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THE POLITICAL OUTLOOK FOR INDONESIA

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

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Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

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THE POLITICAL OUTLOOK FOR INDONESIA

THE PROBLEM

To estimate Indonesia's political situation and prospects over the next year or so.

CONCLUSIONS

- 1. Indonesia continues to suffer from lethargic administration, corruption, and economic stagnation, and to blame its woes on the Dutch and on the capitalist world.
- 2. President Sukarno has stated his determination to rekindle the spirit of the 1945 revolution and to supplant political division with unity and discipline. He proposes to replace the Western parliamentary system by what he calls "guided democracy," a fuzzy concept which, however, clearly involves less democracy and more guidance. The immediate and pressing danger in the situation lies in Sukarno's increasing reliance on Communist support and the growing Communist influence on Sukarno.
- 3. The Communist Party (PKI) is the only political group which proposes a clear cut solution to Indonesia's problems and possesses an industrious and effective political organization. In the central and most populous island of Java it polled 20.8 percent of the vote in the 1955 parliamentary elections. It has showed large gains in local elections since that time. Though the PKI has as yet

- had no official representation in any Indonesian government, there are 4 Communist sympathizers in the present cabinet, as well as 18 extreme leftists in the 45-man National Council, a key element in Sukarno's "guided democracy" concept.
- 4. These developments have encouraged increasing regionalism in the outer islands. Provinces in Sumatra, Celebes, and elsewhere have defied the central government and demanded a greater voice in administering their own affairs and a greater share of governmental revenues. Though the army has in the past been regarded as a potential force for national unity, it is now seriously divided, and the provincial movements have been led by local area commanders.
- 5. Over the next 12 months, the prospect is for a continued increase in Communist influence over the central government. Although we doubt that the PKI will achieve effective control of the government during the next year, this possibility cannot be excluded. The provincial regimes on the outer islands are not likely to revert to central control during

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the period, and, though they are unlikely to declare their independence, their autonomy will probably become more firmly established.

6. Paralleling these developments in the political field, the central government's economic position is expected to deteriorate during the next year. As the provinces continue to withhold foreign exchange earnings from exports, the central government's ability to import will be seriously curtailed. Government revenues, which are based primarily on imports, will decline still further. However, the political consequences of the deteriorating economic situation will probably not reach a critical stage during the next The worsening economic situation, however, will limit the ability of the central government to provide more generous subsidies to the provincial governments — one of the primary objectives of the regionalist regimes.

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7. Indonesia has nearly exhausted its period of grace. Over the next two or three years the political situation may, at best, stabilize temporarily on the basis of a group of autonomous but inherently weak provinces and a central government in which the effectiveness of the parliament and cabinet is reduced still further. At the worst, relations between the provinces and the central government and the general economic situation may deteriorate to a point where sudden political collapse would occur, possibly accompanied by outbreaks of violence. In this situation, the Communists as the best organized group would have a good opportunity to seize control of Java.

DISCUSSION

PRESENT POLITICAL SITUATION

8. During the past year, Indonesia has fallen into an advanced state of political confusion and economic deterioration. There has been a weakening of many of the elements which have provided Indonesia a tenuous unity since it acquired independence in 1949. The nationalist and patriotic impulses generated by the struggle for independence have waned, while regional interests and loyalties have gained momentum and found effective political expression. Although Sukarno's wide personal popularity among the Indonesian people remains a unifying force, his stature as a national leader apparently has declined outside Java and among many of the educated group. The army, which in the past has tended to be a force for national stability, is now seriously divided in its loyalty to the central government. The Communists, who have achieved a close rapport with Sukarno and have become his most effective supporters, have increased their strength and influence. These circumstances have created a situation which puts in jeopardy the continued existence of Indonesia as a coherent political entity.

9. The most serious manifestation of national disintegration occurred during late 1956 and early 1957, when the provincial military commanders, allied with local civic leaders, assumed control of most of the outlying islands in a series of bloodless rebellions. The Djakarta government retains control only in Java and in areas surrounding the provincial capitals of Medan in North Sumatra and Makassar in South Celebes. Elsewhere in Indonesia, the extent of local autonomy and resistance to the central government varies in intensity and degree. In most of Sumatra and in North Celebes, resistance and autonomy appear strong and well organized under local army commanders. In Borneo and Bali, although the demand for local autonomy is strong, central government directives are given superficial respect. In the islands of

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East Indonesia other than Celebes (i.e., the Moluccas and Lesser Sundas) the government has achieved a compromise on matters of military command but otherwise apparently has preferred not to challenge the considerable local autonomy which now exists there.

