sufficiency in agriculture which, at the same time, was expected to also jolt other sectors back to life.

The public works sectors were expected to support the development, rehabilitation and expansion of irrigation channels. The agricultural sector developed the pattern of "mass guidance" in five-point efforts, including prime seeds, fertilizer, integrated pest control, and irrigation in the appropriate season. The Logistics Agency (Bulog) ensured the stability of rice prices through the buffer stock policy, which meant buying rice when the prices were down and selling it when the prices were up. The industrial sector prioritized the growth of the fertilizer industry. The bank provided credit for agricultural business deals. And so it went, on and on, all sectors offered their support to the agricultural programme in such a way that this multi-sectoral approach would reach a critical point when a solid based was established further development could be pushed ahead.

The road toward food self-sufficiency was not without obstacles. A food crisis occurred in 1972. Rice prices shot up. Rice production was on the decline, compared to in previous years. The heavy 1971 rainy season had given rise to floods that devastated an extensive area of paddy fields thereby reducing rice production, while by the middle of 1972 the dry season was so severe and long that there was no rain until November.

Normally, if rice stock in the market dropped, Bulog would release its buffer stock into the market. But the amount of rice purchased by Bulog in 1972 had been below that of the previous years. To ensure that the rice would not rot in a short time Bulog had made sure that it only bought good quality rice. In addition, Bulog altered its purchasing procedures in 1972 to boost its competence in rice trading. These measures had reduced the volume of rice stockpiled by Bulog, thereby reducing its ability to flood the market with rice in order to lower the prices.

Following intensive efforts to forge cooperation with friendly countries, Indonesia was able to import a huge amount of rice to curb price hikes, thus overcoming the 1972–73 rice crisis.

This experience strengthened the government's resolution to exert all efforts to achieve rice self-sufficiency. Thank God, rice production then steadily increased reaching the self-sufficiency level in 1984 and allowing the country to win an award from the Food and Agriculture Organization.

What is interesting about this rice self-sufficiency is that it was achieved not by a state-owned company or coercive measures of the government but by the rice farmers themselves who made good of the incentives and facilities provided by the government under the market planning system. The government was gaining a lot of valuable experience in the implementation of food production planning. Unfortunately, Agriculture Ministry officials and regional government officials had developed a tendency to inflate the figures for rice production, while the figures provided by the Central Statistics Agency eventually exposed the drop in rice production compared to the previous years. Because the reports about rice production contradicted one another, Bappenas Chairman Widjojo Nitisastro asked all government officials to use the "rice prices during harvest season" as the production benchmarks in the regions and not the "officials' predictions of rice production". Reliance on the inner logic of the economy was heavier than on "official reports by government officials", especially when the officials were reluctant to report a "drop" in rice production compared to previous years.

Another important lesson was that the spotlight on agricultural sector development had propelled rural growth. This was especially accelerated when the Presidential Instruction for Village Development (Inpres) was issued through which profits from oil and gas price rises were specifically allocated for village development programmes. Thus, more development efforts were exerted that touched on the livelihoods of villagers, which in turn significantly facilitated the government's endeavors to reduce poverty.

Poverty reduction

As head of the Economic and Social Research Institute in the 1950s, Widjojo encouraged students to do research in villages, such as a critical view monograph in fifty villages, field research on transmigration in Lampung, development of cooperatives in West Java villages, and the urbanization problem in Jakarta, as well as other subjects. A thematic thread and problems faced by villagers and the poor became evident from the research studies he led. For Widjojo, poverty reduction is not something that should only be discussed in seminars or be blown up out of proportion, but must be brought to fruition through serious commitment by decision makers. This commitment should be reflected in policies and actual programmes to be consistently implemented regardless of the economic condition.

When opportunity knocked to influence the government's policies by drafting five Repelita from 1968 to 1993, poverty reduction became an interminable thread as could be seen from the nature of development policies comprising:

First, development efforts focusing on solid rural economic development and supported by social networking development. Fundamental to the improvement of the livelihood of the people was the implementation of nine-year compulsory education throughout the country. This policy was supported by a nutrition improvement programme, a health care programme and a family planning programme made stronger by the Community Health Clinics (Puskesmas) and the Integrated Services Posts (Posyandu), as well as by providing access to the villages through infrastructure improvement through the building of roads, bridges and through clean water provision that would have a positive impact on poverty reduction efforts.

