



INNOVATIONS FOR SUCCESSFUL SOCIETIES

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DEVLIN: Today is July 15th, 2009, I'm here in Jakarta, Indonesia with Dr. Rizal Ramli. Dr. Ramli headed the nation's State Logistics Agency and most notably was Coordinating Minister for Economic Affairs under the administration of then President Abdurrahman Wahid and also Minister of Finance among other positions in politics here in Indonesia. Dr. Ramli, thank you for joining me.

If I could, could we possibly begin by you giving us a sense of the environment here in Indonesia at this transitional point between the longstanding new order and the post Suharto era?

RAMLI: *The Suharto regime had been in power for such a long time, more than 32 years before it fell. The longer he stayed, the more authoritarian the nature of his regime. But the core of his political support was essentially the armed forces, the bureaucracy, and of course the ruling party which is Golkar. So it is interesting to note for Suharto to go there should be an underlying shift in the perception of the key player in Indonesian politics, especially the army towards Suharto. I was by chance since 1991 the economic advisor to the armed forces during that critical period between the end of '91 to 1998, the fall of Suharto.*

Before, as an outsider I always saw the armed forces as very homogeneous, totally loyal to Suharto, have no ideas of their own. Along the process I realized that the armed forces was quite—was not as simple as that. There were factions that want to do reform, although a gradual one, withdrawal of the army from politics and etcetera. Along the period they were also more critical of Suharto's monopoly of power and Suharto family business interests.

Then I remember in late October 1997 Indonesia was early in the economic crisis. I was invited to give a lecture at the high command school of the armed forces in Bandung. There were more than 200 colonels, brigadier generals and generals in that meeting. You know from my biography I was in jail during the Suharto era in 1978 because I wanted to push a more democratic Indonesia. I didn't see that Indonesia could go further if Indonesia was ruled under the authoritarian regime. At that time as student leader we fought for political change. I wrote a book that was banned all over Indonesia and I was jailed for more than six months in military detention in Bandung and one year in the Sukamiskin Prison in Bandung where Sukarno had been jailed during the colonial era.

So the idea that Indonesia had to transform into a democratic one was always with me. When I got this invitation to give a general lecture at this school of high command in Bandung I decided to open the Pandora's box, that it was time for political change in Indonesia, that the armed forces had to be ready for a post-Suharto Indonesia, a post-authoritarian Indonesia. I remember my late wife at the time begged with me not to do it. She said, "You are going to go to a lion cage. We still have young kids". My kids at the time were still in elementary school, why take the risk, Suharto was still very powerful.

I said this is a moment of history, Indonesia is at a very critical junction, early in the crisis. We have to convince the top brass of the armed forces that they have to take the lead or at least let the process of democratization take place. She was a professional architect from Harvard School of Design. She insisted to go with me to persuade me not to do it until the very last minute.

The first speaker was a former lieutenant general of the armed force, retired Lieutenant General Sayidiman (Suryohadiprojdo). He was a good speaker and top orator. He said, Indonesia is early in the crisis. The only way for Indonesia to survive, if and only if the armed forces stood fast behind Suharto and support whatever Suharto does.

I came with an overhead projector, with presentation material. At my turn I said, I am really sorry, I am 180 degree different with what General Sayidiman has said. Indonesia has to change because of these reasons. I listed a number of reasons. One is that the world is changing. The number of military regimes, authoritarian regimes is declining all over the world. Second there are changing demographics in Indonesia. Younger people would like to have freedom, to express themselves. They are not used to and they will not accept a continuation of this authoritarian regime. There is also a fragmentation of the elite among the elite because everybody is aware, Suharto is becoming older, his health is also a problem. And the economy at the time, we were early in the crisis, it will likely change, the inflation is going to be very high, rice is going to be difficult, which is true. Later in January 1988 there was short supply of rice, you could not buy rice in the supermarket.

When I gave the presentation all the generals were quiet because they never listened before to a speech openly persuading that Suharto had to go down. When there was question and answer, there are a lot of colonels asking the question, just wanted me to detail again, to repeat again, what is the U.S. policy toward Indonesia, what the U.S. policy vis-à-vis Suharto. They want to see the whole argument. After lunch the three of us sat at one table, this Lieutenant General Sayidiman and the commander of that high command school, Lieutenant General Arie Kumaat. Arie Kumaat was very afraid because the report would come to Suharto, he would be in trouble. So I joke with him about Manado; I joked about women from Manado, bubur Manado to make him relax. And General Sayidiman was so upset with me. I asked him four questions, he didn't answer once. But I brought a staff to that meeting and he went from one table to the other table.

Then he said to me after that, he was surprised, almost in all tables they agreed with me, that Suharto had to go. He said this is the first time this thing was discussed in public. They had this discussion informally among themselves. So I knew by that October that Suharto's grip on power was over. Then I started inviting faculty, academics to Jakarta to start and have a discussion what should be the future of Indonesia after the post-Suharto. But believe me Matthew, nobody believed that at the time. They said I'm daydreaming; it must be a joke because Suharto is very, very powerful. And the press at that time, you know this is censored press, they all praise Suharto.

Then I started convincing Indonesian leading civilian figures to be ready for a post-Suharto Indonesia. Because I do believe that the civilians have to take over from this military regime. But for that to happen, the civilians had to be united because the armed forces, as their adviser, I knew they were very organized, structured, well into the district level, kecamatan (sub district of a kabupaten or regency) level, very well organized. There is no chance a civilian could take over from this military structure if they were not united. So I start convincing Buyung Nasution and Buyung goes along with it, that we should have, form a united front against Suharto to be ready for post-Suharto.

I convinced Megawati Sukarnoputri with two friends for seven hours until she said she agreed with the idea, although three days later she called that she decided not to participate. Maybe she—somebody else convinced her that Suharto is still that strong. We convinced Amien Rais and a number of other Indonesian civilian figures. Then everybody agreed to meet but it would have to be very secret, very confidential, they had to change twice the car, etcetera, I had to find an apartment at Pondok Indah, the Le Crystal so the car could go into the basement, so you can go directly to the—you know, one of the apartments there.

During that series of meetings, it is clear that the Indonesian civilian is not ready to take the leadership because they are still very fragmented. They are still—they cannot cooperate with others because there is continuous competition among themselves. Then Suharto gets elected. Then in January we have this problem of supply of rice. There is no rice in the supermarket. The middle class starts to get jittery. Then on March 11th Suharto gets reelected with the majority. I get a call from General SBY, Susilo Bambang Yudhoyono. He is at the time Deputy Chief of the Armed Forces for Territorial and Politics. He said Mas Rizal, can you come to an apartment in front of the Hilton, the Park Royal, very important, Suharto just got reelected that morning.

I come there, there are about eight generals. Some of them are currently active top generals, and numbers of others and he said, he got a full report of my presentation back in October in Bandung. He is unable to come, but can you tell me again why Suharto has to go? Whoa, amazing—the minute after Suharto just got reelected. I said, “Mas Bambang, I know you, I know this general, I don’t know this general, I don’t know him, what are the guarantees that I’ll have the freedom to speak, that nothing will happen after this?” Yudhoyono said, “These are all my friends, I guarantee you. You are free to express what you think.” So they give me the papers, white papers, a marker. I start to detail the whole argument. There are questions and answers.

After that Yudhoyono said that he wants to talk to me alone. We talk, he said, Mas Rizal, all the reasons you said, you list as the reasons for Suharto to go is almost the same reason for the fall of Sukarno. This is history in repetition. I’m really dreading the consequences. I need your help. You are a close friend of General Wiranto. Can you convince him that when the time comes he will give the right answer to Suharto? The answer that Suharto provided to Sukarno in 1965. Because at that time Sukarno was still very influential. If he needed to challenge Suharto, he could still mobilize Indonesians, a lot of officers in the navy, in the air force are with Sukarno. But if Sukarno takes that option Indonesian history is going to be more bloody. Sukarno decided to pull himself out.

Yudhoyono is convinced that history is going to be repeated, that he wants me to convince Wiranto, when the time comes he will give a similar answer to Suharto. I said why Wiranto, SBY said because Suharto trusts Wiranto. I said to him, to SBY, “Mas Bambang, Wiranto is your boss, it is your job to convince him. I’ll do what is necessary to put Suharto down. History, if it is going to happen, we are going to come across.” I never met General SBY since then or Wiranto. From March to the fall of Suharto.

