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Attacks on Indonesia aim to dismantle its nationalist development policies

by Michael O. Billington

A drumbeat of international attacks and denunciations against Indonesia over the past weeks, all emanating from sources with a well-established British pedigree, raises the question of what Indonesia is doing *right,* which so angers the global financial oligarchy. Indonesia has become a major obstacle to London's drive to re-establish the power of the British Empire, with East and Southeast Asia as the "jewel in the crown" this time around. London is fully conscious of the fragile state of the global financial bubble, and wants to assure financial looting rights in Asia, the last remaining area of productive economic activity in the world.

The process was officially launched at the March 1996 meeting in Bangkok of the founding of the Asia-Europe Meeting (ASEM), an organization initiated by the new Entente Cordiale between London and Paris, in collaboration with London's favorite comprador in Asia, Singapore's Lee Kuan Yew, known as Harry Lee, "the best bloody Englishman East of Suez." The purpose of ASEM was to lock the Association of Southeast Asian Nations (ASEAN) into a free-trade regimen under British (including Hongkong and Singapore) financial control; to block any nationalist development policies in the region, which would threaten that regimen; and to force the acceptance of private (British) control over all large infrastructure projects in the region.

London's primary concern is China, but China has also offered the most resistance to the policies of the new British Empire. Indonesia, however, has been increasingly forthright in its refusal to relinquish its ambitious national development policies; it also threatens to lead the rest of Southeast Asia by its example. It has refused to concede to dismantling the constitutionally mandated role of the military in the civic and social affairs of the nation, which particularly angers the "world government" advocates in London and at International Monetary Fund (IMF) headquarters (see box). If Indonesia is to succeed in countering the destabilization, it must identify and defeat the real source of the attack on its sovereignty.

Roots of Indonesian nationalism

A summary of the physical, geographic scope of Indonesia makes clear the challenge of establishing and maintaining national unity. Indonesia is an archipelago consisting of 13,000 islands, stretching some 5,000 kilometers (3,125 miles) between the Indian Ocean and the Pacific, a distance comparable to that between San Francisco and Boston, or between London and Baghdad. Physical land mass is comparable to that of Mexico, but including the surrounding territorial waters, the area is four times larger. In terms of population, with 180-190 million, Indonesia is the fourth-largest country in the world, after China, India, and the United States. Approximately 60% of the population is concentrated on the volcanic island of Java, which is comparable in size to Arkansas or England. Half of the Indonesian islands are unpopulated; only a third have more than a tiny population. Across the archipelago, there are hundreds of spoken dialects and cultural subgroups, including at least three "indigenous" movements against the center in Jakarta, those in Irian Jaya, East Timor, and Aceh. The vast majority of people are Muslim, making Indonesia the largest Muslim country in the world.

Indonesia, in the colonial period, had to contend with two colonial powers, the Dutch and the Portuguese, while Britain, based in Malaya, was undoubtedly the *primus inter pares,* keeping the others, including Spain in the Philippines, in check. Indonesia fought a five-year war of liberation against colonial armies (which enjoyed American and British support), and sabotage from within by a powerful communist movement. The head of the independence movement, President Sukarno, led Indonesia from independence in 1950 until 1966, through an uneasy balancing of the still strong Communist Party (PKI), the Muslim majority, and the military. In a still highly contentious and controversial series of events in 1965, a PKI-linked faction in the military launched a failed coup attempt, killing several generals. General Suharto directed the suppression of the coup, and subsequently the elimination of the PKI, facilitated by a massacre of tens of thousands—perhaps hundreds of thousands—of reputed communists by mobs of civilians and soldiers across the nation. President Sukarno was suspected of complicity in the failed coup, and, when he refused to disband the PKI in early 1966, General Suharto forced him to relinquish power. General Suharto has led the nation since then, with

Indonesia's 'Dwifungsi' military use policy

One of the primary targets of Indonesia's enemies is the system of "dual function" (*Dwifungsi*) for the Indonesian military. Under *Dwifungsi,* there are two divisions within the military, of equal stature: one, for military affairs; another, for civic affairs. Although the military remains under civilian control, military officers are given positions in most of the major civic institutions of the nation, alongside non-military personnel. This includes mayors, ambassadors, governors, ministers, the judiciary, business, labor unions, and so on.

