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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

21 September 1962

STAFF MEMORANDUM NO. 35-62 (Internal ONE Working Paper - CIA
Distribution Only)

SUBJECT: Indonesia After West New Guinea -- The Outlook for US
Influence

NOTE TO THE BOARD

This memorandum is the one referred to at Thursday's Board and Staff meeting, designed to give the Board's views on current US opportunities in Indonesia. The DD/I would like the complete version by close of business today, 21 September, so that it may enter in to White House policy consideration of this question.

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1. The peaceful settlement of the West New Guinea dispute is advantageous to the US and provides opportunities for the growth of US influence in Indonesia. Indonesia's last remaining territorial claim against its former Dutch rulers has been satisfied, largely as a result of US good offices for which Indonesian leaders have expressed gratitude. Indonesia's need for Soviet military aid and diplomatic support, at a peak just prior to the settlement, has sharply declined, while its interest in economic assistance, from whatever source, has correspondingly increased. Internally, resolution of the dispute has removed an issue which enabled the Indonesian Communist Party (PKI) to gain strength and respectability by identifying itself with Sukarno and his nationalist aspirations. The Indonesian military, no longer preoccupied with the buildup against the Dutch, can restore emphasis to programs

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designed to develop popular identification with the armed forces and undercut PKI influence in the countryside.

2. The most favorable areas for US initiative in the new environment will probably be in support of the military effort to reduce PKI influence, and in the provision of much-needed assistance to the Indonesian economy. At present, about one-third of the Indonesian army is actively engaged in politico-economic functions such as civil administration, public works, village development, and the distribution of food and clothing. Plans call for expansion of these programs by the addition of new and better-trained engineer battalions, and by political indoctrination and technical instruction of troops slated for demobilization. In his present relatively expansive mood toward the US, Sukarno is probably prepared to accept some US assistance for the military in the civic action field. His continuing goodwill could be induced by substantial US contributions toward solution of Indonesian economic problems in the form of developmental funds, currency stabilization programs, technical assistance, and foreign exchange support. The dividend for the US from such an investment would be a lessening of the economic chaos on which the PKI intends to feed.

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3. Despite the improved situation and even assuming an all-out US effort to exploit available opportunities, there are distinct limitations on what the US can hope to accomplish in Indonesia at this time. Sukarno's neutralist foreign policy, focused tightly on the anti-imperialism issue, will continue to disturb US-Indonesian relations and prevent significant accommodations to the Western viewpoint. Moreover, with the loss of the profitable West New Guinea issue, Sukarno is likely to seek new causes with which to divert the populace and rally support. The most obvious selections -- renewed irredentism (Portuguese Timor, British Borneo, and Australian New Guinea) and Western economic interests in Indonesia -- will almost certainly bring him into conflict with the US and its allies. The prospect of substantial US economic assistance will not impose much restraint on his actions. Sukarno has little understanding of economic problems which, in any case, are not susceptible of dramatic solutions and provide little political nourishment for him.

4. The US will be handicapped also by the entrenched position of the USSR in the military assistance field. Despite various misgivings, the Indonesian military will probably go along with its

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existing procurement program unless a comparable source of up-to-date equipment, including short-range missiles, can be found. The exigencies of the internal political situation, in which Sukarno dominates by virtue of his skill in balancing the military and the PKI off one another, will impel Sukarno to circumscribe the amount and direction of overt US support to the anti-Communist programs of the military. He has already moved to insure his ability to restrain the military by replacing General Nasution as Army Chief of Staff with the more pliable General Jani, and by placing the West New Guinea administration under an old army opponent, Foreign Minister Subandrio. However, the greatest single threat to the military's anti-Communist campaign will be the probably lifting, within a year or two, of the martial law decrees under which the army runs the civil administration in most of the country.

5. The West New Guinea settlement, while it has removed a major roadblock to improved Indonesian relations with the US, has not basically changed the balance of internal forces upon which the success of US initiatives largely depend. Sukarno remains the key to Indonesia's international orientation and is unlikely to modify his neutralist views in any important respect. Meanwhile, the USSR will continue its massive campaign to bind

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Indonesia to the Bloc with military and economic assistance, and uninhibited support for Sukarno's anticolonial causes and Afro-Asian leadership ambitions. The PKI, despite the loss of the West New Guinea issue, can look forward to battenning upon the chaotic economic situation. Effective US support for the anti-Communist programs of the military will be hampered by Sukarno's ground rules and by the heavy dependence of the armed forces on Soviet arms. On balance, therefore, there seems slight chance of markedly increased US influence in Indonesia in the immediate future.

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