

UPDATE

An Unfinished Revolution

by Curtis Runyan

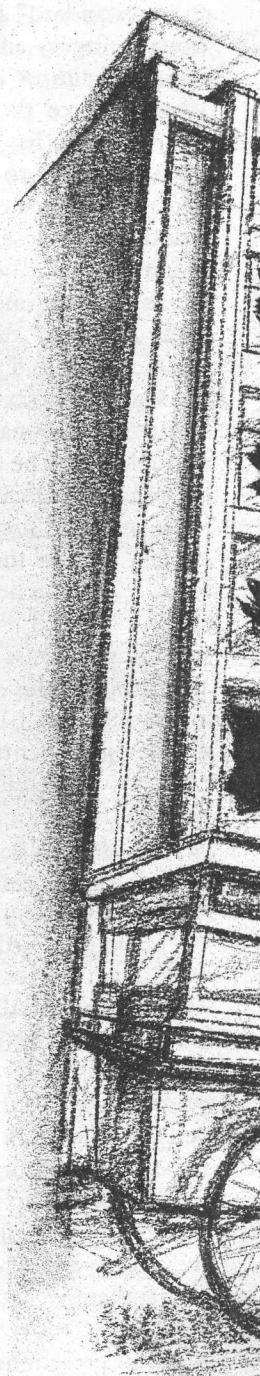


The mountainous landscape of the central Indonesian islands is heavily used. Little brick homes with corrugated tin roofs, sprawling schools with heavily used soccer fields, and white-washed mosques with chrome spires dot the countryside. Stair-step rice paddies have been sculpted into the sides of gentle hills and massive volcanoes. Java, an island about the same size of Cuba, is packed with a population of 120 million—about half the population of the United States. Aside from a series of national parks and active volcanoes, uninhabited land is rare.

But looking down from the grassy foothills of the northwest face of Gunung Rinjani, the 3,700-meter-tall ringed volcano looming over the island of Lombok, you can see a mysteriously pristine patch of forest that turns into an empty rolling field down near the ocean. In the low voice of a life-long clove cigarette smoker, my guide, Suhardi, pointed to the land and said that President Soeharto, who stepped down amidst economic collapse and mass protests in May 1998, had granted control of the area to one of his billionaire businessman sons. "Before the economic troubles started, this land was to become a resort hotel," he said. But instead, after last year's terrible drought and the country's economic collapse, which has caused the tripling of food prices, a nearby village has released its cattle to graze there, and people have even begun planting rice.

It's no secret that the pressures caused by Indonesia's breakdown will take their heaviest toll on the country's poorest people. An annual survey by the government's Bureau of Statistics found that the number of people working in agriculture in early 1998 had increased by 15 percent to 42 million, while the number in industry, transportation, and finances had dropped by 10 percent to 16 million. "Many people are returning to the countryside from the cities," lamented Suhardi. "This year I have no land to work." And he is not alone. In Indonesia, extended families in rural communities act as a social safety net for those who have lost their jobs in the cities. But with two consecutive seasons of poor harvests, there is a limit to how much the countryside can take.

"No country in recent history, let alone one the size of Indonesia, has ever suffered such a dramatic reversal of fortune," reported the World Bank's annual economic survey of the country



X last July. According to estimates, 100 million Indonesians—half of the country's population—are now living in poverty, up from an admittedly low government estimate of 30 million in 1997. More than 15,000 workers in Jakarta alone now lose their jobs every day. Many can afford to eat only one meal of little more than rice each day.

Across the country, bands of poor farmers and unemployed workers have resorted to extreme measures to make ends meet. Outside Jakarta, farmers infiltrated a luxury golf course, planted cassava and bananas on the greens, and carved into the fairway in large letters the word that has become

Indonesia's battle cry for political reform

and equity: "Reformasi." Sulawesi and Sumatra have seen a significant resurgence of hunting of any and all wild animals—endangered and endemic species like macaque monkeys, Sumatran tigers, and flying foxes can be found for sale as exotic cuisine for foreigners or as expensive Chinese medicines. In Jakarta, a city of 8 million, the government has cut its \$1.7 million environment budget outright, halting programs that monitor air and water pollution, despite warnings that water-borne pathogens and respiratory diseases are the two largest causes of death in children under five years old.

