Unrest grows in Indonesia

Habibie pledges to implement IMF program

Mike Head
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Indonesia's current President, B.J. Habibie, has reiterated his determination to cling to office until at least the end of 1999 and to carry out the tough measures called for by the $US43 billion International Monetary Fund bailout package.

Speaking to the media on the weekend, Suharto's life-long protege outlined a plan to introduce limited changes to the puppet Peoples Consultative Assembly (MPR) this year and to stage elections sometime before the end of next year.

Above all, he emphasised his commitment to the IMF's program. Its measures, which include scrapping price subsidies, privatising state-run enterprises, and dismantling monopolies held by the Suharto family and its associates, are designed to boost the profit opportunities of the transnational banks and corporations, at the expense of the Indonesian masses.

As Habibie spoke, there were indications of intensifying hostility to the regime in the working class. In Surabaya, the second largest city, up to 30,000 workers at a household appliance manufacturer went on strike last Tuesday for a 50 percent rise in pay and other benefits. This Monday the striking workers threw rocks and scuffled with anti-riot police who attempted to prevent them from marching to the provincial parliament.

In Jakarta, hundreds of government bus drivers went on strike last Thursday to protest against corruption and to demand higher wages. The drivers only restarted services the next day after the management promised them a 15 percent increase. That increase will do little to compensate for soaring prices caused by the collapse of the currency, the rupiah. Emboldened by the ouster of Suharto last month, the drivers also revived wider demands, complaining about corruption in the state Jakarta Transportation Co.

Other protests last week called for the Suharto family to be placed on trial. In one demonstration at the national assembly, about 3,000 students and supporters of bourgeois opposition figure Megawati Sukarnoputri, demanded that Suharto face trial for corruption. Some of the protesters carried banners proclaiming: "Reject Habibie, take Suharto to court," while others called for a special session of the MPR to convene new elections. The protest temporarily blocked traffic on the main road to the airport.

The demonstration went ahead despite demands by armed forces chief General Wiranto for people to respect Suharto and restrict calls for reform. Hundreds of troops were stationed inside the parliament, keeping the compound gates closed and denying protesters access to the building.

Doubts over debt agreement

Habibie's renewed pledge to the IMF followed the initial failure of an international debt rescheduling agreement, signed in Germany last week, to lift the rupiah from its catastrophic level of 11,500 to the US dollar.

At that level the rupiah has lost nearly 80 percent of its value since the Asian financial meltdown began last July, making it impossible for most local firms and banks to repay their foreign debts, borrow new funds and carry on production. No letters of credit could be obtained to finance imports, even for the government's urgent rice purchases — it needs to import 3.5 million tonnes this year to avert food riots, following a drought.

Essentially, the global financial markets are continuing to express no confidence in the profit-making possibilities in Indonesia, at least in the short-term. Behind references to "political reform," they are demanding that Habibie's cabinet, the military and the capitalist opposition contain the mounting social and political unrest that led to Suharto's resignation, and pave the way for even more brutal economic measures.

IMF chief Michel Camdessus welcomed the debt pact reached in Frankfurt with 13 German, Japanese, American and other international banking consortiums, but indicated that the IMF would wait up to another two weeks to decide whether to lift a suspension on an overdue $US1 billion tranche of the bailout package.

With an IMF supervisory team due to arrive back in Jakarta, Habibie emphasised that his administration was totally committed to the IMF plan. "We have a program with the IMF and we are going to follow that program and make the best of that," he told a gathering of media executives at Jakarta's State Palace.

Habibie, who was educated as an engineer and corporate executive in Germany in the 1960s and 1970s, said an official from the Bundesbank, Germany's central bank, would be stationed in Jakarta for one year to advise on how to reform Indonesia's central bank in line with the IMF program.

Habibie identified currency stability and the control of inflation — soaring at 80 percent or more — as the key immediate goals for Indonesia. His coordinating economics minister Ginandjar Kartasasmita, another holdover from the last Suharto cabinet, indicated a target of 6,000 rupiah to the US dollar.