- 10. Efforts to reach an understanding with the rebellious provincial regimes have failed, largely because of President Sukarno's unwillingness to compromise and his increasingly close association with the Communists. On the other hand, the central government has been unwilling and probably unable to restore its authority by military means. 1
- 11. The provincial revolts were largely responsible for a serious cabinet crisis early in 1957. The Masjumi, Indonesia's second largest political party, which favored greater regional autonomy and a negotiated settlement with the rebellious commanders, withdrew from the Ali government in January in an unsuccessful attempt to cause its downfall. Although the Ali cabinet had lost most of its prestige and authority, it managed to continue in office for another three months with the support of the Communist Party (PKI) and the two remaining major government parties, the Nationalist Party (PNI) and the NU (Moslem Scholars). By the time it resigned in March, the political atmosphere had become so tense that it was impossible to form a new cabinet through the usual processes. Accordingly, Sukarno proclaimed a state of emergency and appointed an "extra-parliamentary" cabinet with Djuanda, a nonparty moderate, as prime minister.
- 12. During this period, President Sukarno announced that a Western parliamentary system would not work in Indonesia and that the time had come to introduce a system of government attuned to Indonesia's peculiar-

¹ Although the total forces on Java are greater than on any other island, the central government's ability to concentrate a superior force at any one place is restricted by the threat of outbreaks of civil war on Java itself and by the shortage of sea and air lift.

Disposition of major army units:

Sumatra 35,000 (including 6,000 active reserves)

Java Borneo

96,000 10,000 30,000 East Indonesia

ities and needs. Accordingly, he proposed a system of "guided democracy," involving the formation of a cabinet representing all political parties in parliament and the establishment of a National Council representing "functional" groups, as distinguished from political parties. Among the major parties, only the PKI has given full support to Sukarno's plan. The PNI and NU have tended to be ambivalent. Their leaders fear that Sukarno may use the National Council to weaken the position of the cabinet and the parliament and thus to destroy the political parties. On the other hand, they are unwilling to forego the prestige and economic benefits of public office. Sukarno's proposals have been vigorously opposed by the Masjumi, by the rebellious provincial regimes, and by a number of influential national figures, including ex-vice president Hatta, who feel that these proposals endanger democratic government or tend to increase Communist influence.

- 13. The Djuanda cabinet, which took office 9 April, is under the direct influence of Sukarno and has in general been responsive to his manipulation. Although the PKI is not represented directly, four of the 23 ministers are almost certainly sympathetic to Communism and may be under Communist guidance. Five of the ministers have no known political affiliation; four are members of the PNI; four are members of the NU; two are from the Indonesian Christian Party (Parkindo); and three others are members of minor par-The Masjumi refused to participate on grounds that the cabinet was unconstitutional and expelled a member of the party for accepting a portfolio. Another cabinet member was formerly affiliated with the Masjumi, but resigned from the party immediately before accepting a post in the Djuanda cabinet. The cabinet, having been appointed under emergency procedures, holds office at the pleasure of President Sukarno.
- 14. Soon after taking office the Djuanda cabinet approved an emergency law for the establishment of a 45-member National Council. The council was activated in July after much debate within the parties, a series of meetings between Sukarno and political leaders, and considerable pressure on those opposed to it.

The emergency law did not define the functions of the council; so far it has acted solely in an advisory capacity. Its members, appointed by Sukarno who serves as chairman, represent a wide variety of nonparty functional groups, such as trade unions, veterans, and teachers. Of the 44 members thus far named to the council 18 are Communists, Communist oriented, or extreme leftists.

