

# Behind the Suharto-IMF confrontation

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The escalating confrontation between the Suharto dictatorship in Indonesia and the International Monetary Fund has deep-rooted causes arising from a fundamental shift in the world economy. At the heart of the conflict are IMF demands for the complete restructuring of the Indonesian economy.

Backed by the Clinton administration, the IMF compelled Suharto to sign a far-reaching deregulation agreement in mid-January, as the price for a US\$43 billion bailout to pull Indonesia back from the brink of economic collapse. Now the IMF has threatened to punish Suharto's failure to meet deadlines under the agreement by cutting off emergency funds, precipitating a further plunge in currency and share values.

The January 15 "memorandum of economic and financial policies" is unprecedented in scope. It takes virtually every aspect of economic life out of the hands of the Indonesian regime and imposes every prescription of the IMF, and the global business and financial interests it represents. The IMF package is nothing less than an attempt to establish a new form of quasi-colonial rule.

The 80-point memorandum sets out a detailed timetable for dismantling tariffs and other forms of trade protection, tax incentives, price controls and state monopolies. It requires the restructuring, merger and privatization of banks and financial institutions, and sets detailed targets for budget reduction, taxation levels and inflation.

In particular, the deal demands the scrapping of 12 major infrastructure projects and an end to all subsidies and tax privileges for the national car project owned by Suharto's youngest son, Hutomo 'Tommy' Mandala Putra. It dictates the abolition of import monopolies over wheat, wheat flour, soybeans and garlic; new rules for cement manufacture; the scrapping of all monopoly marketing organizations and controls on internal agricultural trade. Also on the list are the clove monopoly controlled by Suharto's son, and the plywood marketing cartel managed by Suharto's close business associate, Mohamad "Bob" Hasan.

To head off social unrest caused by soaring prices, the IMF has offered to modify its timetable for ending food subsidies, but only if Suharto first agrees to honor his commitment to "deregulate and privatize the economy." This underlines the central thrust of the IMF's dictates—the tearing down of the complex web of economic privileges that protects the business empires of the Suharto family and its associates.

The basis for Suharto's intransigence is obvious. The IMF's demands are tantamount to insisting that the entire Suharto regime, and its social base, commit collective economic and political suicide.

Suharto's brutal 32-year dictatorship has been rooted in a complex system of patronage and cronyism, operating through business partners, the military and the state apparatus, and reaching into every nook and cranny of Indonesian society, right down to the village level. Once it begins to unravel at the top, the entire structure will collapse.

Already, most of Indonesia's major banks and corporations are technically insolvent because of the plunge in the rupiah.

Suharto has become increasingly defiant. At the beginning of March, he rebuffed Washington's special envoy to Jakarta, former vice president Walter Mondale. Despite the opposition of the IMF, the US and other major powers, Suharto has refused to rule out the formation of a currency board to peg the rupiah to the US dollar.

Suharto used the nationally televised opening of his largely hand-picked People's Consultative Assembly (MPR) on March 1 to brand the IMF agreement a failure and call for a revamped package—an 'IMF-plus'—to stabilize the economy. He warned that unless the deadlock was 'resolved properly it might eventually become a global-scale crisis.'

Now that the assembly has rubber-stamped his presidency for another five years, Suharto has announced a new cabinet stacked with cronies and opponents of the IMF's deregulatory demands. Headed by the leading economic nationalist Yusuf Habibie as vice-president, the line-up includes timber magnate Hasan as minister of trade and industry, Suharto's eldest daughter Siti Hardijanti Rukmana, a wealthy businesswoman in her own right, as social affairs minister, and Fuad Bawazier, a man with close ties to the Suharto business empire, as finance minister.

The conflict between the IMF and the Suharto regime arises directly out of the changes in world economy, resulting from the globalization of production and ever-closer financial integration.

In the years following its installation through the bloody CIA-backed coup of 1965-66, the Indonesian junta was a strategic linchpin for the major powers in the Southeast Asian region.

Its brutal repression of workers and peasants made it an ideal regime for the multinational corporations that were setting up offshore production facilities to take advantage of cheap labor and cut-price raw materials.

Consequently, its policies were held up by the IMF and the World Bank as a model of economic rectitude. There were no objections, at that time, to the 'dictatorship' and system of 'crony capitalism' through which Suharto and his business supporters acquired vast fortunes.

Now, the economic needs of the transnational corporations and financial institutions have changed. Not only do they require cheap labor and raw materials, but access to all areas of the economy. There are vast profits to be made from the marketing of raw materials, banking and finance, telecommunications and transport, as well as the provision of information technology and services.

From the beginning of the 1990s the new demands of global capital came into increasing conflict with the economic privileges enjoyed by Suharto and his supporters.

But it was not until the currency crisis erupted that the opportunity presented itself to the IMF to push through its demands for restructuring of the Indonesian economy.

Accordingly, the Jakarta regime has been transformed from an IMF 'model' into an international pariah.

