According to the WHO, "the global malaria situation is serious and becoming worse." Mosquito control programs, including the use of DDT, which successfully controlled malaria in the past, have been eliminated or drastically reduced. Africa bears the brunt of 90% of the world's malaria cases, and has the most deaths from the disease. Resistance to the drug chloroquine, which is used most frequently to treat the malaria parasite, is spreading. Over the past five years in Senegal, there has been a sevenfold increase in malaria deaths, due to increased resistance to chloroquine. To make matters worse, no major pharmaceutical company in the United States or Europe is developing any new drugs to treat malaria. This means that, as resistance to the traditional drugs used to combat the parasite increases, doctors will be left with no effective drugs, which will increase the deaths from malaria worldwide.

Malaria is also being reintroduced into areas where it had previously been eradicated. The populations of Central Asia and the Caucasus region are now suffering from malaria for the first time in decades, as wars and economic collapse have eliminated mosquito control programs.

The banning of DDT by the U.S. Environmental Protection Agency in 1972, a decision which was made for purely political reasons, and which clearly violated all scientific evidence supporting DDT use, resulted in the precipitous rise in malaria cases around the world. For example, in Sri Lanka, before mosquito control programs using DDT, in 1946, there were 2.8 million cases of malaria, and 12,500 deaths. In 1963, using DDT, there were *only 17 cases*. But five years after the use of DDT was stopped, malaria climbed to more than 500,000 cases, with 113 deaths.

The reduction in the use of DDT to control mosquitoes has resulted in the resurgence of malaria and other mosquito-born diseases, such as dengue fever. In Ibero-America, spraying of house walls with DDT to repel mosquitos was a successful practice for controlling malaria. In 1962, according to the Pan-American Health Organization, in 21 countries, almost 14 million houses were sprayed, and malaria cases that year were 173,570 in those countries. In 1992, however, only 4.4 million houses were sprayed, and malaria cases increased to 1,186,053.

Dengue fever, a mosquito-born viral disease, infects approximately 50 million people a year, according to the WHO. Dengue hemorrhagic fever (DHF), the most serious type which causes internal bleeding, is often fatal, and is a major cause of death of children in Asia, killing 100,000 in 1995. However, DHF was virtually unknown in the Americas until 1981. The decline in mosquito control programs led to the eruption of an epidemic of dengue fever and DHF beginning in 1981. Before 1981, DHF was known in five countries of Ibero-America, with only 60 recorded cases since 1968. From 1981 to 1997, DHF spread along with the reintroduction of the *Aëdes aegypti* mosquito, into 25 countries, resulting in 54,248 cases.

In 1974, Lyndon LaRouche and his associates issued a report warning of a "biological holocaust" starting in the mid-1980s, as the result of clinging to the policies of the "post-industrial society." The report forecast the return of old infectious diseases, and the emergence of new epidemics, first focussed in the developing-sector nations, and then spreading into the industrialized nations, if the current policies were not reversed. Unfortunately, the world has not yet broken free of those types of economic policies typified by the IMF, and we see the result in the emergence of the AIDS pandemic, and the resurgence of old epidemics such as tuberculosis and malaria.

Indonesia is 'dying, do you understand?'

by Gail G. Billington

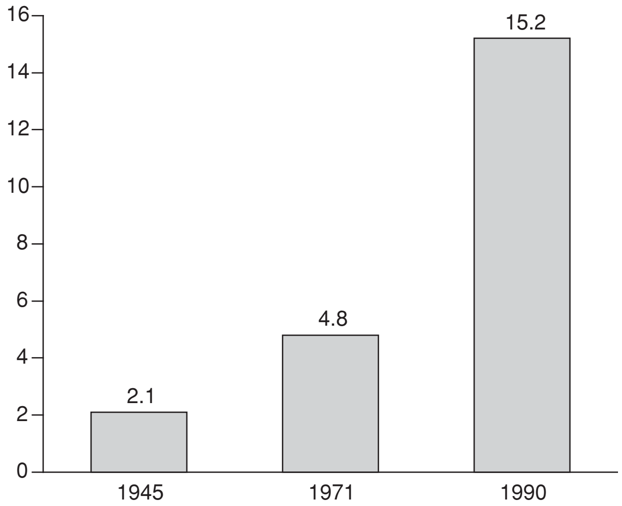
September 1997: President Suharto received the UN prize for poverty eradication, having reduced the percentage of the population living below the poverty line from 60% in 1970 to 11% in 1996, better than the 13% then recorded in the United States. Exemplary of what was achieved is seen in **Figures 1-3,** the ratio of physicians to population, reduction of infant mortality, and the near doubling of electricity production in less than a decade.

