

SPEECH

TRANSITION TO DEMOCRACY: THE INDONESIAN EXPERIENCE

Bacharuddin Jusuf Habibie

President of the Republic of Indonesia, 1998-1999



ENGLISH DEPARTEMENT

FACULTY OF TEACHER TRAINING AND EDUCATION

MUHAMMADIYAH UNIVERSITY OF MAKASSAR

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Excellencies, Ladies and Gentlemen,

Please allow me to give you some information about how the transition to Democracy in Indonesia has come about.

The World Bank forecasted in its 1997 report an average economic growth for Indonesia of 7,8 percent. However, in the midst of this rapid growth the economic crisis erupted in the middle the year.

The decline of the value of the Baht, the currency of Thailand, was followed by a decline of the value of other currencies in quite a number of Southeast Asian and East Asian countries, including the Philippines, Malaysia, Indonesia and South Korea. All of these countries had economic structures that were not all that dissimilar from that of Thailand, and they were all experiencing 'bubble economies'.

The crisis precipitated a flight of foreign capital from these countries and resulted in their banking systems collapsing one after the other.

Bank Indonesia tried to apply various policies to defend the rupiah, but the monetary crisis, accompanied by a collapse in confidence, made the rupiah increasingly difficult to control.

As the result of the monetary crisis, the Indonesian banking system could no longer function properly for a considerable period of time.

Thus, it was not possible to encourage growth in the real sector and business world. As a result, business stagnated.

The supply of goods, especially essential commodities, was disrupted, including both of those intended for domestic consumption and export. As a result, a food and essential other commodities crisis became unavoidable.

The situation spun rapidly out of control and evolved into a prolonged multidimensional crisis that affected various fields. The effects of the crisis caused extreme hardship for the people.

The monetary crisis that hit Indonesia was part of the domino effect rippling out from the decline of value of the Thai Bath against the US Dollar. The peak of the crisis in Thailand was reached in December 8, 1997, when 56 of the country's 58 most important financial institutions were closed.

Despite of the International Monetary Fund (IMF) assistance, since 8th of October 1997, the crisis afflicting business resulted in many companies laying off workers, leading to a massive increase in unemployment. The monetary crisis impact on employment in one year from 1997 to 1998 were as follows:

1. Underemployment by 13,8 % from 28.2 to 32.1 million
2. Unemployment by 16,7 % from 4.68 to 5.46 million

All of these in turn led to social crises, as well as public disorder and security problems.

Those who could not find jobs in the formal sector in the end were forced to work in the informal sector, which suffered from much lower productivity levels.

Public disquiet and fear became commonplace as the situation got worse. Indonesia, which had previously achieved macro-economic stability, showed itself incapable of weeding out corruption.

Just the opposite, in fact, Indonesia under President Suharto's New Order, proved itself to be a fertile ground for graft. Corruption was commonplace at both the central and local government levels, and affected all levels of administration, from the highest to the lowest.

Collusion, frequently manifested in the granting of monopolies, further increased the gap between rich and poor, as only a small group was able to take advantage of the special opportunities and facilities available in the economic field.

For the majority of the people, however, life continued to be a struggle, with most people living below the poverty line.

Another problem was the concentration of the fruits of economic development in Java, while most areas outside this island remained mired in backwardness and poverty.

Globalization and the emergence of a transparent world community, and much greater access to information have brought about a period of rapid change throughout the world.

The Indonesian people responded to this change by demanding freedom, transparency, justice, and democracy based on human rights, responsibilities, and security.

These new demands came to the fore within a relatively short period of time. The people now benefit from much greater freedom and greater transparency, and are braver but also more confused, more pessimistic about the future and sometimes even more indifferent.

The rapid changes taking place at both the global and national levels led to growing uncertainty among the people. This uncertainty affected the credibility of politicians and the economy.

Triggered by the monetary crisis, the confusion and unease felt by the public led to demonstrations, particularly those organized by students.

Initially, demands that President Suharto resign were few and far between. However, as time went on, it became more apparent that the students, supported by the public at large, wanted to see the ouster of the Suharto government which had controlled Indonesia for over three decades. In the end the students were no longer satisfied to hear promises of political and economic reform from the government, but demanded a total regime change.

The economic crisis suffered by Indonesia undermined the basis of legitimacy upon which Suharto's New Order government was built. Long period of economic growth had muted criticisms of the regime's monopoly of power and limitation of civil and political liberties. However, with the onset of the economic crisis the people's patience wore out. Economic hardships, revelations of human rights abuses and blatant corruption of those closely related to the ruling family eroded any supports left for President Suharto.

Day by day, the demands for President Suharto to step down grew increasingly loud and strident. The convulsions taking place in society were clearly apparent from the reports carried in the media.

While the Indonesian media had been previously restricted in what it could report, it was now willing to take a stand and assert its independence. The media

started to report freely what was happening, and the opinions and views being expressed in the community. This initial euphoria of press freedom was made possible by a softer approach from the authorities in line with the demands for reform.

