

# Indonesia's Discontent

For more than 30 years, the rulers of the world's fourth most populous country have pursued an aggressive and seemingly successful development policy. But the economic crisis wracking the country today is one signal that much of that success has been achieved through a relentless exploitation of the country's rich environmental assets—and its still poor people. Many Indonesians now sense that their course has been an unsustainable one. And in many ways, Indonesia's troubles are a reflection of the world's.

by Curtis Runyan

When Indonesia began its economic free fall last year, the *New York Times* declared that the collapse “surprised almost everyone.” Against all expectation, the Asian economic “miracle” simply stalled out, leaving Indonesia and several of its neighbors looking to the International Monetary Fund for multi-billion-dollar bailouts. Private investment in the country had increased by an average of 11 percent annually in the past decade. But Indonesia—the fourth most populous country in the world, and one of the richest in natural resources—was now staggering and threatening to drag down global markets with it.

Together with reports of President Soeharto's failing health, the economic crisis sent investors running. By January 1998 the value of the rupiah had plunged over 70 percent. Food riots, ethnic violence, and protests against the government mounted.

International attention to the country's crisis has

focused on the web of bad lending practices by banks, overborrowing by companies, and an economic boom driven largely by overpriced real estate, artificially maintained exchange rates, and speculation. But the underlying truth is that Indonesia has been in trouble for decades, and those troubles extend far beyond bad investments and financial management. Since Soeharto came to power at the height of the Cold War, the country has been kept in a state of increasingly precarious imbalance—between the power of its ruling elite and the marginalization of its swelling majority, and between the country's vast natural and cultural assets and the unapologetic ambitions of its government to exploit those assets in ways that promise to rapidly deplete them.

While the country was dazzling investors with 8- to 10-percent annual growth rates, Soeharto's “New Order,” as his 32-year reign is called, had been raiding the country's treasurehouse of natural wealth and cheap human labor, maintaining a veneer of impres-

sive exports and returns on investment, but meanwhile liquidating the country's natural capital—and suppressing its dissent—in order to keep appearances up. Despite reports of bloody massacres in East Timor, Aceh, and West Papua, endemic financial and political cronyism in the capital city of Jakarta, and environmental devastation in the outlying provinces, foreign investment in Indonesian stock had reached \$59 billion by January 1997. Over the following year, however, the façade began to crumble. By the end of 1997, the stock market had fallen by more than 40 percent, and social unrest was rising rapidly.

By some measures, Indonesia's progress under Soeharto has been impressive. Average incomes have increased from U.S. \$50 in 1967 to U.S. \$650 in 1994 (though the averages hide huge regional and ethnic inequities), and adult literacy has risen from 36 percent to 77 percent since 1960. The country was the world's largest rice importer in 1974, but is now self-sufficient in production of the grain. And Indonesia's national statistics bureau has released figures claiming that only 15 percent of the population lives in poverty, down from 60 percent of the population 30 years ago. But these figures, often cited by the World Bank, are considered by many to be misleading. “Jakarta's definition of poverty is questioned by economists,” writes the *Far Eastern Economic Review*. “For city dwellers, the poverty line is fixed at a mere 930 rupiah [roughly 40 cents] per capita per day; in the countryside, it's 608 rupiah [25 cents].” Indeed, Indonesian economist Faisal Basri calculates that 82 percent of Indonesians live on \$30 per month or less.<sup>1</sup>

Having risen to power 32 years ago in a country faced with grinding poverty, Soeharto considers himself Indonesia's “Father of Development,” and has aggressively and often ruthlessly promoted economic growth. He has been a key proponent of the “Asian Values” vein of thought, which holds communal harmony in higher esteem than individual rights. He has repeatedly implied that paying heed to human rights and democratization at any expense to economic growth is a luxury that developing countries like Indonesia cannot afford. “In Indonesia, we respect and carry out the principles of human rights in accordance with our system and our own understanding,” Soeharto told reporters in response to U.S. criticism of his track record in East Timor last year.

One result of Soeharto's development strategy is that an entire generation has been left to languish with little hope for participation or incentive for

advancement. Under the glitzy surface of high returns on international investments, plentiful labor, and abundant resources, there has been a dangerous hollow space—an absence of the kind of opportunity for entrepreneurial inventiveness and ambition that can make an open market and a free society thrive. As the Indonesian novelist Mochtar Lubis asks, “How can you expect people to create, to think, if there is no climate of freedom? Without fostering our intellectual strengths, which means letting people say what they think without fear, Indonesians will remain coolies in their own country.”

By concentrating all the real opportunity in the hands of just a few people, says Jafar Siddiq Hamzah of the Indonesian Legal Aid Foundation, Soeharto has undermined the country's stability. For three decades, the façade was propped up by the power of the military government to maintain a rigid political conformity and civil order. But the cost of such order has been heavy, says Hamzah: “A strong political elite has meant a weak civil society.” To outsiders, civil order was too easily mistaken for fundamental stability, and even experts like World Bank President James Wolfensohn misread the signs. “There is no doubt we got it wrong,” said Wolfensohn in the wake of the collapse. “I was not alone in thinking 12 months ago that Indonesia was on a very good path. One thing we should have done was to try to suppress the monopolies and unfair practices [of the Soeharto clan].”<sup>2</sup> It should now be clear to Wolfensohn and other outsiders that Indonesia's crisis will require far more than an economic patch.

## A Javanese Empire?

With more than 17,000 islands, Indonesia is the world's largest archipelago. The country stretches across 5,000 kilometers from east to west—the distance from Baghdad to London. Its total land mass of nearly 2 million square kilometers is larger than that of Belgium, Germany, Italy, Spain, Portugal, and the United Kingdom combined. Include The Netherlands, the colonial power that used to control most of Indonesia (see sidebar, page 19), and Indonesia is still larger. It is endowed with a wealth of resources, including extensive oil and natural-gas reserves, rich mineral deposits, and dense forests that cover three-quarters of its land. It is home to 10 percent of the world's tropical rainforest—second only to Brazil's in area—and it may be unequaled by any other country in the diversity of its flora and fauna.

