

# Unrest in Indonesia

Peter Symonds  
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Plans by the Suharto regime for a voluntary three-month freeze on repayments of more than US\$65 billion in private debt received a cool reception at a meeting of international bankers in Singapore on January 27.

Indonesia is seeking the largest restructuring of private debt in history. Two hundred twenty-eight companies are unable to meet their debt obligations as a result of the precipitous decline in the rupiah since last July. Most Indonesian companies are burdened with large US dollar-denominated loans and are technically insolvent.

At stake is not only the economic and political stability of Indonesia. Already the failure of an Indonesian company, Steady Safe, has precipitated the collapse of Peregrine Investment Holdings, one of the largest investment houses in Asia. Japanese banks, which hold US\$22 billion in Indonesian private debt, are particularly vulnerable.

The debt moratorium was one of a series of government proposals to stem the slide of the rupiah and continuing economic uncertainty. Under pressure from the International Monetary Fund, the country's financial system is to be deregulated—an immediate boon to international firms which will be able to buy up Indonesian banks and corporations at fire-sale prices. The central bank is also to act as guarantor for the foreign creditors of domestic banks.

Indonesian special government adviser Radius Prawiro sought to convince the Singapore meeting of the viability of the financial proposals announced the previous day. But international bankers were not prepared to extend a blanket moratorium and easier repayment conditions to all Indonesian companies.

The Suharto regime is desperate to buy itself some breathing space. The latest budget, brought down at the insistence of the IMF, is certain to exacerbate social tensions. Budgetary predictions are premised on zero

economic growth for 1998 and a 20 percent inflation rate. Fuel subsidies are to be cut by 25 percent and the wages of public sector workers will be frozen.

One media report described the plight of a family living in the slum of Penas on the outskirts of Jakarta. “Erna, her husband, her two children, and all their neighbors earn a living by picking through garbage for bottles and bits of recyclable plastic. Over the past few weeks, their lives have gone from precarious to untenable: The price of sugar has doubled, cooking oil has tripled, and even government-stabilized rice has gone up by a third. Yet the scrap dealer now pays them only half as much as he did in December. ‘In the good times, the rich get richer,’ she says. ‘And in the bad times, we poor are the ones who suffer.’ “

Rising unemployment, price increases and economic uncertainty have already produced demonstrations, protests and riots. On January 26 and 27, villagers in the central Javan towns of Kragan and Sarang—about 500 km east of the capital Jakarta—looted and destroyed a number of shops owned by ethnic Chinese. Earlier in the month riots erupted in east Java.

As they have in the past, sections of the Indonesian ruling class are inciting anti-Chinese racism as a means of deflecting attention from the deepening social polarization. Anti-Chinese agitation is encouraged not only by Muslim groups but at the highest levels of the state apparatus.

A recent report from the human rights organization Tapol cited a document, believed to have been drafted by the commander of the elite army unit Kopassus, Major-General Prabowo, son-in-law of Suharto, calling for an organized campaign directed against Chinese conglomerates and the IMF.

Opposition figure Megawati Sukarnoputri is also seeking to prevent social eruptions from developing into an anti-capitalist political movement. She is backed by sections of business, encouraged at least

covertly by the Clinton administration and supported by student radicals, including the banned PRD [Democratic People's Party]. Megawati has called for Suharto to step aside and has publicly staked a claim to the presidency.

A number of small protests in support of Megawati have taken place in Jakarta in the last two weeks. On January 22 eight delegations of student and opposition groups protested against the IMF and Suharto outside the national assembly. Demonstrators have been pictured in the international media with placards openly denouncing Suharto.

On January 25, Megawati criticized the corruption and nepotism of the Suharto government at a public meeting of 1,500 students in the central Javanese city of Yogyakarta.

There are the signs of a radicalization among students, youth, workers and intellectuals in Indonesia. But a perspective of establishing an alternative "democratic" capitalist regime dominates the protests. In the 1960s this perspective, promoted by Megawati's father, former president Sukarno, and the Stalinists of the Communist Party of Indonesia, politically disarmed the working class and paved the way for Suharto's bloody military coup.



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