Second, as a response to the steep depreciation of the US dollar coinciding with the fall of oil prices in the world market in 1986, the government embarked on economic reformation measures by devaluing the rupiah, upholding flexible foreign exchange rate regime management, reforming fiscal and tax and financial sector policies, deregulating trade and industry, establishing a stock market, and numerous other measures to boost non-oil exports. Amid the economic reformation, protection was rendered at all times to the state budget linked to the agricultural sector, human resources development and development in the regions.

Third, swift economic reformation measures to counter the international economic crisis in 1986, had managed to recover investment and employment in the manufacturing and agricultural sectors. Emphasis was then given to labour intensive industries apart from developing the agricultural sector. A variety of policy packages gave birth to a process of rapid growth in the agricultural sector, along with the development of labor intensive industries. All of this led to the increase of employment opportunities that would result in poverty reduction.

Development policies focusing on poverty reduction were mentioned in the World Bank Annual Report in 1994 when it said that the percentage of absolute poverty in Indonesia fell from 60 per cent to 15 per cent of the total population in the period from 1970 to 1990. Whereas, in China absolute poverty went down from 33 per cent to 10 per cent during the same period. Translated into figures, the number of people who lived in absolute poverty in Indonesia dropped from 60 million (1970) to 26 million (1993) when the country had a population of nearly 190 million people.

Interestingly, the poverty reduction was achieved alongside an increase in people's incomes. When Indonesia began its development in 1968 Indonesia's income per capita was US$50 per person, and Indonesia was categorized as one of the poorest countries in the world. After 25 years of planned development with an average growth of seven per cent per year, Indonesia reached an income per capita of $650 (1993) or an increase of 13 times. With this achievement, Indonesia had proven that growth could be accomplished in tandem with poverty alleviation, if it were conducted in a structured way and based on the inner logic of the economy, while focusing on poverty reduction by means of rational policies in influencing market prices.

The Role of the Global Economy

This achievement would have been more pronounced if the global economic climate had been more favorable. A conducive condition for the economic development of developing countries would have been better realized if access to the markets of advanced economics were opened for their export products, such as textiles and garments, which were blocked by non-tariff barriers stipulated in the Multilateral Fiber Agreement. Although advanced countries love to preach in global forums about the merit of free competition for development, in reality, developing countries are facing non-tariff protection and have to compete with the subsidized agricultural products of advanced countries. Likewise, it is very difficult for developing countries to obtain transfer of technology to boost their production because they have to pay steep prices to buy "intellectual property" rights.

But most importantly, industrial countries should realize that they should exert prudence in maintaining their financial stability in the global economy lest they will adversely affect developing countries' economies in terms of currency depreciation that can shake the stability of exchange rates in developing countries. With the advent of the global economy, the age in which the economic model dictates the shielding of a country's own national interests has come to an end. The problem is that there is no global economic institution that has the authority to run the global economy in an objective and neutral manner. International institutions that administer global economic affairs, such as the World Bank, the International Monetary Fund and the World Trade Organization, adopt a "one dollar one vote" rule. Hence, those advanced countries, which make the biggest contribution to the international institution, will win most of the votes. Whereas developing countries are left out of the process of decision making in such international economic institutions.

Being conscious of this imbalance, and with political and financial support from the president, Widjojo Nitisastro set up a countervailing force, by initially setting up the South Commission (1986–90) and consolidating it further in the South Center (1990–99), which was led by Mwalimu Julius K Nyerere, President of Tanzania, and was based in Geneva, Switzerland. The threesome, Widjojo Nitisastro; Gamani Corea, former Secretary General of the United Nations Conference on Trade and Development 1974–84; and Dragos lav Avaramovic, Central Bank Governor of Yugoslavia (1994–96), were the masterminds and driving forces behind the South Centre, which drafted the Non-Aligned Movement (NAM) economic agenda in the 1990s, such as NAM's Economic Agenda for Priority Action 1992–95 and policy papers of the NAM Ad Hoc Expert Group on External Debt. In the 1990s, Indonesia embarked on an initiative to send its former ministers to Africa to assist the execution of aid programmes in South-South countries in the Tokyo International Conference on African Development (TICAD) 1994–96.

One continuous thread in Widjojo Nitisastro's efforts on the international stage was to uphold an equal level playing field in trade between industrial and developing countries. It would be unfair if industrial countries subsidized agricultural products in competition with agricultural products from developing countries. It was unfair if industrial countries offered aid to developing countries, while at the same time prodding the latter to pay back their debts, without any hunch that the dollar, yen or euro values had actually soared. The conditions set out in loan agreements did not take into account the changing exchange rate of currencies, bank interest and world economic conditions. That's why Indonesia fought for fair and civilized principles in development efforts. Industrialized countries needed developing countries and vice versa. Extortion of one country by another country should have never happened in a global economy. An awareness of the need to support each other in terms that were favourable to both industrial and developing countries should bring us into a cooperation based on fair and civilized principles.

