LaRouche says: It's time to sue the IMF for damages

by William Engdahl

Since Thailand, the first victim of the misnamed "Asia crisis," was forced to go to the International Monetary Fund for emergency assistance in July 1997, the IMF has pledged a total of some $150 billion, an all-time record. The money, or at least promises of money, has gone to several countries in crisis, starting with Thailand, Indonesia, and South Korea, and widening to Russia, Ukraine, and, most recently, Brazil.

What has been the result of this unprecedented commitment of money over the past two years? Has the world economy become a safer place as a result? Have the living standards of IMF recipient countries been improved as a result? Are the future prospects for growth of these countries better as a result of their signing IMF "Structural Adjustment" agreements?

The defenders of the IMF, including Managing Director Michel Camdessus, Deputy Director Stanley Fischer, and Fischer's close friend, U.S. Treasury Secretary Lawrence Summers, claim that the IMF has successfully intervened to stop what threatened to become a global systemic crisis, and that it now promises to steer the countries receiving its aid and advice on the path to "sustainable economic growth."

Indeed, in an interview with the *Wall Street Journal* on Sept. 24, 1998, the day after announcement of the collapse of the Long Term Capital Management hedge fund plunged global financial markets into the worst meltdown of the postwar period, Camdessus made the chilling comment, that the Asian collapse had been "a blessing in disguise." It has most certainly been no blessing for the millions of victims of IMF policies—so, for whom does Camdessus speak?

The IMF is ruining us all

In reality, IMF policies since July 1997 have aggravated what had been a serious short-term crisis, and have resulted in worsening the economic prospects of hundreds of millions of people around the world.

The point is clear: Despite the appropriate and unprecedented criticism of IMF policy, nothing has changed for the better. In fact, the scale of IMF damage to global real economic growth now is such that it threatens far more than the individual countries involved. It is time to end the role of the IMF in this criminal activity before it ruins us all.

U.S. economist and Presidential candidate Lyndon LaRouche recently stated the blunt truth that the IMF is running a swindle on behalf of private banking interests. Referring to the latest developments between the IMF and Ukraine, LaRouche said: "The Ukraine government should sue the IMF and World Bank for damages resulting from following the IMF's advice. In fact this should be a class-action suit with other nations which have been caught in the same IMF swindle. All these countries are entitled to recover costs and damages from the IMF and World Bank."

The crime called 'Structural Adjustment'

The astonishing fact is, that, despite the strongest attacks on IMF policy in the 55-year history of the Fund, nothing in its basic policy has changed—nothing. During the height of the crisis over the past two years, the argument was that it was too risky to change policy in the midst of the crisis. Now, when even George Soros proclaims the crisis "over," the argument is that fundamental change is not needed: The crisis is over, and the IMF medicine is working.

Since the IMF refocussed itself in 1982 to deal with the problem of collecting billions of debts from Mexico and other Ibero-American countries on the brink of default, the IMF has been incredibly inflexible in demanding the same, precise conditions, termed "Structural Adjustment," in return for its help. The IMF conditionalities, or Structural Adjustment Programs, which a recipient victim must follow, invariably include:

- Sharp cuts in government spending. The argument is that this will help restore confidence of foreign investors in the long-term "sustainability" of government fiscal policy.
- Severe hikes in interest rates and rationing of credit to the economy. This is supposed to keep the existing foreign investors from bailing out of the victim country.
- Elimination of government subsidies, especially for food, fuel, and consumption items. This is a part of demonstrating government "fiscal responsibility" to hypothetical future foreign investors.
- Privatization of state-owned enterprises and opening of rules to facilitate foreign buy-outs of domestic privatized industry.

A country in crisis has little choice but to turn to the painful IMF cure. Failure to sign with the IMF threatens all

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but the most courageous governments with being blacklisted from international credit markets for years. Indeed, attendees at the September 1998 IMF annual meeting privately reported that the greatest fear among IMF members at that meeting was that Malaysia's radical anti-IMF controls might succeed and undermine the role of the Fund as world debt policeman. Few private lenders or governments will lend to a country which has not been "certified" as behaving according to IMF conditionalities after undergoing a crisis.