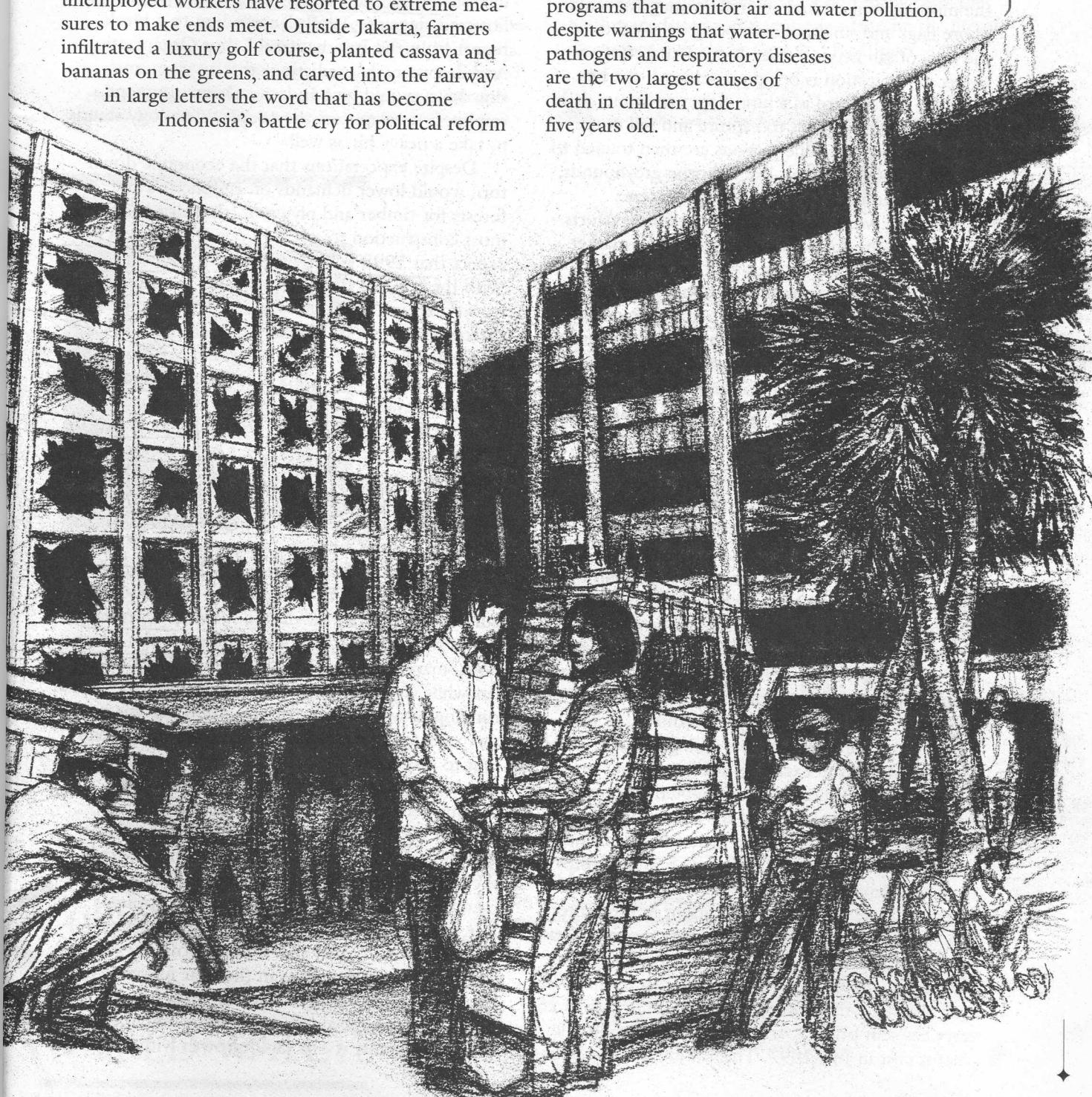


ILLUSTRATION BY JANET HAMLIN, BASED ON PHOTOGRAPHS TAKEN BY CAMILLE SCRIBNER



At the top of a crumbling, three-story fortification adjacent to the Kraton palace in Yogyakarta, a young boy in tattered shorts clutches a brown pigeon with a yellow string tied to its leg. Holding the bird by its feet, the boy mechanically waves the frightened creature up and down, drawing a violent fluttering of wings on each downstroke. For an American, watching the silhouette of the boy against the morning sun evoked an archaic image of semaphore flags and smoke signals being released from the tops of sandstone mesas. Indeed, a sort of primitive communication is being perpetrated: the boy, using his female bird as a lure, hopes to attract male pigeons, which he plans to capture and sell at the nearby bird market. The pigeons are then trained to race from point to point, like airborne greyhounds, supporting an underground gambling scene.

Informal work like this and more shady efforts to make money, including theft and black-market trading, are skyrocketing across the country. The number of children enrolled in school has fallen from 78 percent last year to 54 percent. Parents have been forced to pull kids out of school to help work full time in the fields, or as beggars on the streets, or as scavengers at the local dump. At almost every stoplight or traffic jam in Jakarta little boys emerge from crowded sidewalks like clockwork to strum tuneless serenades, hoping for spare change from passengers in stopped taxis.

But many still cannot make ends meet. More than 45 million cannot afford their daily ration of rice, the country's staple food. The soaring price of rice—caused by shortages due to drought and the higher price of imports—is at the heart of much of the country's current instability. The government estimates it had to import 5 million tons of rice last year to stave off the onset of a "rice crisis." However, at least 4 million tons of rice were hoarded, smuggled, or exported to other countries, as the low value of the rupiah means selling rice and other natural resources in exchange for foreign currency has become very lucrative. Last September, one government official was arrested for siphoning off and selling abroad half of the rice meant for distribution in Jakarta over five months—nearly 500,000 tons.