MAJOR FACTORS IN THE POLITICAL SITUATION

15. Sukarno. President Sukarno is still the central figure in Indonesia. He has long been dissatisfied with the country's lack of economic and political progress and has blamed Indonesia's problems on the inefficient manner in which the parliamentary system has performed in Indonesia. Sukarno has sought to maintain his position as nationalist leader and revolutionary symbol, while at the same time avoiding personal responsibility for the government. While he was a vigorous and effective leader during the revolutionary period, in the following years he has appeared to be unwilling or unable to provide similar leadership in coping with the problems of political administration and economic development. Sukarno is an exceedingly vain and emotional man, highly impatient with criticism or opposition. He is convinced that he represents the conscience and the aspirations of the Indonesian people.

16. Sukarno, like most educated Indonesians, has long been influenced by Marxism. He was greatly impressed during his recent tour of the Bloc, especially in Communist China, by the lack of party rivalry, the effectiveness of centralized control, the zeal of highly motivated cadres, and the extent of economic accomplishments. These elements, together with ideas which he probably received from conversations with PKI leaders, may account in large measure for his "guided democracy" concept.

17. Sukarno is convinced that a highly centralized government, based on Java, is essential for Indonesia. He does not appear to believe that the strength of regionalism is very great or to take the provincial rebel-

lions seriously, largely because of the public enthusiasm with which he is greeted in the provinces. Although Sukarno claims affiliation with no political party, he has been generally identified with the PNI, which he helped to found in 1927. However, the events of late 1956 and early 1957 have brought Sukarno closer to the PKI which, during recent months, has been his strongest supporter. Although Sukarno has expressed awareness that the PKI constitutes a potential danger to his position, he apparently believes he has sufficient control of the situation to cope with the Communists if they get out of line.

18. Regionalism. The authority of the central government has never been fully established throughout the archipelago. Regionalism, due to geographic, ethnic, and linguistic diversity, and to the outer islanders' fear of political and economic domination by the more numerous Javanese, has always been a strong centrifugal force in the Republic of Indonesia. The people of the outlying islands have also felt that they are being exploited for the economic benefit of Java. Provincialism within the army has been preserved and fostered by the stationing of troops in their areas of origin, principally for reasons of economy and language. Over the past year the urge for regional autonomy has found political expression in the regimes established by the provincial military commanders. Although these revolts have followed a similar pattern, they appear to be spontaneous reactions to similar grievances against the central government rather than coordinated uprisings. Their objectives appear to be more autonomy, a greater voice in formulating central government policy, and a greater share of the economic returns from exports originating in the provinces.

19. Although the central government has made some overtures to the provincial leaders, President Sukarno, thus far, has been unwilling to admit the strength of regional feeling. On their side, the local leaders have not only maintained their position but in addition some of them are demanding that Sukarno take action to reduce the Communist threat on Java. There is evidence that efforts are being made to coordinate the activities of the

various provincial regimes and that the idea of independence, not mentioned in the early stages of the provincial rebellions, may gradually develop. Both sides have avoided the use of force probably because they fear it would impair the possibility of political settlement and might lead to widespread violence or civil war.

20. Military and Security Forces. The Indonesian army (about 171,000 men) has never been a cohesive military organization fully responsive to the authority of the central government and its commanders have always exercised considerable local autonomy. Most of the officer corps, which is a large part of Indonesia's small educated elite, favors modernization and reorganization of the army but differ widely on how it is to be done. The army is now split between those who have identified themselves with regional demands for local autonomy and those who continue to be responsive to orders from the Djakarta government. Army units responsive to Djakarta are chiefly Javanese.

21. The army has been and still is a basically anti-Communist force. However, in the areas where Djakarta retains control, this aspect of the army's effectiveness has diminished in the past 18 months, largely as the result of an extensive program of transfers. Many of the well-trained, anti-Communist officers, some of whom have been schooled in the US, have been transferred out of the country, posted to army schools or staff positions, and in some instances placed under prolonged house arrest.

22. Aside from Communist infiltration—which is probably increasing—the neutralization of strong anti-Communist personalities has left the army in Java a more disciplined instrument and one more amenable to carrying out the directives of President Sukarno. These directives of Sukarno appear increasingly to work to the advantage of the Communist party. Since Sukarno declared martial law in early 1957, the army has wielded broad powers for civil administration. The army chief of staff, General Nasution, has so far loyally carried out the orders of the central government. However, if the ma-

jority of the army leaders, in a showdown, decided to oppose the government, he might join them.