Then at the end of April I was invited by Dr. Hubert Neiss with a friend to his hotel room in the Hyatt, the Grand Hyatt. He said, Dr. Ramli, the IMF (International Monetary Fund) will convince the government of Indonesia of the need to increase the oil prices. What do you think? I said to Neiss, as an economist, I

fully understood the reason to increase the oil price, but Indonesian political temperature is high already. If you push this, something will happen. Dr. Neiss with his cockiness, he doesn't understand Indonesian politics. He is a good economist. He said, "You are exaggerating. Every morning I use my shorts, my jogging outfit. I jog behind the Grand Hyatt in the poor area of Kebon Kacang and what I see is Indonesian smiling." I was very annoyed with that answer. I take a note of our encounter.

I said to him, "Dr. Neiss, I don't want to argue with you. Just take a note of what I said." The IMF are able to push the Indonesian government to increase the oil price. They increased the BBM (Bahan Bakar Minyak, oil fuel) gas selling price 71%, something, and the day after that decision there are major demonstrations and the burning of Makassar on May the 2nd. On May the 3rd, Medan was burned, major demonstration and it goes into Surabaya on the 4th, the 5th. Solo was burned. Hundreds of people are being hurt in Jogja (Yogyakarta) and Solo and then it ended May 12th, of 1998 in Jakarta when buildings all over the city were burned.

Frankly, I still blame the IMF for that. Suharto need to be pushed aside. He will go down. He is still going to go down because I know as I said to you, the armed forces is not with him anymore, the pro democratic movement is ready to push him out. You don't need to use economic instrument to burn the whole country. Thousands of people were killed and I consider this is a nightmare, IMF-provoked riots, like what they have done a lot in Latin America and Indonesian rupiah dropped 15,000. Forty million people laid off, the whole economic consequences of using economic policy for political change, it's huge. The human, the moral cost of it is huge.

Jokingly in a closed session in the armed forces. I said, I would prefer if necessary somebody run a coup d'état against Suharto, but don't use economic policy to put Suharto down because the consequences will be bloody for millions of Indonesians and that is what the IMF has done. I'll give you a paper later on this matter. Then that afternoon about 100 Indonesian intellectuals, public figures, gathered in Menteng and we set up MARA, Majelis Amanah Rakyat, requesting and pushing for Suharto to go down. The next day with a friend I visited stepbrother of Suharto, Probosutedjo, which, if Suharto in crisis listened to his advice. Suharto is in Egypt at that time, on the way back to Jakarta.

I visited Probosutedjo and I said to him, Pak Probo, I have known you for eight years, I never asked any help from you, but this time I come here, I really need your help. He said, "What?" I said, "I want you to go to the airport when Suharto landed in Halim, persuade him to tender his resignation because thousands have been hurt and killed. The whole Java is burned. If Suharto insists to keep going, like Tiananmen Square, tens of thousands of people will get killed." I remember Probosutedjo's answer, "Rizal, is there any guarantee that our family will not be kicked out? You know this country. When you're at the top they'll lick your [expletive deleted] until it is very wet, but when you are not in power they kick you around. Is there any guarantee that our family will not be kicked out?" I said, "No, there is no guarantee. But one thing is sure, if Suharto insists to stay, tens of thousands people will get killed and I am going to run after you, I'll hold you responsible." So he is—because Jakarta is burning that morning, he is in the stage of confusion himself. He said he agreed, he is going to convince Suharto.

Suharto came from Egypt. In Halim, Probosutedjo waited for him but he has no time to talk one-to-one. Suharto called General Wiranto and Suharto asked a

simple question. How is the situation? Can the armed forces handle the situation? And Wiranto answered. But I do view that Wiranto's answer is not only Wiranto's answer. That answer is prepared with SBY, General Yudhoyono. Wiranto's answer is, he described the burning of Java and Makassar and he said, "The armed forces cannot control the situation. But if you really insist for the armed forces to be all out, we'll do it, but tens of thousands of people will get killed."

Suharto is being put in a position to choose between more killing or letting go. The same question posed by Suharto's generals to President Sukarno in 1966. Choose to stay and there will be more killing. Sukarno backed off. Suharto said to Wiranto, "Let me think about it." In the evening Probosutedjo, his stepbrother met with him in his house in Jakarta and convinced almost a similar argument. Although I never met with Wiranto or SBY since March, both of our answers are almost the same. If Suharto insists to stay on, there will be tens of thousands of people get killed. Then Suharto said, "Call the Indonesian top figures tomorrow. I want to gather all of them, seek their opinion." And Suharto wants to buy time. "I want to set up a committee of reformation."

So all Indonesian figures including Gus Dur, Nurcholish (Madjid) and etcetera have been called to the palace and everybody agreed, because Suharto is still very powerful at the time in spite of all. All agree for Suharto to set up a committee of reformation. The only one who said no is the late Nurcholish Madjid, a very respectable liberal Muslim intellectual. He said to Suharto in Javanese, "Pak Harto wes wareg." He said, "Pak Harto, sudahlah... sudah, enough is enough. You are full already, your stomach is full already. Enough is enough." Suharto responds in Javanese, "Aku juga gak pateken". I really don't want it like everybody thinks."

So this conversation for the Javanese is important. For the non-Javanese doesn't ring any bell. So that afternoon I call a number of editors in Jakarta, persuade them to make the conversation as the headline in Javanese fashion. "Pak Harto wes... wes wareg". Enough is enough, you are full already, your stomach is full already." And Suharto says, "Aku juga ora pateken. I don't really want it, I'm fed up with it already." This for the Javanese is important signal that the king is giving up already. The next day Suharto decided to transfer power to General Wiranto. He already prepared, maybe he knows he is going to get sick. He prepares something like a Super Semar, a special instruction for General Wiranto to take over.

Wiranto seeks some advice from some of his general colleagues. He asks me to come to his office in Medan Merdeka Barat. He asks, "Rizal, should I take it or not." I said, "Take it." Because I tried before to convince the civilians to be ready and they are not ready. Wiranto is the only available alternative. And Wiranto said, "What about the Americans?" I said, "The Americans is a country of double standards. General (Pervez) Musharraf had a coup d'état in Pakistan. The US closed their eyes because in the third line of statement Musharraf said Pakistan foreign policy will be in line with the U.S. foreign policy." Washington liked Musharraf. I said, "You issue a statement, number three, that Indonesia is not going to change our foreign policy. You call Washington. They will be all right."

Then he said, "What happens with the activists, with the pro-democratic movement?" I said, "They don't care, as far as it is known, because the most important one for everybody is for Suharto to get out. But if you wait for more than one year, there will be a question whether you are civilian or you are not."

Wiranto talked to a number of other people and at the end he came to Suharto, he said he's not ready.

Later I found out why. Because the armed forces was not fully under the control of Wiranto at that time. General Prabowo (Subianto) controlled the special forces, the strategic command and the Jakarta high command. Wiranto is the commander, if he really had the guts to go for it, everybody will follow in line except a few minority within the armed forces, but Wiranto is not that decisive at that moment. He came to Suharto. He cannot take it.

Then Suharto called the chief of the army and asked him to be in charge—he asked for Suharto for a few hours to consider. He consults the generals in Cilangkap and they said, “No way. Wiranto refused that. You should refuse that too.” He comes to Wiranto—to Suharto—and he said no, I cannot take it. Then (Bacharuddin Jusuf) Habibie came. Habibie gets so upset to Suharto, for 32 years Habibie acted like the Javanese in front of Suharto, now his true Makassar culture came in. He yelled to Suharto. He said, “I’m loyal to you, you’re asking for two I always give four. You are like a father to me. In this critical moment you never even consider me.” Suharto doesn’t say a word for more than half an hour. Then he closed the meeting. Later in the afternoon, he asked the cabinet secretaries to prepare for a transfer of power to Habibie the next day.