<sup>1</sup> Eyal Press, “The Soeharto Lobby,” *The Progressive*, May 1997.

<sup>2</sup> According to analysis by Jeffrey Winters, an Indonesia expert at Northwestern University, at least one-third of all World Bank loans to Indonesia “leak into the government bureaucracy and disappear.”

With 209 million people, Indonesia ranks only behind China, India, and the United States in total population. More than 120 million Indonesians live on the central island of Java, making this relatively small island the most densely populated island in the world.<sup>3</sup> The “outer” island provinces of Sumatra to the west, and Kalimantan, Sulawesi, and West Papua (which the government calls Irian Jaya) to the east, have served as resource banks for the country’s development. These outer islands are also home to most of the country’s 300 ethnic minority groups.

Indonesia’s sprawling geography and demography have significantly shaped the history of the country. One of Soeharto’s key accomplishments has been patching together such an intensely diverse nation. But in many cases, where the military has violently imposed unification (see map, pages 16–17), it has only added to the simmering tensions now threatening to tear Indonesia apart.

Java, with 60 percent of the population and the majority of political and military power, dominates Indonesia. In this century, says one Indonesian critic of Soeharto’s regime, the country merely exchanged the long-distance colonial rule of the Dutch for the internal colonialism of the Soeharto regime. Just as the Dutch once made fortunes shipping teak wood and Moluccan spices from Java to Holland, Java now helps itself to great quantities of oil, timber, coal, and gold from the outer islands.

Provincial leaders from the outer islands have complained that their natural resources are being exploited to benefit the Javanese. For example, in the provinces of Aceh (northern Sumatra) and West Papua, the wealth produced per inhabitant is among the highest in Indonesia, but the income per inhabitant is much lower. Irian Jaya has the sixth highest per capita GDP among Indonesia’s 27 provinces, but also has the highest incidence of rural poverty. Much of its GDP is being channeled to Jakarta, and thence to Tokyo, New York, and Melbourne.

The Jakarta regime has been pursuing its own brand of manifest destiny since the inception of Soeharto’s New Order. In 1966, when Soeharto, then an obscure General in the army, seized control from Sukarno, the country’s charismatic independence leader and first president, he immediately made economic development his highest priority.

Twenty years after declaring independence from

the Dutch in 1945, Sukarno’s Communist-leaning, economically unstable leadership had left the country deeply impoverished and politically volatile. Sukarno had been unable to fashion a workable constitution around a parliamentary structure; he had tried—and ultimately failed—to balance political power between various factions, the main antagonists being the military and the Communists.

Amid rising tensions, in October 1965 a handful of leftist military officers kidnapped and murdered six top-ranking military officials whom they suspected of disloyalty to Sukarno. Using the pretext that the Communist party was behind the insurrection, Soeharto quickly stepped in to put down the abortive coup, unleashing social tensions that exploded into nationwide violence.<sup>4</sup> The clashes quickly turned into one of the worst massacres of this century—a pogrom aimed at eliminating all Communists and their sympathizers. The army, and the civilian vigilante groups it encouraged, rounded up and systematically executed 500,000 real and suspected communists (some estimates range to more than 1 million). The U.S. Central Intelligence Agency compared the purge to the Maoist massacres of the 1930s and the Nazi mass murders committed during the Second World War.<sup>5</sup>

Soeharto worked quickly to create a sharp contrast between the extreme poverty and chaos of Sukarno’s rule and his own intentions for the country, elevating the goal of economic development to “near-sacred” status.<sup>6</sup> “Development has become one of the . . . most important key words” in the Indonesian language, according to Indonesian intellectual Heryanto. “This key word has become a focus of authority and legitimacy, and a departure point from which to reinterpret old facts and direct the future course of history.”

Through a series of political maneuvers—expanding military control over the government, placing economic policy in the hands of western-trained “technocrats,” and starting a system of political patronage designed to buoy supporters and undermine opponents—Soeharto maintained enough control to set the country on a path of rapid development. Adam Schwarz, author of *A Nation in Waiting: Indonesia in the 1990s*, observes that as Soeharto’s efforts to export the country’s rich supplies of oil and other natural resources began to pay

off, “political ‘order’ and economic ‘development’ came to be seen as two sides of the same coin.”

“Pervasive Indonesian media campaigns and community education programs equate economic development with moral righteousness as well as economic prosperity,” says cultural anthropologist Lorraine Aragon. Government officials brand opponents of development projects as impediments to political order. “Workers who exercise their right to strike; activists who call for democratization; students and human rights lawyers who criticize the government development policy; and urban squatters and traders who create ‘disorder’ by their mere existence, are all vulnerable to accusations of being ‘subversives,’ ‘communists,’ ‘terrorists,’ or ‘traitors,’” reports Amnesty International. “This puts them at risk of arbitrary detention, torture, imprisonment, or death, a powerful deterrent to all but the most courageous.”

Those who challenge activities that cause ecological devastation, such as deforestation, industrial pollution, mining, or damming of rivers, also run the risk of being branded enemies of the state. For example, four people were killed in September 1993 when police and military forces opened fire on 500 peaceful demonstrators protesting the proposed Nipah dam on the island of Madura. As planned, the dam would have submerged four villages and flooded surrounding farmlands.

The government has pegged the environmental group WALHI (The Indonesian Forum for the Environment)—a coalition of 335 organizations from around the country—as one of 32 “problematic” activist organizations deemed to be “carrying out activities that exceed their charter,” writes John McBeth in the *Far Eastern Economic Review*. The military alleges that in 1996, WALHI helped spark riots at the gigantic Freeport gold and copper mine in West Papua, which has close ties to Soeharto. The accusers have offered no evidence to support this claim, and apparently feel no compelling pressure to do so. In Indonesia, where insulting the president can be a capital offense, critics of the country’s style of development are forced to tread lightly.