This is decried as "anti-democratic" by the UN's non-governmental organization (NGO) apparatus, but it is particularly disliked for the model it provides for the governments in Myanmar and Cambodia, which are both in formative stages. Both of these nations face powerful domestic narco-terrorist armies, which have historically been controlled by foreign interests. British efforts to maintain control over the Golden Triangle drug supply require the dismantling of military influence in government policy, both in Myanmar and Cambodia. And yet, both of these nations have had considerable support and advice from Indonesia's government and its military, and are able to defend the necessity of a strong military role in government and society by pointing to the success in Indonesia.

Indonesia, unlike the rest of the "tiger" economies of Southeast Asia (Thailand, Malaysia, and Singapore), has *not* participated in massive arms purchases over the past few years. U.S. Assistant Secretary of State for East Asia and Pacific Affairs Winston Lord told the Subcommittee on East Asia and the Pacific of the Senate Foreign Relations Committee, on Sept. 18, that "although the military plays a leading governing role, Indonesia's defense expenditures as a percentage of GDP total 1.5%, ranking it 119th in the world, between Guyana and Guatemala." He quoted a senior Indonesian official: "We would rather spend the money on economic development."

Indonesia recognizes that its military strength and preparedness depend, not on the quantity of weapons on the shelf, but on the in-depth productive potential of its economy. When Suharto set up the Council for Strategic Industries within B.J. Habibie's BPP Teknologi in 1983, a major goal was to guarantee that the nation could avoid dependence on outside sources for defense supplies. The European and American "Conservative Revolution" ideologues, who have cried the loudest about "democracy" in Indonesia, are often speaking both for the arms exporters and the financial institutions which profit from arms sales and speculation. Indonesia's military remains a major roadblock to such looting, and a defense of both economic and military sovereignty.

the government party, Golkar, winning every election by wide margins.

The current emergence of Sukarno's daughter, Megawati Sukarnoputri, as the rallying point for the youth-based opposition, with significant input and direction from London-based non-governmental organizations, led by Lord Avebury's Tapol, must be seen in the context of her father's contradictory history and status in the country. Sukarno is honored as the founder of the nation, and author of the five guiding principles of the nation, called Pancasila, which are still followed today. His complicity in and responsibility for the 1965 coup attempt is purposefully left unsettled, although his ties to the PKI are considered a weakness that nearly destroyed the country. Megawati admits that she is more of a symbol than a leader. The youthful supporters know little or nothing of the poverty and instability of the Sukarno era, nor of the chaos of 1965, which resulted in Suharto's "New Order."

Suharto's record of economic development is, in fact, remarkable. Once the world's largest importer of rice, Indonesia became self-sufficient in 1984. Universal primary education has been achieved, even in the most remote islands. Poverty has been reduced from 60% in 1970 to less than 15% today, although the chasm between rich and poor plagues Indonesia, as it does every other nation, including the United States. The Suharto regime has always maintained strict limitations on opposition parties, but the specter of a revived "Sukarnoism," with all the communist and populist implications, has provoked particularly severe countermeasures. These include the recent government-supported removal of Megawati as leader of one of the two official opposition parties, the Indonesian Democratic Party (PDI) and the reinstatement of the previous leader, Surjadi, which has become the cause of international howls of displeasure from the human rights mafia at the United Nations and in London.

The real target of these (and other) attacks on the Suharto regime, however, is its economic nationalism and its rejection of IMF demands, especially since the 1993 consolidation of power in the cabinet by nationalist leader B.J. Habibie.

Nationalists vs. technocrats

The history of Suharto's New Order has been one of contention between two forces, popularly (and accurately) labelled the nationalists and the technocrats. Following the 1973 leap in oil prices, oil-rich Indonesia was provided the opportunity to break from the restrictions of IMF and World Bank policies. The World Bank had discouraged the investment of Indonesia's oil wealth in industrialization, which was considered "inappropriate" for a poor nation.

Suharto thought otherwise. He transformed the national oil company, Pertamina, into an overall industrial engine for the economy, using the $4 billion per year windfall in oil revenues to create national industries in steel, cement, chemicals, aluminum, machine tools, and more, including rice estates and other advanced agricultural projects.