The cabinet secretary called Habibie to inform him to be ready, that he will be the next President tomorrow. Habibie came in rush to the palace to seek appointment with Suharto. Suharto refused. The next morning, before the transfer of power, Habibie wants to see, meet Suharto, Suharto refused. After the transition of power Suharto refused. According to Habibie, until the death of Suharto, he tried more than 40 times through different channels to meet Suharto. Suharto refused to meet Habibie.

So I’ll tell you Matthew to give you some perspective that this transition, from authoritarian to democratic, is not without a fight. It is not without sacrifice. Unfortunately, the democracy that we have doesn’t give something for the majority of Indonesians. This is just procedural democracy. We have elections, we have a lot of democratic processes, but the substance of democracy, providing goods for the majority of Indonesians has never happened yet. It is why I think this is an important juncture. If this government in the next five years, if their performance just as what they’d done, which is I consider mediocre, I think there will be a lot of questions of democratic process and its benefit for Indonesia. And there will be a trap from the more fundamentalists or more religious group in Indonesia, they are going to offer something else. That Matthew, just for information but I would like to invite you for a simple lunch.

I decided to take an opposition stand because I considered Habibie just the extension of Suharto regime. Although at one point some of Habibie’s key advisors invited me to join his cabinet when Habibie came into power. I decided I’m not interested. We’re critical towards Habibie because this is just a transition government. When he gave his major budget speech in the parliament, I was in parallel in front of a camera of SCTV. He gave a speech and I gave a comment of each segment of his speech for two hours.

Maybe also, because Habibie is a typical Indonesian politician. He knows what he wants to do, he pushes towards it, and Habibie tried to reach out to me at that time. He, through a friend or whatever tried to meet me. I always refused. I only met him in 2006. But then, in reflection, Habibie has done democratic transition in

Indonesia. Of course not because he really wanted to do it, but there was also a push from the pro-democratic movement in Indonesia, from the press and etcetera, but he opened the gate to deepen Indonesian democratic process.

He liberalized the press. We have a free press in Indonesia thanks to Habibie. He said, later he said to me when we met in 2006, he didn't read most of the Indonesian local papers anyway so it doesn't bother if anybody said anything negative about him. He was also willing not to go ahead when his accountability speech was rejected in the parliament, although he still has a chance to challenge it in the general election. And he ran I think one of the most democratic legislative and presidential elections in 1999.

Third, he pushed for the decentralization. Although if I were him, I would not do it the way he did it because what he did, he pushed the decentralization from a highly centralized Indonesia direct to the kabupaten (regency or sub-province) which is about 420-something, rather than go first stage to decentralize it into provincial level. Because Habibie was afraid at the time that if he decentralized Indonesia into province level, this province is going to be strong and they're going to demand independence. So he bypassed the process, go directly into the kabupaten and the major level and it is why we have so many problems because the span of control from the central government to the majors, the bupati, is too far. The institution is not ready. It creates a lot of complications.

I'll give you an example. On average, only 30 percent or only one-third of the local government budget benefits the people. Two-thirds of it goes to the bureaucracy, goes to local parties, local parliament. I think a lot of work needs to be done to streamline this decentralization. There is some thinking in Indonesia that we should centralize it back to some degree. I didn't agree. The solution is not turning the clock back but do local democratization. Push for local good governance. Push for greater roles of the NGO to make the budget more transparent. So everybody knows that only one-third of their budget is used for public interest.

So rather than going back to the centralized Indonesia or some modification of it I would push for more local democratization, to bring the benefit of that decentralization.

DEVLIN: So what was the flaw with Habibie's policy on decentralization in so far as he jumped the provincial level and went straight to these small levels, because it does seem on face value that that would be a legitimate concern because there are parts of Indonesia that have had separatist histories. What is wrong there? How could that have been negotiated better in your view?

RAMLI: *There should, you should be given some role of coordination to the governor. Now if a governor invited a major in his province maybe less than 10% coming. They just ignore the governor. So, some role of "coordination" especially at the regional planning, the governors would have some power of coordination. I think a compromise in mid ways. You should give some role to the governor to represent the central government at the region level. But this is something that needs to be revised. There should be a revision to the excess of law of decentralization.*

DEVLIN: So the way things are now, in your opinion, what responsibilities do these governors have? Are they affecting any sort of control over the smaller provinces?

RAMLI: *No, they don't have any power to the major level, to the region under them. Most of their role is just ceremonial which is in contradiction because the government is directly elected. I mean, if you look at the fact that the governor, like major—are directly elected by the people, they should have some power over that region. But unfortunately because of that political consideration Habibie bypassed this governor structure.*

DEVLIN: And the smaller units that power was decentralized to, as I understand it they were preexisting administrative units from the new order era.

RAMLI: Yes.

DEVLIN: Was there any debate about whether they should be redistricted or whether new ones should be created, or was the power simply mapped on top of the existing new order delineation?

RAMLI: *Essentially using the old structure of the new order. Although they don't have human resources. That is why when I was a coordinating minister we transferred about one million "central government officers" to local government to strengthen their institutional capacity. A lot of people are not happy because being an employee of a central government you are now, located in the region, the status is quite different with the local government officer, right? But we are able to smooth this process of transition. More than one million are transferred to the region.*

DEVLIN: That's something I'm very interested in because that is clearly a major reform.

So I very much would like to talk about this transfer of civil servants but first a quick question I had. As I understand it, out in the regions, in these small administrative units, that was where the Golkar party was comparatively strongest historically.

RAMLI: Yes.

DEVLIN: So could you talk a bit about what the thinking there was, if you, if Golkar bureaucracy or political party is the legacy of the new order to some extent, this decentralization, this major reform in the post-Suharto era would seem to be supporting the continuance of Golkar in these units by devolving power to the areas that Golkar is strongest in. It seems there is somewhat of a contradiction there really.

RAMLI: *Yes, because Habibie himself at that time, what they call the chief patron of Golkar. His political power is based in Golkar. So by essentially sustaining the old structure, it helped Golkar, it helped Golkar political maintenance. It is one of the reasons, in spite of the fall of Suharto, Golkar are still able to survive even until now, still the top three parties.*

DEVLIN: Now could we talk a little bit about this process of transferring the civil servants out from the center to the regions. I'd love to hear some detail about that because it must have been a massive challenge both logistically and politically.

RAMLI: *Logistically not only the data problem, you know data in developing country, right? It is not easy. You also have to map what are the skill levels that are needed to the region and most of this transfer is not voluntary. It is by a decree.*

Although some of them, already in the region in which they are transferred their status is just different. Then, but as you shift the budget component of it, because before the salary level is from the central government right? Now you have to shift that component of the civil servant budget to the region, to the major, and some of the local— major is not also happy because they want to enlarge the bureaucracy with the local people, a “new recruit.” I think we spent so many times on coordination and meeting to smooth the process.

DEVLIN: So when you talk about—.

RAMLI: *But also, what you call, you give also the carrot because even Habibie who pushed for the law of decentralization, the implementation of it has to be followed up by a governmental decree. For example, the system of transfer of the budget from central to local government, we had this general transfer but also DAU (Dana Alokasi Umum, General Allocation Fund) which is a special transfer for the region that has rich natural resources. They received an extra beyond the regular. So we combined this transfer of the personnel to the region with the carrot of moving the subsidy to the region for the local government. That helped smoothing the process.*

DEVLIN: So the local government became responsible for civil servant salaries but you subsidized those salaries?

RAMLI: *No, their salary is transferred of course. But before, there is no clear rule of allocation from central government to the local government. Because before, it was done through the governor level. Usually the criteria is just the number of population. Provinces that have larger populations will receive a larger transfer from the central government. We shift the system not only the population is the variable but also, for example, regions that are left behind receive a larger allocation just to create a balance. So the local government loved this, especially the one outside of Java because if the variable is just population, the largest allocation will be to Java. And they felt, most of them felt that under the new order they were left behind.*

They contribute the largest to the central government in terms of revenue either from forestry, from minerals, from gas, or oil, and they receive the least. The largest chunks of money just spread into Java. So the fact that our government tried to balance this, they loved this. At least they know that they are going to receive something. For example, some east Indonesia population is the smallest of all. If you used the old system they receive almost nothing. But on top of that we top up them.

DEVLIN: So if there is a question of removing population as the only variable—.