Deliberate errors

Yet, the mistake often made by critics of the IMF is to naively assume that the IMF's mistakes are simply errors of mis-estimating the situation, honest errors of judgment in heat of crisis. In fact, the mistakes are not mistakes in the eyes of IMF policymakers. They are deliberate policy.

Sadly, the U.S. Treasury, which oversees the U.S. role with the Fund, bears a major share of responsibility, for failing to alter the rules of the IMF game in the past 17 years, during which time the IMF has become, in effect, the debt policeman for leading international private banks. And, the U.S. Congress did its part, when, cowed by the threat of a global financial system collapse, in October 1998, it approved an added $17.5 billion for the IMF, and opened the way for an increase of the total IMF funds by another $95 billion—just as the IMF coffers were in danger of being depleted.

To comprehend the criminality of IMF conditionalities and Structural Adjustment Program, imagine that the United States, or Germany, or Japan were forced to apply for IMF assistance. The relevant IMF Country Team economists would conduct a thorough review of the country and decide that the most "efficient" exports for, say, the United States, would be lumber, oil, natural gas, and other raw materials, but that whole sections of U.S. industry must be shut down—computers, aircraft, auto—because U.S. wages are far too high to be "competitive" or "sustainable" in a global economy. Since 1977 and the Italian IMF agreement, no G-7 country has applied for IMF medicine. The IMF has, instead, become in effect a weapon against the economies least able to take such medicine—emerging or once-developing countries.

'A telling audit'

A little-noted external review of the effect of IMF Enhanced Structural Adjustment Facility (ESAF) programs on least developed economies was completed in March 1998. Its conclusions on Africa were chilling. For all African countries receiving ESAF assistance in 1991-95, annual per-capita GDP growth averaged 0.0%. Developing countries outside the IMF's ESAF experienced an average of 1% per annum per-capita growth. Sub-Saharan African countries on ESAF aid had a decline of 0.3% in per-capita income over 1991-95.

According to a separate World Bank study, even under the most optimistic conditions, it will now take years for Africa to reach levels of per-capita income seen in the early 1980s, before the IMF entered its economic management.

Invariably, the IMF Structural Adjustment, in its focus to put a victim country's fiscal and trade deficits—a common state for developing economies—onto what it considers "sustainable" levels, worsens the country's economy at severe social and economic cost, most typically inducing severe economic recession. "Of course when you need cancer surgery, you must expect some pain at first," the IMF officials would argue. The demands for slashing public spending cuts the state health and education spending, which is already woefully insufficient in every so-called emerging economy.

The broader results of IMF conditions are revealed in the above-mentioned external review's report of what happened to the once-stable economy of Zimbabwe, after it turned to the IMF in 1991 to try to "jump-start economic growth." During 1991-96, Zimbabwe's manufacturing output contracted 14%, and its real Gross Domestic Product fell 5.8%, compared to the IMF Staff Repport prediction of 18% growth over the period. Nominal interest rates generally remained above 40% for the period, severely reducing private investment. Total private investment for the time declined in real terms by 9%. Private per-capita consumption fell by 37%! IMF-mandated deregulation of the labor market in Zimbabwe led to higher unemployment and lower real wages. Manufacturing employment fell by 9%, and real wages declined by 26%. Food prices under removal of government price controls rose far more than other prices, severely hitting the rural poor majority.

Zimbabwe's devolution

The IMF demanded that Zimbabwe cut non-interest budget spending by 46% to meet IMF Structural Adjustment targets. As one result, spending on health care fell from 6.4 to 4.3% of the budget. The IMF demanded cuts as well in real wages for public health sector workers, forcing many doctors to move to private sector care, collapsing the quality of public health care. One consequence was a dramatic rise—400%—in the AIDS-related phenomenon among children known as wasting, and a fourfold rise in tuberculosis. This, at a time when the IMF well knew that an AIDS epidemic was sweeping the population.