September 1998: The International Labor Organization released a report warning that in 1999, some 66% of Indonesians will fall below the poverty line, "poverty not seen since the 1960s," the ILO said. By mid-1998, already 37% had fallen below the poverty line; by end-1998, that would rise to 48% (**Figure 4**).

Thirty years wiped out. Indonesia today is not *yet* experiencing the horrific demographic collapse seen in Africa and Russia. But it is teetering on the brink of a more rapid collapse in that direction than one might think. At a briefing in Washington, D.C. on Feb. 26, 1999, the highly respected scholar Dr. Nurcholish Madjid reported that in some areas rural schools are empty because of the success of the country's family planning program over the past decades. Look at that in the light of the recent reports of the spread of malnutrition and outright starvation among children under five years old.

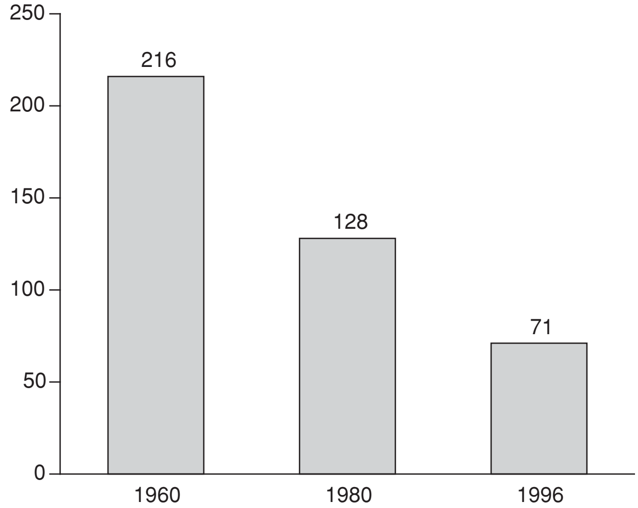
In March 1999, the head of the UN Children's Fund (UNICEF) for Indonesia and Malaysia, Stephen Woodhouse, told reporters that, based on UNICEF research and field experience, malnutrition in this age group "has become a national disaster. Up to half of Indonesian children under five are malnourished and half of them are babies under two." He estimated that there are around 23 million children under five years of age, and 8 million under age two. Malnutrition is

FIGURE 1
Indonesia: physicians per 100,000 population



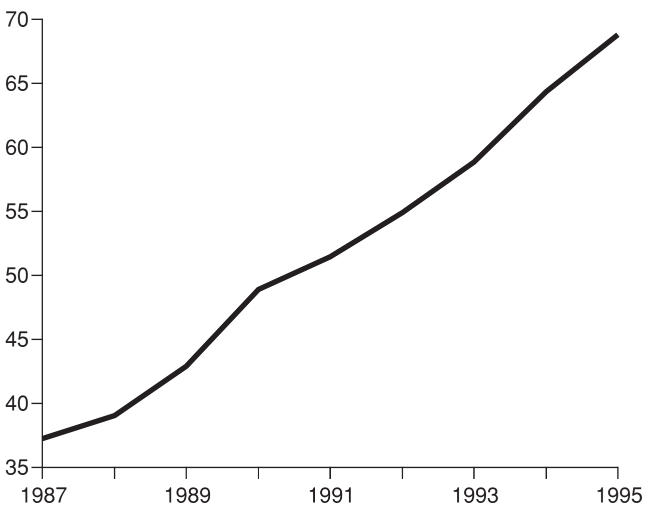
Sources: Republic of Indonesia, National Development Information Office; United Nations, *Statistical Yearbook, 1974.*

FIGURE 2
Indonesia: under-five child mortality
(deaths per 1,000)



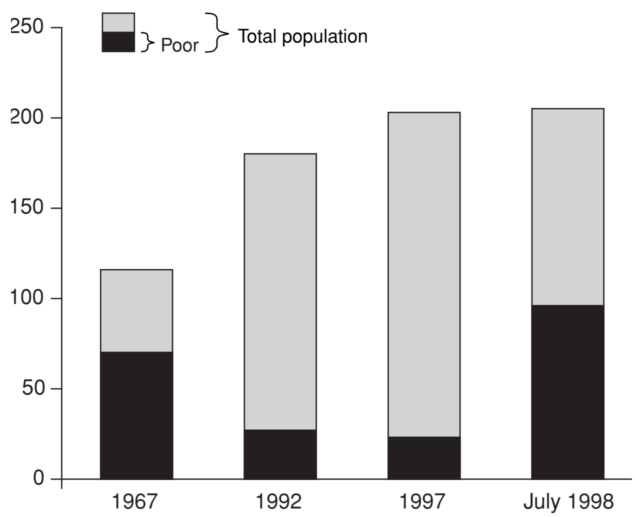
Sources: UNICEF, *The State of the World's Children, 1998.*