RAMLI: *Personnel.*

DEVLIN: Addressed the imbalance between Java and the regions, what were the new variables? What were your metrics? How could you decide this is an underdeveloped region, it deserves more? This is not so underdeveloped, it deserves not as much.

RAMLI: *In general, we at the time made a matrix with four quadrants. One is high growth area and high income. Jakarta belonged to this quadrant, of the four quadrants. They are already high income, GDP (gross domestic product) per capita, and they are also high growth, growing more than 7 percent. East Java belonged to*

this one. But there is an area which is high income, low growth because they have, for example, a lot of natural resources. Their growth is just small. So you just change policy. You initiate them to push for policy reform. So they also go into the high growth, high income. But there are areas, the other extreme which is low growth, low income. This is mostly in East Indonesia and part of Sumatra and Kalimantan where the average per capita is low, the growth is also low. This is the quadrant that the government should spend more money on, more allocation. Then the other quadrant is low income, high growth.

DEVLIN: So this is in the context of the initial decentralization which had been decreed under Habibie.

RAMLI: *Decreed, it is not yet implemented, it is implemented during the Gus Dur government.*

DEVLIN: Which was the administration that you were then involved?

RAMLI: Yes.

DEVLIN: So this matrix you speak of, who was responsible for its creation? Was that a team of people working on this issue?

RAMLI: *My team.*

DEVLIN: Your team at the coordinating ministry?

RAMLI: *At the coordinating ministry.*

DEVLIN: How did you decide which region would go in which quadrant, because I imagine there must have been an extreme amount of political pressure for one region to be placed in a specific category? How did—?

RAMLI: *Because our time was short at that time, we didn't have much time to discuss that with the region, especially things like allocation, because it's a time bomb. So what we do is we use the last ten years' data average of income and growth and put each of the regions there and use that as a benchmark of allocation. Although it is not enough, I think if I look back, it is not enough. The weight of the spending is still in Java.*

DEVLIN: Now has that system been modified in the years since you worked on it or is it still largely the framework of how this is run?

RAMLI: *I think they tried to change that, not in a big way but through budget negotiation in the parliament because then every year you have a budget allocation, there are representatives from the local parliament or government, lobby. So it is more a lobbying modification rather than a conceptual modification.*

DEVLIN: So when you were charged with implementing this decentralization, who were the individuals or groups that supported you in this? Because this is a very controversial issue.

RAMLI: *Very controversial issue.*

DEVLIN: So who could you turn to for the support on this issue?

RAMLI: *The key of this is the Minister of Interior, of course Ministry of Finance. There are also the other—at that time is less controversial, but later creates so many problems. I'll give you an example. Who has the power to allocate concessions in mining, in forestry? We leave it to the technical minister to decide the boundary of authority. Later, during that time, in perspective, I didn't see it very clearly. Later I found it very discouraging that deforestation is identical with decentralization. The more you decentralize, the more deforestation took place because the new bupati (major or regent), he gets elected with a lot of money, contribution from the local business and what does he give in return? Forest concession.*

DEVLIN: The bupati is the local—?

RAMLI: *The local major. What did he give out? Mining rights and forestry. We didn't realize that, only later I think after I'm not in the government I realized there is strong correlation between decentralization and deforestation. Because we didn't set the ratio. For example if you are a major of a kabupaten, that's the local government, we didn't set the ratio of how much is the green area, whatever, any ratio as a guiding principle. We left the process to the Ministry of Forestry at that time and they just decided every bupati has the right to allocate 10,000 hectares for concession. And every new bupati, that's their main one.*

DEVLIN: Are there other things that didn't seem so problematic at the time but later became problematic or perhaps were there some issues that you already identified as challenges, but the sequencing was different, you decided that it was a challenge but right now you needed to move ahead and couldn't really deal with the specifics of that?

RAMLI: *At that time we learned a lot from the experience of Latin America debt explosion. One of the issues beside the national debt is the debt of the local government in Latin America. The major, the province issued their own bonds, local bond and nobody controlled them. Then it became a national problem. We should have been playing with the idea at that time, wanted to give the right of the local government to issue bonds. Then I decided they are not ready yet because the accounting is not ready yet, we are worried they are going to abuse that and it will become a national debt issue. So we froze the decision. Doesn't give them the right to issue bond. Although with the mind later we should give them some of the good "governance," local government to issue the bonds and etcetera. Even until now they didn't give them the right.*

DEVLIN: Now you mentioned the other ministries, a few of them that were crucial in supporting this, Finance you mentioned for example and other line ministries. I'm wondering, in terms of the political support for that, maybe one way to ask this question is, who was against decentralization? Where did the opposition to what you were trying to do come from?

RAMLI: *The opposition is "from the conservative," the old guard, mostly the senior military, bureaucrat, who were used to a very centralized Indonesia. They consider any attempt to decentralize is eroding Indonesia national state, which is of course not true. But they are not articulate enough to put their position clearly and I'm lucky at that time the President was Gus Dur (nickname for Abdurrahman Wahid), Vice President Megawati (Sukarnoputri) who trusted me 100 percent, left it to me to decide to move to whatever. I just reported to them, gave them options. I get a free hand essentially to move. So our mobility, maneuverability is very fast.*

DEVLIN: As you point out the issue of decentralization, presence at the local level is very close to the military. Historically the military has been present throughout the territory at every level of administration. I'm wondering, you've had a lot of experience with the armed forces, is that something that prepared you to deal with this opposition?

RAMLI: *That helped me a lot because I know all their officers. Some of the governors are my former students, former members of parliament, or of the armed force or I teach them somewhere. In Asia this is very, very important. When you know people you can be very critical but if you don't know them you will be in trouble. I'm glad I had that past history.*

DEVLIN: Now when you faced opposition from parts of the senior military and senior bureaucracy against decentralization, did you find that there were bargains you could make or had to make? You could offer them something in return that helped the process along, or you could meet some of their concerns to some degree?

RAMLI: *We were quite glad at that time, at that stage the army was still not yet confident. After the fall of Suharto, after the public chastised them, crucified them. The army is the armed force abuse of power, etcetera, etcetera. So they were not that forward coming. The general public move at the time is unparallel to the emergence of army in politics, which is different now. Now they made a comeback again, but during the time I think we were lucky in that sense.*

DEVLIN: So was that something you and your colleagues were consciously aware of, that you had a window here of opportunity?

RAMLI: *Oh yes, fully aware of it.*

DEVLIN: Now was there a sense of how long that might last? I mean, I'm trying to understand the atmosphere that you—the tone of that?

RAMLI: *You know Gus Dur is a very liberal, liberal person. He is the protector of the minority. He is the father of "pluralism," but deep in his heart he never distrusted [sic] the army and he always made this joke, the most stupid of all go to the military academy. They have no brain, they just have muscle. He makes all these jokes openly even among the generals. A lot of army officers don't like Gus Dur. He is quite erratic in his politics, very unpredictable. But he used that erratic—I call him the drunken master. You know there is kung fu about the drunken master. I said to him, you are the most unpredictable President Indonesia ever had. In kung fu you're called the drunken master. He said "Rizal, I really like your terminology, can you make a cartoon of me like a drunken master?"*

So I called a top compass cartoonist G.M. Sudharta and made a cartoon of him with the kung fu drunken master and he put it in his office. He used this power to always reorganize the army and that I think is a major problem for Gus Dur. So, his philosophy to personnel is give everybody a chance. Within one month we know he is not doing good we just fire them off, so what the heck. Give everybody a chance that is considered to be good. One month, three months they don't perform, cut them off.

To the civilian this approach might not be a problem, but if you do that to the army, it shakes the whole tree of institution. Most of the aides de camp (ADC) are

linked to the armed forces headquarters. He has the ADC (aide de camp) one from the army, one from the navy, the police, the air force, everybody reporting to the headquarters. So when Gus Dur criticizes an army top brass, just within the question of minute, the report will go there. Or he said "I'm going to fire this general," in a minute it will go to Cilangkap and Cilangkap will lobby, make sure that the firing is not occurring. So they send delegation to him, please don't change this guy, he is a good general. And so many problems with the army, so many problems.

