

IN BRIEF: POLITICAL

Rice matters

The September 1 announcement by the government that it will import 210,000 tons of rice has pitted the government against farmers' associations and many DPR legislators in a repeat of last year's bitter war of words over the same issue.

On the one hand, the government claims that it must ensure a minimum level of rice stocks at the state commodity agency Bulog for times of disaster and that there is not enough domestically produced rice available for this purpose. On the other hand, farmers' associations and DPR legislators maintain that there is enough domestically produced rice to cover Bulog's shortfall and that the imports will hurt farmers by depressing the rice price, despite assurances from the government that the imported rice will not be released onto the open market.

Given that Indonesia produces approximately 35 million tons of rice per year, it is difficult for many outsiders to understand why such a relatively small amount of imports has caused such a large controversy. Why would the government import rice from abroad if, as the farmers' associations suggest, the rice could be procured domestically? How could the imports hurt farmers' livelihoods if, as the government claims, it will not be released onto the open market? In short, what is all the fuss about?

To answer these questions we need to understand the complex social and economic context within which the production, consumption and distribution of rice sits in Indonesia.

Rice is a crucial commodity in this country on many different levels. To individuals, the ability to consume rice on a daily basis is extremely important and even linked to social status, with families who mix rice with corn or opt for other sources of carbohydrate such as *singkong* generally considered lower class. A report on Indonesia's rice tariffs states that, "Rice consumption is also inelastic with respect to price. If the price goes up, poor people tend to protect their rice consumption and consume less of other foods that may have more nutritional content." Locked into such high levels of consumption, and with rice accounting for 60 to 65 percent of food expenditure for the poor, the impact of its price fluctuations is enormous.

On a national level, self-sufficiency in the production of rice has been a political goal since independence when President Soekarno first made speeches outlining the need for Indonesia to feed its inhabitants to be considered a viable nation. Since the mid 1980s Indonesia has hovered around the self-sufficient mark, but the issue has hardly diminished in importance and serves as a useful nationalist stick for various political groups to use to beat the government with, if it is seen to be failing in ensuring self-sufficiency.

Economically, Indonesian economists have long recognised that if the rice price suddenly rises, it would have a deleterious economic impact, as it would inevitably lead to spiralling inflation.

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Recognising the importance of controlling the price and distribution of rice for national stability, the Soeharto government handed control of the commodity to Bulog. Throughout Soeharto's tenure only Bulog imported rice, while also providing floor and ceiling prices for domestic procurement. This in effect kept the rice supply stable and affordable for consumers and insulated producers from uncertain international prices.

With the onset of the economic crisis in 1998, the government lifted Bulog's rice import monopoly after the IMF cited it as one of its conditions for releasing emergency loans to Indonesia. Although Bulog still sets floor and price ceilings, the private sector is still permitted to import rice varieties that are not locally produced; allowing such imports has made price stabilisation a much more complex affair.

Stabilising the price of rice is not an easy task; it is notorious for its wild fluctuations both at home and abroad. Internationally the rice market is known as a thin market because surpluses from rice-producing countries are so small, with only around 4 percent of rice production traded. This means that the rice price is extremely unstable – if a large buyer enters the market, prices are driven up rapidly.

In Indonesia price instability is similarly affected by the small surpluses available for trade, because production and consumption are more or less equal. The rice price also fluctuates seasonally, at this point in the year at the height of the dry season production is low but consumption is at its highest as people prepare for the Muslim festival of *Idul Fitri*. Price instability may also be connected to the impact of the 1998 liberalisation measures, which may have strengthened the role of rice speculators.

The current controversy is therefore best viewed in the context of these three points. First is the importance of rice's affordability to political and economic stability. Second is the inherent instability in the rice price, and third is the partial emasculating of Bulog as the state agency tasked with ensuring price stability.

There may be genuine issues of the quality of data which lead farmers' associations to claim there are bigger domestic rice surpluses than the government reports. There may also be a genuine desire for Bulog to replenish its stocks in case of further natural disasters and no major plans to release the imported rice onto the domestic market. But there is also likely a subtext to the government's move to go ahead with the imports.

Some have speculated that those responsible for the overseas procurement of rice are set on pursuing the policy because they stand to benefit personally from a corrupt kickback from the contractors they use; a practice long associated with Bulog's work. Others have conjectured about pressure from international rice lobbying or trade groups. How much truth these allegations have is open to debate, but one thing is for sure: it is unlikely to have escaped the government's notice that each year's announcement of rice imports drives down the price of domestic rice.

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This is not only because leakages from Bulog's stores onto the open market are fairly common but also because rice traders are a jittery bunch who will hold off from buying domestic rice if there is the possibility of buying lower priced imported rice. In other words, the imported rice does not have to physically make it onto the open market to ensure that the price of domestic rice falls. Indeed the rice price in traditional markets was widely reported to have dropped after the government's September announcement, well before any imports have actually occurred.

This suits the government because at the bottom of all these twists and turns is the government's basic dilemma: the trade-off between the interests of the rice consumers (low domestic prices) and the interests of the rice producers (high domestic prices). Given the size of the rural vote, it is inadvisable for the government to upset rice producers through direct moves to depress the price of domestic rice. DPR legislators agitating against the imports also have this rural vote in mind.

At the same time there is some potential for social instability if rice consumers find they can no longer afford a basic commodity to which such strong social ties are attached. And if the government were to buy 210,000 tons of rice domestically, the price of domestic rice would inevitably rise.

In an age where Bulog's control over the price of rice has been compromised by lifting its import monopoly and curtailing its operational funding, these annual announcements of the importation of rice may be one option for the government to balance these contending interests.

The weapons trail

Another discovery of a weapons stash in Jakarta has sent shock-waves through the political establishment and has contributed to mounting evidence of TNI involvement in sectarian violence in Sulawesi, sources say.

Ten plastic bags containing 14 weapons and 6,978 rounds of ammunition were found by a scavenger next to a river bank on the Sedyatmo toll road connecting Soekarno-Hatta International Airport to north Jakarta on September 6.

The police have been investigating the find in close coordination with the military. The information released by the police so far indicates that the weapons were broken down into 113 component parts with the series numbers scratched off. They are thought to have been produced by manufacturers in the United States, Spain, Austria and Italy.

In the latest development, a retired army general told reporters on September 5 that all of the weapons found are usually used by the military in so-called special operations. He cited the discovery of limited edition sniper rifles, the Y2K No. L148293, eight silencers and special brass bullets as weapons used in special operations.