23. The Indonesian air force, which is infiltrated with Communists and leftists at the top command level, is serving Sukarno loyally, the navy is attempting to remain uninvolved in politics. Neither the air force nor the navy are of great political importance because of their small size. However, since Indonesia is spread out over an archipelago, the allegiance of both the air force and the navy would be important in the event of civil disruption.

24. The Indonesian police includes a mobile brigade, numbering approximately 18,000, which has limited military capabilities. This organization has been strongly influenced by the American training given many of its officers and is strongly anti-Communist. In the outer islands, the police have generally coordinated their activities with the local anti-Djakarta army commanders.

25. The Non-Communist Political Parties. Indonesia's non-Communist political parties have not served the nation well because of their factionalism, concentration on the economic spoils of office, and lack of effective leadership. With their loose organization and weak party discipline they offer poor competition to the Communists. The Nationalist Party (PNI) which had the largest popular vote in the 1955 elections, draws most of its strength from Java.² It is highly nationalistic and has been closely associated in the public mind with Sukarno. Its leaders are greatly concerned with Sukarno's increased rapport with the PKI, but they are reluctant to force a showdown with him.

PARLIAMENTARY REPRESENTATION OF MAJOR POLITICAL PARTIES BY GEOGRAPHIC AREAS

	JAVA	OUTER ISLANDS	TOTAL
PNI	43	14	57
Masjumi	31	26	57
NU	37	8	45
PKI	35	. 4	39
Others			59
Tota	1		257

26. The Moslem *Masjumi* has shown greater unity of purpose than any other major non-Communist party during recent months and is now leading the opposition. It favors greater provincial autonomy, and it has denounced Sukarno's "guided democracy" concept as undemocratic and the Djuanda cabinet as unconstitutional. The Masjumi is especially strong in the outlying islands. The other major Moslem party, the Nahdatul Ulama (NU), draws most of its strength from Java. Although the NU is basically anti-Communist and would prefer to maintain Moslem solidarity, its leaders have been unwilling to go into the opposition. They are reluctant to give up the economic benefits of continued participation in the government and they wish to avoid a straight lineup of religious against secular parties. Such a lineup, in the view of NU leaders, might drive the PNI farther to the left and into a close alliance with the PKI.

27. The Communist Party of Indonesia (PKI) emerged from the first national elections, held in 1955, as the fourth largest of the Indonesian political parties. Its greatest popular following is in Java, which provides 35 of its 39 representatives in parliament. sources of strength are SOBSI, Indonesia's largest labor organization, and other mass organizations including veterans, women, and peasant groups. The PKI has been lavish in its expenditures for election and mass rally purposes. It appears to have considerable financial resources, which are probably derived not only from front groups but also from the Communist embassies in Djakarta, particularly the Chinese Communist.

28. The Communists apparently are pursuing the "united front" tactic to achieve political domination of Indonesia. While they have not participated in any cabinet thus far, they have recently made substantial strides toward gaining a strong position in the highest levels of government. In the Djuanda cabinet, four portfolios, including agriculture, education, and veteran affairs, are held by persons who are known to have far leftist connections. A number of Sukarno's close personal advisors are also known or believed

to be Communists. These include the PKI's secretary-general and its parliamentary leader. In addition, there is evidence of Communist penetration of the government ministries and the armed forces.

29. The organizational effectiveness of the PKI in Java has substantially increased during the past two years, as was demonstrated in the municipal and provincial council elections held in the summer of 1957. In Djakarta the PKI improved its position in the municipal council, gaining 21.1 percent of the vote, compared to 13.2 percent in the constituent assembly election in 1955. In Central Java the PKI will have 27 out of 75 seats in the provincial council (36 percent of the total), and has supplanted the PNI as the strongest party. In 1955 the PKI elected 15 out of 62 members of parliament for Central Java (24 percent of the total). In East Java the PKI gained control of the municipal councils in the major cities, though it will apparently not control the provincial council. In West Java the PKI may gain control of the municipal council of Bandung, but elsewhere in the province the Masjumi maintained its position as the strongest party.

30. The increased association of the PKI with Sukarno has been a major factor in the growth of the party's strength. Its political position in the government and its increased popularity with the Javanese voters are, to a large extent, directly attributable to the fact that he has permitted them to capitalize on their association with him and his program.