This line of thinking gained currency in all developing countries, so much so that the World Bank and the International Monetary Fund eventually came into awareness that resolution of developing countries' foreign loans had to be conducted in a fair and humane manner.

The urge to nurture cooperation based on a fair and civilized principle came after Widjojo Nitisastro caught a glimpse of the wave of world economy in the 1980s, which had developed into a haphazard cycle, which became detrimental to cooperation among countries in setting up a sound global economy.

The world plunged into a disturbing economic depression from 1980 to 1982 before recovering in 1983–89. A major disturbance in the exchange rates of industrial countries flared up during the economic depression in the 1980s, which adversely affected the Indonesian economy and other developing countries already burdened by their obligation to repay their loans in line with the soaring exchange rates of foreign currencies. Coinciding with the changes in the foreign currencies exchange rates, the price of oil plummeted from US$25 to $8 per barrel (1986). Afterwards, oil prices went up and down and were very difficult to foretell. At the same time, the prices of most of export commodities from developing countries nosedived and actual interest rates in the global market went up.

In the 1980s, the state budget and current account deficit in the United States balance of payments rose steeply. On the other hand, the current account of the balance of payments of Germany and Japan, had soared to recovery level. Therefore, it is imperative for industrial countries to find a solution out of these imbalances without adversely impacting developing countries' economies.

In the 1960/1970s capital trickled from advanced countries to developing countries, but it reversed the trend in the 1980s. Flow of capital shifted from developing countries to advanced countries because developing countries had to pay back their debts and interest. This phenomenon gave birth to a severe foreign debt crisis, particularly in Latin American countries. The worst hit African countries were those to the southern part of the Sahara Desert where life quality plunged to its lowest point, exposing a dreadful humanitarian tragedy.

But the 1980s also saw the rise of the Four Dragons, comprising South Korea, Taiwan, Hong Kong, and Singapore. Asian economies were predicted to soar, with Thailand and Malaysia next in line. The Philippines and Indonesia were seen as nominees for the ascending countries in later years.

As "new stars" in development were born, protectionism, particularly in the form of non-tariff barriers under various pretexts, flared up in the global economy.

Widjojo Nitisastro's account on economic development gives us an understanding that the up-and-down cycle of the global economy during the 1980s is an inseparable part in economic life. Hence, it will always be there in upcoming decades. But, Indonesia does not have to be worried because history shows that the nation has the resilience and the capability to overcome countless cycles of this economic crisis. An important prerequisite is our unwavering commitment to the economic principles of inner logic of economic life, and it is capable of influencing market forces through systematic, unyielding, and consequential development planning intended to reach development goals that embrace the interests of the majority of the people who still live in poverty on our road toward realizing a just and prosperous society.

Reflection

This book is titled *The Indonesian Development Experience* and subtitled *A collection of writings and speeches of Widjojo Nitisastro.* What is being presented are pieces of historical fact that have been experienced by someone who has had the opportunity to take part in developing Indonesia. I wish to find the undercurrent thread in Widjojo's rich and widely spread pieces on events and experiences unveiled throughout 25-odd years in order to put them in a framework that tells us about Indonesia's experience in facing the challenge of development.

In drafting this framework, we can make out the logic of a rational economist who is driven by the fighting spirit of a son of the motherland who has a strong commitment to developing the economy for the sake of the common people, those who live in poverty, the majority of whom live in backward villages.

The chance to translate the commitment into action was not a "gift" from somebody, but it had to be seized with an unbending courage and a conviction of the soundness of the proposed economic concept, whose emergence was spurred by the commitment. The next task was to find a leeway in the political community to "sell" the concept without resorting to "prostitution" of personal integrity.

As soon as the opportunity gave way to this commitment, it was pertinent to raise spirits, to disseminate the concept and the commitment as widely as possible in society before exerting all out energy and personal capability to instill in the minds of colleagues the "get things done" mentality in the grueling labour of turning the concept into a reality.

The account recorded in "*The Indonesian Development Experience*" came to an end in 1993, marking a span of more than 25 years of a calling humbly answered by Widjojo Nitisastro to work tirelessly toward Indonesia's development. It was an era filled with the spirit of the age pregnant with prayers, work, performance, perspiration and tears.

