

Australia Dossier by Robert Barwick and Allen Douglas

Australia backs Indonesia against the IMF

The political and security implications of the Indonesia crisis have forced a dramatic shift in Canberra's policy.

On March 18, Foreign Minister Alexander Downer and a team of senior officials from the Foreign Affairs, Treasury, and Ausaid (foreign aid) departments left Canberra for an unscheduled visit to Washington, D.C. In meetings with U.S. government officials, with International Monetary Fund Managing Director Michel Camdessus, and with World Bank President James Wolfensohn, the Downer mission planned to deliver one message: that the IMF must back off from the brutal conditionalities it has attached to its \$45 billion aid package to Indonesia, lest that nation of 200 million people, Australia's nearest neighbor, disintegrate.

The Downer mission caps a series of non-stop crisis meetings in Canberra during early March, involving the highest levels of government, particularly the defense and intelligence sectors. As reported in the *Australian Financial Review* on March 14, "Senior Australian officials now openly acknowledge the Indonesian crisis is the gravest foreign and security crisis to confront Australia for decades." These "open acknowledgments" began with Prime Minister John Howard himself, who told the Parliament on March 9, "I want to make clear that we believe that the IMF package must be implemented with care and sensitivity toward the impact of that package on social stability and social cohesion within Indonesia." Howard was soon echoed by Downer, by Reserve Bank of Australia Gov. Ian McFarlane, RBA Deputy Gov. Stephen Grenville, and former RBA Gov. Bernie Fraser. Fraser was particularly blunt: "The IMF needs to back off and

be less punitive."

Several Australian officials have all but charged that the IMF's goal is not to solve Indonesia's currency crisis, but to overthrow the Suharto government, with which Australia signed an unprecedented security and defense treaty in December 1995.

The recent Australian attacks on the IMF are all the more remarkable, given several things: 1) As late as January, Australia was in the forefront of those urging Indonesia to bow to the IMF's demands, as in Howard's Jan. 11 telephone call to President Suharto toward that end, followed by a personal visit to Suharto by former Prime Minister Paul Keating (who was close to Suharto); 2) Howard and five of his senior ministers are affiliated with the chief economic warfare unit of the British Crown, the Mont Pelerin Society, through their association with Mont Pelerin think-tanks; and 3) Australia is the launching pad for British investment (looting) in Asia, as announced by the Royal Institute of International Affairs in 1995, following a major research project, and as reinforced by a steady stream of British officials who have visited Australia since then, the latest of whom, British Trade Minister Lord Clinton-Davis, proclaimed on March 9, "We must see Australia and New Zealand as gateways into the new Asia, an Asia which will eventually recover from the malaise through which it is going at this present time."

But the global financial crisis has delivered a sort of "reality shock" to the Australian government. This shock has produced a split, for in-

stance, between the Treasury Department and the Reserve Bank of Australia. The RBA is arguing that the IMF must moderate its demands, while the Treasury is gung-ho for the IMF. Treasurer Peter Costello is one of the most fanatical of the Mont Pelerinites, and the senior Treasury bureaucrat, Ted Evans, is a former executive director of the IMF.

For its part, although the Reserve Bank was established in 1959 as a British-style central bank, to replace Australia's Commonwealth Bank, founded in 1911 explicitly on the model of Alexander Hamilton's First National Bank of the United States, the RBA's deep involvement in Southeast Asia is provoking its turn toward reality. The RBA set up many of the region's central banks, RBA officials frequently travel in the region and consult with their counterparts there, and RBA Deputy Governor Grenville is an admirer of Indonesia, and speaks the language fluently. Grenville has called for an emergency room-style approach to the Indonesian crisis, where the critical issues are handled first, and secondary matters, such as alleged "corruption," only once the crisis has passed. Or, as RBA Governor McFarlane told the American Australian Association in New York on March 11, "Our aim was not to capitalize on any of these countries' difficulties in order to bring about a political transformation." By contrast, Treasurer Costello told the Australian Parliament on March 12 that Australian assistance to Indonesia would be forthcoming "only when an IMF program is in place, and continues to be adhered to by the recipient country."

Australia has offered significant help to Indonesia, by way of a \$30 million food airlift to provide drought relief, announced on March 15, plus \$380 million insurance for Indonesia's wheat imports from Australia.