

ILO report predicts:

## Two thirds of Indonesians to be in poverty by mid-1999

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The International Labor Organisation (ILO) has released a report predicting that two thirds of Indonesia's population or 140 million people will be living below the official poverty line by the middle of next year. In the space of less than two years, Indonesia will have undergone a staggering social reversion to levels of poverty not seen since the 1960s.

The official poverty line is equivalent to an austere daily food consumption of 2,100 calories or a monthly income of 52,000 rupiah (about US\$4). The price of a kilogram of rice in rural Java has spiralled over the last year from 1,200 rupiah to between 4,000 and 5,000 rupiah despite state subsidies. The official inflation rate stands at 69.1 percent.

Millions of Indonesians have lost jobs in the construction, textiles and other manufacturing industry, forcing them to return to their villages to try to eke out a living. According to the ILO report, 5.4 million workers will have lost their jobs by the end of the year--an average of 15,000 a day.

Dr Anne Booth from London University, one of the nine experts who worked on the ILO study, said that there would be a change in the basic way of life. 'Now it may be as people get poorer they'll go back to mixing rice with corn. This was quite widely done in rural areas until the 1980s and people just retreat back to those sorts of food habits.'

Already 38 percent of the country's 202 million people are struggling to survive on incomes below the official poverty line. According to UN Children's Fund director Carol Bellamy, about four million Indonesian children under the age of two are suffering from severe malnutrition that is endangering their health. School attendance has plummeted as many parents are no

longer able to afford even minimal school fees.

This social crisis is worsening as the economy contracts and sinks further into depression. Negative growth is expected to reach 20 percent for the year, according to some analysts. At the end of July, the Habibie regime obtained approval for a moratorium on principal repayments on the country's foreign debt. But much of Indonesia's corporate and banking sectors are paralysed by private debts estimated to total \$80 billion.

Installed in May after the resignation of Suharto in May, President Habibie immediately agreed to implement the terms of the International Monetary Fund's \$43 billion bailout package which include bank restructuring, the privatisation of state assets, and the abolition of a long list of monopolies, trade restrictions and subsidies. The IMF plan is aimed at opening up the Indonesian economy and securing the interests of international investors.

Less than \$8 billion of the promised aid to Indonesia has materialised. The IMF has maintained rigid controls over the disbursement of any funds. Trade credits of \$4 billion pledged by Japan and Singapore six months ago have failed to surface. Exporting industries are unable to obtain letters of credit from the banks to import raw materials necessary for manufacture.

The ILO report expressed concern at the social consequences of the economic crisis and urged short-term employment and income support initiatives as well as continued subsidies on food, kerosene, diesel oil and pharmaceuticals until the end of the year. The fear in ruling circles in Indonesia and internationally is that rising prices and levels of poverty will fuel the re-

emergence of the protests and rioting which compelled Suharto to step down.

There are signs of rising social unrest.

- On August 25, textile workers marching on the ILO offices in central Jakarta were attacked by 50 police and beaten with rattan sticks. Hundreds of factory workers had travelled over 500 km from Surakarta to demand the payment of a 15 percent wage rise ordered by the Manpower Ministry. On same day some 150 university students took to the streets demanding price cuts and Habibie's resignation.

- Thousands of people looted four rice mills and shops owned by ethnic Chinese in the town of Bondowoso in east Java reportedly after rumours of cheap rice began to circulate. Rioting started on August 25 and spread to other towns, including Tamanan and Situbondo, in the following days. Police reinforcements were sent to the area and at least 47 people have been arrested.

- On August 27, police shot dead one man and injured nine others during a clash with protestors in the town of Deli Serdang near Medan in Sumatra. Hundreds of people attacked the offices of a state-owned palm plantation demanding the release of three men arrested for allegedly being in possession of a truckload of stolen fruit.

- In the coastal town of Cilacap in central Java, thousands of fishermen set ablaze fishing boats, cars and buildings on August 28 in protest at low wages and unfair competition. Fisherman are paid the equivalent of 18 cents a day, less than the official minimum wage, and have received no rise for six years. Over the weekend, houses and general goods stores were ransacked. Police detained 62 people.

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