'To Protect Its People'

Indonesia Says No To Free Market

by Ron Castonguay

Feb. 13—An important law just passed by the Indonesian Parliament curtails the rights of the market to control the destiny of the Indonesian people, apparently anticipating a need for emergency economic measures. Article 54 of the new trade law allows the government to restrict exports of commodities to anticipate "quite drastic" price increases in global markets or to ensure domestic supply. It also allows for import restrictions to develop or protect certain industries and to safeguard the country's balance of payments.

The law, approved at a plenary session of parliament on Feb. 11, may limit exports or imports of staple commodities to ensure local demand is met. The new law highlights Indonesia's push to limit commodity exports and food imports to develop local production and boost manufacturing capabilities in the country, as the government seeks to reduce the economy's dependence on overseas shipments for growth.

Indonesia is not shy about its rights to violate the dogma of "free trade" to protect higher, and more valid, values. "This law underlines Indonesia's stance of not adopting a free market," Deputy Trade Minister Bayu Krisnamurthi said after the bill was passed. "The government has been given the right to intervene to protect its people."

Aiming for Food Self-Sufficiency

The goal of the new provisions is not just short term. Indonesia, with its heritage of Portuguese, English, and Dutch colonialism, is determined to reject that status, develop itself, and fully exist as a sovereign nation.

"We can't rely on coal and palm oil anymore," said Juniman, a Jakarta-based economist at PT Bank Internasional Indonesia. "If all our raw materials are exported, manufacturers won't be able to grow and it'll be difficult for us to avoid getting stuck in the middle-income trap."

Indonesia has 237 million people on its 17,000 islands. Its demands and its actions to establish its sovereignty are more important than may at first be apparent. It is not just other minor undeveloped country.

Only China, India, and the United States have a greater population than Indonesia, and there is no country with a larger Muslin population. While the poison of Saudi-backed fundamentalism has touched Indonesia, Islam is by-and-large moderate there, and the government, based on a expressly secular model, is relatively stable. Its actions are watched and noted throughout the world.

Ever since the 1997-98 Asian financial crisis, which deeply affected the country's economy, Indonesia has been attempting to reform its agricultural sector. It has put in place a large number of reforms with the objectives of achieving food security through increased production of rice, sugar, soybeans, maize, and beef; ensuring that prices are affordable for consumers; diversifying production away from carbohydrates to animal-based products; raising the level of competitiveness for agricultural products; and improving the lot of farmers.

A new Food Law, signed by President Susilo Bambang Yudhoyono in November 2012, was intended to institutionalize self-sufficiency in food production, and "food sovereignty" as overarching food security policies, according to the U.S. Department of Agriculture's Foreign Agricultural Service. Among its provisions, Article 14 states that "Sources of food supply are from domestic production and national food reserves. In the case of shortage of food supply from those two sources, food can be fulfilled by importation, as needed." In other words, Indonesia should depend on itself for its food, only relying on the international market in case of need.

Another provision, Article 24, limits the export of food, saying exports "can be carried out by taking into account the needs of domestic food consumption and national interest. The export of staple food can only be carried out after the fulfillment of domestic consumption and national food reserves."

Not all the goals of the Food Law have been realized. While there was opposition to the law from the international food cartels, Indonesia has been self-sufficient enough in food to be shielded from cartel retribution. The exception is Indonesia's production and export of edible palm oil in the international arena—which has been under continued Greenie attack, most

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Indonesia has put in place a large number of reforms to achieve food security through increased production of rice, sugar, soybeans, maize, and beef. Here, terraced agriculture in Indonesia.

especially European, on a variety of so-called health and environmental grounds.

However, the implementation of the law has encountered numerous problems, including an Australian embargo on live cow exports because of Indonesian "cruelty" in slaughtering, profiteering in certain commodities, and widespread corruption problems that lead to a black market in foodstuff import certificates.

Fight with the Mineral Cartels

Indonesia's fight to escape being merely a raw materials exporter is also proceeding in the area of minerals.

Indonesia is the world's biggest exporter of thermal coal, tin, and nickel ore, and a major supplier of copper, aluminum, and gold ores. Minerals and related products have in the past accounted for up to 20% of its exports. Copper brought in $7.2 billion in annual receipts in 2011, followed by nickel ($3.1 billion), tin ($2.4 billion), and bauxite ($1.1 billion).

But, by and large, Indonesian mining is a collection of holes in the ground and short-haul railroads. Little to none of the processing of ores, or refining, smelting, and fabricating the finished metal into semi-finished goods, or final product is done in Indonesia, leaving the country dependent on the mineral cartels.

When, in 2009, Indonesia announced a law to change that, by requiring mining companies to at least do the initial processing of ores in the country, beginning in 2014, the international cartels let out a howl and produced a ruckus that still continues. Rather than investing in Indonesia by building smelters and other associated processing facilities, the international cartels began a campaign of press vilification, legal actions, and stubborn refusal to accept the will of the Indonesian government and people. With few exceptions, the mining companies declared they would not prepare to carry out the law, but would just cease production in Indonesia.

On the eve of the law's implementation in January, the government let the mining law go into effect, with the provision that unrefined ores would be subject to an export tax. Indonesia's exports of mineral ore are now at a standstill, with unprocessed bauxite and nickel the target of an outright ban (for technical reasons involved the refining process), and mining companies either refusing or unable to pay the heavy new export duty on copper and the other concentrates that were given an 11th-hour three-year extension, according to a report in *Asia Sentinel*.

So far, there have been no requests for export licenses, as an effective boycott appears to have been imposed by London. And, so with out-of-country stockpiles and the overall weakened state of the world's economies, the mining cartels may be able to continue their anti-Indonesia stance for some time.

But the very success of the mining cartels' boycott of Indonesian minerals ultimately reduces the viability of those cartels. After all, the ultimate industrial consumer of Indonesia's minerals is China, which wants long-term supply under stable conditions. If the cartels cannot or will not supply that, why not just eliminate the middle-man?