The debt rollover deal in Germany sought to resolve the international crisis produced by the estimated $80 billion in debt owed by private and state-owned companies to finance houses in world capitalist centres, particularly Tokyo.

But the prospects for the Indonesian economy for the next decade are so serious that the deal allows companies to repay their debts over eight years, starting with a three-year moratorium on the principal. Indonesian banks have a total of four years for repayment.

Habibie's government will also establish a Debt Restructuring Agency, administered by the central bank, to ensure the availability of foreign currency and offer "exchange rate insurance" to corporate debtors and creditors.

However, many bankers and money market operators openly doubt that the agreement will reverse the downward spiral in the Indonesian economy, with wide predictions of an estimated fall in output of 20 percent this year. Some said the package failed to impress the markets because it did little more than confirm the status quo: Indonesian companies had effectively had a moratorium on debts since the crisis hit last year.

In one typical comment, James McKay, chief European economist with the Commonwealth Bank of Australia in London, said: "While an agreement would certainly be good news for Indonesia, the country and the region as a whole still have many problems to overcome."

Moodie's credit ratings agency recently declared Indonesia's banking system to be "broadly insolvent," with as much as 75 percent of outstanding loans not paying interest or principal. Some money market figures have insisted that Habibie can only save the country's banking system by nationalising it, before selling parts off to foreign investors.

International ultimatums

Major capitalist governments around the world are insisting that Habibie, backed by the military commanders, and the bourgeois opposition, led by figures such as Megawati and Islamic leader Amien Rais, stabilise the political situation so that severe economic measures can be implemented without igniting a social explosion.

US Assistant Secretary of State Stanley Roth visited Jakarta last week. After meeting Habibie, Roth said Indonesia must resolve its political crisis before IMF measures could be fully effective. "The position of the US is that we would like to be able to help Indonesia and this requires ... circumstances which enable the economic agreement to work," Roth said.

Roth was not the only one delivering ultimatums to Habibie. Following a visit by British under-secretary of Foreign Affairs, Derek Fachett, the ambassadors of Britain and France strenuously intervened on behalf of Thames Water PLC of Britain and France's Suez Lyonnais des Eaux. As a result, the two companies were permitted to maintain their lucrative 25-year contracts to supply water to areas of Jakarta and to buy out Indonesian partners with Suharto family links. Earlier, their interests had been threatened by a government decision to repudiate the contracts with the joint ventures because the deals were won on corrupt grounds.

The Habibie government's swift accession to the demands from London and Paris underlined its subservience to global capital and its determination to protect the interests of big business, no matter what token measures may be taken against the Suharto family and its cronies.

At the same time, the degree to which Habibie's cabinet acts as a figleaf for the continuation of a military dictatorship was highlighted by General Wiranto's warning to protesting students and workers last week. Repeating the military's commitment to protect Suharto and his family, he said "waves of blasphemy, accusations and insults" would not be allowed to continue.

Addressing a news conference before a cabinet meeting, Wiranto, who officially functions as Habibie's Defence Minister, warned that "reform" had its limits. He attacked the "high intensity" of the popular movement and denounced those departing from the "spirit of reformation".

"Reform may not run over or collide with the symbols of Pancasila (the state ideology), the constitution or nationalism as well as national unity," he added. Pancasila is a vague doctrine utilised by both Suharto and his predecessor Sukarno to outlaw opposition political parties and organisations. It prohibits any appeal to the independent interests of the working class and impoverished masses.

As Wiranto's intervention illustrates, the dictates of the IMF and global investors cannot be imposed democratically on the Indonesian masses but will require military repression.

Equally, the demands of the workers, small farmers, students and intellectuals for full and genuine democracy and an end to oppression cannot be met without repudiating the debts owed to the world banks and launching a struggle for a workers' and peasants' government to totally reorganise economic life on the basis of social need.