

EABER WORKING PAPER SERIES

PAPER NO.3

ECONOMIC REFORMS IN INDONESIA AFTER THE 1997/98 ECONOMIC CRISIS

**HADI SOEASTRO, HARYO ASWICAHYONO, AND
DIONISIUS A. NARJOKO**

CENTRE FOR STRATEGIC AND INTERNATIONAL STUDIES
JAKARTA
CSIS@CSIS.OR.ID

PAPER PREPARED FOR DISCUSSION AT THE
MICROECONOMIC FOUNDATIONS OF ECONOMIC PERFORMANCE IN EAST ASIA CONFERENCE
MANILA 23-24 NOVEMBER 2006

ABSTRACT:

This paper reviews the experience of undertaking reforms in Indonesia after the economic crisis 1997/98, focusing on the reforms made under the last two presidents - Megawati and Susilo Bambang Yudhoyono. The review leads the paper to draw some lessons from the experience. Among other, the role of IMF in disciplining the policy direction, and hence the reforms, is quite evident. This is in the light of dramatic change in the political economy of decision-making process after the crisis, where the power was shifted from the president to the government. The paper also finds that one important constraint for delivering a successful reform is nationalistic ideology which strongly opposes the mechanism for moving towards more efficient market. Meanwhile, in practical terms, the change in political architecture seems to have contributed to the coordination problems across the governmental agencies and ministries, which leads to slow progress in the policy implementation.