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Arifin Siregar [Indonesia, Minister of Trade]

Arifin Siregar

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Interviewee: **ARIFIN SIREGAR**
Interviewer: Nancy Chng
Date: 15 January 2015
Location: Jakarta, Indonesia

0:00:19

Nancy

Pak Arifin, I'd like to thank you for agreeing to talk to us this afternoon. Can we find out a bit about your background and how you came about in your own educational achievements going to Europe?

0:00:31

Arifin

I must say I came from a middle-class family, not a wealthy one, and not also a very poor one. My father started as a professional working for a Dutch railway company at that time. Later on, when we moved to Jakarta in 1950, then he became a businessman. Thus, his thinking was more like, civil servant so to speak. He was a very good father, very loving, and my mother was also a very loving mother, but she was really the one who pushed me to get ahead in life. I went to a Dutch high school both in Medan and Jakarta. It was understandable that after graduation from the Dutch high school I went to the Netherlands. In this case, I went to Rotterdam. Why? Because at that time, the Netherlands School of Economics had a very good reputation. At Rotterdam, I passed all exams, and also the Bachelor of Arts. I got a degree and before the final examination to get a master's degree in Economics, the Indonesian and Dutch governments broke off diplomatic relations in 1958. I had to leave Holland, not from the Dutch government, but from the Indonesian government.

0:02:08

Nancy

All the students came home.

0:02:09

Arifin

Yes, they had to leave Holland. Under recommendation from the Dutch professors, Professor Tinbergen and "Tras"[Indistinguishable], I went to Münster, where they had a good colleague, and I continued my studies at the Münster University in Germany. There, I finished up my master's degree, and also later on, my dissertation. I had my PhD in Economics, and I passed the exam magna cum laude at that time. I started working for the United Nations Secretary General in New York under recommendations of my Dutch and German professors. Afterwards, I joined the International Monetary Fund. While there, I was asked by the group of Widjojo to come home, because they said that they

needed my services... to devote my services unto the Indonesian government. At that time, I liked my job with the IMF. The assignment there was very challenging and very interesting, but then I agreed to go back to Indonesia at the end of 1971. There I worked together with the group, which later on was known as the Widjojo's group, or some people called it Berkeley's group, Berkeley Mafia group. I became then, at that time, the Deputy Governor, Central Bank. I remained as Deputy Governor until 1983. In 1983, I became the Governor of Central Bank,

0:03:49

[Nancy](#)

When you mentioned going back in the early '70s, and joining the technocrats, there was oil boom. Pertamina was doing very well, Ibnu Sutowo was the tsar of the oil industry, and people thought he was the second most important person after Suharto. How did that impact you as a technocrat, and then when Pertamina got to the brink of bankruptcy, were you personally drawn in to help resolve the situation?

0:04:23

[Arifin](#)

It is true, in 1975, Pertamina had a problem. They were borrowing very much indeed from the international community and later on, they could not repay the loans. Indonesia was almost bankrupt at that time, and the foreign exchange in the Central Banks were almost depleted. So much so that, we had then, for the first time, go to the capital market to borrow money, for in order to replenish our reserves, and to stabilise the monetary situation as a consequence of the PT Pertamina affair. I was lucky to accompany the then Governor Rachmat Saleh, who was a very competent governor, to go to the capital market, and to negotiate with the lenders. It was very interesting that when Ibnu Sutowo was very powerful, like you said, was considered to be the second most powerful person in Indonesia, just a call from him was enough to make the lenders be willing to extend loans to Pertamina for hundreds of millions of dollars.

0:05:37

[Nancy](#)

Without collateral?

0:05:38

[Arifin](#)

Without collateral. But later on, when there was a problem with Pertamina, when we wanted to borrow at that time only 350 million dollars, they wanted to find out whether first of all, we of the Central Bank were authorised under the constitution to have foreign borrowing, and also in fact they went as far as asking us whether the President of the Republic of Indonesia was authorised under the constitution to borrow abroad. We had to explain everything to them, but that was the irony, how they changed their attitudes from one period to another one

because we changed situation. But later on, of course, in cooperation with the other parts of the government like Ministry of Finance and BAPPENAS (Indonesian Ministry of National Development Planning), we could solve the Pertamina problem. So much so that we started again, what we call sound economic development.

0:06:38

Nancy

Based on this story it seems that the high oil prices were not helpful to Indonesia, in the sense that there were not sound economic policies being implemented, but everybody was living off the wealth of petroleum.

