

Australian business and the Indonesian regime

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Even as Suharto relinquished office last week, Australian prime minister John Howard hailed the dictator's 'great contribution'. Earlier, the Australian army chief, General John Sanderson, praised the 'well-led' Indonesian military.

Various media commentators have suggested that the Howard government is mistaken in continuing to identify itself so closely with the military dictatorship in Indonesia.

But one of the primary reasons for the effusive support given by successive Australian governments -- Liberal and Labor -- to the Jakarta regime is the profit-making of Australian-based companies, sometimes in direct partnership with the Suharto family and its associates.

During Suharto's 32-year rule, every Australian prime minister -- from Sir Robert Menzies to Howard -- warmly embraced the junta and lauded it for maintaining stability in Indonesia and the entire South East Asian region. None was more appreciative than the Labor Party's Paul Keating, who declared the military's bloody 1965 coup to be the greatest event in Australia's strategic history.

Much is at stake for Australian big business. Its companies -- including most of the biggest and best known -- have \$10.2 billion invested in Indonesia, concentrated in lucrative coal and gold mining but spanning finance, telecommunications, building products, property development, advertising and other sectors.

Moreover, Indonesia has become one of Australian capitalism's biggest export markets. Until the middle of last year, exports were running at close to \$4 billion annually. (In the first three months of 1998, as the economic and political crisis intensified, the level halved to \$474 million for the quarter.)

In recent years, as production has become increasingly globalised, Australian capitalists have been in the forefront of a rush to exploit the cheap labour and massive mineral wealth provided by the regime. During the 1990s, corporate Australia became the ninth biggest investor in the country.

Among the major companies involved are Telstra -- still two-thirds owned by the Australian government -- BHP, ANZ Bank, Coca-Cola Amatil, Boral, Mayne Nickless, Thiess Contractors, Lend Lease, National Mutual and Colonial State Bank.

In some cases, the operations are joint ventures with Suharto family conglomerates but in all cases the businesses have profited from the repressive conditions enforced by the generals.

Telstra was awarded a number of highly-profitable contracts by the Jakarta regime, including a current project to build a 400,000-line phone network in central Java. In typical style, 22 expatriate Telstra managers supervise a low-paid local workforce (the official minimum wage is now worth far less than \$1 a day).

BHP utilises similar methods at its four steel products plants. About 50 expatriates oversee 600 Indonesian workers. In addition, the company operates three coal mines on the island of Kalimantan.

Coca-Cola Amatil -- an Australian company that holds the Coke franchise in South East Asia -- is an even greater exploiter. Its 14 expatriate staff command 9,000 workers at its 10 Indonesian plants, worth some \$250 million. Not far behind is Clough Engineering, with a workforce of 2,500, supervised by about 70 expatriates.

Of the major Australian banks, the ANZ is the most exposed to the unravelling of the economy over the past 10 months. It has almost \$1 billion at risk, including \$226 million in loans to local companies.

One of the largest mining companies in the world, the British-Australian combine Rio Tinto, has more than \$2 billion invested. Like BHP, it operates coal mines on Kalimantan. Among its other interests are a 40 percent stake in the recently expanded Grasberg copper mine in Irian Jaya (West Papua).

Laverton Gold NL owns and operates the profitable Rawas gold mine on Sumatra, while Ashton Mining is planning a \$25 million diamond mine. Other mining companies operating include Meekatharra Minerals, Straits Resources and Aurora Gold. Newcrest Mining is developing a one million ounce gold mine at Gosowong on Halmahera Island, to the north east of Sulawesi.

An array of property development, design and construction firms are heavily involved in residential, commercial and mining projects in Jakarta and across the country, including Lend Lease and Theiss Contractors.

Partnerships with the Suharto family

According to one estimate, at least six Australian companies are among 59 transnationals in direct partnership with members of the Suharto family. The international list features such names as General Electric, British Petroleum and Nestle.

Energy Equity Corporation has extensive power generation contracts, with its main customers being the state-owned oil company Pertamina and the state electricity company PLN. It owns a power plant in South Sulawesi with Suharto's eldest daughter Tutut.

New Hope Corporation has Kalimantan coal interests with Hashim Djojohadikusumo, a brother of a Suharto son-in-law.

Melbourne-based Nufarm is in an agricultural chemicals joint venture with Suharto's middle son Bambang Trihatmodjo through his company the Bimantara Group.

City View Energy Corporation, listed in Western Australia, has an oil exploration joint venture with the Bimantara Group covering a 2,734 square kilometre site in the Tarakan Basin.

Advertising company Nettlefolds has a joint venture with Tommy Suharto's Fumpuss Group that manages billboards around Jakarta.

Canberra has given official blessing to such partnerships. Australian ambassador John McCarthy was present, alongside the then Tourism Minister, Joop Ave, when Axiom Properties last year signed a joint venture to develop a resort and golf courses on Java with Suharto cousin Sudwikatmono.

These Suharto-related operations are part of a web that extends throughout the entire Indonesian economy. More than 1,200 companies are owned by immediate members of the Suharto family, spread across 20 conglomerates in Indonesia alone. That does not include the business owned by Habibie and his family, other cabinet ministers, retired and serving military commanders, business associates and the interlocking state-owned enterprises, such Pertamina.

Over the past decade the global banks and major corporations have increasingly demanded the dismantling of the monopolies and crony networks of the Suharto regime, only in order to more freely grab the markets they control for themselves. This is the most critical factor in the International Monetary Fund's \$US43 billion financial bailout and restructuring package.

At the same time, however, the Suharto regime's network is so central to the entire Indonesian economy -- and the profit interests of an array of foreign companies and banks -- that the Indonesian military will be backed by powerful corporate elements and various governments, including that in Canberra, in seeking to protect it.

In the words of one business commentator, 'Restoring investor confidence must be a first priority of any new regime -- and tearing apart the Suharto companies will be counterproductive to that aim.'

The corporate-owned media has in recent times portrayed Indonesia's extreme polarisation of wealth and poverty as the result simply of 'crony capitalism'. Yet the transnational corporations, including those from Australia, continue to play a central role in the military regime's economic order.



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