

PRESENTATION BY ROY CULPEPER, NORTH-SOUTH INSTITUTE

It has been said that in many ways President Megawati has helped Indonesia recover remarkably from the disaster of the Asian financial crisis. I think that accomplishment is all the more impressive given what Indonesia had to go through under the tutelage of the IMF. One question I would ask is how is Indonesia going to conduct its relationship with the IMF and the World Bank in the years to come; is it going to continue to be under the tutelage of those organizations or is it going to play a more independent role as for example China has, or India for that matter. These are countries who have been able to conduct polices more of their own design than what is designed in Washington, DC. So that's one point. Another point that bears making is that despite all it's warts and wrinkles, the achievement that Indonesia has enjoyed in the past before the crisis, of a sustained growth rate of 7% per annum or more - and despite the fact that certainly the elites benefited from that - growth was widely shared. That widely shared growth led to substantial declines in poverty. Has this happened since the turnaround following the crisis? Or has what's happened in fact been just the opposite, with a widening disparity between most of the benefits going to the elite and very little to the poor, if indeed the fact now stands that some 90 million people in Indonesia now live on \$2 per day or less? That's a lot of people living on a very thin margin of resources.

I think it's important in this respect to combine economic and social development strategies and unfortunately the way this conference was laid out we seem to have separated the two. I think it is important when we think about economic development strategies and investment strategies that they be informed by a vision of reducing poverty in a sustained way - the way it was reduced over the period from 1965 to 1997. And for that to happen the economic development strategy will have to be informed by social development targets and the reduction of poverty, or in other words shared growth. In many ways, the poor have not recovered from the Asian financial crises of 1997-98. As has been said some 40 million people are still out of work or unemployed and many of those are young. And I wonder if the appeal of terrorism wouldn't be lower if this problem of unemployed