Mondale sent to Jakarta

Aggressive US intervention in Indonesia

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The Clinton administration dispatched former vice-president Walter Mondale to Jakarta this week as part of a campaign to ensure that the Suharto dictatorship fully implements IMF restructuring and austerity measures agreed to in January.

After a one-and-a-half hour meeting with Suharto, Mondale emerged to demand “full, demonstrable and vigorous implementation” of the IMF plan to deregulate the Indonesian economy as the price for a $US38 billion financial bailout.

Mondale’s arrival was pointedly timed to coincide with the opening days of Indonesia’s People’s Consultative Assembly (MPR)—a handpicked body that gathers once every five years to endorse the military’s choice of president and vice-president. As Mondale landed, US Treasury Secretary Robert Rubin publicly questioned Suharto’s willingness to carry out the IMF plan. IMF officials were also in Indonesia to assess Suharto’s performance.

The Clinton administration’s intervention underscores its determination to remove all barriers to the unfettered exploitation of Indonesia’s cheap labour and natural wealth by US big business. Its central demand is that Suharto end all special monopoly rights, tax breaks and other economic privileges afforded to businesses connected with his family and cronies. These conglomerates stand in the way of US corporate investors muscling in to profit from Indonesia’s economic collapse.

In the leadup to Mondale’s visit, reports appeared in the Western financial media accusing the military regime of backtracking on the IMF timetable for dismantling monopoly rights. The *Australian Financial Review*, for example, revealed plans to revive the clove monopoly owned by Suharto’s youngest son Hutomo (Tommy) Mandala Putra, and the plywood monopoly controlled by close Suharto associate Mohamad (Bob) Hasan. It noted that special tax arrangements continued to apply to Hutomo’s national car project.

Rubin categorically denied that Mondale would deliver a private message from Clinton demanding that Suharto step down. Clearly, however, the White House is weighing its options. According to a recent report in the *Los Angeles Times*, the administration held closed door meetings to discuss “the Manila scenario”—a reference to the US-backed ousting of the Marcos dictatorship in the Philippines in 1986. Marcos was forced out of office by Cory Aquino, a leading member of one of the Philippines’ wealthiest families. Backed by sections of the military, Aquino exploited the widespread popular opposition to Marcos to establish a capitalist regime more amenable to US interests.

The LA *Times* reported that the Manila option had been shelved—for the time being. According to one unnamed official, the highest priority for the US was “stability, which is in a true sense a political matter ... If you start trying to pull the plug on Suharto now, the question is, what could happen?”

Another US official pointed to the lack of a unified political opposition. Since Clinton came to office his administration has given support to the opposition figure Megawati Sukarnoputri, daughter of former president Sukarno. Megawati and her ally, Amien Rais, head of the Muhammadiyah Islamic organisation, have pledged to implement the IMF program. They represent sections of the Indonesian capitalist class currently shut out by the Suharto clique. However, the US fears that Megawati and Amien will not be able to control any mass movement that erupts.

Suharto used the nationally televised opening session of the Consultative Assembly to hit back at the IMF, the US and other critics. He branded the IMF package a failure and called for a revamped package—an "IMF-plus"—to stabilise the economy. "[The] international community realises that unless the crisis is resolved properly it might eventually become a global-scale crisis," he said.

Suharto and his cronies cannot afford to accede to the US and IMF demands. Over the last six months, share prices and the Indonesian rupiah have crashed, ruining the country's debt-burdened banks and corporations. *BusinessWeek* has reported that the country's largest private conglomerate, the Salim Group, owned by Suharto's closest business associates, was valued at $US5.9 billion last September but was "now virtually worthless". Its two major components, Indocement and Indofood, cannot pay their international debts or finance their operations as long as the rupiah remains at a quarter of its previous value.

Suharto has persisted with plans to prop up the rupiah through the formation of a currency board, in which the rupiah would be pegged to the US dollar, despite an IMF threat to withdraw its cash. He has also pressed ahead with the nomination of Research and Technology Minister Yusuf Habibie as vice-president. Habibie advocates a high degree of government regulation and an expansion of state-sponsored economic projects. Suharto has gone to extraordinary lengths to ensure that no rivals to himself or Habibie will be nominated during the assembly sessions.

Suharto's reference to "a global scale crisis" if his government is not supported plays on the very real fears in ruling circles around the world of the consequences of an economic and social catastrophe in Indonesia. The world's fourth most populous country, it is of immense economic and strategic importance. Not only is it an important source of raw materials and cheap labour; it controls many of the key sea routes between Asia and the rest of the world, and between the Pacific and Indian Oceans.

Any upheaval in Indonesia would have immediate repercussions in nearby states such as Singapore, Malaysia, Thailand and the Philippines, also hard hit by the economic crisis. The Australian government, particularly sensitive to the dangers of social unrest in neighbouring Indonesia, has offered millions of dollars in extra aid to shore up the Suharto junta and is calling on the IMF and the US to soften their demands for the removal of price controls.

The social crisis is rapidly worsening. Prices for food and other essential commodities have already doubled and trebled, just as millions have lost their jobs. A recent World Bank report warned that a severe drought was creating the potential "for a serious food crisis with wide social consequences." It said the country would need to import at least four million tonnes of rice this year.