World Bank warns of disaster in Indonesia

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No country in recent history has suffered such a dramatic reversal in fortune as Indonesia, according to a report released by the World Bank last week. The bank says the number of people living in poverty will double over the next year.

Moreover, the bank admits the economic breakdown will last for years, saying it may take up to seven years before incomes return to their 1997 levels. The bank predicts that the economy will contract by up to 15 percent this year, with inflation exceeding 80 percent.

Given that Indonesia is the fourth most populous country in the world, with more than 200 million people, these are indices of a social disaster of global proportions. Yet the report is primarily designed to cover up the depth and causes of the crisis, and, in particular, how the World Bank has contributed to its creation over the past 30 years.

In the first place, the bank continues to use the definition of poverty employed by the Indonesian regime. It is an income level, measured in rupiah, said to be sufficient to enable a person to get an internationally accepted norm of 2,100 calories a day. Even before the rupiah's collapse to one-fifth of its previous value, that bare starvation measure was about half the international poverty standard of $US1 a day.

For three decades, the World Bank promoted the military dictatorship of General Suharto as a model of economic development, claiming that it had lifted most Indonesian people out of poverty. To this day, the bank claims that the number of Indonesians living in poverty dropped from 70 million in 1970 to 22.6 million in 1996.

'The Republic of Indonesia has achieved remarkable development success over the past decade and was, until recently, considered to be among the best performing East Asian economies,' states the bank's current Indonesian brief, posted on its web site. 'Between 1970 and 1996, the proportion of the population living below the official poverty line declined from 60 percent to an estimated 11 percent--about twenty-eight million people--reflecting the government's strong commitment to poverty reduction.'

The truth is that 80 percent of the population still lived below or just slightly above the 2,100-calorie level. Now the economic meltdown over the past 12 months, combined with a drought, has led to mass unemployment, widespread hunger and deprivation of even the most basic needs of life, including medicines.

In recent years the bank declared that Indonesia would soon rise from a developing nation to a 'middle income country' because its average income level had crossed the $1,000 mark. That figure reflected the soaring incomes of a small privileged layer--such is the World Bank model.

Its latest report professes concern for the plight of the poor, as the bank has always done, but its preoccupation is to devise aid programs that will shore up the Jakarta regime and protect the interests of global investors--as it did for three decades through Suharto.

The report, prepared for a meeting of aid donors in Paris at the end of the month, argues for renewed funds from the major capitalist powers, warning them: 'The seriousness and urgency of Indonesia's economic and financial crisis cannot be overstated.'

It signals an accommodating approach toward the regime, now headed by Suharto's protégé, B.J. Habibie. The report's author Vikram Nehru contradicts earlier calls by the International Monetary Fund for drastic reductions in subsidies for food and other essentials. He says the new government's utmost priority must be to keep rice prices low. 'It must protect the poor against catastrophic shortfalls in consumption.'

Nevertheless, Nehru emphasises that the subsidies cannot be sustained over the long term. The main thrust of his report is to insist that the Habibie government

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fully open the economy to international banks and companies. It refers to 'fundamental reforms' that must be pursued with 'speed and integrity'.

In line with this, Nehru's report blames internal factors for the economic disaster, referring to over-borrowing, flaws in the Indonesian banking system, inadequate government control and uncertainty about the future of the Suharto government.

The report thus whitewashes the role of global capitalism (with the World Bank in a facilitating role) in installing and sustaining the Suharto junta, pouring in funds to plunder the country's vast natural resources and cheap labour, and then withdrawing capital.

The bank's own reports record that between 1967 (the year after Suharto's bloody military coup) and 1997, the bank devoted $25 billion to programs in Indonesia that primarily filled the coffers of business empires controlled by the Suharto family and its associates.

Some 24 percent of its funds were invested in power generation projects, 32 percent in urban and rural development, 14 percent in transport, 11 percent in private sector finance and just 19 percent in education and health. The major power projects were operated by consortia involving giant US, Japanese and European firms in partnership with Suharto family members.

Even where funds were supposedly spent on social programs, the main beneficiaries were companies linked to the regime. A bank official recently revealed that when he and the bank's Jakarta office chief, Denis de Tray, inspected schools built with World Bank funding they found all were crumbling only months after completion. It was the evident result of corruption that led to the use of substandard materials.

World Bank President James Wolfensohn recently told critics of the bank in Jakarta: 'We were caught up in the enthusiasm of Indonesia. I am not alone in thinking that 12 months ago, Indonesia was on a very good path.' In fact, Indonesia's plight is testimony to the failure not just of the World Bank. Global capitalism has proven organically incapable of meeting the needs of the Indonesian masses.

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