

# What the IMF expects of the next Indonesian government

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A key factor in compelling Suharto to resign his post as president on Thursday was the announcement the previous day by the International Monetary Fund (IMF), backed by the Clinton administration, of a delay to further payments to Indonesia from its \$US43 billion rescue package.

Deputy IMF managing director Stanley Fischer cited civil unrest and uncertainty over Suharto's future as the reason for postponing a planned disbursement of \$1 billion, due on June 4, until "the political situation clarifies".

The Indonesian economy has been in tatters since the middle of last year when international investment and loan funds began to flood out of East Asia, leaving behind massive and unpayable corporate and government debts and paving the way for IMF intervention.

With the rupiah having lost 80 percent of its value and gyrating wildly against the US dollar at every step of the political crisis, the end to IMF assistance threatened to tip Indonesia over the edge into bankruptcy. From a level of about 2,500 to the dollar last July to 8,000 when a third IMF plan was signed two months ago following a tense a month-long standoff, the rupiah slumped as low as 17,000 this week before "recovering" to around 11,000.

In Jakarta, the widespread rioting and looting last week has compounded the economic crisis. Estimates put the damage at more than \$1 billion. Nearly 5,000 buildings and 2,000 cars, trucks and motor cycles were damaged or destroyed. Over 500 bank branches were attacked. Thirty of the 50 outlets of the Hero supermarket chain, Indonesia's largest, were burnt or looted.

Many international banks and corporations have since shut their Indonesian operations, at least temporarily.

Without IMF funds, Indonesia cannot finance the importation of even basic supplies of food and medicines. Food shortages and rising prices threaten to trigger further social unrest and rioting.

The IMF decision amounted to a vote of no confidence by the international money markets in Suharto and, in particular, his plans announced on Tuesday for gradual political reforms leading to elections and his eventual replacement as president.

Backing the IMF move, US State Department spokesman James Rubin said the lack of popular support for Suharto had undermined the regime's ability to remove price subsidies and implement other austerity measures.

"As we saw when a price change was announced, it led in part to some of the violence in the streets in recent days. So part of the reason why other countries in Asia have been able to pursue economic reform is because the consent of the governed has existed. In the absence of this kind of political reform, we do not believe that the economic steps will be as easy to take," Rubin said.

In other words, the purpose of the pressure applied by the IMF and the US is to fashion a more "democratic" government as a means of imposing a drastic restructuring of the Indonesian economy and suppressing opposition to the further lowering of living standards.

The precise measures to be implemented have been set out in detail in three successive IMF plans over the last nine months. As well as the dismantling of all of the state monopolies, tax breaks and trade controls enjoyed by the Suharto family and its close business cronies, the IMF has ordered the abolition of all forms of national economic regulation and any barriers to the operation of international investors.

Whatever capitalist government emerges in the next days and weeks -- whether led by Jusef Habibie or one of the opposition figures, such as Amien Rais -- the IMF has made clear what its tasks are. Rais, who today indicated he will run for president, has already pledged to implement the IMF's plan, warning that it will mean hardship and "sacrifice".

These measures will not be implemented peacefully or democratically. Since the beginning of the year, millions have been thrown out of work and into poverty, surviving from day to day. Rising prices have placed intolerable strains on working class families.

Just as the so-called democratic regimes in South Korea and Thailand have not hesitated to use the riot police to break up demonstrations and strikes against increasing unemployment and prices, so the next government in Indonesia will be no less repressive than Suharto's as it imposes the IMF's dictates.



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