

# The IMF Goes In For the Kill in Destabilized Indonesia, Philippines

by Michael Billington

The domestic political crisis in Indonesia has reached its most intense pitch since the October 1999 election of President Abdurrahman Wahid, the first democratically elected President in nearly four decades.

On Feb. 1, all but five members of the House of Representatives voted for censure of the President, the first step in the legal process to impeach him. The President has three months “to clean up his act,” before the House convenes again to consider a second censure, or to reconcile with him. But the political dynamic has spilled over into the streets, with Wahid’s historical base in the largest Muslim organization, the 35 million-member Nahdlatul Ulama, engaged in thousands-strong rallies in East Java, torching offices of former President Suharto’s Golkar party, and attacking schools, from kindergartens to high schools, of the rival Muhammadiyah movement, formerly headed by Wahid’s nemesis in Parliament, Amien Rais, the politically ambitious chairman of the People’s Consultative Assembly which, in the end, will decide whether Wahid stays or goes.

In addition, there has been no let-up in violent separatist movements, guided by the former colonial powers, threatening the integrity of the Republic. The outbreak of ethnic barbarism in Central Kalimantan, Borneo, by indigenous Dayaks against migrant Madurese, fuelled by the economic devastation of the past years, has led to accusations by Western governments and press that Indonesia is incapable of maintaining order—a rather hypocritical judgment, because many of these same Western institutions have been in the forefront of the campaign to dismantle the Indonesian military.

At such a moment, the International Monetary Fund (IMF) and its lackies have escalated their brutal campaign to take control of the nation’s economic structure. With their targetted prey weakened by the past four years of economic and political subversion, the IMF is going in for the kill. Although battered and surrounded, the nation has mounted a resistance.

The most outrageous expression of the IMF’s overtly colonial demands, appeared in an aide-mémoire prepared by a group of foreign “experts” called upon by President Wahid for their advice on economic policy. The team, headed by

former U.S. Federal Reserve Board Chairman Paul Adolph Volcker, included Singapore’s Senior Minister Lee Kuan Yew, known affectionately in London as “the best bloody Englishman East of the Suez,” as well as Japanese diplomat Nobuo Matsunaga, vice chairman of the Japan Institute of International Affairs, and former German central bank official and treasurer of Germany’s Christian Democrats, Ulrich Cartellieri.

The team’s report threatened dire results if the government failed to follow every detail of the IMF program as imposed last year—despite the fact that the IMF has refused to turn over the funds promised under that agreement. Making clear that the IMF demands are *political* in nature, the report says: “Close IMF surveillance of those programs should be welcomed as a counter-weight to political or special interests that tend to impede or frustrate even-handed treatment of investors and rapid recovery of asset values.”

## California-Style Looting

An example of what is meant by “even-handed treatment of investors” was revealed in the release of figures on the losses incurred by the State Electricity Company, PT PLN. In the year 2000 alone, the company lost \$2.2 billion, entirely due to the fact that foreign energy producers (many of the same interests currently looting the State of California and others in the United States) signed sweetheart contracts with the now-deposed Suharto government, which committed the government to purchase fixed amounts of electricity from the power companies *in prices quoted in U.S. dollars*. When the speculative raid on the Asian currencies in 1997 and 1998 left the Indonesian currency, the rupiah, devalued to one-quarter of its previous value, the foreign companies, *and their governments*, self-righteously refused to renegotiate the prices, sternly invoking the inviolability of the contracts. Thus, the government has been forced to buy billions of dollars of electricity at hugely inflated prices, and sell it to consumers at a fraction of their cost. (In other words, the energy cartels were warming up for California!)

The thug-like nature of the Volcker report is reflected in the following: “We recognize, Mr. President, that some

might suggest that Indonesia deal with these and other concerns without the frustrations inherent in IMF agreements and surveillance. We would urge that you consider very carefully the clear risks of such an approach, risks that range far beyond the loss of immediate financial and budgetary assistance. The symbolism of such a decision 'to go it alone' would be powerful." The example provided by neighboring Malaysia, which demonstrated that a nation can successfully defend the general welfare of its population only by "going it alone" from such IMF dictates, gives the lie to Volcker's threats.

