

New Indonesian President Faces Economic Crisis

by Mike Billington

One bright spot facing the newly elected President of Indonesia, Susilo Bambang Yudhoyono (known as SBY), is the possibility that the “copy-cat Dick Cheney” now ruling neighboring Australia, Prime Minister John Howard, may be thrown out of office in the Australian election Oct. 9. This will come just three weeks after SBY’s overwhelming victory (unofficially estimated at 61% to 39%) in the Sept. 20 presidential run-off in Indonesia, over incumbent President Megawati Sukarnoputri.



President Susilo Bambang Yudhoyono

If there were any remaining hope that Australia’s Howard had dropped his self-described role as the “deputy sheriff for Asia” to the Cheney/Bush regime in Washington, those hopes were dispelled in the last weeks of September, when Howard announced plans to set up six hunter-killer squads to roam across Southeast Asia searching for terrorists, naming Indonesia and the Philippines as likely targets. Howard followed that up with an announcement that his government, if re-elected Oct. 9, will pursue a pre-emptive war doctrine against any nation which fails to act against those individuals or groups deemed by Canberra to be a terrorist threat.

Efforts by Foreign Minister Alexander Downer to clean up the mess left by Howard’s imitation of Dick Cheney, only made things worse when he said that Indonesia would be welcome to bomb Australia (!), if Jakarta believed that terrorists threatening Indonesia were hiding there. Such lunacy only served to convince leaders across Southeast Asia that Australia’s leadership was nearly as insane as George W. Bush, and that a pre-emptive attack were indeed possible if Bush, Cheney, and Howard were reelected.

Such threats can hardly be ignored in light of the now universally recognized fact that the Iraq war was based on accusations known by the accusers to be fabrications.

The Economy

SBY has an even greater worry, however: the economy. The 1997-98 speculative assault on Indonesia (and most of the other Asian economies) left the nation in political and social chaos, which has only partially abated. Flight capital

has exceeded \$13 billion since 1998, and continues even today, while investment from the advanced sector nations remains essentially negative. Indonesia has relied on internal demand, and investment from its Southeast Asian partners and from highly favorable infrastructure investments from China, to slowly regain economic stability.

Investments from the United States virtually disappeared after the crisis, other than that of the hedge funds and other speculators, who swooped in to buy up the Indonesian banking system for a fraction of its worth. One American banker, who is now running a major Indonesian bank, recently bragged to a Washington, D.C. gathering how the foreign takeover of more than one-half of Indonesia’s banking system since 1998 has compromised Indonesian sovereignty: “There will be no more directed credit in Indonesia,” he said. “If someone in the government wants to direct credit to some special program, they won’t get it, because they’ll have to go through me, and I won’t allow it.”

Directed credit for internal infrastructure improvements was the essence of the “American System of Physical Economy” developed by American founding fathers Benjamin Franklin, Alexander Hamilton, and their allies, based on a system of national banking. Franklin Roosevelt’s use of directed credit saved the United States from the depression and the threat of fascism. Foreign control of the banking system, in Indonesia and elsewhere, is intended to prevent such dirigistic development.

Under the administration of President Megawati Sukarnoputri, Indonesia had generally refused to submit to the kinds of conditionalities imposed by foreign investors during the reign of President Suharto, who fell from power in 1998. Those contracts, much like the “unequal treaties” imposed by the colonial powers in Asia in the 19th Century, placed all the risk upon the host country. Energy contracts, for instance, with the likes of Enron, forced Indonesia to purchase the entire electricity output of a power facility, whether it was needed or not, and to pay for it in dollar valuations, rather than local currency. When the currency collapsed in the 1997-98 speculative attack, such contracts left the nation utterly bankrupt, paying massively inflated prices for unused electricity, on top of their debts, whose values tripled overnight when accounted in local currencies.

The rejection of such conditionalities today has been blamed in Western capitals for the continued lack of Western foreign investment, but in the long run, the rejection will prove to be to Indonesia’s benefit. In any case, Indonesia’s Asian partners, including China, have been more willing to provide favorable conditions for their investments.

