

Lift the lid on Indonesia's arms debts

A Jubilee Scotland briefing paper

Indonesia owes the United Kingdom US\$1 billion for the sale of tanks and ground attack aircraft. General Suharto used these tanks and planes viciously to suppress political dissent and independence movements during his thirty-two year rule.

The debt which remains bears heavy on Indonesian people as they struggle to create a democratic state against the maneuverings of the military, and amid disaster and poverty. In reclaiming this debt the United Kingdom is asking Indonesian citizens to bear the cost of arms that were used to oppress them.

Suharto

General Suharto came to power in a coup which was supported by Britain and the United States. The *New York Times* called the coup "the West's best news for years in Asia"; Britain's Ambassador told the Foreign Office, approvingly: "I have never concealed from you my belief that a little shooting in Indonesia would be an essential preliminary to effective change". Conservative estimates say that half a million were killed as Suharto annihilated the political support for the independence leader, President Sukarno - and demonstrated to the population that future dissent would not be tolerated. He remained in power until 21st May 1998; during that time Indonesia became an experiment-in-action for the globalised economy, pioneering free trade zones (originally called "bonded labour zones"), flexible contracts for multinational firms, and loose labour laws. The economy boomed, shifting away from agriculture to oil, light manufacturing (especially clothing and shoes) and timber.

Indonesia made progress in fighting poverty, but its success is hugely overstated. If one uses the World Bank's US\$1 a day figure as a measure of poverty, the situation in Indonesia may not look too bad: 7.5% of the population lives on under US\$1, compared to, say, 72.3% in Mali. It is not widely appreciated that this US\$1 figure is set far too low (Jubilee Scotland's pamphlet "The Mismeasure of Poverty" tries to explain this). Over half of Indonesia lives below the US\$2 per day poverty line, a depth of poverty unknown in the UK.

Debt and financial crisis

Indonesia's growth was supported by loans: public debt rose from around \$2 billion in 1965, to \$84 billion in 1991, to around \$130 billion today. John Pilger writes: "There is no debt like it on earth. It can never be repaid. It is a bottomless hole." By way of comparison, Nigeria's debt - considered so massive it received a form of special treatment from the industrialised countries - was around \$30 billion. And, just like in Africa, Indonesia's debt is a means of economic control: in 1997, the International Monetary Fund required that Indonesia reduce public spending, sharply increase interest rates (leading to the collapse of domestic companies) and privatise public firms as conditions for bridging loans during the East Asian Financial Crisis.

The Financial Crisis undermined Suharto's political power, and he was ejected from office; leaving power as he entered it, he used the army to instigate widespread killing. Riots in the capital, Jakarta, co-ordinated by the military, left one thousand dead. A year later, the Indonesian army retreated from Timor Leste (East Timor), following a "scorched earth" policy. It is estimated that two hundred thousand people were killed during the

Indonesian occupation of Timor Leste: one-third of the population.

The civil rights movement

During Suharto's regime democratic institutions were turned into shells, while the army viciously put down dissent. The prisons contained thousands of *tapols* - political prisoners. However, the civil rights movement survived Suharto's assaults. In Timor Leste, independence movements put aside ideological differences and formed a united front for freedom and democracy, in the face of terror and violence. Xanana Gusmão, the imprisoned East Timorese independence leader, made alliances with Indonesian dissidents. He later said that this gave him

[t]he opportunity to gain a better understanding of the Indonesian people's struggle for democracy and freedom. This helped me start to reduce and then eliminate the hatred that had accumulated in my heart while in the jungle for 17 years. I came to understand the common objectives that unite us with the Indonesian people... This understanding enabled me even to talk with former enemies and Indonesian generals.

Since Suharto's fall, citizens movements in Indonesia have been reasserting their rights, limiting the power of the army and restoring some democratic freedoms.

The Tsunami

Indonesia bore the brunt of the Tsunami: one hundred and thirty-one thousand people died. At the time there was a call for Indonesia and other affected countries to receive debt cancellation to fund reconstruction, but only a one-year moratorium on debt repayments was provided. Gordon Brown, then Chancellor, said that the moratorium could lead on to debt cancellation but so far no progress has been made on this.

Indonesia's odious debts

Of Indonesia's US\$130 billion in external debt, US\$1 billion is owed to the UK for arms sales. The arms sales were made by BAE Systems Defence Ltd and Alvis Vehicles Ltd (which is now a part of BAE). HSBC Bank lent Indonesia the money to buy the weapons. After the 1997 financial crisis, however, Indonesia defaulted and the bank debt was taken over by the UK government.

According to the IMF's criteria, Indonesia is capable of servicing its debts and so not eligible for debt relief. But the case for cancelling the arms debt does not depend on this: it turns on the use to which those loans were put. There are cases in the history of international law in which countries have refused to repay debts because the original loans were given to oppress the people who went on to repay; this principle applies to Indonesia.

Further reading: John Pilger, *The New Rulers of the World* (Verso 2002, ch.2); Mark Curtis, *Unpeople* (Vintage 2004, ch.11); Campaign Against the Arms Trade: www.caat.org.uk ; TAPOL: the Indonesian Civil Rights Campaign: tapol.gn.apc.org ; Commission for Reception, Truth and Reconciliation: www.cavr-timorleste.org .

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