FIGURE 3
Indonesia: total electricity production
(billions of kilowatt-hours)



Source: United Nations, *Statistical Yearbook, 1995.*

FIGURE 4
Indonesia: population below the poverty line
(millions)



Sources: Republic of Indonesia, National Development Information Office; International Labor Organization.

most devastating in the first two years, when 90% of brain cells develop.

Woodhouse said that UNICEF has not officially updated its figures since just before the financial crisis hit Southeast Asia in mid-1997, but that data show that 750 children were dying daily in Indonesia, at least 60% from malnutrition, specifically, deficiencies in vitamin A, iron, and protein, and 35% of pre-school children were "mildly" malnourished. Woodhouse pointed to a recent Ministry of Health report of 610 deaths from marasmus and kwashiorkor, acute malnutrition due to a diet lacking, respectively, in calories and protein. On April 2, the state wire service Antara reported that in urban areas of East Java alone, 15,000 children are suffering from malnutrition.

The UNICEF report makes clear that the next generation of Indonesians is already at risk, but the September 1998 ILO report underscores that the entire Indonesian productive labor force is deteriorating at a terrifying pace, leading to irreparable damage to Indonesia's capacity to produce.

Indonesia stands out in the intensity of the crisis it is facing, and its importance as the fourth most populous country in the world, an archipelagic nation of 17,000 islands, straddling 3,000 miles of the world's most important sea lanes, with a proud history of battling colonialism, a political leader in voicing the aspirations of developing nations in international forums such as its founding role in the Non-Aligned Movement, and as a moderating influence in the Muslim community, consistent in its support of promoting the common interest between sovereign states. There are 300 ethnic groups, 500 dialects, and 5 major religions, which diversity, under conditions of economic crisis, has been a factor, manipulated or not, contributing to recurring violence, as survival takes precedence over other considerations.

In an unusually alarmist statement issued on the eve of the July 1998 meeting of the Consultative Group of Indonesia's foreign creditors, the World Bank warned: "The seriousness and urgency of Indonesia's financial and economic crisis cannot be overstated. No country in recent history, let alone one the size of Indonesia, has ever suffered such a dramatic reversal of fortune. . . . Too much is at stake for Indonesia and the world to allow the country to fall back into a nightmare of recession and poverty after 30 years of economic and social progress."

Deliberate destruction

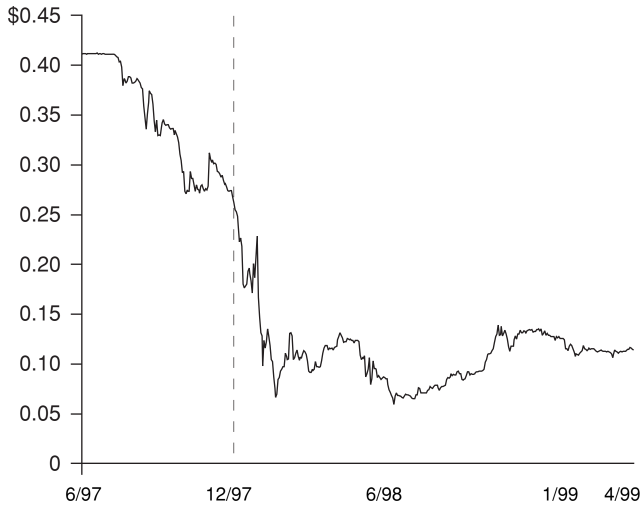
The principal causes of this human catastrophe are the refusal of leading governments, starting with the Group of Seven, to implement LaRouche's New Bretton Woods policy, and the International Monetary Fund's (IMF) ideological insistence on protecting financial assets over the general welfare of nations and peoples. Central to Indonesia's continuing crisis is the lack of controls on currency fluctuations and speculation. As of April 6, the Indonesian rupiah was trading at 8,692 to the U.S. dollar—almost 72% below where it was when the crisis began in July 1997 (**Figure 5**). A wide spectrum of Indonesians have called for some controls throughout this crisis. The IMF, in January 1999, refused to accept its responsibility for deliberately driving the Indonesian economy into the ground, claiming that it "badly misgauged" the situation.

