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11 December 1965

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CENTRAL INTELLIGENCE BULLETIN

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Indonesia: Both Sukarno and the army now seem to feel that the course of the present economic crisis may determine the outcome of the political struggle between them.

The President has apparently closeted a large number of cabinet ministers at a mountain villa outside of Djakarta and demanded that they quickly agree on measures to alleviate some of the country's pressing economic problems, in particular, galloping inflation. Rumors are rife in Djakarta that these measures will include drastic currency devaluation.

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The army now apparently plans to allow Sukarno a free hand in this area. Defense Minister Nasution evidently hopes to saddle the President with the blame for any further deterioration in the situation or for unpopular corrective measures.

A crowd yesterday stormed the Communist Chinese Consulate in Medan, North Sumatra, in the latest in a series of anti-Chinese demonstrations. Several people were killed when police fired on the demonstrators.

As in previous riots, the crowds in Medan were probably motivated as much by racial antipathies as by political considerations. However, the Chinese community in Indonesia has been thoroughly frightened by the army's anti-PKI campaign, which some Indonesians have apparently interpreted as a license to attack the relatively well-off Chinese living in their midst.

The local Chinese have apparently asked the Communist Chinese Embassy for support and protection, but Peking's response to these requests has been restricted to denunciations of Indonesian mob actions. The arrival yesterday of the first Chinese ship to reach Indonesia under a shipping agreement signed last July appears to indicate that Peking hopes to limit damage to Sino-Indonesian relations as much as possible under the present circumstance.

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Guatemala:

In a televised speech on the evening of 8 December, Peralta reassured the Guatemalan people that his regime is capable of maintaining public order and demanded that terrorists who have engaged in kidnapings and other forms of extortion cease their activities. If he fails to follow the speech with effective measures against the terrorists, however, he may lessen public confidence still further.

The terrorists struck again on the day of Peralta's television appearance. They killed three farmers in Zacapa and in Guatemala City shot the mayor of a village in the guerrilla-infested Department of Izabal. On 9 December the third victim in a series of kidnap plots was released in

return for \$75,000 ransom.

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NOTE

Pakistan: President Ayub may carry out a major cabinet reshuffle if his visit to the US is "successful," according to pro-Western Minister of Finance Shoaib. Ayub is described as aware that the present division within his cabinet between pro- and anti-Western elements is too serious to be permitted to continue. Shoaib predicted that he would be leaving his post, but also indicated Ayub would make a clean sweep of both factions in the cabinet.

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