Ask yourself if this is a matter of "poor judgment" by IMF economists, or intentional murder.

In all instances reviewed in the study of ESAF programs, IMF-mandated economic policies *worsened* the countries' debt burdens, instead of reducing them. Total external debt as a share of GDP for all ESAF countries increased from 71% of GDP in 1985 to 88% of GDP in 1995. IMF recipient countries are forced to divert resources from vital services, in order to keep up with the exploding foreign debt to international private banks, as well as with the debt to the IMF itself.

In the following pages we review several examples of the latest round of IMF macro-management and Structural

Adjustment, for the economies of Ukraine, Thailand, and Indonesia. Since applying for the IMF medicine, in Indonesia alone, there are an added 60 million people living in poverty; in South Korea, unemployment has tripled; and in Brazil, the per-capita income in Brazil is expected to fall by 6.4% this year.

Case Study: Eastern Europe

Ukraine: Destroyed by IMF 'rules of the game'

by Konstantin George

The International Monetary Fund and its mandated "rules of the game" have carved an awesome path of destruction through Ukraine, a nation of 52 million. Ukraine is the second most important industrial republic of the former Soviet Union, and the second most populous, after Russia. As Lyndon LaRouche put it, Ukraine should sue the IMF and World Bank for the damages that resulted from following the IMF's advice, and make it a class-action suit, bringing in other nations that have similarly been wrecked by IMF conditionalities.

A few statistics show the disastrous results of Ukraine's obedience to the IMF during this decade: Today, Ukraine's Gross Domestic Product is about 55% of what it was in 1990, and industrial production is less than half the 1990 level. At minimum, Ukraine could claim from the IMF at least $24 billion in damages (the difference between the 1990 GDP and the GDP as of the end of 1998).

When Ukraine became independent in 1991, it desperately needed long-term, low-interest credits from international and state lending agencies to develop its infrastructure, and to provide the physical-economic framework for domestic and foreign investment to modernize its sweeping—but in large part obsolete—civilian industrial base and agriculture.

During the last 15-20 years of the Soviet Union, Ukraine had been a victim of Soviet disinvestment in infrastructure, in non-military industry, and in agriculture. To take the energy sector as one example: The republic's last power plant had been completed in 1977. The country's Donbass coal mines were still producing large amounts of coal, but under technologies no longer modern in the 1950s, let alone now—a horrendous backwardness attested to by the hundreds of miners who perish in the unsafe mines every year. As for other infrastructure, the republic's paved roads could win the *Guinness Book of Records* prize for the most potholes per kilometer; because of the poor quality of the track bed, inter-city trains average a speed of 30-35 miles per hour.

There was a lot to do in 1991, and with Ukraine's highly skilled, educated workforce, it could have been done easily—with the right policies. Instead, the IMF took charge. Even though Ukraine was not to receive any IMF monies, or make a formal credit agreement with the IMF until 1994, IMF actions were fatally affecting the republic from day one of independence. How so?

The fatal IMF framework

The IMF began, by going over Ukraine's head. It reached an agreement with Russia, whereby Russia assumed control of all former Soviet liquid assets, including foreign exchange and gold reserves, in exchange for assuming responsibility for the entire former Soviet debt. On the deceptively "positive" side, Ukraine entered independence with no foreign debts. However, courtesy of the IMF, Ukraine was denied even a modest "headstart" in state foreign exchange assets.

After independence, Ukraine's economy plummetted. During the economic free fall (during the Presidency of Leonid Kravchuk, which lasted till he lost the July 1994 elections to Leonid Kuchma), no credit agreements were reached with the IMF. Ukraine was ravaged as a victim of the IMF-rigged "rules of the game," where any country, without countervailing international support, loses, whether or not it strikes a deal with the IMF. In those first three years of independence, the IMF relegated Ukraine to a financial pariah state. No agreement with the IMF meant an across-the-board credit cutoff, and almost zero in terms of critically needed foreign investments in the real economy.