While making my way through one of the slums ringing Jakarta last July, I was caught in the center of a stone-throwing crowd ransacking a corner food shop. Food riots, I was told after beating a hasty retreat, are almost a daily ritual in Jakarta. And it is little wonder—the country's first rice shortage in 15 years has sent prices soaring; one kilo costs double what it cost in July 1997. This means that the poor-

est 20 percent of the population now spend one-quarter of their income on rice alone. (See graph, page 37.) The poor have been hit hard, and as a result, police have been unable to stop mass looting of rice warehouses, rice trucks, and even rice paddies. "Without any improvements in household income, further price increases in 1999 will push some 140 million people, or 66 percent of the population, below the poverty line—a level of poverty not seen since the 1960s," according to a bleak report from the International Labor Organization. And despite early predictions that an economic slowdown would give Indonesia's environment a respite, it now appears the country's ecology stands to take a heavy hit as well.

Despite expectations that the economic downturn would lower demands on Indonesia's vast forests for timber and plywood (the crisis brought most construction to a halt in Asia), producers now expect that 1998 volume will match levels in 1997. With the collapse of timber prices, a year ago plywood mills in Indonesia seemed "on the verge of bankruptcy," reports William Sunderlin of the Center for International Forestry Research in Bogor, Indonesia. But restrictions placed on logging in China early last year (to protect heavily degraded watersheds that contributed to the deadly floods in 1998) have once again created a huge market for Indonesian wood.

"Economic recovery and growth may depend on a willingness to accept greater exploitation of natural resources, even if only on a temporary basis," according to the World Bank publication, *East Asia: The Road to Recovery*. This dilemma has come about, says Sunderlin, "because the drastic currency depreciation makes Indonesian commodities cheap on the international market, and because earnings are in U.S. dollars while costs are in local currency." With the rupiah running anywhere between 80 and 50 percent its former value against the dollar, it is now cheaper than ever to cash in on the country's natural resources, which can then be sold at large profits abroad.

