

IMF, Indonesia abolish food subsidies

Peter Symonds
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In a move which is certain to raise prices and to fuel further protests, the Indonesian regime and the International Monetary Fund (IMF) last Friday agreed to abolish government subsidies on basic food commodities, including rice. Price support was ended last week for wheat, sugar and some other food products. The subsidy on soybeans is to be phased out.

IMF and government officials sought to disguise the elimination of the rice subsidy by promising to expand the distribution of cheap rice for 7.5 million poor families and to end the government's monopoly on rice imports. The result will be higher prices for the majority of Indonesians while some of the poor will have limited access to cheaper rice.

The cost of rice has trebled and even quadrupled in some areas over the last year—one kilogram of rice is now equivalent to a day's wages for an ordinary worker. According to the Food Minister, A.M. Saefuddin, around 17 million families can only afford one meal a day and conditions are likely to get worse before the next harvest in January.

The Habibie regime promised to provide low cost rice for the poor earlier this year but only two million families have received food coupons to date. As Anwar Nasution, an Indonesian economist, recently observed: 'The government has so far failed to distribute staple food because it is riddled with corruption.'

The abolition of price subsidies on food and other basic commodities such as kerosene and petrol will have a devastating impact on the living standards of the Indonesian masses. The measure has been one of the key proposals contained in the IMF's comprehensive plan to slash budget deficits, to end state controls over banking, finance, trade and manufacture, and to open up the Indonesian economy to international investors.

The current talks in Jakarta between the IMF and Indonesian officials are part of the mandatory monthly economic review insisted upon by the IMF to ensure its

demands are carried out before further credits are provided to Indonesia from its \$US42 billion rescue package.

Over last weekend the Indonesian Mines and Energy Minister, Kuntoro Mangkusubroto, announced to a business conference in Singapore that the Habibie government would sell-off the huge state-owned oil company Pertamina and the state gas company, and abolish subsidies on fuels, which at present amounts to 16 percent of recurrent government expenditure.

The ending of government subsidies is an explosive social issue. When the former president Suharto, at the instigation of the IMF, reduced price support for fuel and electricity earlier this year, the decision sparked a wave of riots and student protests which brought down his regime in May. His replacement and close political crony, B.J. Habibie, has been in office for just over 100 days and is facing a rising tide of demonstrations and social unrest. One of the central issues is price inflation, particularly for basic commodities like rice.

Student protests calling for Habibie to bring down prices or resign are becoming a daily occurrence in Jakarta and other major centres. On Tuesday, about 60 National University students marched from central Jakarta's Merdeka Square to the offices of the Legal Aid Institute. The previous day 500 demonstrators protested outside Parliament demanding that bank executives accused of corruption and misuse of funds be brought to trial.

Last week hundreds of students marched towards the presidential palace in Jakarta with banners such as 'The people are hungry' and 'We want rice not Habibie,' before being blocked by police and army troops. In the major industrial city of Surabaya, East Java, about 4,000 students from several universities clashed with police outside the office of the regional governor during a visit by Habibie.

In a number of areas, frustrations over the lack of

food have boiled over into looting of rice mills, warehouses and stores. On Tuesday, hundreds of people seized 1.5 tonnes of rice from a government warehouse in Dili, East Timor before police dispersed the crowd.

On Monday, around 6,000 public transport workers demonstrated outside the office of the provincial governor in the industrial city of Medan in northern Sumatra, demanding lower prices for spare vehicle parts. Clashes with police broke out and small groups of people set cars alight, pelted nearby buildings with stones and broke into stores.

In response to the growing unrest, Defence Minister Wiranto issued a warning this week accusing unnamed groups of fomenting violence and threatening the stability of Indonesia. 'This needs special attention because the demands of these groups, can shake this legitimate government [and] break up the nation's unity, which could lead to disintegration,' he said.

Wiranto's comments are a clear indication that the Habibie regime is preparing to intensify its use of the police and the military to try to crush the growing opposition to its fragile rule.

See Also:

Indonesian students demand Habibie's resignation
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