A formal agreement was not needed to implement IMF parameters. First, by reaching formal agreements with the Yegor Gaidar government of Russia, and later with the government of Viktor Chernomyrdin, the IMF caught Ukraine in a vise. The IMF's "price liberalization" policy in Russia, which meant hyperinflation, spilled over into Ukraine, whose initial currency was the ruble. The IMF-induced collapse of the Russian industrial economy automatically triggered the collapse of the Ukrainian industrial economy, as demand for goods from Russia, Ukraine's main customer, shrivelled.

In those years, the wipe-out of industry meant that Ukraine was subjected to ruinous hyperinflation (which went as high as 10,000% in 1993), far higher than that which hit Russia. Citizens' savings were eliminated—another area where reparations can be claimed against the IMF. By mid-1994, Ukraine had nothing: no currency, only an ersatz currency called the kuponyi ("coupon"), which depreciated with each passing week, and no state reserves. Further, the first part of what is called IMF "structural reform" had been completed, without the benefit of a formal agreement with the IMF, namely, the proliferation of a vast gray and black shadow

economy, including a flood of cheap food and consumer goods imports from eastern Europe and Turkey. Bazaars or outdoor markets had sprung up in every city and town. Millions of people had gone from normal industrial, scientific, research, and other work into their own "hustle," a combination of buying, selling, or service-oriented moonlighting in order to survive.

From that time on, Ukraine has been trapped, and destroyed, in an IMF-directed vicious circle. When Kuchma was elected in July 1994, the first action he took was to conclude an agreement with the IMF. Since then, Ukraine has followed IMF free market and austerity conditions.

The trap is sprung

The IMF extended Ukraine credits on the strict condition that the Ukrainian budget deficit be under 3% of GDP; then, it reduced this paltry level to 2%, and further to 1%. Credits or subsidies to industry were banned, and it collapsed further. Under such conditions, the tax base steadily declined (in addition to the tax base shrinkage caused by the huge black economy), and Ukraine had to continuously cut its budget. Each cut further aggravated the decline of the tax base, necessitating further budget cuts. Because the budget deficit was linked to the size of GDP, the non-stop fall in GDP meant more budget cuts.

In terms of the class-action suit proposed by LaRouche, let us go back to the GDP of 1990, which was about $60 billion; 3% of that GDP is $1.8 billion. The GDP at the end of 1998 was about $36 billion; 3% of that is $960 million. So, through the IMF-caused loss in GDP alone, the Ukrainian budget has about $840 million less available per year.

Under the IMF regimen, the Ukrainian budget is about $6 billion annually. But, the damage is much worse than these figures would indicate. When IMF budget discipline began in 1994, Ukraine had almost zero in foreign debt payments. It also had no reserves. Courtesy of the IMF, as part of the conditions, Ukraine received currency reserves, in the form of IMF loans.

This, then, became the next part of the trap. Ukraine, already bankrupt in real economic terms, was being saddled with a multibillion-dollar debt. This foreign debt has now grown to $12.5 billion, 38.7% of which is owed to the IMF and World Bank. When this part of the vicious circle started, foreign debt payments were a negligible part of the budget. Now, $2.2 billion a year is required for servicing the foreign debt, or more than 36% of the entire budget.

Ukraine has met this IMF-imposed budget by slashing the population's living standards. Because of IMF conditions, which include the budget straitjacket, there is $2.45 billion owed in back wages and benefits to state employees, pensioners, students, mothers with many children, and so on. The education budget has been cut so savagely that hundreds of thousands of students no longer attend secondary schools, because their families cannot afford the textbooks which the state no longer supplies.

Ukraine has also met these IMF conditions by creating a domestic debt market, with treasury bills, or OVDPs (like the Russian GKOs). Here, at exorbitant interest rates (65% a year), the Ukrainian Finance Ministry has borrowed hard currency to help repay foreign debt. Such insanity—borrowing at 65% to pay back 12-16% loans—could not last long.