0:06:56

Arifin

Yes and no, because the technocrats were in a position to make use of the increased earnings to accelerate economic development like I mentioned before. On the other hand, some people who were close to the President, they were also taking advantage of the situation, like Ibnu Sutowo, and the other groups.

0:07:18

Nancy

That's very diplomatically put, but these people who took advantage and nearly bankrupted the country, were not held accountable at all. They were not persecuted. Didn't it offend people... their sense of justice?

0:07:36

Arifin

That is true. But as you know, President Suharto was what you call a very good politician. From the very beginning he did not want to rely on one group of advisers. One of them of course, the technocratic group. There were some other people like Ibnu Sutowo, and also at that time Habibie, and also other people.

0:08:03

Nancy

His generals?

0:08:04

Arifin

I beg your pardon?

0:08:05

Nancy

His generals?

0:08:06

Arifin

His generals, yes that's right. Thus, we had also to share power with all these groups under Suharto. We could not claim, we... the technocratic group, that we were the only important advisers to Suharto.

0:08:25

Nancy

He was balancing every group of... he's like a master "*dalang*" [Puppeteer]?

0:08:30

Arifin

That's right Nancy. He was a master in this case. When Suharto came to power in 1966, '67 our economy was really very bad.

0:08:42

Nancy

In shambles.

0:08:43

Arifin

In shambles. Hyperinflation, practically no growth and very... shortcomings of infrastructure facilities. It was very, very, very, bad.

0:8:54

Nancy

How did it come to that Pak, because Soekarno, when he became President, he was hailed as the great leader? So, what happened? What went wrong for him as a leader?

0:09:05

Arifin

It is true, that Soekarno had made a great contribution to making... to unify Indonesia. That was his greatest contribution. Also, to give us a sense that we deserve being independent. We deserve having the freedom from the Dutch. But later on, he remained more or less constant in his thinking and his attitude, and at that time he was very much involved in... foreign policy, as you know to create the so-called Non-Aligned Movement, new emerging forces etcetera, etcetera, and he did not pay attention to economic problems. In fact, according to many people who knew Soekarno very well, he was not interested in economic problems because he considered these problems as really petty. He devoted more time and energy to political and international politics. As consequence for us, our economy deteriorated very much indeed.

That's why when Suharto came to power, first of all, he did not have much experience in governing Indonesia, and even less as far as economic matters were concerned. At that time, he would use of the Widjojo's group. Suharto was a very good learner and listener. Later on, they coined this comparison. At that time within a period, when the technocrats were talking then, President Suharto was willing to listen and even to take notes. But later on, when he was very confident, as far as his ability to govern Indonesia was concerned, it was the other way around, that when he was talking, the technocrats were supposed to listen and to take notes. That is the development of Suharto as far as governing Indonesia was concerned.

0:11:20

[Nancy](#)

Reversed roles...

0:11:21

[Arifin](#)

Reversed role, yes.

0:11:22

[Nancy](#)

Tell us about part of your own reputation as an economist, did you have very difficult decisions as a Governor of the Central Bank? What was your difficult period?

0:11:40

[Arifin](#)

When I became the governor, the international price of oil declined very much indeed. As a consequence, the rate of growth in Indonesia also fell to two-point-three percent in 1982. We had a shortage of foreign exchange. We had to make a radical change in our policy. Until that time, there were a lot of regulations in the Indonesian economy. We think that in order to adjust to the new situation, we had to deregulate the economy. That was my first assignment: how to

deregulate? It means then, that we had to follow what we called an indirect monetary policy rather than direct through ceiling. I abolished all these credit-ceiling systems. Also, I gave the freedom to the banks to fix their own interest rates, both on loans and on deposits. If they could mobilise enough resources, then they could also increase the credits depending on each bank. There's no general policy with regard to a limit on credits. At that time, there were about 100 banks, and according to us, there were too many. We gave them incentives to merge, so that they could increase their capital base, and as a consequence they could increase their ability to make use of advances in technology. That was what they were doing. That was a radical change from the previous period, and the first time that Indonesian banks could act just like any other banks in other countries.

0:13:24

[Nancy](#)

Did you put in place regulations that prevented people from abusing the banking system? Like bank owners borrowing from their own businesses?