An era has come to an end and a new spirit of the age has unveiled itself to be replaced by a new generation. Hopefully this book will assist the new generation to capture the soul and spirit of the new age with a nobler and more dignified dedication and commitment in pursuant of the betterment of our people to live among a fair and civilized society of man in the 21st century.

Emil Salim
8 February 2009
Jakarta

Introduction

Allow me to convey my deepest appreciation to Professor Dr Emil Salim who, on this occasion, wrote the Foreword of this book that will be of utmost benefit to the reader, particularly, the younger generation who will carry on the development of Indonesia.

This book consists of thirty articles and speeches collected during the past decades and divided into six parts:

I. The Indonesian Development Plan
II. The Implementation of Indonesian Development
III. Facing Various Economic Crises
IV. Foreign Debts Management
V. Equity and Development
VI. Indonesia and the World

Each part of the book comprises several chapters, each of which contains original articles and accounts.

Each CHAPTER is opened by an INTRODUCTORY NOTE, prior to the article or original account, which has been freshly written to cast some light on the background of the article or the original account.

I. PLANNING OF INDONESIA'S DEVELOPMENT

1. Economic Analysis and Development Planning (1963) is the title of my inaugural lecture as professor of economics at the Department of Economics, University of Indonesia, in 1963. The opinions expressed in the lecture contradicted those held in government circles and part of the community who believed that economics was useless and that it was mere "textbook thinking" and should be thrown out.

2. **Imprudent Economic and Financial Policies (1966)** is based on a lecture given at a huge gathering at the University of Indonesia campus in 1966. The event was a Seminar on Economics and Finance organized by the Indonesian Students Action Front of the Department of Economics of University of Indonesia (KAMI FEUI), in January 1966.

3. **Restructuring Indonesian Economic Fundamentals with Economic Principles (1966)** is the title of a lecture given at another huge gathering at the University of Indonesia campus. This event was a Symposium on the Awakening Spirit of '66: Exploring a New Path, organized by the Indonesian Scholars Action Front (KASI) and the University of Indonesia in May 1966.

Both of the big gatherings were a show of support for the huge student demonstrations against the G30S/PKI rebellion and less than firm response from the government.

4. **Contribution of Ideas of the Department of Economics, University of Indonesia, to the Session of the Provisional People's Consultative Assembly (MPRS) in 1966** is a contribution of thoughts in support of the 1966 MPRS Session. (Note: There was no MPR at the time, only Provisional MPR or MPRS). The FEUI people who drafted the contribution included Moh. Sadli, Ali Wardhana, Subroto, Emil Salim and myself, all of whom were professors at the Department of Economics, University of Indonesia.

5. **Comparison between Articles of the Contribution of Ideas of the Department of Economics, University of Indonesia, to the Articles in the Decision of the Provisional People's Consultative Assembly No: XXIII/MPRS/1966.** This comparison shows a striking resemblance between ideas contained in the Contribution of Ideas and those in the MPRS Decision No. XXIII/1966.

6. **The Essence and Consequences of MPRS Decree No. XXIII/1966 (1966)** is an attempt to convince the people that the decree, which boils down to a total correction of the previous management of the economy, was highly important.

7. **Challenges in Increasing Food Production in Indonesia (1968).** In 1968 the Indonesian Institute of Sciences held a workshop on food

production and invited the National Academy of Sciences of the United States. I was asked to present the keynote speech at the workshop that was held in the framework of preparing the REPELITA Five Year Development Plan on the sector of food production.

8. The Basic Framework of the Repelita (Five-Year Development Plan) (1968). This paper containing the main ideas of the REPELITA was drafted with the purpose of facilitating exchanges of views with various parties.

II. IMPLEMENTATION OF INDONESIA'S DEVELOPMENT

9. Progress and Challenges of Indonesia's Development (1990). At a lecture delivered at the Walter and Phyllis Shorenstein Symposium at the University of California, Berkeley, I described a number of development challenges faced by the Indonesian government, among others: the need for equity and social justice to go in tandem with the rapid growth of the business sector.

10. Some Features of Indonesia's Economic Development During the Last Twenty-Five Years (1993). The Japanese government, which organized an international conference on Development in Africa, had asked me to talk about "Asian Experience and African Development". The Japanese initiative was heartening because Japan is one of the richest countries in the world and as such it pays special attention to the suffering of millions of people in Africa.