The Ukrainian debt crisis came to a head in 1998. Ukraine stopped issuing new OVDPs. In August, Ukraine had to pay back a $450 million Eurobond and $500 million in OVDPs. The IMF stepped in, and Ukraine narrowly averted default, but only at the price of accepting an IMF dictate to institute a 30% across-the-board cut in the 1998 budget. On this basis, on July 31, 1998, Ukraine and the IMF reached agreement on a three-year Extended Fund Facility of $2.2 billion. Ukraine paid off the Eurobond, and prevented a global shock in the Eurobond market, and paid off its OVDPs, thus halting a chain reaction stemming from the August Russian crisis.

The debt-service noose

Another IMF trap was set in 1998. Under the on-again, off-again IMF release of tranches (IMF tranches to Ukraine had been suspended prior to July 1998, were suspended again in November 1998, and resumed in March 1999), Ukraine was forced to turn to the international markets for loans. Already in February 1998, Ukraine was paying a 16% annual interest rate for deutschemark-denominated debt. By the summer of 1998, Ukrainian Eurobonds were trading at 24%. The average minimal cost of Ukraine's commercial foreign debt over the past two years has been 16%. Ukraine pays about $2 billion a year in non-IMF or World Bank debt servicing on foreign debt. This means that if Ukraine were to pay "normal" rates, its debt payment burden would be roughly cut in half. So, thanks to the IMF rules, Ukraine has been forced into two levels of usury: through the domestic OVDP treasury bill market, and through usurious rates on the international markets.

The debt crisis again came to a head this summer. In June, Ukraine defaulted (though this was not declared a default) on a $155 million loan that had been arranged in 1998 by ING Barings. The IMF precipitated this crisis by slapping a new condition on Ukraine: that it could not let foreign exchange reserves drop any further without getting IMF permission. Ukraine's reserves had fallen from about $1.75 billion on June 30, 1998 to about $1.1 billion on June 30, 1999, with about $2 billion in debt payments due in the rest of the year. The IMF was pushing for Ukraine to pay 20% cash on the ING Barings underwritten loan, and roll over the remainder in a new three-year loan. A deal, roughly along these lines, was struck, and a similar deal is being worked on for a loan brokered in 1998 by Merrill Lynch, that comes due this year.

How much longer can Ukraine walk this tightrope? With each passing month, the probability of a total crash grows. When Ukraine began to formally accept IMF conditions, it had almost no reserves, but also almost no debt. The *raison d'être* given for the IMF prescriptions was that Ukraine needed reserves. But now, its reserves are just as low as they were when it formally acquiesed to the IMF, while the foreign debt has increased by about $12 billion, and the domestic treasury bill debt has grown from zero to about $4 billion.

The end of this game will come; the only question is whether it will be with a bang, or a whimper.

Case Study: Southeast Asia

IMF depredations in Thailand, Indonesia

The International Monetary Fund's austerity demands ravaged the economies of Southeast Asia, as documented in the following sampling of articles from EIR.

"Thailand Heads 'Down Mexico Way,'" Sept. 12, 1997.

Friday, Aug. 29, closed the darkest week so far for financial markets in Southeast Asia, as the collapse of currencies and stock markets slid to near panic levels. . . . Only four weeks earlier, on Aug. 4, the International Monetary Fund (IMF) signed a "stabilization deal" with Thailand providing up to $20 billion for the ostensible purpose of stemming the speculative attack on the Thai economy, the most vulnerable of the former Southeast Asian "Tigers." Touted by IMF Managing Director Michel Camdessus as the biggest IMF package since the 1994 Mexico deal, when $50 billion supposedly "saved" Mexico, the deal, in fact, simply cannot work, just as the Mexico bailout did not work. Despite the early repayment of the loans to Mexico, collected through vicious austerity imposed on the Mexican economy and population, the bubble is back. . . .

