at Prokopyevsk, on the detour route around the nearly week-long blockade of the Trans-Siberian Railway at Anzhero-Sudzhensk, where hundreds of coal miners have camped out on the tracks. Kemerovo was cut off on all sides.

As of May 19, four railroads—the Trans-Siberian, the Krasnoyarsk, the Northern, and the North Caucasus—were blockaded by protesting workers. Hundreds of trains are stalled, and industrial plants are running short of raw materials. In Siberia, teachers, doctors, and other professionals who have not been paid for months, joined the protests. On May 20, thousands of teachers and students marched outside government headquarters in Moscow, protesting wage arrears and the overall state of Russian education. They represented 30 regions of the country, and were among 350,000 teachers taking part in a nationwide protest.

On May 18, came reports that the coal miners' demands had shifted from immediate wage payments, to political demands. NTV said that the miners who began the Kuzbass protests were now refusing partial payments, and would "hold out for a total victory." *Nezavisimaya Gazeta,* in its May 19 coverage of the actions, asserted that they were becoming more "spontaneous," and more highly politicized. It raised the specter of a demand for President Boris Yeltsin's ouster, calling this "the scenario which is being implemented in Indonesia." Reporter Aleksandr Zhelenin wrote that payment of back wages is now only the third demand of the miners, after "dismissal of the President" and "resolution of the [coal] sector's global problems to provide for its viability."

Nezavisimaya Gazeta editor Vitali Tretyakov, known as an independent and honest analyst since long before Berezovsky bought his paper, wrote on May 21 that the miners' protests were the last chapter in the "history of economic reforms in Russia," i.e., the fanatical monetarism of the 1990s. The political direction of Russia, he wrote, is toward anarchy and collapse, unless a very different policy were adopted.

Deputy Prime Ministers Boris Nemtsov and Oleg Sysuyev cancelled trips abroad, in order to head for the coal regions of Rostov in southern Russia, and Kemerovo. Premier Kiriyenko said on May 21 that it was "rather difficult" to manage simultaneous social and financial crises. He expressed sympathy for the coal miners, but said there was no, and would not be any, extra budget money available to make payments, beyond $83 million freed up by emergency 25% cuts in government administrative spending. "The first principled position," said Kiriyenko, "is that any change in Russia's obligations concerning its internal or foreign debts . . . has not, is not, and cannot be considered."

Meeting with Kiriyenko and parliamentary leaders Gennadi Seleznyov and Yegor Stroyev on May 21, Yeltsin agreed to convene a national political roundtable on an anti-crisis program, in June. The "systemic political crisis, caused by an economic crisis," as Stroyev put it, may force changes on an even faster track.

How IMF methods destroyed Indonesia

by William Engdahl

Since the Asia currency crisis erupted in Indonesia more than one year ago, the International Monetary Fund (IMF) has ensured that it would lead to the situation we see today, which already has cost the lives of hundreds, likely thousands of innocent Indonesian students and civilians, and brought the once-growing economy of the world's fourth most populous nation to a point of complete economic, financial, and, possibly, political breakdown, ultimately threatening not only China and the rest of Asia, but also the entire global monetary and financial system.

The demonstrations which erupted in early May across Indonesia were triggered by the government's announcement that it was removing state subsidies on vital foodstuffs and petroleum products. Prices for gasoline, public transportation, rice, and palm oil soared overnight, leading to protests that left more than 500 dead. The government action on subsidies was part of the revised April 13 agreement signed in Jakarta by IMF Managing Director Michel Camdessus and then-President Suharto.

The IMF creates panic

Last November, the IMF ordered the Indonesian government to close 16 banks that the IMF said were insolvent, including one owned by a son of Suharto, in order, the IMF claimed, "to restore confidence" in the Indonesian banking system. The results were predictably the opposite. A full-scale national banking panic erupted, with citizens demanding cash from their banks.

A confidential, internal IMF memorandum to Camdessus on Jan. 13, which was leaked to the press, admitted, "These closures, however, far from improving public confidence in the banking system, have instead set off a renewed 'flight to safety.' " Citizens pulled $2 billion worth of funds out in a matter of hours. By the end of November, the IMF move had created a crisis in which two-thirds of all Indonesian banks had had "runs on their deposits," according to the IMF memo. The situation became so critical that the Indonesian Central Bank was forced to pump an enormous sum of new money, a sum equivalent to about 5% of GDP in two months, into the banking system to prevent complete collapse. That flood of new money in turn weakened the rupiah, so that panic on the currency set in by late December, as wealthy Indonesians scrambled to sell rupiah for dollars in mass capital flight.