Indonesia was the Southeast Asian country hardest hit by the stock market and currency meltdown, following the July 2, 1997 float of the Thai baht. On Aug. 14, Indonesia abandoned its managed exchange rate. Within a month, the Indonesian rupiah had collapsed 25%, prompting then-Justice Minister Utoyo Usman to say that if, indeed, speculators "cause disorder in the national economy, of course, it can be categorized as a subversive criminal act," subject to prosecution. Simultaneously, the region was ravaged by such extreme drought that conditions in tropical Indonesia were comparable to the Sahara Desert. By late September 1998, in Kalimantan and Sumatra, foodstocks for humans and livestock were devastated, cash crops were wiped out, and 1-1.5 million acres of forest destroyed by fires. By April 1998, crops on 80% of cultivated farmland in Kalimantan had failed, and estimates of losses from peat and other forest fires was set at $2-3 billion, a crisis ignored by the IMF.

FIGURE 5

Indonesia: rupiah against the dollar

(dollars per thousand rupiah)



Source: *Wall Street Journal.*

IMF I: the Halloween coup

In September 1997, with the rupiah and stock market down 30% since July, the Suharto government announced $37 billion in cancelled or deferred infrastructure projects, including a series of three bridges that, for the first time, would have tied continental Asia to the Southeast Asian archipelago, linking Malaysia to Sumatra, Sumatra to Java, and Java to Madura. Also cut were two refineries, 14 power plants, a rail and road terminal in Jakarta, a telecommunications tower. Nine other power plants, 29 toll road projects, port projects in four cities, and two airports were postponed.

On Oct. 8, amid rumblings of delays or defaults on private sector foreign debt payments, then-Indonesian Finance Minister Mar'ie Muhammad said that the government had approached the IMF for assistance. By late October 1997, the

Indonesian rupiah had collapsed 50%; prices of imported vehicle spare parts and 90% of medicines increased 100-500%. Initial estimates on the IMF package were in the range of $4-6 billion, but on Halloween 1997, IMF Managing Director Michel Camdessus announced what would become a $41.2 billion package. From the outset, the IMF targetted the Suharto family in the "kkn" campaign—anti-corruption, anti-collusion, and anti-nepotism. A primary IMF demand was that government food and fuel subsidies be deregulated. Sixteen banks were closed, with the government guaranteeing compensation of only $5,555 per account. Camdessus said that GDP growth would drop over the next two years, but would recover to 7% in 1999-2000.

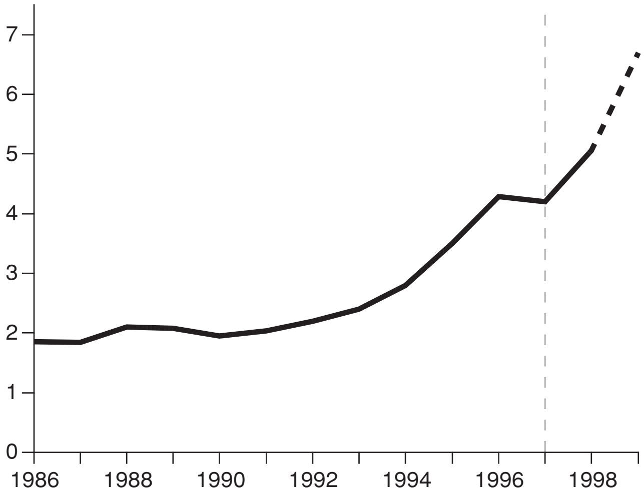
By late November, Finance Minister Mar'ie Muhammad told parliament that debt service would rise to 34.5% of the budget. Textile sector leaders said the industry would produce skilled but unemployed workers in 1998, not garments, and the chairman of the only officially recognized union, the Federation of All Indonesia Workers Association, issued a "red alert" on unemployment in 1998, pointing to the 25,000 workers laid off from the 16 closed banks, and 84% of new college graduates who would not find work. Unemployment, he said, would rise from 7% to 10% in 1997, and up to 11% in 1998 (**Figure 6**).

