

Indonesia quits OPEC after fuel price hikes

Oscar Grenfell
14 June 2008

Indonesian energy minister Purnomo Yusgiantoro announced on May 28 that the country would withdraw from the Organisation of Petroleum Exporting Countries (OPEC) when its membership expires at the end of the year. The announcement came within days of unpopular fuel price rises of about 30 percent.

The Indonesian government has been considering leaving OPEC for some time as the country's oil production has been in a state of protracted decline since reaching a peak in 1977. Indonesia is now an overall net importer of oil and its dependency on imports is growing. Victor Shum, an energy analyst with Purvin and Gertz in Singapore, told Associated Press (AP) on May 26, "they (Indonesia) really have not had much influence within the OPEC organisation".

The decision to leave now, however, is largely a populist attempt on the part of the government of President Susilo Bambang Yudhoyono to head off social unrest over rising energy costs by blaming exporting countries. Yusgiantoro declared several days after making the OPEC announcement that Indonesia was pulling out because "we are not happy with high oil prices". Tony Regan, an energy consultant with Singapore-based Nexant Limited, told Bloomberg on May 28: "This move really plays to the domestic audience. How can they show concern about oil prices and expect people to pay more at a time when they are also part of an oil cartel that is trying to push prices up?"

The price of oil has risen from \$US100 a barrel to well over \$135 a barrel this year alone. On May 25, Yudhoyono's government raised domestic energy prices in order to reduce the soaring costs it was incurring by continuing to subsidise fuel at levels below the world market price. Overnight, it increased gas prices by 33 percent, diesel oil by 27 percent, and kerosene, which is used by tens of millions of Indonesians for cooking, by 25 percent to \$US1 a gallon. Yusgiantoro refused to rule out further price hikes before the next presidential election, which is due by mid-2009. He told journalists: "We cannot guarantee. We never know what happens in the

future."

Increases in gas, oil and kerosene prices have previously triggered widespread social unrest in Indonesia. In 1998, then President Suharto's decision to raise fuel prices by up to 71 percent on May 4 contributed to the mass demonstrations against the dictatorship and Suharto's resignation less than a month later. Subsequent decisions to raise fuel prices by Presidents Wahid (in 2001), Megawati Sukarnoputri (in 2003) and Yudhoyono (in 2005) were met by substantial demonstrations.

Conscious of this history, the Yudhoyono government has accompanied the price increase with cash handouts to the poorest Indonesians of 100,000 rupiah a month—or just under \$US11. To be eligible for the handout, the *Jakarta Post* reported that an Indonesian family must be "living in a house with a dirt floor, thatched roof and woven bamboo walls", have "no access to electricity" and have a "monthly income of less than 600,000 rupiah and assets worth less than 500,000 rupiah". Some 19.1 million families are reportedly so destitute that they meet these stipulations.

Arbi Sanit, a political analyst from the University of Indonesia, told AP on May 25 that while the limited handouts might help the government's image in the short run, "it will be temporary because it will not be enough to compensate for the rises". The Indonesian working class and rural poor face not only additional fuel costs, but soaring prices for soybeans, wheat and other basic goods. Indonesia's inflation rate reached a 19-month high of 8.96 percent in April and is expected to rise to at least 12 percent by the end of the year.

Interviews with ordinary people in the media reveal the immense strain that rising prices are placing on broad sections of the population. Saeni, a 63-year-old woman collecting 300,000 rupiah (\$32) or three months worth of cash handouts at a post office in Jakarta, told Reuters on May 24: "All basic needs are expensive. We are not able to protest against it, and even if we were to protest, the price would still increase." She described a 100,000-rupiah monthly payment as "meaningless,"

adding, “Even for eating, it will not be enough.”

Warusan, a 25-year-old fisherman told AP on May 30: “The government has to have pity on people like us. We’ve been working very hard. I don’t think they are thinking about us commoners.” Cartini, a 48-year-old mother of eight and vegetable seller, declared: “We’re lucky if we can feed our children.” Akhmad Hidayat, a 51-year-old neighborhood chief who earns his living as a security guard, said: “In the past, I ate three times a day. Now maybe I will eat only twice and then maybe only tofu.”

While there have not yet been mass demonstrations, the fuel prices have provoked angry protests by students. On May 25, several hundred students demonstrated and clashed with police at Jakarta’s National University. More than a hundred were arrested for allegedly throwing rocks, firebombs and burning tires. Dozens were arrested in a separate demonstration outside the presidential palace. Students also protested in Surabaya.

Further protests took place the following week at East Jakarta’s Christian University and in front of Moestopo Beragama University in South Jakarta. Three hundred students took part in a separate rally outside the South Jakarta police precinct and city police headquarters, demanding the release of those who had been arrested in the earlier demonstrations.

The police crackdown on students reflects the fear in Indonesian ruling circles that student protests could encourage the multi-million-strong working class to take to the streets. Despite the arrests, more rallies took place over the weekend. In Jakarta, two students stitched their lips together on June 8 to denounce the government’s refusal to wind back the increases. A student spokesman, Nando Sidabutar, told Reuters: “We will stay on track to demand the cancellation of the hike.”



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