But heedlessly speeding up the rate that the country liquidates its forests, digs up its minerals, and ships out its grain ultimately will not remedy the mismanagement and corruption underlying the country's financial and environmental problems. In fact, rushing headlong into a sacrifice-anything-for-growth mentality may just lead the country back to the brink of another crisis in the near future. Even the World Bank acknowledges the risks involved: "East Asia's financial crisis and environmental problems have similar roots: rapid growth without prop-

er safeguards, policies, and controls."

Indeed, Indonesia cannot sustainably revive its past patterns of growth. In the forest sector alone, timber companies already harvest trees nearly twice as fast as they can grow back—largely due to poorly enforced regulations, inefficient harvesting of trees, misdirected subsidies and incentives, and government corruption. Instead of increasing pressure on the country's already beleaguered forests, oceans, and oil and mineral reserves, the emerging post-Suharto government would do well to build a foundation of smart and efficient use of resources, fair and equitable labor practices, and transparent and corruption-free business transactions. As the student protestors know only too well, the first step toward getting Indonesia on its feet is to straighten up the crooked political and economic institutions left behind by the Soeharto regime. Implementing safeguards to control the direction of growth in the future will be a monumental task for Indonesia, which is struggling to remake its entire political landscape while keeping socio-economic, ethnic, and religious tensions from tearing the country apart.

But Indonesia cannot be expected to shift to a more sustainable framework on its own. Freewheeling markets, which invested and then retracted huge amounts of capital in Southeast Asia, share a large portion of the responsibility for the country's current straits, according to several economic and environmental observers. "The unregulated flow of global capital leads to this boom-or-bust cycle that places the fate of developing economies at the mercy of traders on Wall Street," according to an issue paper

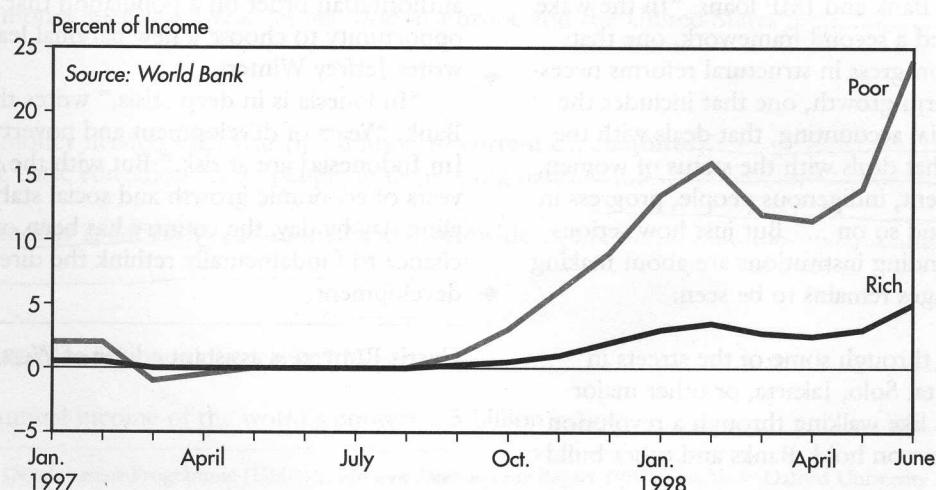
by Friends of the Earth. The International Monetary Fund (IMF) has been strongly criticized for its "blame-the-victim" measures requiring strict fiscal austerity—such as cutting social welfare spending, food and fuel subsidies, and other programs, many of which benefit the poor—in return for its emergency bailout packages. But with the languishing economic turmoil the IMF's "structural adjustment" measures in Indonesia have backfired, and in many cases they have exacerbated social tensions—fanning the fire of discontent over rising food and fuel prices.



Before the crisis, Indonesia was the World Bank's brightest success story—reports showed that since the sixties, the country had achieved a dramatic reduction in poverty rates and in the past decade the economy had grown at an impressive clip of 8 to 10 percent annually. But several scholars and Indonesia experts have recently criticized the World Bank for giving the country such high social and economic ratings, despite knowledge of the country's rampant corruption and nepotism. Positive ratings from the Bank helped to draw in nearly \$59 billion in foreign investments in the Indonesian stock market by late 1996. Money was flooding into the country. However, investment money was used to finance shaky real-estate deals and expand industries in already saturated markets—risky loans became commonplace due to lax banking standards and corruption.