While Soeharto’s system of political patronage originally consisted of granting oil, mineral, or timber concessions to military leaders and close business associates, it now stretches into all corners of the economy, from flour milling to petrochemical refin-

ing.<sup>7</sup> Even the biggest international players have little chance of getting into the Indonesian game unless they partner up with Soeharto’s children, in-laws, or business partners and their giant monopolies. “In recent years,” writes Schwarz, “hardly a single major infrastructure contract has been awarded without one Soeharto relative or other having a piece of it.” For example, in 1988, when Indonesia’s Technology Minister Habibie announced plans to add 350,000 new telephone lines to Jakarta’s overloaded system, U.S.-based AT&T teamed up with Soeharto’s eldest daughter Siti Hardijanti Rukmana (“Tutut”), who has significant interests in toll roads and agriculture, to bid for the \$300 million contract, while Japan’s NEC and Simitomo entered a joint bid with Soeharto’s youngest son, Hutomo Mandala Putra (“Tommy”). After two years of heavy lobbying by the rivals, Habibie doubled the size of the contract and awarded half each to AT&T and NEC/Simitomo, despite the fact that their two bids were the highest of the five bids submitted.<sup>8</sup>

Timber concessions, which require low capital investments and almost guarantee high returns, have been a favorite tool of patronage. Politically connected players like Soeharto’s golf partner Bob Hasan “have heavily influenced the allocation of nearly one-third of the nation’s territory to private companies for timber utilization,” estimates Mark Poffenberger in the May 1997 *Asian Survey*. Moreover, the shearing of Indonesia’s forests is only part of a larger pattern of systematic stripping of the country’s resources—and undermining of its people’s traditional assets. Charles Barber, in his recent study of the country’s environmental security, concludes that Indonesia’s New Order has become “dependent on cheap raw materials, accustomed to high levels of profit, and able to pass the environmental costs of unsustainable . . . practices on to local communities, the state, and society at large.”

### The World’s Richest Mine

On April 29, 1996, representatives of about 3,000 members of the Amungme tribe from West Papua filed a lawsuit in a United States district court against a subsidiary of the international mining giant Freeport McMoRan.<sup>9</sup> The \$6 billion suit charged that Freeport, during the company’s 25 years of min-

<sup>3</sup> Java alone is half the size of United Kingdom but has more than twice the population.

<sup>4</sup> The facts surrounding the aborted coup remain a matter of some debate. While the government’s official version pins the coup entirely on the Communists, historical evidence discounts their role.

<sup>5</sup> U.S. Central Intelligence Agency, “Intelligence Report: Indonesia—1965, the coup that backfired,” 1968.

<sup>6</sup> Charles Barber, “Environmental Scarcities, State Capacity, and Civil Violence: The Case of Indonesia,” University of Toronto and the American Academy of Arts and Sciences, 1997.

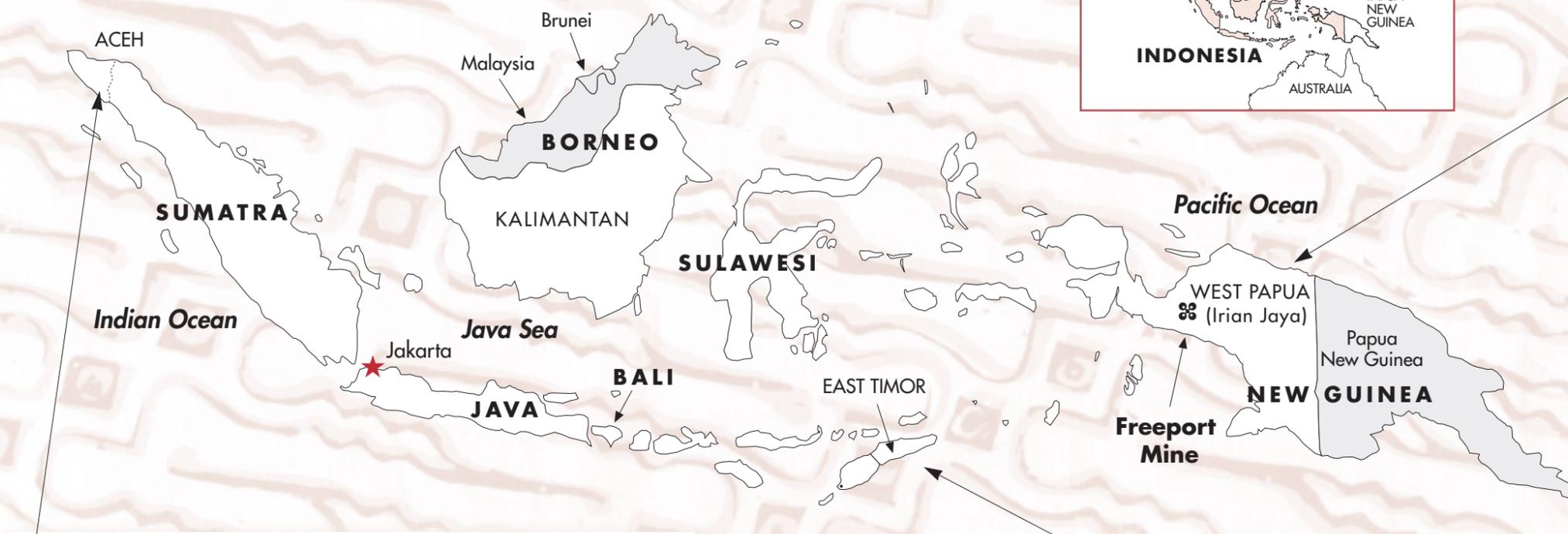
<sup>7</sup> Several of Soeharto’s business cronies—such as Liem Sioe Liong and Bob Hasan, now two of the richest people in Indonesia—worked with him when he was a young colonel in the military.

<sup>8</sup> Adam Schwarz, *A Nation in Waiting*, Boulder, CO: Westview Press, 1994.

<sup>9</sup> With no legal recourse in Indonesia, the Amungme had no option but to file in the United States, where Freeport is based.