President Suharto called on his old friend, B.J. Habibie, then resident in West Germany, who agreed to return to his homeland as the assistant to Pertamina director Ibnu Sutowo, and personal adviser to the President.

One report says that Suharto told Habibie that he could do whatever he wanted, short of fomenting a revolution. In Germany, Habibie had been the vice president in charge of applied technology for Messerschmitt Bulkow Blöhm (MBB). He was a graduate of the Technische Hochschule in Aachen in aeronautical engineering, and had been with MBB since 1965. His views of the technocrats, who carried out the IMF dictates for free trade and deregulation, were not secret: He compared them to the Dutch colonialists, trying to keep Indonesia as a pawn to be looted by international capital.

Industrial and infrastructural development took off under Pertamina's direction. The defunct Krakatau steel project in West Java, begun by the Soviet Union in the 1950s, but stalled in 1965, was restarted. Whole new industries were created. Batam Island, a small island across from Singapore, was designated to become the site of a new industrial entrepôt to rival Singapore.

But Pertamina's director, Sutowo, in two years, ran up a debt of over $10 billion, and the company went bankrupt. The IMF technocrats drooled over the opportunity to dismantle the entire operation, and many of the industries were taken over by "economists" and scaled back or eliminated. Habibie, however, had been assigned the task of creating a long-term scientific and industrial capacity, and Suharto would not allow that to collapse. The operations under Habibie's direction at Pertamina were merged with an Air Force industry to form a national aircraft industry. In 1978, Habibie was named both minister for research and technology and chairman of BPP Teknologi, the Agency for Assessment and Application of Technology.

Habibie had a direct role in virtually every critical industry, and oversaw a staff of thousands of scientists, engineers, and economists in a network of scientific and planning agencies. His capacity to implement policy was limited—partially due to the drop in the oil price, but also because of the opposition of the technocrats grouped at the National Development and Planning Agency (NDPA). Habibie, nonetheless, has held the structure together. When the 1979 oil crisis again drove the price of oil up, he was situated to launch an even more dramatic expansion.

Between 1979 and 1981, oil revenues more than quadrupled, leaping from 42% of government revenues to 61%. Suharto, with Habibie in charge of operations, was determined to establish a permanent and irreversible industrial infrastructure program with the oil windfall. BPP Teknologi became a super-ministry, with (eventually) nine ministries under its direction, including all military, industrial, and infrastructural departments. It was the sole shareholder in all strategic industries.

When the oil price dropped in 1986, Indonesia was faced with competition from other Southeast Asian nations, especially Thailand, which had accepted the IMF-dictated policy of opening up to low-technology, export industries and financial deregulation. Thailand had become a center for hot money, through a combination of exploiting its cheap labor, and the drugs, prostitution, and black-market proceeds, which boomed in the deregulated economy. These short-term results were heralded as proof of the correctness of Thailand's IMF model and the failure of Indonesia's national industrial policies.

The technocrats again gained an upper hand, which lasted until 1993. Technocrat Radius Prawiro, minister of finance in the late 1980s, bragged that "we abandoned our own earlier vision of mercantilism and, instead, discovered the 'wisdom of the marketplace.' " Although Habibie held the industrial sector together, hot foreign money flowed in, creating a flood of cheap-labor export industries, such as the Nike shoe factory, which has been targetted by organized labor in the United States, as an example of U.S. jobs lost to cheap labor abroad.

Of course, financial "reforms" were part of the IMF package. Due to the partial deregulation of banking, the money supply increased 250% between 1989-92, as credit card debt brought Indonesians into the world of the "bubble economy." Foreign debt leaped to $80 billion, and by 1992, the ratio of debt service to exports rose to 32% (even the IMF admits that anything over 25% is a problem). While foreign debt was 29% of GNP in 1982, by 1992, it was 72%!

Habibie responded by building a new organization, the ICMI (Indonesian Association of Muslim Intellectuals). Its purpose was to organize the population, and especially the schools, behind the importance of science and technology. He emphasized that the only "competitive advantage" with any value was that which derived from technological progress, not from cheap labor, since only technology can increase the productivity of labor, creating a multiplier effect throughout the economy. Similarly, he insisted that the government *must* invest in research and development, since private firms cannot—or will not—invest enough themselves. Technology, he said, must be viewed as a crucial "infrastructure" of the economy.

