

British government concerned with Indonesian investments

Barry Mason
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Last week, British Foreign Office Minister Derek Fatchett became the first foreign minister to meet with Indonesia's new President Jusuf Habibie.

He went to warn Habibie against taking any action that threatened the substantial interests of British firms established under the Suharto regime. Habibie had promised to establish a commission to investigate evidence that foreign investors have benefited from nepotistic favours from Suharto or his family or cronies.

In 1997 Britain was the largest foreign investor in Indonesia, with £3.4bn invested in 31 separate projects. Thames Water, Rolls Royce, Rio Tinto, BP, British Aerospace, United Biscuits, Bank of Scotland, Taylor Woodrow, Trafalgar House and The Body Shop are among hundreds of British companies with interests there.

Many of these companies established relations with Indonesian firms owned, controlled or influenced by members of the Suharto family and its supporters. With the fall of Suharto many of these contracts are vulnerable as the Habibie regime tries to promote an appearance of reform in which the most explicit forms of nepotism will come under scrutiny. A British businessman said, "Last week these companies were going about things the right way, this week everything's changed and Thames [Water] is just the tip of the iceberg."

A company controlled by Thames Water signed a £220m contract in 1995 to supply water to one half of the population of Jakarta, the capital city of Indonesia. This bought Thames Water an 80 percent stake in a joint venture with the Indonesian company PT Kekar Plastindo, to form the water company Kati. PT Kekar Plastindo is owned by Sigit Hardjojudan, one of Suharto's sons. Sigit's wealth in 1996 was estimated at

around £290m. The contract would have given Thames Water an income of about £800,000 a month. Sigit supplied "local and legal knowledge and political know-how" to Thames Water to ensure the venture went ahead.

The French firm Lyonnaise des Eaux were contracted to supply the other half of Jakarta's water. According to the *Independent* newspaper, sales of the two water companies had declined in the last few months and there were complaints of dirty water and skin irritations. In the days following Suharto's resignation 2,800 employees of PAM Jaya (a Jakarta City management company) went on strike. They refused to work with the Kati and Lyonnaise water companies. The joint venture between Thames and Sigit's company is now suspended pending a review into companies allegedly awarded contracts without competitive tender.

The construction firm Trafalgar House had a joint venture worth £400 million with Suharto's eldest daughter Siti Hardijanti, Rukmana known as Tutut. The joint venture was to build a 59 kilometre toll road in West Java. According to the Indonesian human rights organisation Tapol, the construction firm Taylor Woodrow was involved in a joint venture with Suharto's son Bambang to build a light railway system in East Java.

Britain's support for the Suharto regime is exemplified in its substantial arms trade with Indonesia. Scorpion light tanks supplied by Britain were used to suppress street demonstrations in May. As well as tanks, Britain has exported armoured cars and water cannons. The previous Conservative government exported 350 armoured personnel carriers to Indonesia as well as water cannon and other riot control equipment. The present Labour government has

continued this trade. So far it has granted 51 export licences for military items to Indonesia, including small-arms riot control gear and armoured vehicles.



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