SBY: Reputation As a Strong Leader

Former General Susilo Bambang Yudhoyono will be the first Indonesian President elected by a direct vote, the result of Constitutional changes enacted over the past years. SBY and Megawati finished first and second in the general election

in July, but neither won 50%, requiring the September runoff under the new system.

SBY served as Coordinating Minister for Politics and Security under President Megawati (one of two powerful “Coordinating Ministers,” the other being for economics), but he left the post last year to make a run for the presidency. He formed his own party, which did not fare so well in the parliamentary elections, but SBY swept the presidential election, based on his reputation as a strong leader, without any history of corruption or human rights abuses. President Megawati was unable to rally much enthusiasm for her re-election, in part because of her low-key leadership style over the past three years.

SBY rose to General under President Suharto’s long reign, in the 1970s, ’80s and ’90s. He spent two stints in the United States: one year at Fort Benning in 1976; and one year in 1990 at the U.S. Army Command and General Staff College at Fort Leavenworth, Kansas, both under the U.S. International Military Education and Training Program (IMET).

SBY and his running mate, Yusuf Kalla, a member of former President Suharto’s Golkar Party, are well liked in Western capitals, but they are not expected to change policies in any dramatic way. The question of terrorism, which is considered practically the only issue of importance in most Western press coverage of Indonesia, has not played a major role in the elections, where terrorism is seen as the work of a lunatic fringe, inflamed by the nearly universal rage against the U.S. pre-emptive war on Iraq, and U.S. support for Israeli barbarism in the occupied territories.

The Sept. 9 terrorist bombing in front of the Australian Embassy in Jakarta, which killed or injured 191 Indonesians (and no Australians), has served as an opportunistic campaign issue for would-be Rambo John Howard in his close race in the Australian elections, but had little impact on the Indonesian election. The question of *qui bono* should be primary in the Indonesian police investigation of the crime.

A Wall Street Journal Threat

The danger of pre-emptive actions, or other forms of subversion, against the incoming Yudhoyono regime, were broadcast clearly in the Sept. 27 *Wall Street Journal*, the leading mouthpiece for the neo-conservative faction in the Bush Administration. A column by Danny Gittings, the Deputy Editor for the Asian *Wall Street Journal*, was given the title “Another Year of Living Dangerously.” This is a direct reference to the final year of the Sukarno regime, in 1965, when the United States orchestrated a coup against Sukarno, and a bloody slaughter of his base among the poor, under the guise of an anti-communist crusade. Gittings tries to spread panic among the readers of the *Wall Street Journal* who may have interests in Indonesia, claiming, without evidence, that “there’s a general belief that [the terrorists] will pick a soft target next. Hotels, shopping centers, indeed anywhere that Westerners gather, are vulnerable.” He even raised the specter

of the Beslan massacre in Russia, claiming that the International School in Jakarta was a target.

Gittings then accuses Indonesian leaders, including President-elect Yudhoyono, of “lacking the courage” to stop terrorism. Gittings also targets the *pesantren*—the Islamic private schools which provide education to a large portion of Indonesian youth—claiming that many are “training and recruitment centers” for terrorism. As to SBY himself, Gittings rants that “the biggest danger is expecting too much from a new president who counts some of the country’s most strongly Islamic parties among his supporters.”

Further, Gittings ridicules the fact that Indonesia refuses to use the name applied by the West to the terrorist network in Southeast Asia, *Jemaah Islamiyah*, which is simply the common term for “Islamic community” used by Muslims everywhere. The terrorists themselves deny that their network goes by this name. Rather, the *Wall Street Journal* is building a case out of lies in order to accuse Indonesia of failing to address terrorism—a process infamously used to justify the illegal war on Iraq.

If the Bush/Cheney and John Howard reelection campaigns are defeated, then the incoming president of the world’s fourth largest nation will have a decent chance to re-establish Indonesia’s historic mission as a Republic, which has been compromised for these past 40 years, since the last “year of living dangerously.”



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