When the technocrats complained that the strategic industries under Habibie's control accounted for about half of the losses in the state sector, Habibie associate Tamara said: "It all depends on how you look at the money that has been spent. If you look at it as a *cost,* yes, it is expensive. But we should look at it as an *investment in the future.*"

In 1993, the same year that the Chinese government put the brakes on their own hot-money "export zones" and began the current drive for nationwide and Eurasian-wide development, Indonesia's cabinet was almost totally taken over by Habibie's allies. The World Bank issued a direct, but lame, attack on Habibie's policies in their 1993 "Indonesia: Sustaining Development":

"Policies centered on a 'technological leapfrogging' strategy, involving the development of targetted high-tech industries supported by direct public investment or subsidies and high levels of protection, have proven costly and uneffective in most countries."

The truth is otherwise. Precisely because Indonesia has invested in real industrial infrastructure, and in the increase in the productivity of the workforce, it may be better positioned to absorb, but certainly not immune to, the shockwaves of the collapse of the global financial bubble, despite the vulnerabilities created by the speculative policies before 1993. Habibie has expanded the national aircraft and other industries, and launched a national car program, much to the consternation of the free-trade advocates at the IMF and the World Trade Organization (WTO). Projects for bridging the Malacca Straits, as well as the islands of Java and Sumatra, are being planned. The next, and necessary, direction, must be to break out of the current Java-centric emphasis, toward the development of the outer islands, and the integration of Indonesia and the rest of Southeast Asia into the broad Eurasian-wide development programs now supported by China

Nobel Prize causes trouble in East Timor

On Oct. 11, the Swedish Nobel Committee awarded this year's Peace Prize to two individuals at the center of the difficult, often tragic saga of Indonesia's occupation of East Timor: Catholic Bishop Carlos Filipe Ximenes Belo, and the exiled head of the East Timor Liberation Front (Fretilin), Jose Ramos-Horta. Nobel Committee chairman Francis Sejersted said, "This was about to become a forgotten conflict, and we wanted to contribute to maintaining momentum." He added that he was aware the prize could trigger violence.

The award to Ramos-Horta is widely viewed as a provocation. In the Oct. 15 *International Herald Tribune,* Philip Bowring attacked the peculiar Nordic "political correctness" of the selection, pointing out that this is the third time in eight years the Peace award has gone to Asians opposing their governments: Burma's Aung San Suu Kyi, Tibet's Dalai Lama, and now Ramos-Horta.

Robert L. Barry, U.S. ambassador to Indonesia (1992-95), assessed the award to Ramos-Horta in an op-ed in the Oct. 29 *Washington Post.* He reviewed the history of the Portuguese sudden abandonment of East Timor in 1974, and the bloody civil war which followed, among parties which advocated immediate independence (Fretilin), and two others that advocated gradual progress to independence or integration with Indonesia, before Indonesia took control in 1975. Barry said the divisions that caused the civil war remain, making East Timor "a tinder box not unlike the West Bank or Gaza." To promote Fretilin, is to inflame a situation that could precipitate "a new Bosnia."

Often overlooked in Indonesia's takeover of East Timor, is the blessing given to Jakarta's invasion by Henry Kissinger, who accompanied President Gerald Ford to Indonesia shortly beforehand. That "blessing" included the deployment of a U.S. AID team from South Vietnam to East Timor, where it kept track of Indonesia's imposition of the same "strategic hamlets" policy which the U.S. learned from Britain's counterinsurgency war in Malaya. The UN still does not recognize Indonesia's sovereignty over East Timor, but designates Portugal as the administrative power.

In February 1992, Indonesian Foreign Minister Ali Alatas, in an address at the National Press Club in Washington entitled "Debunking the Myths around a Process of Decolonization," charged that Fretilin "never opposed, let alone participated in the struggle against Portuguese colonialism. . . . In fact, the Fretilin has always played exactly the opposite role, that of a favorite collaborator of the colonial administration. As a curiously concocted melange of, on the one hand, a small group of young radicals, and, on the other, the worst elements of the Portuguese colonial army (the Tropaz). . . ."