0:13:34

[Arifin](#)

Oh yes, but then after my assignment with the Central Bank in 1988, I became the Minister of Trade. At that time, my colleagues with the Central Bank, and with the Ministry of Finance of course, they would like to go further in the so-called deregulation process. They opened up the banks, it means that anybody with a capital of 10,000,000 rupiah at that time, worth about 5,000,000, could set up a bank. Within a period of less than two years, the number of banks increased by almost 100 percent. Many of the shareholders, the owners of the banks, set up the banks not in order to make the banks big, but in order to make it as a vehicle to mobilise savings from the public, and to use these savings for their own projects. Thus, even when the monetary crisis or financial crisis of '97 and '98 did not take place, the Indonesian banks would probably face a collapse, a bit later on, because the Central Bank was not in a position to supervise the sharply increasing number of banks. Also, many of the owners of the banks at that time, they had some contacts with the politicians.

0:15:03

[Nancy](#)

Was the Central Bank itself guilty of corruption?

0:15:08

[Arifin](#)

At that time, no. They were sometimes under pressure to treat some banks with... special gloves so to speak, yes.

0:15:22

Nancy

When you mentioned in 1988 you were appointed the Minister of Trade, was it one of the hardest things in your career when in, I think it was 1990, the clove monopoly was set up, and given to Tommy Suharto, and you were made the front man to explain the policy?

0:15:41

Arifin

That's correct.

0:15:42

Nancy

Was that a difficult thing for you to do?

0:15:44

Arifin

It was very difficult indeed. I did not agree at all. First of all, when I had to deal with people below Suharto, I did not agree at all. But later on, when the President himself asked me to adopt that system, then I had to do that.

0:16:01

Nancy

No choice.

0:16:01

Arifin

No choice. Because at that time I could have resigned, but as you know, if I did it, not only would I lose my job with the Central Bank, but it was for me very difficult to find a job in Indonesia, because I was considered to be an opponent of the regime. That happened also to some people.

0:16:25

Nancy

But you never signed the Petition of Fifty.

0:16:29

Arifin

No.

0:16:29

Nancy

It wasn't that you had to be one of the signatories to be run afoul of the President.

0:16:35

Arifin

I was not involved in any political activities. Because I don't like it. I know that politicians play a very, very important role but I did not think to be involved in political activities here.

0:16:48

Nancy

But when you considered yourself an opponent, was it well-known, or it was just known in the inner circles, or that President Suharto regarded you as an opponent, because you were not a full-throated supporter of his policies.

0:17:02

Arifin

Well, I... at that time I accepted it because, like I said, when people below him wanted to have it, I could refuse. But when he himself asked me to do that, then I could not have refused.

0:17:15

Nancy

So, you had a heavy conscience, yet you had to carry on his orders.

0:17:19

Arifin

Oh yes... But the second time, also another son of Suharto, would like to have a monopoly of oranges in Kalimantan.

0:17:29

Nancy

This is Bambang.

0:17:29

Arifin

Yes, I refused.

0:17:32

Nancy

But it went ahead anyway.

0:17:33

Arifin

Yes, he went to the Governor. The Provincial Governor...

0:17:36

Nancy

Of Kalimantan

0:17:37

Arifin

Kalimantan... this without going to the Ministry of Trade. They went to the Governor, the Provincial Governor of Kalimantan. He forced him to accept his idea of how to monopolise the trade and production of oranges.

0:18:04

Nancy

You said that short of resignation... sending in your resignation, you really could not stand up and oppose, or persuade Suharto that it was a very bad idea to have his son, have this clove monopoly, which was causing suffering to the farmers, to the clove farmers, as well as to the Kretek Industry, the cigarette industry. Nobody benefitted except Tommy Suharto.

0:18:30

Arifin

I could not say about that, but what I had told him, according to me, monopoly is very bad. Whether it was at the hand of the son or not, so it was another question. I tried to come up with good arguments, but he overruled me. He overruled me.

(00:18:52)

Nancy

But little did they know that Suharto became a very ruthless leader over his course of thirty-two years. He was using people, and when he didn't need them, he would get rid of them.

0:19:03

Arifin

You're right. But like I said... during the first few years of his rule, he was... made a lot of contribution to the revamp of Indonesia. But later on, when his children became also businessmen so to speak, then the situation was changed. That's why each person I think... like if you look at his, almost... each leader has his own time. If a leader remains too long in his position, wealth, power corrupts, like I said... and that happened also to him, and that happened also to Soekarno.

0:19:41

Nancy

May I ask you about the relationship now with Habibie? He went on to become President after Suharto stepped down. There were some people who said that Suharto expected him to decline to become President himself. He surprised many people by accepting the presidency, how do you rate his short tenure as President?