# Unrest in Indonesia

At the heart of much of the turmoil in the country today, especially in these "hotspots," stand decades-old tensions over sovereignty, human rights, and the environment.



◆ **West Papua:** Thousands of West Papuans have been detained, tortured, or murdered by military forces since Indonesia took control of the region from the Dutch in 1962. Under agreements made leading up to the exchange, Indonesia was required to give West Papuans a vote on their future. But in 1969 the government hand-picked 1,025 representatives, who under intense intimidation voted unanimously on behalf of 700,000 West Papuans to accept Indonesian rule. Opposition to integration has remained strong, and in recent years has been fueled by extensive transmigration from Java and government and commercial exploitation of the territory's natural resources.

◆ **Aceh:** In the strongly Muslim province of Aceh, which is rich in oil and natural gas, more than 2,000 Acehnese have been killed by the military since 1989. Many similarities can be drawn between Aceh and Nigeria's Ogoniland, where human rights activist Ken Saro-Wiwa was executed for leading resistance to environmental destruction of his homeland, says exiled Indonesia scholar George Aditjondro. "Popular support for independence has been fuelled in recent years by resentment over the unequal benefits of industrial development in the area, and a perceived lack of respect for local custom and religion by central government and military authorities, and economic migrants," reports Amnesty International.

◆ **East Timor:** A month after declaring independence from Portugal in November 1975, East Timor was invaded by Indonesia. Fierce resistance stifled Indonesia's hope of a quick takeover. Years of brutal occupation ensued and the costs were high: by 1980 an estimated 200,000 Timorese—nearly a third of the country's population—had died. While the UN does not recognize Indonesia's claim to East Timor, the military maintains heavy-handed control: in 1991, Indonesian troops opened fire on several thousand peaceful demonstrators in the capital city of Dili, killing at least 50. In December 1996, exiled resistance leader José Ramos Horta and Catholic Bishop Carlos Felipe Belo were awarded the Nobel Peace Prize. "Accounts of Indonesia's behavior in East Timor suggest that the plight of these people may well constitute, relatively speaking, the most serious case of contravention of human rights facing the world at this time," writes journalist Adam Schwarz.

ing copper and gold at the Grasberg and Erstberg mines, carved up and poisoned ancestral lands integral to the tribe's survival, and committed human rights abuses such as detention, abduction, torture, and execution to intimidate and eliminate local opposition to the company's actions.

Freeport's operation has closely mirrored Soeharto's fortunes, and is one of the most extreme cases of the systemic troubles underlying Indonesia's shallow style of development. Soeharto, a long-time friend of Freeport CEO Jim Bob Moffet, in 1967 agreed to give the company sole mineral exploration

rights to West Papua, along with generous tax and royalty exemptions. The mine was one of Soeharto's first major development projects and remains the country's single largest source of tax revenue. It is the richest mine in the world, with assets exceeding \$60 billion, and the Indonesian government received \$480 million in 1996 from the 10 percent stake it owns in the operation.

But development of this remote site, which physically occupies more than 10,000 hectares, has taken a heavy toll on the local people and their environment. Each day the operation extracts more than

165,000 tons of ore from the mountain—98 percent of which is subsequently dumped into the Ajkwa river for disposal. The sediment load in the Ajkwa river is now five times its natural concentration, and the mining wastes have contaminated thousands of hectares of forest downstream. Environmental groups claim that the tailings from the mine, which contain dissolved arsenic, lead, mercury, and other potentially dangerous metals, have killed fish, poisoned sago forests (a traditional food source), and made the water dangerous to drink. The local environmental bureau, after conducting tests in April 1997, declared

the water unfit to consume.

Freeport spokesperson Edward Pressman insists that the water in the Ajkwa river poses "no health threat to the local population whatsoever." The *Australian Financial Review* quoted Moffet as saying the environmental impact of the mine was "equivalent to me pissing in the Arafura Sea." However, while the company claims that it monitors the river's water quality, it has refused to allow any independent monitoring. In fact, Danny Kennedy of the mining watchdog group Project Underground was deported in February 1997 for attempting to ship samples of

the river's water to the United States for analysis.

Citing environmental concerns at the mine, in 1995 the U.S. Overseas Private Investment Corporation decided to cancel all of its \$100 million political-risk insurance policy for Freeport's operation:

"Especially its tailings management and disposal practices have severely degraded the rainforests surrounding the Ajkwa ... [and] continue to pose unreasonable or major environmental, health, or safety hazards with respect to the rivers that are being impacted by the tailings, the surrounding terrestrial ecosystems, and the local inhabitants."

The operation has already decapitated the Grasberg peak—once one of the highest between the Himalayas and the Andes—reducing its height by 300 meters. And the company has plans to nearly double the output of the mine to 300,000 metric tons of ore per day—enough to fill to a line of dump trucks 100 miles long each day.

Meanwhile, the Amungme, Komoro, and other local tribal communities have received little compensation for their lands. The company has provided a clinic, some housing, a school, and a few community programs, but this has been small compensation in light of the \$1.9 billion in revenues and \$175 million in profits Freeport made from the mine in 1996. The rationale for this deprivation is that as Indonesian law requires indigenous peoples "to relinquish their customary rights over land and resources to so-called national development projects, which include mines," writes Carolyn Marr of the environmental group Down to Earth. While the mine has provided the area with about 18,000 jobs, only 1,500 of those are filled by West Papuans—and only 400 of them are filled by local people.<sup>10</sup> In addition, West Papuans are paid only one-seventh as much as other employees, according to a report by Radio National in Australia.

Since mining first began, local communities have resisted the presence of Freeport, and the driving force has been a widespread resentment over what is perceived as a neo-colonial interference by outside interests. "The vast majority of West Papuan people resent the Indonesians being there because they've gained very little from it and they have lost control over their own lives," says Jim Elmsley, an expert on West Papuan nationalism. "At the moment ... they do not have an avenue in which to express dissatisfaction short of basically going to armed conflict ...