The latest, "revised" IMF Memorandum of Understanding with Indonesia mechanically imposes the same IMF monetarist dictates that it has used since the 1982 Mexico debt crisis—despite the entirely different nature of the Indonesian crisis. *EIR* has been given a copy of the April 13 IMF agreement by sources inside the Indonesian government, who are justifiably concerned about the deadly medicine being forced on their country. The IMF has demanded a number of basic conditionalities of Indonesia, for it to receive a promised $40 billion IMF-led bailout package.

Indonesia must keep inflation below 20%, while avoiding an economic recession. In April, inflation was officially at 45% and rising. The country is now in a depression, with Gross Domestic Product forecast to contract this year by more than 10%. Under the new IMF accord, the government must curb state spending to a deficit no more than 3.5% of GDP. (The November agreement called for a 1% deficit.) Germany and France, under the stringent Maastricht Treaty terms, have 3% deficits, and that, only through huge fiscal and accounting frauds.

To control the state budget deficit as an economy collapses is not possible in industrialized nations, let alone in a developing economy such as Indonesia. Every major European economy, as well as the United States, has run deficits in times of economic recession in order to contain the downturn and speed recovery. The IMF medicine is the opposite. It demands, in effect, that the government worsen the economic downturn in the cause of "stabilizing the rupiah."

To contain the public deficit to 3.5% of GDP, the IMF has mandated that the government slash subsidies on food, petroleum products, and electricity. At the beginning of May, gasoline prices rose overnight by 71%, along with similar enormous price hikes for key foodstuffs as well as for public transportation and electricity.

The government must all but eliminate remaining state subsidies by Oct. 1. It must slash investment in state enterprises, including such economically vital companies as the state petroleum giant, Pertamina. Because all this will not be enough to cut the deficit to the level the IMF demands, the state must auction off all its companies which operate in "competitive markets." This would mean that Indonesia's aerospace, electricity, oil, auto, and other infant national industries, which it has labored to establish in recent years, must be auctioned off to private investors. Privatized will be PT Telekom, PT Indosat, a state cement company, and others. In the current crisis, this forced privatization will mean that only foreign investors, who may or may not have an interest in sustaining a national economic capacity in Indonesia, will be potential buyers.

Further, the IMF demands that Indonesia abolish certain domestic cartel arrangements and impose "free-market" reforms. This includes the state import agency, BULOG, which organizes import of rice and other necessary foodstuffs. Given the record drought which has devastated Indonesia's rice and other food crops in the past year, to demand abolishing central import purchase of vital food stuffs in favor of free-market mechanisms, is to ensure severe added price rises in critical food necessities. The marketing monopoly organization in the country's important plywood production and export, as well is in sale of cloves and other commodities, are included in the shutdown.

Tightening monetary policy

All these draconian measures, the IMF admits, will not suffice to fulfill their stated goal of stabilizing the rupiah at 6,000 to the dollar. Before the August 1997 crisis, the rupiah had been near 2,500. Today, it fluctuates around 12-13,000. In order to stabilize the rupiah at 6,000, and thereby make possible repayment of Indonesian corporate and bank debts to foreign banks in Germany, France, Japan, the United States, and elsewhere, the IMF has demanded that Bank Indonesia, the central bank, "tighten monetary policy."

The central bank, the IMF says, must "adjust interest rates as necessary," should the rupiah deviate from the 6,000 level. But to get there will be a labor of Sisyphus. With inflation officially at 45%, the IMF demands that Indonesia "curb the expansion of central bank credit," itself largely a response to the IMF's November bank closings.

Such monetary tightening amid an economic collapse, as IMF economists well know, was precisely what turned the U.S. economic decline of 1929-31 into the worst depression in American history. Moreover, much of the inflation is a result of soaring food prices caused by the drought. As well, with a rupiah devaluation since August of some 80%, the cost of vital food imports (which have to be paid in dollars) has soared for the Indonesian consumer, as have costs of all other imports. In such a circumstance, to demand, as the April 13 IMF agreement does, that Indonesia "adjust interest rates as necessary to reduce inflation rapidly and strengthen the exchange rate," is tantamount to ordering mass murder of large sections of the population.

On May 21, the new President, B.J. Habibie, clearly aware of the powerful grip of that institution on his nation's economic life, pledged to honor Indonesia's agreements with the IMF. Should that IMF control not be dropped soon by the governments of the OECD which now stand behind it, including Germany, France, the U.K., the United States, and Japan, the consequences will be grave. Indeed, one reason the U.S. Congress reportedly is not likely to grant the requested $18 billion IMF quota increase so urgently sought by Camdessus, is growing realization that, far from resolving the problems in Indonesia and across Asia, the IMF has worsened the crisis.