On Christmas 1997, the rupiah closed 59.5% below its July level. Four days later, Dec. 29, the Indonesian Chamber of Commerce (Kadin) heard reports that 40,000 employees were dismissed from the property sector in 1997, 300,000, or 15%, of textile workers would be dismissed by mid-1998, another 500,000 workers were dismissed because their employers went bankrupt, and the trade union chairman warned that "open employment," less than one hour of work per week, would rise from 7.7% to 9% of the country's 91 million workers. A representative from the construction sector estimated that 3-4 million workers were already jobless, though official statistics reported only 950,000. The Kadin issued a statement saying, "If this crisis is left too long, it will make development a slave and lessen the achievements made [up to] this time."

IMF II: colonial compulsion

The dominant image from January 1998 is of Camdessus standing over President Suharto, as he signed the second letter of intent with the IMF, an image that evoked the surrender to Dutch colonialists centuries earlier. Nineteen ninety-eight opened with the rupiah sinking to 63.3% of its July value, and rumors that the government might be considering a debt moratorium, which were denied. On Jan. 6, President Suharto presented the 1998-99 budget in Parliament, a balanced budget, pegged to a rupiah rate of 4,000:$1. As he delivered the speech, the rupiah sank to 7,400:$1, closing at 9,400. The budget was scrapped, but not before both the *Washington Post* and *New York Times* editorialized on Jan. 11 that the solution to Indonesia's economic problem was for Suharto "to step aside."

FIGURE 6
Indonesia: official unemployment
(millions)



Sources: United Nations *Statistical Yearbook, 1995;* employment statistics, Badan Pusat Statistik (Statistics Indonesia), Republic of Indonesia; International Labor Organization

The IMF's revised budget demanded a 1% budget surplus, further reduction, if not outright elimination, of fuel subsidies, and further deregulation of essential food commodity subsidies. Zero GDP growth was projected, but expenditures rose due to higher interest rates and debt servicing, in particular, foreign debt servicing. An additional 15 infrastructure projects, some under the pretext of links to Suharto family members, were deferred. But the new budget was erroneously premised on a revised exchange rate of 5,000:$1 and increasing revenues from oil and gas sales. On Jan. 23, as the budget was being presented, the rupiah crashed to 15,500:$1, closing at 12,750. Market analysts pointed out that at the point the rupiah had passed the 7,000:$1 threshold, there was "not a single solvent company" in Indonesia. Oil and gas prices plunged. By the end of the month, 2.7 million Indonesians entering the labor force for the first time were listed as unemployed; prices of rice and sugar doubled.

Runs on banks followed. Foreign banks refused to accept Indonesian letters of credit for trade. A temporary freeze on foreign debt was imposed, while a creditors' committee was put together and an agency to take on the awesome task of bank reorganization was created. By early February, budget revisions included 51.7% higher spending on debt, in particular, foreign debt. By the second week of February, the first fatalities resulted from food riots, with mobs attacking shops selling those essential food commodities that the IMF demanded should no longer be subsidized, and shops selling spare parts, which were no longer affordable. The demographic characteristic of those leading the attacks were teenagers and young men in their 20s and 30s, as well as younger children—i.e., those on the IMF's scrap heap.

In his February 1999 briefing, Dr. Nurcholish Madjid made a crucial point: It is far too convenient to write off any conflict in Indonesia to "ethnic" conflict between the majority Muslim population and the minority Chinese. The vast majority of Chinese Indonesians are small shopkeepers, part of the 90% of such small and medium-sized businesses in the country that employ 49% of the labor force. They also represent the underpinnings of the country's food distribution system, a point appreciated by the current Minister of Cooperatives, Adi Sasono, in his "people's economy" program. Furthermore, on the demographics of these conflicts, the principal beneficiaries of the extraordinary advances over the last 30 years is the current generation of university-age students, whose frustration level is being tested to the limit under these conditions.

Camdessus expressed his worry in early March 1998 that Indonesia's potential to resist had not been sufficiently broken. "Even if you have the impression that we have made important progress in handling the Asian crisis, . . . we are not there by far in Indonesia," he said. "If this problem is not solved soon, the whole thing is at risk."

IMF III: Dump Suharto

Presidential elections slated for March 1-11, coinciding with a meeting of the People's Consultative Assembly, became a focal point for an escalation of student protests, initially confined to on-campus protests and focussed on rising food costs—noisy, but peaceful. A ban was placed on demonstrations from one week before to one week after the March parliamentary session. In his March 1 speech to the parliamentary session, President Suharto condemned the IMF program as "fatally flawed" because it failed to stabilize the rupiah exchange rate. It is in that context, and that context only that he said he would "carefully and cautiously" contemplate a currency board to combat the effects of the "monetary tsunami."