The onus is on the mine to include these people."

In 1977, the state accused the secessionist group the Free Papua Movement (OPM) of using stolen Freeport explosives to blow up a copper slurry pipe. The action spurred military retributions—Indonesian Air Force OV-10 Broncos bombed and strafed local villages—reportedly resulting in the deaths of at least 900 people. In recent years, the military has continued to use repressive measures to silence protests and maintain an atmosphere of intimidation. In 1994, the Australian council for Overseas Aid and the Roman Catholic Church of Jayapura issued reports documenting continued human rights abuses, including the deaths or disappearances of 37 local people.

But it wasn't until anti-Freeport rioters rampaged through the mining town of Timika in March 1996 that Freeport offered any substantial compensation to local people. A number of community leaders rejected the deal, which gave 1 percent of the operation's revenues (\$10 to \$15 million annually) to a development plan controlled by the military, because local people were not given a say in how the money was to be spent. After a year the plan collapsed, reports journalist John McBeth, largely because of corruption and mismanagement among those who administered it.

Freeport vehemently defends its operation, insisting that company employees have committed no crimes and that its actions have not been illegal. But the company's rejoinder that it operates on the legal side of Indonesian law, whether or not it is true, is a shallow one. Critics say the company has done little within its power to help curb the government's violent repression of local people. Freeport vice president Paul Murphy, in a comment that echoes the statements issued by Shell Oil around the time of the Nigerian government's execution of environmental activist Ken Saro-Wiwa, says that the company has no role in any abuses that government forces may have committed: "Our contract of work ... requires us to provide logistical support for all government officials who are resident in, or visiting our area, including the army. We provide shelter, food, and logistics."<sup>11</sup>

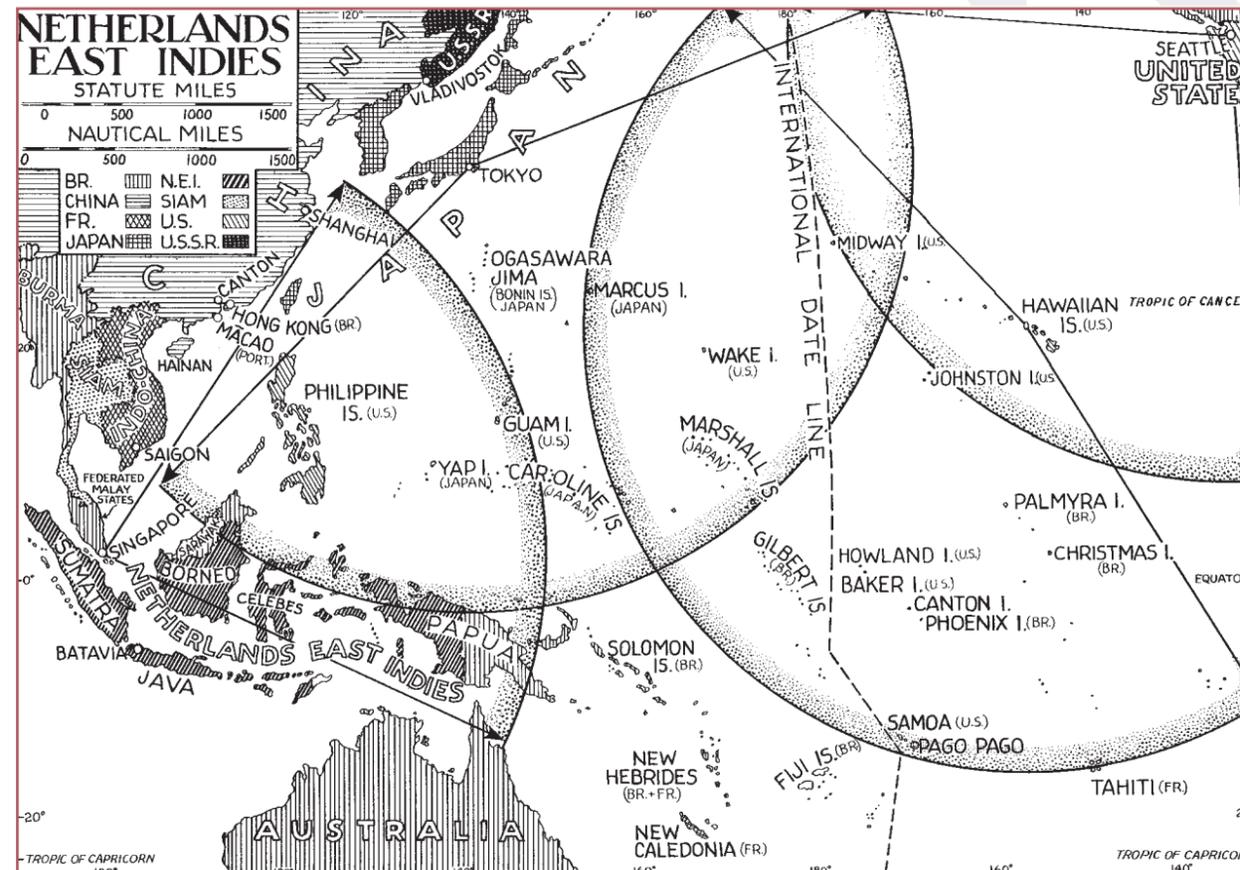
Emmy Hafild, head of the environmental group WALHI, remains critical of Freeport's role in human rights abuses: "There is no clear line between the military operations and Freeport's protections," she says. "The line is blurred. For instance, Freeport security guards, many of them, are also military personnel." Freeport has spent \$35 million to house and

## Another Time, Another World

This map of the islands that now form Indonesia was published in 1940, one year before the Japanese attack on Pearl Harbor, as part of a "War Supplement" to *Compton's Pictured Encyclopedia*. The map's purpose was to show the loci of likely warfare in the Pacific during the early years of World War II, and the "radii of effective action" of Great Britain, the United States, and Japan.