Ramos-Horta will spend his Nobel Prize money setting up a foundation in Lisbon, to promote the independence of East Timor. Portuguese President Jorge Sampaio has agreed to head it.—*Gail Billington* and others. Viewing the South China Sea as an "Asian lake," and building the necessary transportation and related industries to achieve that goal, will remove the vulnerabilities to London's subversion.

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British policy behind the attack on Clinton

by Gail G. Billington

U.S. government policy toward Asia emerged as the "hot topic" in this year's Presidential election, thanks to the Republican Party's race-baiting attack on the relationship of President William Clinton, and current and former administration employees, especially former Deputy Assistant Commerce Secretary for International Economic Policy John Huang, to an Indonesian conglomerate, the Lippo Group, of Mochtar and James Riady. What is really at stake here, is not "ethics" in government, but, rather, U.S. foreign and economic policy.

Whether the Republicans retain control of the Congress after Nov. 5, will go a long way in determining how far the Conservative Revolutionaries will succeed in using this story in their continuing assault on President Clinton, and the Presidency itself. At the rate at which House Speaker Newt Gingrich is orchestrating Congressional committee investigations into this matter—four at last count—with parallel support from the Republicans in the Senate, there is little doubt that the "Lippo" connection is being used to hamstring the Clinton White House.

The real issue of the campaign lies outside of what either side is saying. The Republicans are suffering short-term memory loss when it comes to campaign financing and "sweetheart" deals, related to trade or other policy, with corporate and individual donors. Democrats, on the other hand, have been defensive about Huang's activities as Democratic National Committee Finance Committee deputy chairman, and have failed to identify adequately what the attack is all about.

Marching orders from London

The relationship between President Clinton and the Riady family is not new. However, it gained attention in anti-Clinton, neo-conservative circles, following the publication of an article in the November 1995 *American Spectator,* mouthpiece of the most rabid Clinton-phobes in the British political-financial elite, the circles of former London *Times* editor Lord William Rees-Mogg. Author James Ring Adams threw a fit over the success of the late Commerce Secretary Ron Brown's trade missions to Indonesia and China in 1994, which lined up $40 billion in contracts.

As *EIR* reported at the time, the Brown mission represented a fundamental change for the better in U.S. policy toward Asia. On Aug. 29, 1994, Brown stated that, with this trip, the United States "has junked a 12-year tradition of laissez-faire government." Later, in Beijing, Brown outlined Washington's intent to use "commercial diplomacy . . . to set the stage for a new era of cooperation, growth, and progress." Through such a newly defined partnership for development, Washington laid the basis for constructively addressing problematic areas, such as "human rights" and "labor practices."

Brown's approach explicitly rejected the "outsourcing" of U.S. productive capacity, to profit by exploitation of cheap labor, and promoted U.S. export of "high-technology" capital goods, participating in meeting the enormous requirements for infrastructure development in energy generation, transportation, and telecommunications.

In this way, the Clinton administration signaled a change in policy, fundamentally opposite to British promotion of radical free trade liberalization, privatization, and the splitting up of China. The Brown trip was the strongest indication yet, of how the Clinton administration might approach the most ambitious regional development program in history, the linking of China, through Central Asia, to the Middle East and Europe, by a grid of rail and road transport, along the old Silk Routes. Stopping the "Eurasian land-bridge" is the centerpiece of British geopolitical policy, which the Republicans have willingly embraced.

The vehemence with which the Republicans have attacked Clinton's "Indonesian connection," is inexplicable without understanding the rage such a shift in U.S. Asia policy engenders in the British, and the role that Indonesia plays as the largest and perhaps most stable economy in Southeast Asia. Mochtar Riady, family patriarch and head of the Lippo conglomerate, whose holdings include insurance, banking, and real estate in Asia and the United States, formerly headed the Bank of Central Asia, of Indonesia's leading Chinese industrialist and President Suharto's closest business associate, Liem Soie Liong. James Riady met Clinton in 1977 in Arkansas, when Clinton was state Attorney General and James was an intern, training at the Stephens, Inc. investment bank. James Riady's 19-year friendship with the Clintons and their closest circle of business associates in Arkansas, and what, if any, service the Riadys, and Huang, brought to effecting that positive change in U.S. Asia policy, provide the mere pretext for attacking the policy itself.