Thailand's Finance Minister Thanong Bidaya described the following conditions accepted by Bangkok in exchange for the emergency loan:

- $3 billion in budget cuts, a 3% increase in the regressive Value Added Tax, from 7% to 10% (effective Aug. 16), and a mandatory "balanced budget";
- the establishment of on-shore derivatives markets, essentially assuring the right to unrestricted speculation;
- the closing of an additional 42 of the nation's 91 finance companies, in addition to 16 closed earlier, and the agreement to allow foreign banks to own an even higher percentage of Thai firms than the current limit of 25%;
- the privatization of more state enterprises, and an end to state subsidies to state agencies;
- a freeze on wages to the nation's workforce.

Some of the acknowledged consequences of these conditions are: vastly increased unemployment, cancellation of at least some of the major development projects currently under way, high inflation, and further stalling of the effort to develop the interior regions of the country. . . .

The parallels [of the Mexican "bailout"] to the Thai "stabilization" package are obvious. The IMF is particularly anxious to assure two things on the financial side: first, that the billions and billions of profits made by George Soros and his fellow speculators in the run on the baht are paid when due; and, second, that the bad debt of the financial institutions is taken over by the government (i.e., the taxpayers), rather than through further foreign borrowings *before* these institutions are sold off to foreign banks. . . .

"Thailand Battles against Its First Colonization," May 15, 1998.

Despite many painful compromises with colonial powers, Thailand always preserved its sovereign control over its land and its national economy. It is precisely this sovereignty which is now being challenged by the conditions imposed by the IMF, in return for a partial bailout of Thailand's bankrupt financial system. The $17.2 billion IMF package, however, is going *almost entirely* to pay massive derivatives losses to foreign speculators, who ran the attack on the baht, the Thai currency, in 1997. In exchange for bailing out the predators who destroyed Thailand, the IMF has demanded that Thailand turn over its banks, industries, infrastructure, and land to the predators themselves, for a fraction of their actual worth. . . .

Massive speculation by the hedge funds, led by British-owned mega-speculator and drug legalizer George Soros, during the first half of 1997, depleted the Bank of Thailand's foreign reserves, forcing a free float of the baht, which was driven down by at least 50%. Speculators also sold the Bank of Thailand more than $25 billion in forward swaps—derivatives contracts which locked the Thai government into the delivery of dollars at the pre-float rate in either three months, six months, or one year. With the "success" of the speculators in breaking the baht, they made off with a cool $12 billion-plus profit from the swaps alone—all out of the pockets of the Thai people. This is the criminal reality of financial market "liberalization."

All foreign debts, of course, increased automatically by 50% in local currency, while domestic markets collapsed across the board. As for the population, unemployment has skyrocketed, and a recent study found that 7 million Thais live on less than the equivalent of 60¢ per day. . . .

Two days after the Prime Minister's explosion over the credit crunch, the Bank of Thailand announced that it will allow commercial banks to lend into arrears, meaning "lending additional amounts to contractors of non-performing

loans, without booking the new loans as non-performing." Such loans "should not be used for refinancing purposes, and documents should be ready for inspection at all times," according to a Bank of Thailand official. Such a [Hamiltonian] policy . . . has been publicly supported by U.S. Treasury Secretary Robert Rubin, as part of his call for a "new architecture" for the world financial system. It is definitely frowned on by the IMF.

"Indonesia's Suharto: 'IMF Is Not a Roaring Success,'" Feb. 27, 1998.

On Feb. 13, the same day as the Bretton Woods Committee met [in Washington], Indonesian President Suharto delivered a message to President Clinton in a phone call placed from the White House to Jakarta. According to press accounts of the private conversation, Suharto conveyed, that "the current IMF program hasn't been a roaring success." Suharto asked Clinton, where is the alternative, "because what you've got here now isn't working."

"Indonesia Proves Why the IMF Is Finished," May 22, 1998.