He brings the Suharto's son to court, etcetera. He fired Wiranto. Nobody dared to fire Wiranto. He fired Wiranto. But that is because he despised the military's culture and dominance.

DEVLIN: If we can go back very quickly to this. You mentioned that Habibie had decided to decentralize to the very local levels, skip over the provincial level and that you and your colleagues in the Gus Dur, in the Abdurrahman Wahid administration...

RAMLI: *Did the implementation stage.*

DEVLIN: Did the implementation, and made a conscious decision not to reverse this process, not to take it back.

RAMLI: Yes.

DEVLIN: Could you talk a bit about your calculus in that decision? If you saw that this process of decentralization was flawed structurally, but you decided for some reasons to continue it rather than re-invent the wheel. Could you talk a little bit about that, how did you navigate, how did you come to that conclusion that that would be the best course of action?

RAMLI: *You opened the Pandora's box. Rightly or wrongly people in the region loved this because this is the source of rebellion in the past for Indonesia. The so-called PRRI (Revolutionary Government of the Republic of Indonesia), the rebellion in Sumatra in the '50s, the rebellion in Sulawesi, essentially is a request for local empowerment. What did the central government do? Sent troops from Jakarta to crush them. Well, the demand is legitimate. They just want more resource for us, more power for us. They're still loyal to the central government.*

So going back for us is no option. I also, from the personal experience during the Suharto era, if you go by a plane, Garuda Airlines, all of them are local officials. Going to Jakarta, asking for decision from the central government, which is for me amazing because Indonesia is not Singapore. It's not Malaysia, this is from the east coast to the west coast and you have to come to Washington just for a small decision. Everything was decided in Jakarta.

I remember at that time I wrote an article, now the article is ridiculous but at that time was the fact of life. If you just want to open BPR (Bank Perkreditan Rakyat) which is called, it's a village bank, with a capital of 50 million you cannot get the license in your province, you have to fly to Jakarta a couple of times, spend how many days in a Jakarta hotel. The cost of that license is four times your capital. So I hate centralization. This is from my personal point of view. I cannot imagine you run the country like that. So for us this is a window, Gus Dur is also at that time already when I came in I'm just a minister total for 16 months, Kepala Bulog (head of Bulog), Coordinating Minister for Economy and Minister of Finance. Our time is short. If we push for another law, it is going to take another one year to

go, it is just not going into the calculation. Let's go ahead with this. If the next government will change and modify it, let them do it, but we implement it, put the institutionalization in the process. I think in balance it gives positive results.

DEVLIN: So on the issue of moving a million or so civil servants out into the regions, how, there must have been massive resistance.

RAMLI: *Oh yes, inside the bureaucracy.*

DEVLIN: Inside the bureaucracy. Can you talk a little bit about that and about the problems that that created for you?

RAMLI: *A lot of people, bureaucrats don't like it. Let's say they are in Papua. They have the status of the central government officer. So being reappointed just as the local—it is no honor, no grandeur. But again, we are lucky again, because Indonesia is in the process of deep transformation. People want change, they hate the new order, its abuse, it is authoritarian. The bureaucrat is also chickening out. Before bureaucrat is such a prestigious position, during Suharto. Suharto protected them. Now come people from outside, people like me who are always in the opposition, come and get at the top as their boss. They don't have the guts to challenge that.*

So I was appointed as the chairman of Bulog. First what I did. I was shocked that they have a different accounting system. Government of Indonesia has what we call generally accepted accounting principles for government institutions. Bulog doesn't follow that at all. I called the staffs. I said I want us to have generally accepted accounting principle and we have to change the whole system within six months. They said no way we can do it. We need two years at least. I said I don't care. Hire the best consultant or whatever, I want it done in six months, otherwise I fire you off. We got it within six months.

Then the off-budget account, I put it on budget. Meaning if somebody wants to ask for money you have to send a proposal, we have to review it with some indicators. It had to be audited, what the money, what for. It created a shock for the system because this was used to be really easy money. You can buy political influence for this if you want to. A lot of political parties including Golkar received money from this pool.

DEVLIN: So when you were in charge of Bulog and you reformed these slush funds is what they were, suddenly you would have been turning off the cash flow for all these political parties.

RAMLI: Yes.

DEVLIN: What was their reaction, what kind of pressure did they put you under, what was the response?

RAMLI: *They hate this because I used to receive every day a proposal asking—not proposal, just letter of request for money for any social organization, political organization, mind you, religious organization. They don't like when I said, "Sorry, we don't have that system anymore." Of course they don't like it. Second, I learned the system, how the system worked. If you bribed the bosses, they will assign you to the wet area, which is rich rice area, which is West Java and East Java. The circulation of money is trillion and trillion of rupiah because Bulog buys rice from the farmer and used that as a margin, as a buffer stabilization stock.*

So the system is, if you bribe the bosses, they will put you in the wet area, rich area. If you are just a professional, doesn't bribe the boss, they will send you to Papua, Central Kalimantan, East Nusa Tenggara or somewhere, and you stop there, never go anywhere. I learned the system. I issued a decree. 200 officials I removed from the wet area to the dry area. The one from the rich area I sent them to Papua, to Central Kalimantan. The one from the dry area I sent them to the wet area. It created such a shock but the message is clear. The new boss doesn't want bribery within the system. I knew they don't like it but I don't care. At that time I'm afraid for my personal security, which is normal. So I didn't drink water from the office, I bring my own drinking, in case I would be poisoned. I bring my own lunch, my sandwich. I didn't use the office phone. At the time we had the headphone as big as this one, I used that for communication. Because I know they don't love me.

When there is a corrupt officer there I call the police chief because I am the advisor to the armed forces. I said get the guy from the office. It created a shock in the whole Bulog building because Bulog is the untouchable like Pertamina. No police general or general dared to come to Bulog, threaten anybody or catch anybody, because you touch Bulog you deal with Suharto. Nobody dares to challenge Suharto. So when I asked the Chief of Police to detain a corrupt official in the office, the whole building was shocked. Never before this occur. But the message I sent, don't fool around with me. I'm not even afraid of Suharto. Just send the message, this is a new culture.

Then, the result is very significant. I give you an example. The tradition, if I'm the chairman of Bulog, I travel to the region with twenty staff, with our wives. So the whole business class of Garuda is full of Bulog officials. Go to Medan, have one hour, two hour meeting, play golf for three days. Being paid by the local Bulog, go for local tours or whatever, come back for one week and everybody got a present from the local government. This is the tradition.

I go everywhere only with one staff and I don't want them to pay my hotel, I don't want to get paid because you already get travel expenses. I insist my staff, we pay. This sends a message to everybody, don't play with the travel expenses. Suddenly the busiest department in Bulog the so-called travel department. They claimed they go to the field visit for seven days, in fact just two days, five days they stay in Jakarta to get the extra. So suddenly the so-called travel department, usually always closed at 8 in the evening, 2 o'clock there was no activity. Costs of travel expenses drop by 60 percent.

Then I bring my former accounting staff, the top researcher. I asked them to interview two levels above the top officer. If you are the director, two levels below you will be interviewed with my staff, a good researcher. They are not asking questions, there's no bull, they talked to you like chatting, discussion, make people at ease. This lower, as I said, know who is the bosses that are [expletive deleted] at the top. This boss plays with the purchase of import rice. This boss has a house in Beverly Hills. This boss contributed 2 million dollars to a US university, this boss gets a kickback from purchasing of the karung goni and et cetera, et cetera. For two months my staff interviewed.

Their subordinates know exactly how the boss is playing around. So we get about fifty officials, more than fifty, 52 or 53, I gather them in one room. Some of them are local, regional heads and I said I want a new corporate culture and I want you that are invited to this room to tender your resignation peacefully. You

are overtly rich while you were a Bulog official, beyond what I call normal. If you don't like, if you challenge my decision, I'll bring you to court. I'm not afraid of you. I'm not afraid of Suharto. I keep repeating this. You might have the backing of a general or official or minister, I don't care, I want you to tender your resignation, sign it nicely. I am going to pay for your reallocation to your original hometown, pay you an extra medical benefits, give you an extra one year's salary. But if you disagree, challenge me, I'll bring you to court. All of the civilians signed on.