It would be well for Indonesians to remember that it was the same Paul Adolph Volcker who, as President Jimmy Carter's Federal Reserve Board chairman, implemented the policy prescribed by the New York Council on Foreign Relations as "controlled disintegration of the U.S. economy," when he raised interest rates above 20%, thus triggering the descent into the "post-industrial society" which has brought the U.S. economy, and U.S. infrastructure, to ruin.

Simultaneously, the World Bank has demanded that the government intervene in the courts of the Republic to fix the results of several bankruptcy trials in favor of the World Bank's interests (apparently this is the meaning of the World Bank's call for "transparency"). If they fail, the Bank threatened to cut off \$250 million in previously arranged investments.

However, Indonesia has taken at least preliminary measures to defend itself against this new colonial onslaught. In December, the government banned the sale of the Indonesian currency to offshore speculators, reportedly having some success in cutting off the speculative attacks on the currency by speculators in Singapore. In mid-February, Coordinating Minister for Economics Rizal Ramli openly challenged the IMF for attempting to squeeze the country at a moment of political turmoil. When the government delayed the privatization of two commercial banks because of the fire-sale prices being offered, the IMF country director, John Dodsworth, threatened to sabotage the rescheduling of Indonesia's foreign debt by the donor countries. Trade and Industry Minister Luhut B. Panjaitan responded to such micro-management by telling the IMF: "We know what should be prioritized and we will prioritize what we need." On Feb. 21, Ramli met with IMF officials in Washington, but thus far no agreement has been reached, other than to continue discussions.

## The Philippines

Similar pressures by the international financial institutions are being intensified against the Philippines, even while the legitimacy of the new government is being challenged. The Supreme Court, which had originally given the green light to the swearing in of Vice President Gloria Macapagal-Arroyo as President on Jan. 20—the day of the military action which brought down the elected government of Joseph Estrada—may now rule that Estrada is correct in insisting that

Macapagal-Arroyo is constitutionally only Acting-President. Macapagal-Arroyo, who originally appealed to "the markets" for her government's legitimacy ("I think the bottom line is how the markets accepted it"), is now caught between the mounting anger over the military nature of the Jan. 20 takeover, and dictates from the international financial institutions.

When the new President indicated that she may try to slow down the controversial legislation to deregulate and privatize the National Power Corp. (Napocor), perhaps with a glance toward the disaster brought on by deregulation in California, the IMF instructed her, in no uncertain terms, that the bill must be rammed through, even if it requires a special session of the Congress. IMF spokesmen went further, demanding that the country "enter into a new economic arrangement," facilitating IMF surveillance over its economy, even though the IMF is offering no financial support!

The Asian Development Bank used similar thug tactics, declaring that it will extend no more loans to Napocor until Congress passes the bill to deregulate, break up, and privatize the state power company. As in Indonesia, the devaluation of the currency left the company straddled with huge foreign debts, but unable to raise prices without bringing more destruction to the nation's industry, and more suffering to the nation's poor. Of course, this is described as "mismanagement" by the globalizers. The Hongkong and Shanghai Banking Corp. recently issued a report discouraging investors from placing money in bonds issued by Napocor. The result is that J.P. Morgan Chase, Lehman Brothers, and Citibank have stepped in to arrange a \$40 million bond sale—at usurious interest rates of 15% or more.

At the same time, U.S. Rep. Dana Rohrabacher (R-Calif.), a radical yahoo who is still fighting the Vietnam War, roared through Manila, meeting with President Macapagal-Arroyo and others, haranguing the new government to confront China over the contested Spratly Islands and a host of other issues. Rohrabacher's long-standing cohort within the Philippines in this China-bashing, former Congressman Roilo Golez, has just been appointed National Security Adviser to President Macapagal-Arroyo. Rohrabacher railed, "What you have is the communists in China. These gangsters who run the mainland corrupted your President [Estrada] and threatened to use military force to steal your oil and gas reserves, and are selling drugs to your people." While such clownish antics should be a laughing matter, the saber rattling of the new Bush Administration throughout the world, makes such efforts to provoke a confrontation with China deadly serious.

The destabilization of Indonesia, the Philippines, and other Asian nations is primarily aimed at cutting off the dialogue among the Southeast, East, and South Asian nations, toward creating political and economic cooperation and a new Asian monetary structure, independent of the bankrupt IMF system. It is only in creating such a new structure that the escalating destruction of these nations can be reversed.