Parallels are being drawn in the US press between Suharto and Iraqi leader, Saddam Hussein. 'Make no mistake about it,' economic commentator David Sanger wrote recently in the *New York Times*, 'Letting the IMF work its will in Indonesia threatens Suharto's control over the country as surely as letting arms inspectors into Iraq threatens Saddam's.'

Sanger pointed to daily White House briefings on Indonesia, involving not only financial experts, but top State Department officials, CIA analysts, the Pentagon brass and national security aides as well. Such gatherings indicate that Washington is marshalling its military, political and economic resources to take measures against Suharto just as drastic as those against Hussein.

Indonesia has become a test case in a broader battle, whereby the multinationals and their governments are fighting for control over every aspect of global economic life, brooking no opposition to their frenzied quest for higher profits.

The American and European powers are particularly insistent on the IMF agenda, whereas Japan stands to lose most from the meltdown in Indonesia and elsewhere in East Asia, where its banks have lent heavily. Japanese businesses have worked more closely within the nationally regulated Asian economies, which have sometimes been portrayed as following the 'Japanese model.'

A recent comment in the *Financial Times*, the mouthpiece for British big business, expressed the growing consensus in ruling circles internationally that Suharto has to go. 'The US and other governments must now start considering seriously how far it is worth propping up a regime that may well be on the way out,' it stated.

However, differences exist over how to oust Suharto. Many capitalist politicians and commentators worldwide fear the consequences of a social explosion in Indonesia, fueled by skyrocketing prices, widespread unemployment and poverty, famine and disease.

Former US secretary of state Henry Kissinger recently warned that the IMF's plans for Indonesia and Asia amounted to imposing a revolution from above. 'If the definition of a revolution is fundamental change in the economic and political system, then what we are trying to engineer in some of these countries is clearly a revolution,' he told a Brookings Institute seminar.

As the principal architect of the Nixon administration's strategy in Asia during and after the Vietnam War, Kissinger is well aware that the IMF's plans could begin to create the conditions for a social revolution from below.

Kissinger's concerns have been echoed by the Australian authorities. Its Reserve Bank governor, Ian McFarlane, told a meeting in the US last week that the IMF should not 'capitalize on any of these countries' difficulties in order to bring about a political transformation.' With close economic and military ties to Suharto, the Howard government in Australia is anxiously seeking to effect a compromise with the IMF.

The fact that the IMF and the American and European bankers are determined to proceed despite these warnings is an indication of the powerful economic interests at stake.

The deepening social crisis in Indonesia starkly demonstrates what capitalism has in store for the working class internationally. Millions of workers in the construction industry, factories and sweatshops have already lost their jobs. Unemployment is projected to rise to 20 million, or 21 percent, by the end of the year. Many more are classified as 'underemployed'-a euphemism for impoverished part-

time laborers, who try to feed themselves and their families on a few hours work a week.

Welfare and unemployment benefits are virtually unknown in Indonesia. Those who are not supported by their families, or cannot return to a village to eke out an existence in semi-subsistence agriculture, will starve. The social crisis confronting tens of millions of working people is compounded by skyrocketing prices for basic items such as rice, cooking oil and kerosene.

The cost of most medicines has risen by more than 300 percent, placing even the most elementary medical care beyond the reach of ordinary workers, peasants and large sections of the middle class. Already, kidney patients have died, unable to continue essential dialysis treatment.

In rural areas, the crisis has been worsened by widespread drought, and by the reemergence of forest fires, often deliberately lit by logging and plantation companies seeking to clear land as cheaply as possible. A World Bank report has warned that severe rice shortages could cause famine.

The economic breakdown is leading to growing social unrest. Since the beginning of the year, rising prices have sparked rioting in towns and cities across Indonesia. At the same time, thousands of Indonesians, desperate for jobs and food, are fleeing into Malaysia and Singapore.

In recent weeks, thousands of students, including more privileged layers, have defied police and army troops to take part in campus demonstrations against Suharto in Jakarta, Yogyakarta, Bandung, Surabaya and other cities.

But at present, workers and young people in Indonesia lack any clear political perspective or means for fighting for their historic class interests.

Opposition figures such as Megawati Sukarnoputri, daughter of former president Sukarno, and Amien Rais, head of the Muhammadiyah Islamic organization, have indicated their readiness to implement the central planks of the IMF program. They represent business layers that have been blocked by the dominance of Suharto and his backers. They are more than willing to work with sections of the military to further their interests.

Regardless of which wing of the capitalist class is in power--Suharto or Megawati and Rais--the social disaster confronting the Indonesian working class will only intensify.

A completely opposed political perspective is needed--one which fights for the independent mobilization of the working class, at the head of the urban poor and oppressed rural masses, to take power and completely reorganize the economy along socialist lines. Only such a struggle is capable of establishing genuine democracy and social equality. To lead this fight in Indonesia a socialist party must be built, a section of the International Committee of the Fourth International.



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