There are about seven or eight generals or colonels. There are so many general and colonels in Bulog who don't like the idea. They come to my office, they insist to secretary, they said, I want to meet Dr. Ramli and we want to meet him now, bang the table. So I have to receive them. They said, they don't like this change. We are fighters. We fight in the region, some of them fight during the '49 Dutch colonial war. We are ready to fight anybody who pushed for this change including you. One thing they didn't know, that I was the economic advisor to the armed forces, because I kept it low profile.

Then I call. I said wait a minute, I want to make one phone call. Then I called Laksamana (Admiral) Widodo who was the chief of the armed forces at that time. Luckily he is reachable. Then I turn on the speaker phone. My thinking at the time was simple. If Indonesians are so courageous it is impossible for the Dutch to colonize Indonesia for 350 years. The Dutch must have run away in ten years if there are so many courageous persons in Indonesia. Second, if they are such a hero and patriotic, their place should be at the national cemetery, not being a staff in Bulog. So I called Widodo. I said, Mr. Widodo, there are generals and colonels of the armed force. I want a reorganization and they challenge me for a fight. Widodo is yelling over the phone, the speaker phone is on. He said, what is their name, what is their army number.

I said, Mr. Widodo I am going to fax you tonight what is their name and what is their army number. Thank you for accepting my call. Then I closed the phone. Then I said, are you still willing to challenge me, or do you want to tender your resignation? Everybody said, "Sorry, I want to sign." Everybody signed. This is an example. If I am not the Economic Advisor of the armed force, I'd be finished.

DEVLIN: So was that the reliable source of support for you, while you're making these changes in Bulog, was it your ties to the armed forces that made this all possible or was it also other sources of support for you?

RAMLI: *It protected me in dangerous time. It didn't protect me all the time, but in critical time like that—otherwise I'd be punched all over my—in critical times it's helpful. So over a very short period of time we were able to cut— total cost of Bulog dropped by about 40 percent.*

DEVLIN: Now you mentioned that you had moved about 200 officials from the lucrative wet areas of Java out to the dry areas. I'm wondering, how did you choose those officials? Were they corrupt or did you go for a blanket approach to—?

RAMLI: *Blanket approach.*

DEVLIN: Just make an example?

RAMLI: *Just the wet area, because I learned the system, what is the reasons to be in a wet area that everybody wanted to be there? And which is the dry area in which they lobby not to be there? Blanket.*

DEVLIN: When you moved them, how did you deal with the opposition to that movement? Because these 200 people, surely some of them were corrupt, they all would have had connections, they must have tried to stop you.

RAMLI: Yes.

DEVLIN: How did you manage that pushback?

RAMLI: *I'm glad at that time, everybody knows, even if I am just the chairman of Bulog I've got the trust of the President. Everybody knows that I have a hot line with Gus Dur. They also know that I don't want the job, I was before persuaded and it is in the press to other jobs in which I refused. First Gus Dur called me. He said, "Rizal I want you to be the chairman of BPK (State Auditor Body). I said to Gus Dur, I'm still 45 years old, the chairman of BPK is usually 60 years old. You give me a call if I am 60 years old.*

Then one more week he called again. "Rizal, I want to appoint you as the Indonesian ambassador to the US." I said, "Gus Dur, you are just like a Dutch Colonial power. Anybody who is critical you send them abroad and my job is just to drink wine and go to diplomatic party. Thank you." So this is his third offer to me. Everybody knows that I have a hotline with the President. And it helps.

DEVLIN: So why did you take this one? Why did you take this third offer?

RAMLI: *Because this is the third time already. Gus Dur said Rizal, you are the only one in Indonesia who has been offered top jobs and you refused. Usually first offer everybody gives up. I said, Gus Dur, I agree to take this because this is your third offer, but on one condition. I just want to be the chairman of Bulog in one year. After that you have to find me another job or I tender my resignation.*

He said, you are crazy. Chairman of Bulog is more powerful than a minister. Chairman of Bulog has more money at their disposal, which is true. If you are a minister you don't have cash in your cash book four or six trillion. It's likely you only have a trillion cash. As chairman of Bulog you have about four to six trillion at your disposal. He said you are stupid. A lot of people want to be the chairman of Bulog. I said "Gus Dur you misread me. I'm not your typical bureaucrat." Then he agreed, okay Rizal, after one year we'll think about it. I said don't think about it, that's the target, for one year.

DEVLIN: Why one year?

RAMLI: *Because at that time I am already one of the top economists in Indonesia, I was the top, highest paid economist. People invite me. One hour presentation three to five thousand dollars. I am the most expensive columnist in Indonesia. I write twice a month in "Business Indonesia." They pay me at the time \$2500 a month. You know, why bother?*

DEVLIN: I'm wondering. You were there for just a short period. Would it be fair to say that these transfers of the officials from the wet to the dry area you mentioned and also the purging of this group of about 50, were there other changes you made or were those your main signature changes?

RAMLI: *Those were the main signature changes. The bottom line is we saved a lot of money. The other thing is, which created a lot of problems at the time. You know there is always a wedge between Indonesian local rice price and import price, import is cheaper. So a lot of officials used this import, the Bulog power to import private rice using Bulog documentation because you can make tons of money.*

So one day the Director General of customs is my friend. One day he called me. He said, "Rizal there is one ship that claims to be Bulog rice import, is it true?" I said I'll check. There is no. I called him back. "How come you said it is a Bulog rice?" Yes. All the documentation is Bulog rice. But I checked with my staff, we don't import rice because my policy, I don't want to import rice; domestic rice is enough. So I know somebody within my staff is fooling around me. So I called again the armed force. I said prepare a plane for me in Halim because the ship is making a temporary stoppage in Lampung. Then I called my personal assistant. Bring about 25 journalists including TV journalists. Ask them, don't go to Bulog bureaucracy, PR (public relations) bureaucracy. Just call them to be ready at Halim. Don't tell where we'll go.

So my staff brought all these journalists including TV, brings them into the plane, we take off. Then I tell them, we are going to have a big fish, one full load of ship of rice is imported using Bulog name. So with the help of customs, etcetera, we go to the port where they detained this ship. That happened about noon time. In the afternoon TV, all the Bulog staff is shocked. The chairman of Bulog just caught a full shipload, and everybody is shocked because nothing they know about this operation. Then tomorrow morning I come to the office, I run an investigation and later on fire one of the deputy chiefs of Bulog.

Still it doesn't stop because Indonesia is a big country, right? It is a porous country. You can bring import of rice. I don't mind private sector importing rice, not Bulog because Bulog is public money. We better subsidize the farmer, the Indonesian farmer, rather than supporting farmers in Thailand or in Vietnam. But the operation is so sophisticated they buy the private rice, import rice and then they sell it to local dealer and there is no way you can identify whether this is local rice or—. The whole system is too big all over Indonesia. Then I call this, when the press called me, I called, this is beras Spanyol (Separuh Nyolong), half stolen.

I just say it jokingly and it becomes the headline, Chairman of Bulog said there's so many beras Spanyol. The ambassador of Spain is my friend, he called me, please Dr. Ramli don't use the word Spanyol. Spain in Indonesian is Spanyol. Don't use the word Spanyol.

Then I find an inventive way, I change a policy that Bulog will never buy rice again. We only buy unhusked rice. We have a lot of storage, hundreds of storage all over the country. We buy unhusked rice. So nobody can fool us around again. And when there is dry season, we mill this rice in the village mill so there are jobs creation during the dry season. When I am the coordinating minister I said we never buy rice. My replacement changed that again. We buy rice again, he received kickback, he imported rice, got a kickback of \$20 per ton. He ended up for seven years in jail.

DEVLIN: So by decreeing that Bulog would only buy unhusked rice from the local farmers, you knew that people weren't going to be able to import unhusked rice?

RAMLI: *But more importantly as to the quality of rice is going to be higher because you don't mill them until you need them. So you extend the age of rice. Typical rice three years is okay if there is good storage with the right temperature. But if you have unhusked rice, you dry it correctly, you might extend two or three years more of the rice.*

DEVLIN: Now you touch on this issue when you mentioned you brought the journalists along on this sting operation, if you will, with the boat. What role did public support play for you in all of these things you were involved in, not just in Bulog but beyond, how important was it for you to publicize what you were trying to do and try and build support amongst the general public?