31. Economic Deterioration. Underlying its other difficulties, the Indonesian economy is deteriorating as a result of neglect, the pursuit of nationalistic and Marxist-influenced policies, internal insecurity, and the current rebellions in the outer islands. Per capita income is probably below prewar levels, despite the apparent richness of Indonesia's resources. The curtailment of revenues from the provinces is largely responsible for the current crises in governmental financing and in the balance of payments. About 80 percent of Indonesia's foreign exchange earnings is derived from exports of oil, rubber, tin, and copra which originate in the outer islands.

The provincial regimes have greatly reduced the amount of taxes and revenues remitted to the central government. Although revenues derived from exports of oil and estate rubber still go to Djakarta, copra and small-holder rubber are being used in extensive and increasing barter trade with Singapore, Penang, British Borneo, and the Philippines. The provincial regimes appear to be making out reasonably well, but heavily populated Java is experiencing increasing inflation, shortages of consumer goods, and a heavy drain on its foreign exchange reserves.

THE POLITICAL OUTLOOK DURING THE NEXT YEAR

32. Unless there is a marked change in present trends, the Communists will continue to increase their strength and influence on Java during the next year. We believe they will make haste slowly in seeking to gain overt control of the central government apparatus. However, they will be pressing their subversive activities, particularly with respect to their efforts to neutralize or to gain control of the armed forces. They will continue to work through Sukarno, posing as his servants and as sincere nationalists. Sukarno will probably continue to welcome Communist support and utilize Communist advice. believe that the chances are less than even that the PKI will gain effective political control of the central government during the next year, and that there is little likelihood that the Communists will attempt to seize control by force. The Communists will continue efforts to develop their relatively meager assets in non-Javanese areas, but we do not believe they will become a threat to the provincial regimes on the outer islands.

33. During the next year the provincial regimes will probably continue to strengthen their positions as autonomous political entities, but will probably not completely sever relations with the central government. Sukarno has given no indication of a willingness to give in to provincial demands, but thus far it does not appear that the provinces are seriously considering the alternative of declaring their independence, nor are they likely to do so unless the Communists come

to power in Djakarta. However, the longer the provincial regimes continue to enjoy a degree of autonomy from the central government, the greater will be their reluctance to submit once again to administrators from Djakarta. In any event, the state of uncertainty and tension will probably continue to be such that an outbreak of violence or a political upheaval leading to fragmentation of the Republic will remain possible at any time.

34. We believe the above to be the most likely developments in Indonesia during the next year. However, due to the limited length of Indonesia's experience as an independent nation and the relatively weak, undeveloped state of its major political institutions, unexpected developments are always possible and might be sparked by relatively minor incidents. Moreover, in the past Sukarno has not proven himself to be a dependable ally to any political group and he is subject to sudden and unpredictable changes of direction apparently based on emotion and instinct. Developments might involve overt participation in the cabinet by the PKI, a central government effort to regain control of the outer islands by force, or the attempted secession of one or more of the provincial regimes.

a. The Communists might gain effective control of the government by political means. If Sukarno broke with the Djuanda cabinet (as he might in exasperation at its inability to cope with political and economic problems), he might insist that the PKI be given critical ministries in the successor government. This could split the PNI and would probably cause the NU and some of the smaller parties to join the Masjumi in political opposition. Whether they would take forcible action would largely depend on the attitude of army elements in Java at this point, and it is uncertain what that attitude would be. The bulk of the Javanese forces might remain loyal to Sukarno and accept the new government. On the other hand, the army on Java might split, and major elements of it join with opposition groups, in which case civil war would probably result.

b. If the Communists should come to power in Java, some of the provincial regimes out-

side Java would probably repudiate the central government. In these circumstances, these provinces might unite and proclaim that they were the legitimate government of Indonesia, but it is more likely that they would fragment into separate political units. Army commanders in the provinces would probably take action to eliminate active Communist supporters and central government control over any troops in their areas. They would appeal to the West and particularly to the US for support.

c. The provincial regimes, especially on Sumatra and Celebes, might also declare their independence of Djakarta if the central government launched a military attack against them or if they came to believe that Djakarta would not ultimately concede them the degree of automony which they desire. matran leaders in particular probably believe that the wealth of natural resources would make a Sumatran state economically viable. However, both Sumatra and Celebes lack skilled labor, administrators, and capital, and would need considerable outside assistance. Moreover, neither area appears to have adequate political leadership. An even more important problem would be the ethnic diversity and lack of political cohesion of both Sumatra and Celebes. Their present unity is largely due to common opposition to Djakarta, and if they were to achieve independence, the many divisive factors would tend to lead to further political fragmentation.