Today, the names on this map serve as a reminder of how recently the age of imperialism came to a close. Australia, Papua New Guinea, Burma, Malaysia, and Singapore are all shown as occupied by the British Empire; today's Vietnam, Laos, and Cambodia are occupied by France; the Philippines is occupied by the United States; and Indonesia is occupied by The Netherlands.

One of the millions of Asians living under European rule during this time was the young Soeharto, who spent his first years of adulthood observing first-hand how colonialism works: how people and resources can be exploited to generate political control, and how political power can be backed by military force. More than half a century later, his own regime's control of the "outer islands" of Indonesia appears in many ways to be a direct heritage of the combination of benign dictatorship and resource-exploitation that marked Dutch rule in his formative years.



<sup>10</sup> Richard Vietor, "Freeport Indonesia," Harvard Business School Case Study, March 5, 1997.

<sup>11</sup> See "Dying for Oil," *World Watch*, March/April 1996.

supply the estimated 800 military troops that guard the mine.<sup>12</sup>

Freeport, of course, is not the only company benefiting from Indonesia's economic development-at-any-cost policies—just as the Amungme are not the only people coping with government-sanctioned environmental destruction and human rights abuses. On the island of Kalimantan, where the government is heavily promoting coal mining, more than half of the land has been opened up to mining concessions. With Indonesia's oil supplies expected to run dry in the next 20 years, the country is diligently working to access its 27.7 billion tons of estimated coal reserves. Like many of the country's gold and mineral reserves, these coal deposits lie under some of the world's last remaining frontier forests. Jakarta plans to dramatically increase production from 22.5 million tons in 1992 to 80 million tons by the year 2000. That would be enough coal to fill a line of dump trucks 66 miles long each day.

### Liquidating the Forest

Deforestation of the country's vast rainforests spurs more conflict and controversy than any other development practice of the Soeharto regime. Some 60 million people depend on Indonesia's forests for their survival. According to the Indonesian forest ministry, around 22 million of those people are small-scale slash-and-burn cultivators engaged in long-term rotational farming, a practice that has been sustainable for thousands of years. Yet since 1967 the base of their livelihood has declined at a precipitous rate. In 1950 the country had an estimated 152 million hectares of forest; by 1993 that number had dropped to approximately 92 million hectares. Deforestation rates have reached up to 1.3 million hectares annually. The World Bank estimates current rates of "harvest" to be between 50 and 100 percent higher than can be sustained. And WALHI reports that those rates have continued to increase.

Indonesian timber companies are notoriously inefficient and wasteful, says the World Resources Institute's Charles Barber. Damage to saplings is rampant, and selective cutting guidelines are ignored. Large government subsidies in some cases allow timber companies to convert their degraded concessions

to tree plantations, negating any incentive for long-term forest management. In other cases, logging roads lay ecosystems open to migrant farmers, who move in behind the loggers and halt forest regeneration.

Because so much of Indonesia is cloaked in forest, nearly 74 percent of its land is under the jurisdiction of the Ministry of Forestry. The ministry has bestowed logging contracts on just a few politically connected players. In 1995 there were 584 logging contracts in the country covering about 65 million hectares, but that number is misleading. About 50 corporate groups control these concessions and dominate the sector. And these conglomerates are in the hands of just 35 players, according to Mark Poffenberger. "What began as political patronage," says American University Professor Robin Broad, "has metamorphosed into a dense web of connections ... among an undemocratic government, the military, and business leaders who scratch each other's back for their mutual benefit at the expense of the forest and the public."

The Ministry of Forestry is unable to adequately monitor concessions and enforce those regulations that do exist, often allowing companies to avoid royalty payments to the state outright. Across Indonesia there is only one forest ministry employee for every 127,100 hectares of forest. And companies rarely limit logging to within the boundaries of their concessions.

APKINDO, Indonesia's powerful plywood cartel, for years has been able to stave off attempts by the forest ministry to raise royalties. The cartel, which controls three-quarters of the world's plywood exports, has used its political pull to avoid paying an estimated \$500 million per year in royalties that could have gone into the public treasury. APKINDO is headed by Bob Hasan, who controls 2 million hectares of forest concessions.

Even the royalties that are collected have been frequently misused. When last year's fires in Kalimantan and Sumatra spread out of control, environmentalists accused Indonesia of doing too little to combat the problem. The fires spread to more than 2 million hectares, causing an estimated \$1.4 billion in damages.<sup>13</sup> When IMF director Michel Camdessus looked into the country's finances earlier this year, he found that the country's multi-billion dollar refor-

estation fund, collected from taxes on timber, had not been spent to fight the fires or to set up better anti-fire defenses. "When we asked why the money had not been spent," he said, "we were told it was because it had been set aside for the project to create a national car."

Forest destruction is tied up so completely in this system of patronage that local communities and even government officials are often powerless to stop it. For example, Prajogo Pangestu, who has ties to Soeharto's second son, Bambang Trihatmodjo, by the early 1990s had accumulated 5.5 million hectares in forest concessions—an area of land larger than Denmark and valued at more than \$5 billion. In 1991, the forest ministry fined Prajogo's Barito Pacific Group \$5 million for extensive timber operation violations. But when Barito refused to pay, the case was dropped. It may not be coincidence that Prajogo had just paid \$220 million to bail out one of Soeharto's troubled banks.

"How long Indonesia's political hierarchy will allow the interest of 35 'timber kings' to take precedence over the livelihood requirements of one-third of the nation's population remains to be seen," writes Poffenberger.

### Developing a History

To give Soeharto his due, when he first came to power the situation in Indonesia was dire, and the need for some measure of development was unarguable. Life expectancy in 1960 was just 41 years; infant mortality was 225 per 1,000 live births (compared with 125 for East Asia as a whole); and 64 percent of adults couldn't read. Soeharto's early development strategy called for intensive extraction and export of natural resources—not inconsistent with the strategies being promoted by the World Bank throughout the developing world. Under Sukarno, the export of raw materials had been nearly non-existent. But by 1970, about 60 percent of the country's GDP came from extracting and exporting natural resources.