Hyperinflation set in. Cooking oil prices were up 130%; rice, 34%; eggs, 88%. In his speech, Suharto said that the previous four years of economic gains had been wiped out in six months. Capital flight was so intense that the Singapore *Straits Times* reported on March 6 that only 10-15% of all cash in circulation remained in Indonesia. On March 3, the chairman of the Inter-Islamic Universities Cooperation, Syarifudddin Harahap, wrote a personal letter to President Clinton asking the United States not to delay the release of the next $3 billion tranche from the IMF, expected after March 15. Harahap told President Clinton, "The IMF recommendations aim only to achieve economic efficiency while their social and political impacts are not considered." Pointing to the lifting of fuel subsidies and restrictions on foreign retailers entering the domestic market, Harahap said that his association opposed full implementation of the IMF's 50 demands as leading to social and political instability, and asked for assistance in rescheduling debt and postponing interest payments in order to commit the money to develop agriculture to feed people and provide employment.

In the second week of March, the IMF did exactly what Harahap had warned against. Days before the parliamentary session to elect the President and Vice President, the IMF delayed release of the $3 billion tranche. In meetings with one of the three recognized political parties, the Muslim United Development Party (PPP), President Suharto invoked Article 33 of the 1945 Constitution, entitled "Social Welfare," which stipulates that the economy be organized as a "cooperative effort, founded on the basis of family spirit." The article reads in part: "Branches of production essential to the state and governing the life and living of the public shall be controlled by the state. Land and water and natural riches contained therein shall be controlled by the state and used for the greatest prosperity of the people." PPP head Syakir said, "We're just concerned that if the economy is too open, Indonesians might end up with nothing." National Development Minister Ginandjar Kartasasmita was quoted in the March 9 *Indonesian Observer,* "We welcome international bodies such as the IMF and World Bank to help Indonesia. But if that means they can impose their will or humiliate us, we would be better off without their aid."

One day after his re-election as President, Suharto told a reception, "In the short term, we merely wanted a stable exchange rate for our rupiah to prevent the people's living standards from dropping any further."

The outlines of IMF III were presented in early April, reflecting three major changes: a strict, week-by-week, reform regime, full discussion of said regime within the cabinet, and measures to tackle private-sector foreign debt. Key details included revised growth of –4%; continuing rice and soybean subsidies; delay of energy price increases to early May; promises of no bailouts for private sector foreign debt; privatization of state-owned firms; new bankruptcy laws; and, aid for small and medium enterprises (SMEs). In mid-April, Ginandjar announced a debt "standstill" on private sector foreign debt. IMF Deputy Director Stanley Fischer threatened in early April, "We have measures in place, and if they are not implemented, the program won't go ahead. We have no assurance." One week later, close Suharto protégé Bob Hasan was quoted in *Republika,* "This is the Republic of Indonesia, this is not the IMF republic." Shortly thereafter, the meeting of creditor banks in New York City were told that 40-70% of private-sector loans would have to be written off, but the talks ended without resolution.

In the third week of April, protests turned violent, starting in the third-largest city, Medan, Sumatra, and spreading to Jakarta in early May. Fuel price increases of 25-71% were set to take effect on May 4. Before the clock struck midnight, all hell broke loose, with protests in 13 cities, and the chief of socio-political affairs of the military saying that the country had reached the "worst ever critical level."

On May 12, six students were shot by sniper fire on the grounds of the exclusive Trisakti University in Jakarta, igniting rioting on May 14-15. More than 1,200 people were killed, and there was an estimated $1-2 billion in damage, which has yet to be repaired, including 4,939 buildings destroyed or burned, 1,935 vehicles destroyed, 313 bank branches, 221 sub-branches, 220 automatic teller machines, 13 public markets, 4,168 shops and supermarkets, 21 government offices, 383 private offices, 24 restaurants, 12 hotels, 9 gas stations, 2 churches, 1,026 residences, and 11 public parks destroyed, and 1 billion rupiah damage to electrical infrastucture and 4 billion rupiah damage to gas stations and fuel trucks. Scores of rapes were reported.

The country's leading bank, Bank Central Asia, owned by President Suharto's longest-standing Chinese associate, Liem Sioe Liong, heavily targetted in the riots, collapsed two weeks later, while Bank Indonesia admitted later that it had spent $1.8 billion to prevent more bank collapses.