RAMLI: *Matthew, who I am? I have no political party. I know some top brass in the army. But if you push for these things, this reform, you have to have power. I have paper power. But if somebody really tested me, challenged me in real, I'm hopeless. So your allies, strategic allies are the press. It's the press. Then they explain it for you, people see the choice, and the public, they have their own heart. They decided with you. So the press is very important in any moves that I made. The press is a luck charm of it. And we are lucky because we have the freest press in the country.*

DEVLIN: So when you initially get public support for a reform, how do you go about maintaining it because the press, the news for example, as you say is one great way to build that, but the news media is nothing if not fickle. News is only news for so long. So from your point of view, your horizons are much longer when you're talking about reform than news horizons. How do you keep the public interested? How do you keep them motivated behind reform?

RAMLI: *Of course there always should be new angles to it, but also make the choice clear. What are the options? Like whether to import rice and not import rice. A lot of Indonesians they really don't understand the dynamic of it. I have to explain through the press. If the private want to import let's do that, but the government should not use its public money to subsidize farmer in Thailand or in Vietnam. If we have the resources, subsidize our farmer by better seed and etcetera. So they see the choice here and it is very, very helpful.*

You have to come with numbers, because the public after the post-Suharto Indonesia doesn't like the slick, rhetoric type of statement. Before Indonesian press when they want to quote something they just quote the press statement of the bureaucracy, which is boring. No substance, no flare, no coming out, people like me who come from a democratic tradition with the numbers, with the flare, they love it.

DEVLIN: One thing, when you were talking about the decentralization effort, when you were coordinating minister, one thing that struck me, is how did you decided who went where? If you had all these central bureaucrats who were going to be exploded out into the regions, I can imagine there was the same dilemma, the wet area and the dry area, no one wants to go to rural Papua for example. Everyone has got their protectors, their political parties who are saying this guy should go here, this guy should go there. How did you—?

RAMLI: *I didn't go to that level, we left it to the Secretary-General of each department. They decided. Whether he used "objective criteria" or not, I really don't know.*

DEVLIN: Was it part of your—maybe this was again more on the detailed level, but in your strategic plan, the part that you were involved in, did you consider this balance between shifting the people with talent to the regions but also using people from the regions itself?

RAMLI: *Uh-huh.*

DEVLIN: And how did you, was there a dilemma there? I imagine, for example, again we could take the case of Papua, if there are parts of the region that are struggling, you want the most talented people there, but you can't be bringing in all these Javanese for example. Is that, was that a concern or something that you had to think about?

RAMLI: *There were concerns but we really didn't have enough resources to make the difference. But we did, for some of the important "professions," like medical doctor, we gave them an extra allocation. But it is a very special case because we cannot afford—. Matthew, the dilemma is sometimes like this. You have a window of opportunity, a very short period of time. You want to fine tune process but then it is going to take a longer period of time or you just—and it may not happen at all, or you just make that short window of time and push the envelope as much as possible and let the fixing or the fine tuning going forward after that. And most of these cases because I know also politically that goes to a government might not survive that long. I know that that window of opportunity is short. You just push the envelope and worry about the fine tune later. The next government will do it.*

DEVLIN: So you expand the horizons, you make all these options possible, which particular one is chosen can then be sorted out later.

RAMLI: *Later.*

DEVLIN: But you're just breaking the new ground. One thing I'm very interested, I'm sure given the context of Indonesia's political system, you've come up against at times, is the issue of patronage politics. Does often—there are groups that want to be accommodated who have members they believe should be in certain positions within agencies that you might have headed at various points. I guess there are two approaches to that. One can take it on head on saying no, I'm not going to take this person or give them the position you want, or one could conceivably take the person on but then isolate them from the policy-making process, limit their impact.

I'm wondering if that's something that you have thought about and in the past had to deal with, that idea of patronage appointees?

RAMLI: *One thing, before I joined the Gus Dur government, I worry a bit because Gus Dur comes from NU (Nahdlatul Ulama), the largest organization. That might be NU or the kyai (expert in Islam) what looked like to push a person to be a bureaucrat or being promoted from lower rank to higher rank and etcetera. So I discussed it early with Gus Dur, what are the policies. Surprisingly Gus Dur said, if it is his family asking favor for you either appointment or project, don't give them. I said, "Are you sure?" He said yes.*

Second, if a kyai came, promoting somebody. If it is only one kyai, Gus Dur I think is quite experienced with this. If only one kyai promoting one person you, might take a look at the case. If you think he is qualified you might take him. If

you decide he's not qualified, you don't have to consult with me, just write them off. But if there is one person promoted by more than two kyai, automatically reject them because that bureaucrat has just bribed the kyai if it is more than two. This is very good advice because some of them who want to be a DG (director general) or director, and sometimes I was surprised. Three or four kyai come to see me from different areas. It is like a Catholic parish, if just your catholic priest promoting you because he knows you, but if you live in Jakarta and then somebody from Solo, from Jogja, comes to promote you there's something wrong. He just bribed the kyai. So very good advice of Gus Dur.

I found quite many that are being promoted by more than two kyais. Automatically I rejected them.

DEVLIN: That does seem like very good advice. I'm wondering, you may have been in the position where you inherited people who got to those positions before you had a say in whether or not they were appointed. You get to an organization, and there they are. Are there ways you can diplomatically or even confrontationally make sure that okay, they're there, but how do we limit their impact on the way I want this organization to function, this agency?

RAMLI: *I'll give an example. Before I came in somebody already nominated to be the chairman of IBRA. IBRA is very powerful. This guy is before, a DG level from also a wet department and finance. I don't want to mention the name. I call him at home, I said, "You don't have to argue but I know you've already been very rich from your past position. You are going to be appointed as the chairman of IBRA. I have to tell you from the beginning, don't fool around with me. If I just hear a rumor that you do hanky-panky, just a rumor I am going to call you, cross check it with you and cross check it with everybody. If I hear a second rumor you'll be fired and I don't care whether you get the support of Gus Dur or this general or that minister, I don't give a damn. The choice is within you and me. Do you agree? If you agree we go ahead. If you don't agree tell me here, I'm going to lobby so you are not the chairman of IBRA." He said he agreed.*

During, I'm a minister, he doesn't fool around. One thing I learned, Matthew, is Indonesian bureaucrats are very afraid if they have no position. If you're a director or director-general in the economic portfolio, at that time you might be on the board, even seven state enterprises in which you receive 50 million, plus car, plus benefits. Your take home pay is higher than the boss of a multinational in Jakarta. If you're a director of finance you're going to be on the board of three enterprises, state enterprises. So it is a very privileged position.

But if you are not a DG, you are just an expert staff, you lost all this privilege and nobody respects you, even the office boy. This is just a semi-feudal state. If you are a DG you walk very upright. You don't see around, you don't say hi, how are you. So when you fall down the tukang sapu (cleaner man), before if you are DG, from very far he said, "Good Morning Mr. Mathew, how are you?" When you are not a DG he pretends he doesn't see you, he just walks and ignore you.

So putting a bureaucrat not to have a position, just to have a staff job is like killing him. And if you know that psychology you can direct this bureaucracy very effectively. But salary will not be the solution. Back in the 1970s, finance salary is increased by nine times. Different from other departments. Do the culture change of tax and customs? No. And I do believe that the reform that they do now by changing the salary and benefits system is just going to have a marginal effect. Why? Because if you are a tax officer, you receive a kickback, maybe 25 million,

in the city of Jakarta, daily, or it might be 50 million if you are a little boss or maybe 100 million. So your take home pay is huge, many many times then whatever the salary or the incentive to behave well. I don't believe salary incentive is sufficient to reform the Indonesian bureaucracy.

The key to it is the power and the capacity to sidekick official that doesn't follow the reform. Because for them it is a real punishment, if you are not a DG or a director, and I tell you tomorrow you're just a staff, you are finished. And if you know a standard, that if you hanky-panky or fooling around, I'm going to sidekick you just as a staff, they will not take the risk of doing something foolish.