Primary commodity extraction provided an economic boost for the country, and the government invested revenues from vast oil and timber supplies into the expansion of agriculture and infrastructure, such as schools and clinics. Manufacturing and other sectors have made large inroads, but resource extraction's share of the GDP remains around 40 percent—still a significant share. In addition, the absolute value

of resources extracted annually in the 1990s has more than doubled the value extracted in 1970.

Government statistics indicate that under the New Order, the average Indonesian's standard of living has improved substantially: along with the aforementioned improvements in income and literacy, family planning programs have helped to curb runaway population growth, and the economy has grown at three times the world average. Life expectancy had increased to 61 years by 1990, and infant mortality had dropped from 225 to 64 per 1,000 deaths.

But as noted, some of these indicators may not tell the whole story. To begin with, several experts have cautioned that the figures compiled by the Soeharto government are self-serving. The number of Indonesians still living in "absolute" poverty, says the Indonesian Legal Aid Foundation's Hamzah, is considerably higher than the World Bank's estimate of 15 percent. "The World Bank's original figure was more than two times higher," according to Northwestern University's Jeffrey Winters. In reality, suggests one expert, 50 to 70 percent—the majority of the people—are still very poor. Moreover, conditions were so poor in 1960 that any improvement looks dramatic even when conditions are still substandard by world standards. Problems can only be expected to worsen as Indonesia's population is projected to increase to 250 million in the next two decades.

Even taken at face value, national data mask serious regional injustices between Java and the outer islands. Income levels in Jakarta are triple the national levels.<sup>14</sup> Cultural anthropologist Lorraine Aragon observes: "The Indonesian national development program is founded on, and literally fueled by, regional inequities that often entail the rapid debasement of ancestral lands occupied by ethnic minorities who reside on the less populated 'outer islands' of the archipelago."

For example, Indonesian military police arrested more than 60 small-scale farmers last year for setting fires that contributed to the blazes that ultimately ravaged 2 million hectares in Kalimantan, Sumatra, and Sulawesi, and threatened the health of tens of thousands of people. Satellite images revealed, however, that 80 percent of the fires began on timber and palm-oil plantations controlled by a few politically connected growers and timber barons. The growers, taking advantage of dry conditions in the normally saturated rainforests, were trying to clear as much

<sup>12</sup> In late 1996, the sub-district of Timika, where the mine is located, was the most heavily militarized area in all of Indonesia.

<sup>13</sup> Owing to a nationwide drought and a premature end of the monsoon season, forest fires in Indonesia have flared up again and "are threatening a bigger crisis than last year," according to the *Sydney Morning Herald*. Conditions are similar to those in 1982-83, when the largest fire in the world's recorded history burned more than 3 million hectares in Kalimantan.

<sup>14</sup> Michael Shari and Mark Clifford, "Suharto Capitalism," *Business Week*, 16 June 1997.

land as possible for future plantations.

While Soeharto was compelled to apologize for the choking smoke that engulfed the region for several months, owners of large plantations escaped sanctions. Rural communities, however, were left to face both the political and environmental fallout of the fires—in October Indonesia's information ministry forbade the country's newspapers to point to connections between the plantations and the fires. In effect, small-scale farmers and shifting cultivators became the scapegoats.

The marginalization of communities on the outer islands has become commonplace: logging companies, mining operations, and large-scale palm and rice plantations are routinely allowed to develop the land of local people, displacing native inhabitants. While Indonesian law claims to respect *adat*, or traditional land tenure, indigenous communities have little guarantee that their lands will not be developed out from under them. Across Kalimantan more than 2.5 million indigenous peoples were displaced or resettled during the 1970s due to logging and other activities. And logging has likely tripled since then. "Indonesia is no exception to the general rule," writes Aragon, "that a state's economic development most adversely affects the environment and human rights of its marginal populations, particularly its ethnic minority groups."

By the mid-1980s, with the help of a \$500 million loan from the World Bank, the government had moved more than 3.6 million people from the densely populated island of Java to the outer islands. Half of the area settled was virgin forest, and most of that was land occupied by indigenous peoples.<sup>15</sup> Moreover, for every official migrant, there were two unofficial ones, according to the World Bank's own assessment.

This "transmigration" program, officially established to alleviate population pressures, has primarily served as another form of internal colonialism—a means of separating the indigenous cultures from their lands and resources, and an attempt to bring together the country's disparate native cultures into a "developed" society. "Using Javanese culture as a tool for political and cultural engineering, the New Order government seeks to assimilate and unify the varying cultures of Indonesia into a single way of life," according to the Indonesian forest conservation network SKEPHI.

These transmigrant projects have increased poverty for both host communities and migrants, and worsened ecological destruction. In his explication of

World Bank-funded projects, Bruce Rich, an attorney and development expert at the Environmental Defense Fund, estimates that as much as 4 percent of the country's forests—3.7 million hectares—have been felled to make way for transmigrants and their farming attempts. The forest soils of the outer islands are nutrient-poor, and the monsoon climate renders them highly vulnerable to erosion and depletion from runoff if they are opened up to large plantations; they hold up much more sustainably under traditional methods of rotational, small-scale farming, the variety that is being pushed out.

These poorly planned resettlement sites, more often than not, have turned out to be the sites of "environmental calamities of biblical proportions," writes Rich. Using traditional agricultural methods on "some of the poorest soils on earth," transmigrants have been beset by paltry crop yields, flooding, and plagues of insects, rats, and wild boars. According to Rich, "in wetland and swamp areas, 40 to 50 percent of the settlers simply abandoned the sites." Moreover, the transmigration scheme has done little to alleviate population pressures in Java, and has managed to simply redistribute poverty.

### Growing Pressure for Change

A reporter for the Jakarta newspaper *Sinar Pagi* was found stabbed to death in the back seat of his car in West Kalimantan in July 1997. Police called the incident a traffic accident. They made no link between his death and a story he had written a short time earlier that exposed a timber-smuggling racket in the province. While this may be an extreme case, heavy-handed control of the media is not uncommon in Indonesia.