On May 21, President Suharto resigned, after 14 ministers delivered a letter warning that the economy would collapse within one week if action was not taken, and adding that a cabinet reshuffle was not enough. On May 31, Dewi Fortuna Anwar, senior foreign policy adviser to President B.J. Habibie, told the London *Sunday Times,* "We need international assistance for food security and a basic social safety net. . . . [The IMF is] playing too much politics, saying we have to wait for stability. If they want to wait, people are going to die. There will be riots and that will be the real threat to reforms." The state logistics agency estimated at that time that existing food supplies would only last 8-12 weeks, at the same time the Agriculture Minister reported that domestic rice production would sink 8% due to the continuing drought.

Manpower Minister Fahmi Idris reported the next day that unemployment would rise from an earlier estimate of 13.4 million, to 15.4 billion, or 17.1% of the 91 million workforce. The Central Statistics office predicted the economy would collapse 10.1%, with inflation hitting 80-85%, possibly breaching 100%, if further social upheaval occurred. The IMF accepted re-imposition of subsidies on the nine essential commodities. On June 4, a Tokyo meeting of the foreign creditors committee succeeded in reaching an eleventh-hour debt rollover on $29.2 billion in private corporate and private bank debt coming due within fiscal 1998-99.

On June 10, with the rupiah hovering at 11,750:$1, opposition economist Rizal Ramli confirmed that 80% of Indonesian firms were de facto bankrupt as soon as the rupiah passed the 7,000 mark in January. The Importers Association reported that imports had collapsed 80%, with only medicine, chemical raw materials, and vehicle spare parts still coming in. The Coordinating Minister for People's Welfare reported that 30 million people would fall below the poverty line, and the Education Ministry reported that 30% of students had dropped out of school for economic reasons.

IMF IV: The collapse sinks in

The fourth letter of intent with the IMF, announced on June 25, agreed to an additional $6.2 billion for Indonesia, giving priority to the social safety net and unemployment, and calling for an 8.5% budget deficit, to fund a 4% increase in funding of social safety net programs, to 7.5% of GDP. A food-for-work public works program was planned, especially for drought-stricken rural areas. The letter incorporated estimates of a 10% collapse in GDP growth and 85% inflation. However, the plan still stuck to its commitment to phase out subsidies by year end, adding that until then subsidies would be offset by further cuts in infrastructure equal to 2.5% of GDP. Restructuring the banking system was another priority, through recapitalization, mergers, and bank closings, while on corporate debt, the letter said that "in some cases, debt writedowns will be needed." The letter wishfully hoped the rupiah would settle to 10,000:$1 by year's end, but as the letter was made public, the rupiah slipped from 14,650, to 14,750 to the dollar, 83.3% below its July 1997 rate (Figure 5).

On July 2, the first anniversary of the float of the Thai baht, the head of the Central Bureau of Statistics reported that by the end of 1998, some 95.8 million Indonesians, 48% of the population, would be below the poverty line, and that almost 80 million people, 40%, would no longer be able to afford food and basic needs. He pointed to the more than 80% collapse of the currency and the devastation to agriculture from drought and fire. On the same day, a delegation of six Indonesian parliamentarians were in Washington, representing 103 of their peers, warning that without further assistance, Indonesia "will have more instability and might even disintegrate," but saying that aid should not be tied to Indonesia's internal political affairs.

On July 8, fifteen prominent Indonesian economists, representing a cross-section of institutions, issued a joint declaration: "If there is no prompt action, the situation will move toward a total destruction of the Indonesian economy, bringing along the collapse of the social and political life of the people and even the existence of Indonesia." They estimated that the economy would shrink 15% in 1998, that 80 million would fall below the poverty line, and inflation would be 100%. One signator said, "Class conflict could happen, where people with no rice beat up others. . . . We are dying, do you understand?"

The end of July meeting of the Consultative Group of Indonesia's foreign creditors agreed to extend another $7.9 billion to help cover the projected 8.5% budget deficit, with an agreement to meet in September to discuss deferral of principal payments on the country's sovereign debt. In August, a group of 21 Indonesian businessmen appealed to President Habibie and the Supreme Court to declare the economic situation "an act of God," under the legal principle of *force majeure,* which declares an event outside the control of parties to a contract, thereby releasing them from the terms of the contract. The appeal was made in anticipation of the Aug. 20 activation of a new bankruptcy law, which many feared would lead to hostile takeovers of local firms by foreigners. Estimates put non-performing loans at 60% by year's end.