The seemingly unstoppable series of demonstrations reached their climax with the Trisakti Tragedy on May 12, 1998. At the time, students from Trisakti University were staging a demonstration but were confronted by the security forces. A clash occurred, during which 7 students were shot dead by live ammunition.

This sparked a spate of widespread rioting and disturbances from May 13 to 15. It is worth noting that President Suharto was actually in Cairo attending a meeting during this momentous period. The riots broke out simultaneously in a number of areas and left hundreds of people dead and widespread damage to property in their wake.

The rioting, looting, burning and rape left a bitter legacy for the Indonesian nation. The extent of the violence came as a shock to many, especially in a country, which had always claimed that its people were polite and friendly.

The House of Representatives and the People's Consultative Assembly (DPR and MPR), which till that time had continued to express loyalty to President Suharto, became alarmed that the escalating situation could result in widespread social conflicts that may endanger national unity.

After hours of difficult negotiations the leadership of the House finally urged President Suharto to resign and called on the people to exercise restraint and maintain national unity so that an orderly and constitutional change of government could take place. The new government was tasked to carry out wide-ranging reforms as demanded by the public.

In accordance with the 1945 Constitution, as Vice President I was sworn in to become president immediately after President Suharto announced his resignation on 21st May 1998. In the 17-month Democratic Transition period of my presidency, I personally led national efforts to overcome the multidimensional crisis and lay the foundation for Indonesia's transition to democracy. I developed a systematic approach on finding solutions to various issues that are often related to one another and could be best described as follows:

1. Ensured that in the shortest time possible uncertainties were transformed into certainty through making large-scale changes;
2. Avoided making large scale changes through a "revolution" that could yield unpredictable results, but rather developed "accelerated evolution procedures" which were planned and implemented based on agreed rules and regulations, but at an accelerated pace.
3. Relaxed existing unproductive constraints to social, political and economic progress and prevented the formation of additional constraints.
4. Immediately became more transparent and continuously informed the people of the changes that are taking place.
5. Ensured that freedom of the press was given the highest priority to allow high quality of information to reach the people at the right time.
6. Guaranteed the freedom of speech and the freedom for people to voice their opinions, also if needed through peaceful protest and demonstrations.
7. Immediate release of all political prisoners.
8. Allowed the creation of new political parties that must recognize and accept the existing Constitution.
9. Made it clear that the Constitution is a living document, allowing for amendments, without changing the basic principles and philosophy of the Nation.
10. Swift decisions taken to improve macroeconomic indicators, employment creation measurements, and prevention of the outflow of capital to achieve economic and political stability.

11. Solved immediately domestic and national issues without ignoring regional and international constraints.
12. Legislative and Presidential elections brought forward, to be held immediately within 12 months.
13. Affirmed the clear division of duties and responsibilities between the military and police forces.
14. During this transitional period, every National Leader must be fully aware that his/her main duty was to ensure "low cost, high quality and timely delivery" of the necessary changes that needed to be implemented without misusing the trust and opportunity given. An important change in power paradigm in the reform era: an opportunity to lead was NOT given as a means for the leaders to maintain power for as long as possible.
15. A strong national consensus was a necessity to ensure nation-wide acceptance of the overall road map in time of turbulence. People must be encouraged to use legitimate political procedure and follow the appropriate political processes to voice their aspirations and avoid using "street parliament" in order to have sustainable and strong political institutions.
16. Motivated the youth to participate constructively in politics by allowing for freedom of assembly and freedom of expression to ensure that they are channeled in the right way. The younger generations have a tendency to explore various ways in developing political criticism of the country, and many are active in the many NGOs that have been established, in particular through the use of various new media – twitter, facebook and other virtual social platforms – for political and non-political purposes.
17. Ensured freedom for assembly and for the formation of political parties with no bias or restrictions based on race or religion, including Islamic-based parties. Allowed the formation and survival of political parties taking its natural course.
18. Enacted and implemented measurable policies to eradicate corruption. Enlisted a buy in from all arms of government to support and commit to

measures to eradicate corruption in all sectors. In Indonesia, the People's Assembly issued a decree to "investigate and confiscate assets, and proceed with the prosecution of corrupt officials". This decree was followed with the establishment of a National Corruption Eradication Commission.

19. Introduced an anti-monopoly law and later established an independent commission to ensure fair business practices that broke up existing economic monopolies and prevented new ones from developing.

These were some of the steps that Indonesia carried out in the early years of transition from authoritarian rule to becoming a true democracy. We still have some way to go to consolidate and improve the quality of our democratic governance more substantively. Despite its many shortcomings Indonesians are fully committed to ensure that a transparent, participatory, accountable and inclusive political system such as provided by democracy is the best way to bring us to our desired collective future.

I wish the people of Egypt the very best in seizing this wonderful and historic opportunity to realise the sovereignty of the people in deciding the future of this great country. As in the historic past, I am confident that Egypt will once again become a beacon of a new vibrant civilisation in the Middle East and beyond.

Thank you for your kind attention.