During May 11-13, Egyptian President Hosni Mubarak hosted the G-15 summit in Cairo, bringing together leaders of, now 16, member-countries representing Ibero-America, Asia, and Africa. The focus of the meeting was a discussion among these nations of the "South," of the international lessons to be learned from the economic and financial crisis that has wrought havoc in Asia since July 1997. Indonesian President Suharto spoke on behalf of the Asian countries present: India, Indonesia, and Malaysia.

President Suharto reported on the effect of the crisis, which, in Indonesia's case, included a more than 75% collapse in the value of its currency, the rupiah, the catastrophic collapse of the stock market, the instantaneous bankruptcies of its banking and corporate sectors, and the disintegration of the distribution system for essential food and services throughout this island nation. The effect of the crisis, President Suharto said, has been equivalent to wiping out three decades of progress in the eradication of poverty. . . .

Indonesia entered a new phase of crisis during the week of May 4. Under the terms of its *third* IMF "reform" program in less than seven months, Indonesia has committed itself to the most rigorous timetable of compliance ever exacted by the IMF. Literally, week by week, the IMF would keep a scorecard on Jakarta's performance. Under the first two regimes, Indonesia was repeatedly chastised by the IMF, by Group of Seven (G-7) government officials, and by the Western establishment press, in particular, for showing too much "defiance" and stubborn clinging to "the old ways.". . . Jakarta . . . proceeded to implement the one category of measures that have been the most contentious since the first IMF program was agreed to on Halloween 1997: that is, the lifting of subsidies on essential commodities. This resulted in 25-71% increases on a range of fuels, from cooking oil to premium gasoline, and an immediate increase of 20% in electricity rates, to be followed by similar increases in August and November. The results were absolutely, dead-on certain—a sure bet. Before the clock struck midnight on May 4, riots broke out. . . .

The events of May 4 exposed the *political* intent behind *every* IMF program . . . nowhere more clearly stated than by British Foreign Secretary Robin Cook, on the sidelines of the ministerial meetings of the G-7 in London on May 9. "There is a clear lesson here, which is that open financial markets require an open political system and that getting on top of the financial turbulence also requires progress on social reform and political development. That is a lesson that is applicable across the region," he said.

. . . In October 1997, the month that Indonesia would sign its IMF-I accord, President Suharto received the UN award for poverty eradication, "In recognition of outstanding accomplishment in and commitment to the significant reduction and continued eradication of poverty in Indonesia, and for making poverty eradication an overriding theme of national development efforts." Over 30 years, the number of people living below the poverty line had been reduced from 60% to 11%. President Suharto told the G-15 meeting that annual growth had averaged 7% per year for two decades, but, in 1998, it will collapse to –4%. Over that same time frame, the total population rose 72%, from 120 million to 184 million. The ratio of doctors rose from one doctor for 47,000 people, to one doctor per 7,000, and overall school enrollment increased from 50% to 75%, with elementary school enrollment rising to 92%. When it comes to voter participation in elections, in the legislative elections of 1997, over 90% of 125 million eligible voters went to the polls.

"Indonesia: Deadly Consequences of Taking IMF Advice," June 5, 1998.

May 1997: The World Bank issues a report, *Indonesia: Sustaining High Growth With Equity,* praising the country, and by implication, the Suharto government, as the best example of "sustainable growth" through "outward-oriented, private-sector driven, labor-absorbing growth."

May 1998: Indonesia is about to sit down with a team of International Monetary Fund technocrats, to lay out the terms of its *fourth* bailout in less than seven months, as the economy faces 20% or greater contraction this year. President Suharto has been "resigned" from office, on the heels of the worst riots in Jakarta, in 30 years, in which 500 people were killed and a 75-block area of the city left in flames. The private sector was been in de facto default on $74 billion in debt for months. Unemployment could reach 20 million, more than 20% of the 90 million-person labor force. Trade has come to a halt. Inflation is running at 50%; interest rates are running at 60%, and the currency, the rupiah, has bottomed out, 74-80% lower than it was in July 1997. . . .