

# New Indonesian president pledges to encourage foreign investment and private enterprise

By Peter Symonds  
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Only days after his appointment as Indonesian president, Abdurrahman Wahid has sketched out the main lines of his term of office: the promotion of foreign investment and free market reforms; a nationalist appeal for a “stronger Indonesia,” and closer ties with Japan, China and the Association of South East Asian Nations (ASEAN). He was speaking in Bali on Sunday at a three-day conference of foreign businessmen, diplomats and academics organised by economic consultants Van Zorge Heffernan & Associates.

Wahid promised his government would foster private enterprise and encourage foreign investors to help the country out of its present economic crisis. “We have to live with a free, open international trade system where companies are motivated by profits,” he said. “We are not able to make it on our own without capital from outside.”

He also made a rhetorical appeal to the country's millions of unemployed and poor, saying that raising people's living standards was “the key to the future”. At the same time, however, Wahid has pledged to implement the International Monetary Fund's economic prescriptions, which include the extensive restructuring of finance and industry, severe limits on government spending, the ending of price subsidies and further privatisations.

Such measures will only intensify social tensions as jobs are lost and living standards continue to decline. Last year the Indonesian economy contracted by a massive 13 percent and, according to the World Bank's conservative estimates, 20 percent of the population of 210 million live below the austere official poverty line.

IMF Managing Director Michel Camdessus last week welcomed Wahid's win, saying: “The IMF looks forward to working with the new president and his administration on building on the macroeconomic gains so far.” The

IMF suspended loans to Indonesia from its \$42 billion rescue package following the eruption of the Bank Bali scandal implicating close associates of the previous president B.J. Habibie. IMF deputy director Stanley Fischer said he hoped the funds would resume “relatively soon, in a matter of weeks”.

Wahid, who was sharply critical of Habibie's decision to permit a UN referendum on East Timor, also foreshadowed a more aggressive appeal to Indonesian nationalism, saying: “In the past, our honour as a nation, our independence was attacked in a brutal way.” He said his government would not tolerate any humiliation from other countries and he would do everything in his power to maintain national dignity and honour.

The new president called for the rebuilding of the Indonesian navy, to protect the country's fishing, petroleum and other resources. “I will make Indonesia a powerful country, which can't be intimidated by others,” he said.

In what may mark a significant shift in foreign policy away from the US and towards closer ties with Asia, Wahid indicated that he would visit Japan, China, most ASEAN members and possibly India prior to an informal ASEAN summit in Manila next month. He has announced no plans to visit the US, Europe or Australia.

Wahid, also known as Gus Dur, was chosen as president last Wednesday by the People's Consultative Assembly (MPR), defeating his rival Megawati Sukarnoputri by 373 votes to 313. After recovering from their initial shock over Megawati's defeat, the international media are now hailing the virtues of Wahid as a democratic reformer, a champion of human rights and a man of tolerance and peace.

Far from representing a genuine break from the Suharto regime, Wahid has close personal and political

connections with the state bureaucracy, the military and the Suharto family itself. While the military strongman Suharto dealt with even the tamest forms of opposition in the most ruthless and brutal fashion, neither Wahid nor Megawati were ever arrested or jailed.

The new cabinet is yet to be announced, but Wahid has already acknowledged that it will contain former ministers who served under Suharto and his protégé Habibie. He was only able to secure the necessary votes in the 700-member MPR through a series of deals with Suharto's Golkar Party, the military and a coalition of Islamic parties known as “axis force”. Wahid's own National Awakening Party (PKB) has only 51 MPR seats. He told his audience in Bali that he had to make “compromises” in choosing his ministers to repay political debts that secured his victory last week.

Wahid's political behaviour is described in the international press as “erratic” and “unstable,” with some commentators choosing to put his twists and turns down to the “enigmatic” qualities of a “revered” religious leader. In reality, he is a political opportunist who retained his positions under Suharto by toeing the line, and serving as a useful safety valve by occasionally uttering mild criticisms of the dictatorship. His “erratic” qualities always conformed to an underlying logic of political self-preservation.

His political base is Indonesia's largest Islamic organisation, Nahdatul Ulama (NU), established in 1926 by Wahid's grandfather, and drawing its base from Islamic scholars, landowners and other conservative layers in the rural areas of East and Central Java. Wahid, who was educated at universities in Cairo and Baghdad, virtually inherited the leadership of the organisation from his father in 1984 and then withdrew it from the United Development Party (PPP), the state-sanctioned Islamic party.

NU and other Islamic organisations played a prominent role in supporting Suharto's seizure of power during the CIA-organised military coup of 1965-66. Deeply hostile to the Stalinist Indonesian Communist Party (PKI) for its promotion of mild land reforms in the early 1960s, NU and its youth organisation Ansor actively participated in the butchering of PKI members, workers and peasants that left at least 500,000 dead across Indonesia.

One account describes the events in 1965 shortly after Suharto took charge of the army: “NU youth organisations were in action early in October in other parts of East Java. Their actions sometimes responded to, sometimes ran ahead of, events in Jakarta. In the capital,

the NU leadership had been quick to cooperate with the armed forces and other anti-PKI groups. This coalition set up, on October 2, an action front to crush the PKI. On the 5th, the national NU leadership called publicly for the banning of the PKI and on the same day sent instructions encouraging branch committees to give active support for this campaign. Starting about 7 October there was a spate of anti-communist (and anti-Chinese) rallies in East Java, which led to attacks on PKI buildings. In Jakarta on the 8th, a mob formed mainly of Muslim youth organisations set the PKI's headquarters on fire” ( *The Indonesian Killings 1965-1966*, Robert Cribb, ed., p. 79).

Wahid has never repudiated either the Suharto coup or the NU's role in it. During the 1997 national elections, when cracks were already beginning to appear in the military regime, he publicly campaigned with Suharto's eldest daughter Siti “Tutut” Hardiyanti Rukmana—a multi-millionaire businesswoman in her own right—who was a candidate for the ruling Golkar Party.

Even after Suharto resigned in May 1998, Wahid continued to meet privately with him. As recently as January 26, the *Jakarta Post* reported he had visited Suharto in Jakarta, purportedly on behalf of Defence Minister and armed forces chief General Wiranto, to appeal to the deposed military strongman to use his influence to ease tensions in the island of Ambon.

Throughout the tumultuous events in Indonesia over the last 16 months, the one constant principle guiding the actions of Wahid and other “opposition” leaders like Megawati has been their hostility and fear of any movement of students, workers and the poor that could undermine the state apparatus. Wahid and Megawati have been inserted in office precisely to quell the opposition that implementation of the IMF's economic agenda is certain to produce.

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