The government first cracked down on the press following critical reports of riots in 1974. Security forces shut down twelve publications and arrested several journalists. Many more papers have been shut down since then, and the common theme in each case, writes Schwarz, "was that the offending publications were considered destabilizing and harmful to development." While today the government makes no clear statements about what can or can't be discussed, the possibility of harsh reprisals is often enough to make publications censor themselves.

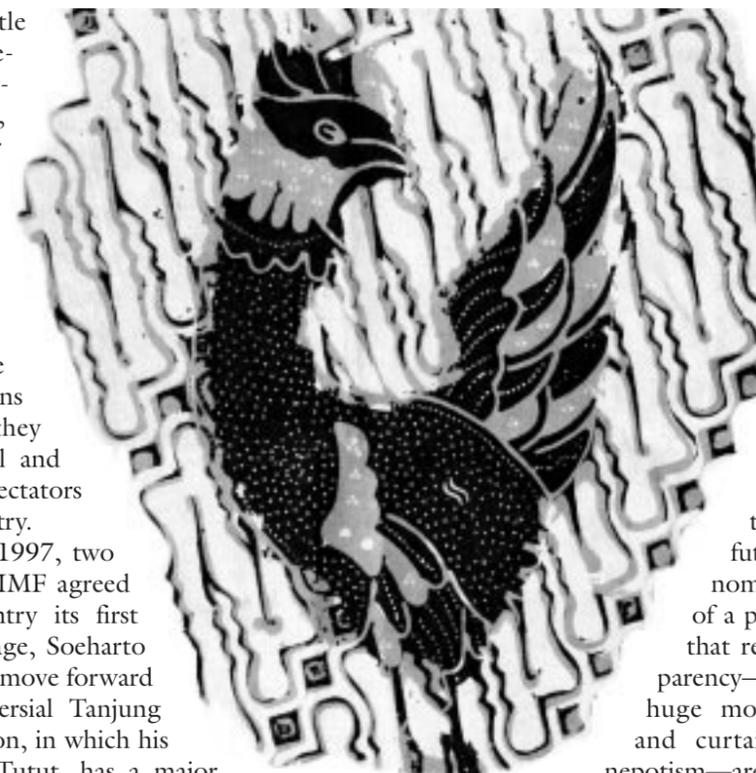
Under Soeharto's rigid style of development, the government accepts little criticism and is increasingly unable to cope with new challenges. The limitations placed on Indonesia's civil society—a heavily cen-

sored press, little regard for indigenous rights, a corrupt legal system, a ban on labor unions and strikes, restrictions on the ability to assemble, and an increasingly degraded environment—have given many citizens the sense that they have little control and are somehow spectators in their own country.

In December 1997, two months after the IMF agreed to give the country its first financial-aid package, Soeharto approved plans to move forward with the controversial Tanjung Jati C power station, in which his oldest daughter, Tutut, has a major interest. The \$1.77 billion contract alienated the IMF and puzzled experts—the Indonesian electricity grid, operating at a 60 to 70 percent overcapacity, is already flooded. Soeharto has since revoked the scheme and other similar projects, but he seems determined to maintain the crony-capitalism status quo. "For the Soeharto family, and for the group of cronies around them ... there is no reason to expect fundamental change in the way business is done in Indonesia," says Winters. "The only way that kind of change is going to come is if the people of Indonesia—represented by various social institutions and parties—have an opportunity to participate. They currently don't."

Much of the growth in the past has been hollow, lacking stability and sustainability. Environmental economist Robert Repetto of the World Resources Institute has re-examined estimates of the country's past 8- to 10-percent growth rates. Taking into account the degradation of the country's natural resources—forests, oil, and soil—actual growth rates have been nearer to 4 percent a year, he concluded. Similarly, if the New Order's corrupt political and economic system and its practice of stifling its citizens' freedoms and are considered, the country's past years of intense growth seem at the very least misguided.

Indonesia is at a crossroads. The economic collapse has given critics, activists, and ordinary citizens a renewed voice, a more attentive international audience, and a platform for unprecedented attacks on Soeharto's legitimacy. In growing numbers, students, activists, and Muslim and democratic leaders, among



others, have begun to call for serious reform. Indonesians are planting the seeds of change. While Soeharto and the IMF spar over reforms to revamp the country's economy, the Indonesian people are in the throws of a battle to determine whether they will have a more equitable and sustainable future. The IMF-led economic bailout is one piece of a puzzle. Loan provisions that require economic transparency—aimed at breaking up huge monopolies and cartels, and curtailing corruption and nepotism—are among the first steps needed to build a more sustainable

Indonesia. But the IMF deal is a mixed bag, requiring a structural adjustment program that will weigh heavily on those who can least afford it by imposing fiscal austerity measures and cutting subsidies on food and other basic commodities.

As Indonesia's resources are increasingly eroded and as population growth surges, it will be difficult for Soeharto's regime to continue to use its ideological and military control to suppress the pressures building throughout the country. Instead, Indonesia now faces a fundamental choice between developing the country's resources *in spite of* its people, and developing resources *for* its people.

Indonesia is not alone in its reckoning with this choice. In many ways the country is a microcosm of the problems facing—or soon to face—the rest of the world. Many countries are approaching critical decision points; whether to develop along a more sustainable path or to gamble on continuing with the status quo.

Curtis Runyan is assistant editor of *World Watch*.

Batik courtesy of Margy Norrish, a collector of ethnic textiles who studies and lectures on the history of textiles. The samples represented here were purchased in Bali but are probably Javanese batiks of World War II vintage. Norrish can be reached by e-mail at [kiwi@ultranet.com](mailto:kiwi@ultranet.com).

<sup>15</sup> Indonesia's Department of Transmigration and Resettlement of Forest Dwellers plans to relocate a total of 65 million people, although the program's past efforts have done little to alleviate population pressures on Java.