IMF V: 'We are dying'

On Sept. 11, Indonesia signed a fifth letter of intent with the IMF, which focussed on immediate measures to stop the hyperinflationary increase in rice prices, up more than 400%, and to increase the supply and distribution of subsidized rice, especially to 7.5 million families considered at risk from starvation. The second major feature was Economic Coordinating Minister Ginandjar Kartasasmita's "Jakarta Initiative," to speed up settlements between creditors and private sector debtors. The same week the letter of intent was signed, a second major wave of student demonstrations erupted, contributing to the crash of the rupiah from 10,650:$1 to 11,800:$1 on Sept. 10. An editorial in the Australian *Sydney Morning Herald* the day the letter was signed made the point that "hunger is a bigger threat to stability than moral or political principle. . . . The potential for widespread upheaval cannot be discounted." Within days, the Food Minister confirmed the figures in the ILO report (cited at the beginning of this article) that 48% of Indonesians would sink into poverty in 1998, and 66% in 1999. On Sept. 21, Food Minister A.M. Saefuddin told Parliament that 25-27 provinces and 150 of 308 regencies faced food shortages, and 53 regencies faced severe shortfalls.

One week after the fifth letter was signed, two prominent Indonesian economists, former Finance Minister Emil Salim, and Umar Juoro, a protégé of President Habibie at the Indonesian Muslim Intellectuals Association, called for some kind of exchange controls, which was seconded by the chairman and deputy chairman of the Indonesian Chamber of Commerce and Industry, Aburizal Bakrie and Iman Taufik.

At the end of September, Indonesia's police chief, Lt. Gen. Roesmanhadi, addressed the economic crisis from a different standpoint, saying, "No day passes without demonstrations. Basic essentials and land are looted and theft with violence is on the rise, especially in Jakarta. We are dealing with a heavier, more complex, and more serious situation." He reported that between the May riots and August, the number of arrests related to continuing rioting included 2,099 in Jakarta, 1,372 in North Sumatra, 287 in Central Java, 205 in East Java, 2 in East Kalimantan, and 10 in South Sulawesi. He added that 1,714 protests had occurred around the country from May up to his press conference, and that investigations were continuing into suspicions that some of the riots "were instigated to disturb order."

Violent riots erupted again in mid-November in Jakarta, at the time of a special session of the People's Consultative Assembly to debate election reforms in advance of national elections in June 1999. Thousands of students and unemployed youth engaged in armed attacks and looting. In late November, the "Ketapang" riots erupted in Jakarta, widely reported as motivated by "ethnic" clashes between Muslims and Christians. But, Dr. Nurcholish Madjid pointed out in his February 1999 briefing, that the initial cause was gang wars over parking lot concessions in Jakarta!

All bets off for 1999

By year's end, official figures showed that the economy had collapsed 13.68%, but a comparison of fourth quarter 1997 to 1998 showed a 19.53% decline. Oil revenues, the country's major source of foreign exchange earnings, collapsed 50% due to the global oil price depression. Bureau of Statistics head Sugito Suwito said that politics would be decisive to economic performance in 1999, with legislative elections in June, a major vote on the status of East Timor, and Presidential elections in the fall. Every sector of the economy experienced negative growth in 1998, except agriculture, electricity, and drinking water! Inflation year-on-year was 77.63%.

President Habibie's presentation of the 1999-2000 budget on Jan. 5, 1999 was punctuated by an emotional appeal "to maintain patience and clear thinking," and to "realize our dignity and honor as a big nation." The budget again focusses on social safety net spending equal to 4.8% of GDP, but which will have to be funded by new foreign borrowing. Zero growth is projected, itself a major turnaround from the 1998 collapse. Inflation is estimated at 20%. Reviving the comatose banking system is a key feature, with $3.5 billion targetted for recapitalization, and a hopeful projection of $1.68 billion from sales of bank assets. However, interest costs on the debt issued to carry out the recapitalization are estimated at $5 billion.

In mid-March, Economics Coordinating Minister Ginandjar Kartasasmita announced that another 38 banks will be shut down, and 7 taken over; 10 companies were delisted from the Jakarta Stock Exchange. At the end of the month, negotiations with the steering committee of foreign creditors succeeded in securing one- to four-year rollovers of private sector debt, including banks' foreign debt.

Violence continues, in East Timor, Maluku, and Kalimantan; tens of thousands have been displaced, hundreds have died since the beginning of 1999. What Indonesia has set out to do in the June general elections, if successful, will be nothing short of miraculous. But the economic crisis will not be solved within Indonesia.

The IMF's role in collapsing the Indonesian economy was deliberate, willful, and carried out with intent. There is only one way for Indonesia to "realize our dignity and honor as a big nation." It must join the "Survivors' Club" of nations for a New Bretton Woods financial system.