When I was the Minister of Finance, the Indonesian typical bureaucratic reaction if you have a [01:19:06], new innovation or whatever: cannot do, cannot do, there's no precedent. My way to approach this, I don't care. I'll give you an example. At the time we want to restructure PLN (Perusahaan Listrik Negara). PLN Equity is minus 50 trillion, asset is only 111.

DEVLIN: Sorry, PLN is?

RAMLI: *National Electricity Company. They are technically bankrupt. So the management solution is, please government take our debt, substitute it with equity. I said I agree to it but you have to tender your resignation because I am going to find a tukang becak, a rickshaw driver, to be the director of PLN, because it's easy. Make a lot of debt and when the debt is huge give it to the government to take it over. Any tukang becak, any rickshaw driver will do, will be able to do the job better than you. I said that's not the way to do it. What we should do is we should revalue the asset of PLN and the difference in the valuation we inject into capital.*

So I pushed PLN to do that because some of the building, houses, never revalued, they're just historical value. Their market value is much higher after twenty years or thirty years. So we are able after reevaluation the assets of PLN increased from about 113 trillion, to about 214 trillion. But the law said, if you do this, PLN has to pay taxes for the difference in valuation, which is huge, because the difference in valuation is more than 100 trillion rupiah which are going to disturb PLN cash flow.

So I arranged for different tax payment. You stretch the payment of tax for ten year period of time. You pay the interest and penalty. It's a very logical solution. So we discussed that with the DGs at Finance. They said no way we can do it. There's no precedent. Then they discussed around the bush, but no solution. So I said, let's break a meeting. Now, we break the meeting, first I want you to clarify your education, each of you. They said I have a Master's from a US university, I got a Ph.D. from US, England or whatever. Now, let's have an academic discussion.

What is the difference between paying tax now and paying it ten years, plus interest rate, plus penalty? Is there any difference? They said no. They I banged a gavel and I said, we open again the meeting. You just said academically there's no difference. So why this problem that we cannot do it? I said, I don't want to have a further discussion. I'll wait until midnight tonight. If the draft of the decree is not ready, at my house, you will be ended as a DG and your team will be shifted. Midnight the draft of the decree was ready. I signed it.

So what I am telling is the psychology of Indonesian bureaucrat. They are so against reform essentially. If they can get away with it they will find ways not to

do it because it is restricting. But if you give them a trap, that you are going to give them a penalty, make them just a staff they will do it.

DEVLIN: So perhaps you could say in your opinion the key is not to incentivize good performance, it is to fully disincentivize corruption.

RAMLI: *Yes. Oh, five or six years after that I have lunch with some of these former top brass during my administration and we are joking and then somebody said, Mr. Ramli, you know what? During your time, we have no time to squeeze private sector. I said why? First of course because of your tough attitude, second we have no time because you keep up with deadlines. Everybody was asked to design something or prepare something. I said, I come from the private sector. I used to have a deadline, tomorrow, 24 hours. You always said two weeks. Okay, I'm compromising, three days. It has to be finished. They said, we have no time to even have lunch with the private sector.*

DEVLIN: On this issue of the culture of the Indonesian bureaucracy, related to that, I'm wondering if you've ever come across the phenomenon of what some people call brokerage, the idea that positions in the civil service are literally on an open market. There are people you can go to and pay cash and you will get a position. Is that a phenomenon that has existed in Indonesia here?

RAMLI: *I think the more the political parties have power in the department, they are likely chanced to do it. I'm not against political party, you cannot—democracy cannot survive without political party. But Indonesian political leadership are so, many of them are full of conflict of interests.*

DEVLIN: So would you say it would be fair to say that when positions in the civil service, in your experience are not portioned out on meritocracy, it is more a political corruption than a financial corruption? Would that be a fair characterization, that positions are given away on the basis of political loyalties and not because people are actually buying those positions?

RAMLI: *A lot of it is political. The job of the state enterprise might be more towards financial transaction.*

DEVLIN: So that is something you're aware of that there are times when people are literally buying their position? Do you have—because that's an issue that comes up a lot in other countries we work in. But it is always somewhat vague as to the mechanics of how that works. In Indonesia, were that to be happening, do you have a sense of how that works? Who one approaches in order to buy their way into a position or is that a very vague phenomenon here?

RAMLI: *I think it did happen, although not very open. Usually it is go to the family of the official.*

DEVLIN: So you would go through his immediate family?

RAMLI: *Immediate family, the wife of the official, brother or the sister or whatever.*

DEVLIN: Again, I'm not sure that you would have heard about this, but do you have a sense of when that did happen what amounts of money we're talking about, how much these things went for?

- RAMLI: I think it is vary—the range of wide open but a job like, the chairman of Pertamina is very, very lucrative because of the power it holds. I think a lot of people will be for that. Either it was a family relation, or business associate, or whatever.*
- DEVLIN: And then the same thing I assume would be repeatable down the ranks at lower levels, not just the chairman of Pertamina but you could have the same dynamic—.
- RAMLI: Yes, the same dynamic at a lower level.*
- DEVLIN: I imagine that's very difficult to deal with because it involves—there's nearly no way to regulate the back channel through someone's family, it's a real challenge.
- RAMLI: My rule is if you cannot prevent your family from conflict of interest, don't expect that your staff will do otherwise. So it sets the tone. Like the last years of Suharto, everybody knows that Tutut Suharto is very powerful. So if you go to Tutut's house it is always like the festival before the cabinet announcement. A lot of people wait in line to meet Tutut. Who is Tutut? Just the daughter of Suharto, but it tells you in the perception of people, and it might be true, that Tutut has influence to say to Suharto who should be there, who should be not.*
- DEVLIN: One thing I'm thinking about. Thousands of decentralization, it certainly ties into some of the issues you would have dealt with in Bulog, but have you ever come across the challenge of dealing with smugglers or organized crime, because when you talk about these economic issues, they can be very interlinked? Just by virtue of Indonesia's geography smuggling is an issue. When you're talking about—.
- RAMLI: It is unfortunate that I'm just a Minister of Finance for four months, but I know the custom's office, tax office. I would love to do something about it.*
- DEVLIN: That's a collusion with smuggling issue there?
- RAMLI: With the smuggling issue, tax negotiation, yes. Smuggling is really very expansive in Indonesia. You can get so many Chinese foreign goods. Anything you can smuggle in Indonesia, hand phones—.*
- DEVLIN: So in your capacities, Bulog, coordinating minister, Minister of Finance, did you ever come up against resistance from networks of smugglers or organized crime or the like or was that something you didn't confront really in your time?
- RAMLI: I didn't confront organized crime but I know they are here, of course, they should be.*
- DEVLIN: This has been a fascinating conversation. I realize I'm already rather late for my next appointment.
- RAMLI: Matthew, just in reflection.*
- DEVLIN: Certainly,
- RAMLI: Especially since I'm not in the bureaucracy for so long. Before I always have this more "accommodative view" toward the bureaucracy, that you can train them, you can reeducate them, you can reform them. Now I think I am more skeptical*

toward that solution. You cannot because it is a “culture” already. Their take-home, their taking is bigger than whatever incentive you can confirm.

DEVLIN: Can you not appeal to notions of higher loyalties, patriotism?

RAMLI: *No, that’s crap. For them it’s crap. I do believe that if I have a chance to reform, just to bring new blood into the system.*

DEVLIN: So cultural—within an institution cultural reform is something you don’t have confidence in?

RAMLI: *Yes. Especially because in the last twenty years the one who wants to go into the bureaucracy usually comes from third or fourth-rated university. From third or fourth-rated qualification. So you don’t find in the bureaucracy people who come from top universities any more. Almost nobody is interested because of the salary difference, the freedom, etcetera. Most of the best Indonesian graduate doesn’t want to go into the bureaucracy. I do believe if you want to reform you just have to inject new blood into the system. That might come from business with a strong anti conflict-of-interest clause. It might come from the academics. It might come from Indonesian private sector. That’s the only way to change the culture because the dominant culture is the culture that is not public service. The line in the bureaucracy is, “If you can make it difficult, why make it easy?” That’s a very popular line. That’s a window of squeezing and there is no way you can change the culture without the injection of new blood.*

DEVLIN: Well, I really hope you won’t mind if when we are back in Indonesia in the future we can return.

RAMLI: *Thank you Matthew.*