Memos from the World Bank, uncovered by the *Wall Street Journal* in July 1998, show that the bank was well aware of the corrupt practices tearing

Proportionate Loss in Income Due to Rice Price Increases



apart the Indonesian economy, environment, and social fabric—and did little to stop it. According to the newspaper, the World Bank softened reports on Indonesia's economy (helping the country receive higher ratings and draw in additional foreign capital, which in turn flooded out of the country, substantially aggravating the crisis); tolerated corruption in bank-funded projects (despite reports from observers chronicling the disappearance of nearly 30 percent of all Bank funding to corruption); and capitulated to government pressure to inflate figures to show "epic" improvements in living standards. By fiddling with the definition of poverty, Indonesia was able to report a phenomenal drop in poverty from 70 million in 1970 to 22.6 million in 1996—but four out of five Indonesians still lived "below or only slightly above" the internationally accepted poverty line of \$1 a day.

In the past year international lending institutions such as the IMF and the World Bank have finally come down hard on Indonesia's crony capitalism, blaming corruption and collusion between the government and businesses for the economic crisis. But according to Indonesia expert Jeffrey Winters at Northwestern University, "the problem is also inside the Bank itself, in its procedures, culture, arrogance, and unwillingness to take responsibility for protecting the money it lends, especially in places where the population receiving the debt has virtually no hope of protecting it from military-backed dictators."

In the wake of the international mismanagement of the Asian economic crisis, these criticisms seem to be having some small effect. In its Indonesian bailout package, the IMF included for the first time several environmental provisions to curb abuses in the forestry sector. Even World Bank President James Wolfensohn has challenged the "too narrow" scope of World Bank and IMF loans: "In the wake of crisis, we need a second framework, one that deals with the progress in structural reforms necessary for long-term growth, one that includes the human and social accounting, that deals with the environment, that deals with the status of women, rural development, indigenous people, progress in infrastructure and so on..." But just how serious international lending institutions are about making additional changes remains to be seen.

Wandering through some of the streets in Yogyakarta, Solo, Jakarta, or other major cities on Java is like walking through a revolution that has been put on hold. Banks and other build-

ings associated with the country's elite stand with their windows smashed, still broken from violent protests and riots last May; walls are covered in political graffiti lambasting government and business corruption, collusion, and nepotism; and tattered "Reformasi" banners hang from just about every awning or doorway.

Amidst this setting of chaos and change, life carries on: vegetable and fruit markets set up in front of burnt-out buildings, and neighborhoods once torn by riots and looting are crowded with traffic and impromptu sidewalk satay restaurants. In the buildup to the May elections, Indonesia is in a holding pattern, somewhere between getting by in the present and embracing the future—between the stifling stability of the Soeharto era and the emerging political openness of a country torn by the chaos of economic collapse and political reform.

But Indonesia's window of opportunity for change will not stay open forever. Already the highest priority for the majority of Indonesians right now is simply getting enough to eat. More than a third of Indonesia's key electronics, machinery, chemical and metal-based industries have been forced into temporary closure by the economic crisis. Real wages have dropped by 77 percent and the country's economy has contracted by more than 14 percent.

According to economist Sri Mulyani, the country's problems are an inseparable mix of economics and politics, and they must be addressed as such. An economic recovery will be impossible without significant government steps to change how business is done. And Indonesians seem intent on ending the status quo: there are now more than 80 political parties and 4 serious opposition leaders with significant support contending for a chance in the May elections. "It will not be possible to re-impose an authoritarian order on a population that expects an opportunity to choose a new national leadership," writes Jeffrey Winters.

"Indonesia is in deep crisis," writes the World Bank. "Years of development and poverty reduction [in Indonesia] are at risk." But with the past 30 years of economic growth and social stability unravelling day by day, the country has been offered a rare chance to fundamentally rethink the direction of its development.

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