Amidst deepening social crisis

IMF dictates terms to Indonesia

By Peter Symonds
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The International Monetary Fund's (IMF) Asia Pacific Director Hubert Neiss has just completed a visit to Jakarta for talks with the Indonesian regime and opposition figures such as Islamic leader Amien Rais over the country's ongoing economic, political and social crisis.

Neiss offered guarded praise for the new Habibie cabinet, hinting that some deadlines laid down in the IMF's detailed restructuring plan may be modified to prevent a repeat of last month's widespread riots. According to the IMF's timetable, state subsidies on sugar, wheat flour, corn, soybean meal and fishmeal are due to be removed on October 1.

However, the main purpose of Neiss' visit was to seek assurances from both Habibie and his opponents that the central thrust of the IMF plan would be implemented, regardless of the social consequences. Only on this basis will the IMF reverse last month's decision to suspend payments from its $US43 billion rescue package.

Three successive IMF plans have laid out comprehensive measures for opening Indonesia up to foreign investors and ending the monopolies and economic privileges enjoyed by Suharto, his family and business cronies. The IMF measures will accelerate the collapse of large sections of banking and industry and lead to further social misery.

Neiss blandly told a press conference last weekend that he had "no reason to dispute" various forecasts that the Indonesian economy would contract by 10 percent or more this year. Other forecasts range up to 20 percent. Even the chief economic minister, Ginandjar Kartasasmita, estimates that significant growth will not resume for at least three years.

The last IMF plan agreed in early April was based on the rupiah recovering to 5,000 to the US dollar. The present exchange rate is more than double that figure, at around 11,000, and even this has only been achieved by raising interest rates to a crippling 60 percent.

Business is grinding to a halt. Neither government, the banking system nor big business can afford to service outstanding dollar-denominated loans. Foreign private debt is calculated to be as high as $US70 billion. An estimated $US80 billion in capital has left the country in recent months, further compounding the crisis confronting the banking system.

The country's largest private bank, Bank Central Asia (BCA) was placed under central bank administration after a sustained run on deposits last week. The BCA is controlled by the Salim Group (headed by one of Suharto's closest associates, Liem Sioe Liong) and two of Suharto's children.

This week, Indonesia's third largest airline, Sempati, also part-owned by Suharto family members and business associates, ceased to operate, unable to meet its foreign debt. From a peak of 25 leased aircraft and 3,500 staff in 1996, the airline was down to five planes and only 700 staff.

The rupiah's plunge has also affected Indonesia's ability to import rice needed to make up shortfalls caused by widespread drought. Last week Thai exporters diverted nearly 200,000 tonnes of rice because the Habibie government could not organise a letter of credit to pay for it.

Since the riots last month, food prices have risen by a further 20 percent. According to the Central Bureau of Statistics, inflation will hit 80 percent this year and could go beyond 100 percent if there is further social unrest.

Manpower Minister Fahmi Idris announced on Tuesday that unemployment was likely to reach 15.4 million or 17.1 percent of the 90 million-strong workforce by the end of the year -- a six-fold increase on the level of 2.5 million prior to last year's economic collapse.

By other accounts, half the workforce is expected to be either unemployed or underemployed by next January, placing an estimated 55 million, or over a quarter of the population, below the official poverty line.

Even before the current economic crisis, poverty claimed many victims. Malnutrition affected 8.5 million children in Indonesia, causing 140,000 deaths a year. About 22,000 women died each year giving birth -- one every 20 minutes. The latest figures put the number of child labourers at 1.3 million; 300,000 of them in hazardous situations.

But the raw statistics can only give the bare outlines of the impact on the lives of ordinary working people, many of whom have been flung out of work or have had their limited incomes eaten away by price rises. The sick and injured are unable to afford even basic medicines and treatments, which have skyrocketted in price since the beginning of the year.

Yet the appalling social crisis facing millions is rarely touched on in the international mass media. An Associated Press report two weeks ago gave a glimpse of the conditions facing residents in Penjaringan, near Jakarta's old port.

"'I can't feed my family on what I make,' said Boso, who is better off than many of his neighbours. He earns about $US18 a month siphoning well water into blue plastic containers and selling it to his neighbours.

"Boso's nine children, some of them with hair turning shades of auburn from malnutrition, are crammed into a two-room, plywood-and-metal shack on a dirt road alongside a stagnant stream congealed with garbage and sewage. 'These are the worst times,' said Komari, a vegetable seller who moved from the central Javanese city of Solo only to find disappointment and hardship."

Other indications were given by a report from the US news service MSNBC dealing with Desai Kosambi, a slum area in north Jakarta. More than 10,000 people live in the slum without clean water or sanitation and therefore constantly threatened by outbreaks of malaria, dengue fever, cholera. Those who work are involved in pulling apart the hulls of cargo vessels for scrap metal.

"'We have no choice,' explains a migrant worker from East Java who wields a blow torch in the shipyard 10 hours a day and more. He lives with his wife and young daughter in a hut with a dirt floor and not much else."