

For agriculture, the devastation was widespread. For three of America's largest farm states—Kansas, New York, and Minnesota—farm exports to Asia for the first quarter of 1998, compared to first-quarter 1997, were down 18%, 31%, and 50%, respectively.

In Iowa, where one in four jobs is directly tied to farms and food, agriculture was ravaged. Iowa's exports to Thailand fell by 41%; exports to South Korea, its second-largest Asian trading partner, fell by 66%; and, Iowa's exports to Indonesia also fell, by 66%. This means that the nations of Asia are not getting the food and protein levels they require.

And, this is having a severe impact on Iowa. A few years back, when the Freedom to Farm Act was passed, farmers were told that they no longer needed any parity and price supports. Instead, they could rely on the "free market" and sell their products—presumably surplus—to Asia. Now that Asia market is contracting. In 1996, Iowa's farm income was approximately \$4 billion. Based on projections, it is expected to plunge to \$2.2 billion this year, a fall of 45%. For 1999, it is expected to fall further, to \$1.8 billion. "This creates unbelievable hardship," said Gary Hoskey, vice president of Iowa's National Farmers Union. "Obviously, the family and the kids go without."

### More layoffs

On Sept. 16, Motorola Corp. announced that it will halt construction on a \$3 billion plant in Goochland County, Virginia, near Richmond, citing "the worst global downturn in semiconductor history." This refers to the effects of the world financial disintegration in Asia. The facility was to have comprised 1.5 million square feet and employed 2,500 people. "Our supply and demand is so far out of whack, it would make no sense for us to proceed now," said Sean Hunkler, who had been directing construction operations at the plant site since the beginning of the year.

Over the last few months, several Fortune 500 U.S. corporations have announced large layoffs, due in significant measure to the "Asian crisis." This includes Gillette, which said that it is laying off 4,700 workers, 11% of its workforce; 3M Corp., which announced that it is laying off 4,000 workers, 3.5% of its workforce; and Boeing, which is laying off 28,000 workers, 12% of its workforce.

Further, the firm of Challenger, Gray & Christmas, which tracks layoffs, reported on Oct. 6, that the month of September witnessed the largest announced employment cutback total in 32 months, with an average of 3,479 announced layoffs per business day. More than 60% of the cuts were attributed to the global financial turmoil, according to the firm's survey, with a significant portion of that due to drop in trade with Asia.

One in five goods-producing jobs in America depends on exports. The ruination continues, wrought by the Asian phase of the world financial disintegration which the financial experts at first predicted would be "short-lived," and whose end they cannot now predict.

## Indonesia nears brink of disintegration

by Michael O. Billington

"We are dying," said Indonesian Finance Minister Bambang Subianto, speaking to a meeting of the International Institute of Finance in Washington on Oct. 4, as the world's economic leaders gathered in Washington for the annual meeting of the International Monetary Fund (IMF). Subianto's plea for the world's leaders to wake up to reality went largely unheeded, despite the nearly universal recognition that the world's financial institutions are now tumbling toward disintegration.

If nothing is done in the coming weeks to dump the bankrupt IMF-centered financial system, and build a new, development-oriented structure, Indonesia could well be one of the first nations driven into genocidal hell. The fourth most populous nation on earth, Indonesia's over 200 million citizens have been subjected to cataclysmic collapse by the speculative assaults on the Southeast Asian nations by the hedge funds. This has been coupled with the forced collapse of industry, agriculture, infrastructure development, and social services under the dictate of the IMF, which seized control over much of Indonesia's economy when the collapse of the nation's currency, the rupiah, left the nation unable to pay its foreign debts.

There are increasing signals, however, that Indonesia's leadership may break out of the IMF's straitjacket and impose emergency policies to defend the nation's sovereignty and the livelihood of its population. This is exactly what *EIR* Founder Lyndon LaRouche called for in his "What Each Among All Nations Must Do Now," published in *EIR*'s Oct. 9 issue. In Indonesia's case, it has the model set by its neighbor, Malaysia, where Prime Minister Dr. Mahathir bin Mohamad imposed sovereign measures to ban speculation, control the currency, and restart the real, productive economy.

Iman Taufik, the deputy chairman of the Indonesian Chamber of Commerce and Industry (Kadin), and also a special envoy of President B.J. Habibie to the member-states of the Association of Southeast Asian Nations, said on Sept. 18 that, "at present, the country's foreign exchange system is still being debated, but I think we can apply a system like the one Malaysia has adopted after reaching a national consensus." The problem, however, he said, is that waiting for such a "national consensus," or waiting for the interna-

tional community to reverse the global collapse, could prove to be fatal.