0:20:07

Arifin

When Habibie was still a member of the cabinet, the technocrats had some differences of opinion about how to develop our economy. As everybody knows, Habibie was very close to the President. He had the ears of the President. He got also a lot of projects financed by the government. But then when he became President, he did a lot of good things for Indonesia, especially in the democratisation process. He gave press freedom, he allowed people to set up political parties, and he released a lot of political prisoners. During his short period, he was only President for about one and a half years, he changed the political system radically. I must... we have to give credit to him for these actions. I think Habibie is also a very good politician, because he knew that when he became President, people expected quite a change in the political system. That's why he introduced this freedom of expressing freedom of the press, and he allowed people to set up political parties. He knew that the wind is blowing in that direction.

0:21:44

Nancy

But he was not Javanese and... so he had a problem working with the mentality?

0:21:54

Arifin

No, but he's... like I said, he depended when he was in the cabinet only on Suharto and really, he was the most favoured aide of Suharto. He could not be disturbed by the family members of Suharto. When he wanted to have an appointment with Suharto, it was very easy for him, and could last hours and hours, whereas we had very limited opportunity to do that.

0:22:27

Nancy

For you as a Batak, is a question which I would like to ask... there are all these different ethnic backgrounds. Did you, as a Batak, have a problem dealing with this central core, the Javanese core, the Javanese mentality? You said you are married to a Javanese yourself, but there are still these differences that you had to...

0:22:50

Arifin

First of all, I was aware of the big differences in approach... between the conservative Javanese and the other people... the ethnic people of Indonesia. It was at the beginning rather difficult for me to adjust how to approach a problem, how to explain certain things to President Suharto.

0:23:15

Nancy

You were too direct?

0:23:16

Arifin

Yes. Later on, I got also advice from Widjojo's group how to do that, to do it in a gradual way. After I have told him something, I should wait for his reaction to know whether he agrees, does agree or not? Sometimes it's very difficult to know whether he agrees or not, because of his Javanese attitude, not to show his emotion. But gradually I learnt even though, not very, very easily.

0:23:53

Nancy

How do you assess the other presidents?

0:23:57

Arifin

Gus Dur came to power, as an administrator he was rather bad, but he was the one who reduced the power of the military for the first time. The so-called Reformasi was abolished by him. Secondly, he was really very instrumental in promoting pluralism with regard to religious and ethnic minorities. That was his biggest contribution.

Then you have Megawati. Megawati was considered to be the symbol of resistance to Suharto. She was welcomed very much indeed at the beginning, but later, people were also disappointed in her, because apparently, she did not do much for Indonesia.

Then came SBY (Susilo Bambang Yudhoyono). At that time, people expected very much from him. During his first term, he did a lot to make people having better standards of living. But later on, he made a lot of mistakes and he was, or he is still very hypersensitive to any criticism. As a consequence, he wants to embrace all groups of people. By so doing, that he made a lot of concessions and then there was a lot of dissatisfaction also, because he had a lot of plans, programmes, but very bad in implementing all these programmes and plans. But we have to be fair also to him. During his period, his ten-year period, we had stability, also economic stability, even though the gap between the rich and the poor became bigger and bigger, but still there was stability.

0:26:03

[Nancy](#)

How... what kind of traits, going back to ideally... you don't have a perfect candidate for President, but what kind of traits would you like to see in a leader?

0:26:15

[Arifin](#)

For sure he should have a very good idea as to how to develop the country: a vision. Secondly, that he must be willing to implement all these regulations, even though probably some of them are not rather popular. This means that he should be willing to take unpopular actions for the sake of the country in the long run.

0:26:43

[Nancy](#)

And willing to fight the vested interests?

0:26:46

[Arifin](#)

Yes, even though people realise you cannot do it right away, and in a confrontational way. Probably takes time to do that. But the most important thing is direction is right.

0:27:00

[Nancy](#)

Just a follow up, because now you have got a very strong leader in the Governor of Jakarta, in Ahok, and some people think he's unpopular because he's so "galak," he's so in-your-face. He's not gentle in dealing with people. Is he a good leader for Jakarta?

0:27:22

[Arifin](#)

In his case, he's very good. A man of actions, but he's rather rude in dealing with people. He could have done it in a different way. Being decisive is fine, but how to be decisive is something different. How to do that, how to persuade people to follow your policy? In his case, I think he goes a bit too far, too... sometimes hurting other people's feelings.

0:27:58

[Nancy](#)

Well, we wish Indonesia well, Pak Arifin. Thank you very much for your time.

0:28:02

[Arifin](#)

Thank you, thank you very much Nancy.