On that occasion I highlighted the numerous similarities between Indonesia and African countries in terms of the challenges they face, including their diverse populations. Several of my colleagues, who also attended the conference, had ample opportunities to meet and share their views with delegates from a number of African countries. The conference was followed by visits to several African countries by Professor Sadli and Professor Emil Salim. Their African experience reinforced their conviction about the need to fight for debt relief for countries dogged by massive debts in their meetings with officials from the World Bank and the International Monetary Fund in Washington D.C. and in their meetings with government officials in industrial countries.

They came up with strong arguments not only because they had seen a lot of suffering in a number of African countries, but also because they came from Indonesia, a developing country that had escaped the shackle of foreign debts and whose development had won international recognition.

11. Oil and the Indonesian Economy (1985). The Indonesian Petroleum Association invited me to give a talk at its convention commemorating the centennial of the oil industry in Indonesia on 8 October 1985. In my address I said: "Indonesia is a country blessed with an abundance of natural resources, however, rich natural resource endowments are no guarantee for rapid economic growth."

12. Making Tough and Painful Decisions (1991). The turbulent economy of the world has been going on for years, affecting virtually all countries. But it is mostly the developing countries that have borne the brunt of it. Hence, it is an absolute necessity for leaders of developing countries to be persistently vigilant and to avoid any doubt in making the necessary decisions, however difficult or painful they may be. President Soeharto never showed the slightest hesitation in making decisions, no matter how tough and bitter they would be. Two of his many decisions will be described below, the first was made in 1968 and the second in 1986. The first decision was related to the increase of fuel prices (BBM), while the second one was linked to the devaluation of the rupiah in September 1986, although he had said in January of that year that the rupiah would not be devalued. He said during the announcement of the devaluation: "I consider it to be the upper ground morally, and that it is more responsible to tell it like it is to the people, while consciously making this painful decision for the sake of long-term development planning, than refraining from making the painful decision merely for the sake of saving my face because of the statement I had made earlier."

13. Responding to Various Development Proposals (1997). Studying the attitude of Bapak Sudharmono S.H. in handling the various matters he faced over the years would be a good idea for those who are in charge of approving, rejecting or improving various kinds of proposals to build development projects; or of purchasing goods and/or equipment; or of hiring contractors; or of providing certain goods or services, etc. His methodical way of working brought about great benefits for the country and the nation. We need to view him as an exemplary person and worthy guide not only for the Indonesian people but for people in other developing nations as well.

III. FACING VARIOUS ECONOMIC CRISES

14. The International Monetary Crisis (1971). An International Monetary Crisis emerged in early 1971, culminating in August of that year, when the United States detached itself from the 1941 Bretton Woods Accord on defining the industrial countries' monetary exchange rates. This disruption affecting industrial countries had a huge impact on developing countries

15. Food Crisis (1972). A food crisis occurred in 1972. Rice production plummeted, rice prices soared. The government rice stock was severely limited. Importation of food was next to impossible. This account is a Government Explanation on steps being taken to overcome the food crisis.

16. Pertamina Crisis (1975). The Pertamina Crisis broke out in 1975. The government promptly took a number of measures to solve it. The following is the Government Explanation on the issue during the joint meeting of the House of Representatives' Commissions I, VI and VII and the State Budget Commission of the House on 25 June 1975.

17. Devaluation of the Rupiah (1978). Devaluation of the Rupiah took place in 1978. Devaluation is the official decreasing by a government of the value of a given country's currency against a foreign currency. Various explanations were given to the public about the policy. One way of conveying these explanations was through a television interview.

18. BBM Prices soar (1982). Oil-based fuel (BBM) prices soared in 1982. The price increase is closely linked to attempts to boost the State Budget of Income and Expenditure. Explanations about these two points were offered to the public. One way of conveying these explanations was through a television interview.

19. World's Oil-based Fuel Prices Dived (1986). In 1986 oil prices dropped sharply in a short time. The following was a forewarning to alert the public of its consequences. The drop in international oil prices resulted in a drop in foreign exchange and state earnings. To overcome the drop in state earnings the government deemed it important to devalue the currency. The public needed to be warned of the consequences.

IV. SETTLEMENT OF FOREIGN DEBT

20. Old and New Debts (1966–69). Old debts were those incurred by the previous government whose repayment has yet to be settled. Responsibility to repay old debts fell on the new government. It was the obligation of the new government to find a solution to old loans as best as it could and to avoid turning new debts into another burden.