As LaRouche says in the above-mentioned report: "Equivocation, sometimes called euphemistically, 'crisis management,' can be fatal to entire nations. . . . It is time to set forth clear *directives* defining the range of actions to be taken. . . . This approach, avoiding the folly of quibbling over complex supranational architectures, is the only approach which could succeed, in the time available under present, rapidly devolving circumstances."

LaRouche then detailed the required directives, including the sovereign control measures over the currency and economy, such as those recently adopted in Malaysia.

### **Economic and social breakdown**

The economic breakdown across Indonesia is devastating. Inflation is at 82%, while the price of rice has increased 400%. Per-capita income has collapsed by two-thirds in dollar terms, and as much as two-thirds of the population could slip below the poverty line by year's end—down from only 11% as of October 1997, when then-President Suharto received the United Nations award for poverty eradication. Food shortages, due to both the financial breakdown and the worst drought in 30 years, now threaten widespread starvation. Already, more than one-half of children under two years of age are malnourished, threatening the physical and mental health of the next generation.

Half of the nation's listed firms posted losses this year, and unemployment is skyrocketing. As a result of capital flight, nearly half of the nation's currency is now overseas, at the disposal of speculators.

The population is showing signs of panic and anarchy. Across the archipelago, there have been recurring incidents of mobs looting shops, rice mills, delivery trucks, and even the rice fields, shrimp ponds, orchards, and plantations. Such riots have occasionally taken on racial overtones, with the minority Chinese shopowners blamed for the inflation and shortages.

Most frightening is the outbreak of cultish murders in East Java. Nearly 100 villagers in the districts around Banyuwangi have been pulled out of their homes at night and hacked to death by hooded terrorists in "ninja"-style outfits. At first it was claimed that the victims were practitioners of "black magic," but the nation's largest Muslim organization, the Nadlatul Ulama (NU), has reported that most of the victims were NU members and leaders. The military has deployed elite units to counter the terror.

There is also a threat of insurrection. Demonstrations by students have continued across the country, although they have remained far smaller than those of the spring, which brought down President Suharto. However, a group of retired military officers and former government officials have formed an organization, the National Front, which announced its support for student radicals' demands for the

resignation of President Habibie. The National Front is headed by Lt. Gen. Kemal Idris (ret.), who once headed the nation's Strategic Reserve Command. The National Front does not appear to have mass support, but the government, and responsible opposition leaders, are taking it very seriously. NU leader Jusuf Hasyim said that General Idris was "playing with fire in the middle of a dry straw field," and threatening to "take over legitimate power by force." Muslim leader Amien Rais, who was a leader of the anti-Suharto demonstrations last spring, and who has now formed a new political party, condemned the campaign against President Habibie as an effort to "subvert the legal government."

### **Principle of tolerance threatened**

Also potentially dangerous is the call by certain Muslim leaders to eliminate *pancasila*, the constitutional principles of tolerance and brotherhood of the Republic of Indonesia, first enunciated by the nation's founding father and first President, General Sukarno. *Pancasila* has held the nation's diverse ethnic and religious elements together, while preventing the emergence of a Muslim fundamentalist state.

President Habibie, who has set a schedule for elections in 1999, while trying to pull the nation back from the abyss, has initiated a crackdown on both the lawless looting and the threat of insurrection, and has taken steps to ease ethnic tension by eliminating such ethnic classifications from personal identity documents. Army troops and police have issued stern warnings that rioting and looting of food supplies will be met with gunfire, if warning shots are ignored. President Habibie, addressing the 53rd anniversary celebration of the founding in 1945 of the Armed Forces (Abri), called for Abri to meet the threat of insurrection and anarchy in the midst of the crisis: "Slowly, a trend is beginning to emerge among small groups in society of seeds of a radical and revolutionary movement, which claims to speak and act for reform. The actions of these radicals and revolutionaries have the potential to be destructive, disintegrative, and unconstitutional."

Against the demand of some radical students to do away with "*dwifungsi*," the dual function of the Armed Forces in military and social spheres, President Habibie told Abri to "maintain its role as a power that people could rely on to solve the country's security problems," as well as its "commitment to the development of society and the fulfillment of its services to the people."

However, if the economic collapse is not reversed, discontent will fester and grow. Malaysia's courageous declaration of sovereign measures and recent moves by China and Japan to defend the economies of Asia from speculators, increase the potential for Indonesia to take the decisive measures required to restore the nation to its historic role of leadership against colonialism, of all forms, including financial, and for the economic development of the non-aligned nations.