21. A Once-And-For-All Settlement of Indonesia's Foreign Debt (1970). A once-for-all settlement was reached following an agreement between the Indonesian and creditor countries that are members of the Paris Club (France, Japan, the United States, the United Kingdom, Italy, West Germany, the Netherlands, Australia) in 1970 followed by agreements with other countries (Soviet Union, Poland, Hungary, East Germany, Romania and others).

A crucial role was played by Dr Hermann J. Abs from the Deutshe Bank and on the Indonesian side by Mr. Rachmat Saleh, who was at that time Deputy Senior Governor of Bank Indonesia, later on Governor of Bank Indonesia and then Minister of Trade, in the final settlement of Indonesia's foreign debt.

V. EQUITY AND DEVELOPMENT

22. Equitable Distribution Programme (1979). Equitable distribution of wealth is an important element in development and is one of its goals. Equity must become an integral part in a development programme; otherwise, it will be reduced into a mere slogan that will ruin development efforts.

23. Fostering Small Scale Enterprises (1977). The development of small scale enterprises is closely linked to the enforcement of social justice. Much has been done and yet challenges are massive and difficult. On the other hand, good regulations are in place, but they are little known and too underutilized to be of any benefit to small scale enterprises.

24. Food, Family Nutrition and Intersectoral Cooperation (1978). Improvement of family nutrition is closely related to food production and has a linkage to many other sectors. Therefore, working experiences in intersectoral cooperation and in other sectors can be of benefit in efforts toward improvement of family nutrition.

25. Poverty Reduction: The Indonesian Experience (1994). On the occasion of their 50th anniversary, the World Bank and the International Monetary Fund (IMF) asked me to give a presentation on poverty reduction in their conference in Madrid, Spain, on 29 September 1994. My presentation considered two things: (1) What lessons can be learned from Indonesia's experiences in achieving a rapid reduction of poverty. (2) What should the international community do to assist developing countries in achieving swift poverty reduction in their respective countries. On the first point, I described the Indonesian experience in development, on the second point I underlined the need for the international community to relieve developing countries of their burden of loans in a way similar to that through which Indonesia's loans were resolved.

VI. INDONESIA AND THE WORLD

26. In the Mutual Interest of Rich and Poor Nations (1982). Every year the European Economic Forum organizes the Davos Symposium at Davos, Switzerland, which is usually attended by many present and former cabinet members of developed and developing countries. I was invited to attend and address the Davos Symposium in 1982. While I highlighted cooperation opportunities in business and industry, I seized the opportunity to say that we in Indonesia agreed with the view that the current state of the world economy was freewheeling into stagnation. The persistent crises of the world economy are symptomatic of a structural malfunctioning of the international economic system and a basic imbalance in international economic relations. Therefore, I avowed that it is indeed in the mutual interest of rich and poor countries to take appropriate steps.

27. Indonesia Chaired the OPEC Conference in Bali at a Time When Iran and Iraq were at War. (1980). In 1980, when Professor Soebroto was still Indonesia's Minister of Energy, something happened that could never be forgotten by energy ministers of the other OPEC countries. In their meeting early that year, it was agreed that the OPEC session of 1980 would take place in Bali, Indonesia.

However, the Iraq-Iran war broke out in that same year. A decision was then required as to whether the session would remain slated or be put off. If the session were to be postponed, there would be no world oil price consensus and that could create chaos in the world crude oil market. If the OPEC session in Bali was to get underway as planned, the Iraq-Iran war would likely continue in Bali. The decision to proceed with or delay the OPEC session was left to the host presiding over it. What was Indonesia's decision and what happened?

28. Fifteen World Economic Phenomena that Stood Out During the Decade of the 1980s (1989). In 1985, the U.S. dollar depreciated sharply against the yen, mark and other currencies. This development, coupled with a sharp decline in oil prices in a short time, hit Indonesia's economy like a one-two punch.

29. Perception of Interdependence but Lack of Meaningful Action (1984). In 1984 the Yomiuri Shimbun, one of Japan's leading dailies, invited me to deliver a keynote address at the 1984 Yomiuri Symposium on the International Economy. In the address I referred to the increasing perception in the world of the growing interdependence of the world economy which, however, has not been translated into meaningful actions.

30. Advancing Mutual Understanding and Mutual Confidence (1996). In 1996 Nihon Keizai Shimbun, the leading economic daily in Japan, awarded me the Nikkei Asia Prize for Regional Growth. In my acceptance speech I said that I considered the honor conferred upon me "… as an expression of appreciation and confidence in my country, its people and its government …" and that "My role has been limited to contributing in a small way to advancing mutual understanding and mutual confidence."

Widjojo Nitisastro
January 2010
Jakarta