35. Sukarno's Disappearance from the Scene. If Sukarno should disappear from the scene, it would remove a major obstacle to a settlement of the provincial rebellions and deprive the Communists of their main entree to government. On the other hand, the Indonesian nation would lose a dynamic leader who is the symbol of Indonesian independence and a major force for holding the country together. His death might lead to mob violence and a general breakdown of law and order, from which civil war for control of the country could develop. This would be particularly likely if the circumstances of his death were such that it could be attributed to political motives.

THE ECONOMIC OUTLOOK DURING THE NEXT YEAR

36. The central government's economic situation will deteriorate. As the provinces continue to withhold foreign exchange earnings from exports, Djakarta's ability to import will be seriously curtailed and government revenues, which are based primarily on imports, will decline still further. The balance of payments position will probably continue to be critical, and the government may be forced to seek a moratorium on its foreign debt repayment. If the latter is not forthcoming, default or repudiation of some of Indonesia's foreign debts will become increasingly likely. Djuanda's efforts at economic retrenchment will probably be limited by political resistance, by the necessity for greater expenditures to appease the rebellious provinces, and by increasing inflation as deficits are financed by new issues of paper currency. However, since the bulk of the peasants, who make up about 85 percent of the total population, live outside the money economy in communities which are largely self-sufficient, the political consequences of the economic situation will probably not reach a critical stage, at least during the next year. The worst effects of a mounting inflation and a shortage of foreign exchange will be to reduce sharply the city dweller's purchasing power and the availability of imported manufactured goods. Serious unrest could develop on Java which could be exploited by the Communist-dominated labor unions and mass organizations.

37. In this situation, the Indonesian government will probably seek additional foreign assistance and, in keeping with its neutralist foreign policy, will be receptive to offers from both the East and the West. The Indonesian government will almost certainly begin to draw on the \$100 million Soviet line of credit, the approval of which is currently being considered by the Indonesian parliament, and will seek to conclude a reparations agreement with the Japanese.

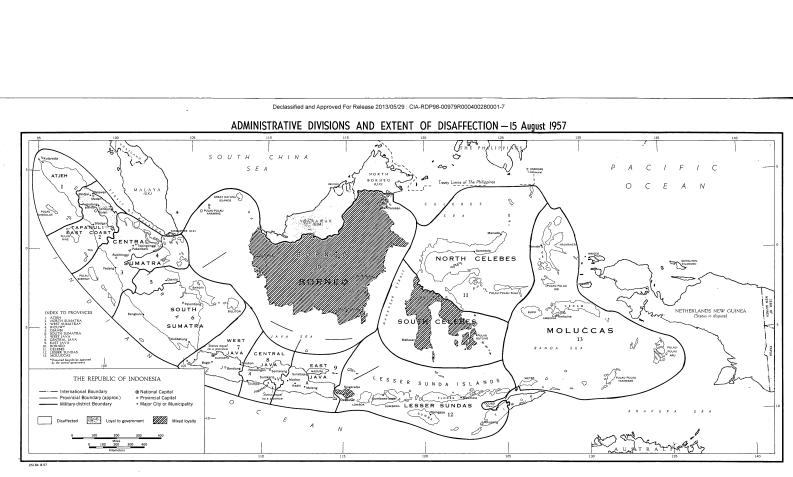
LONGER RUN PROSPECTS

38. We can foresee little to be optimistic about in Indonesia. It is possible that Sukarno may

seek to reach some compromise with the regimes in the outer islands or to bring the Communists under control. We consider such actions unlikely except under heavy pressure by the non-Communist parties or by the army. We believe that the non-Communist political parties are unlikely to cooperate effectively, except perhaps for brief periods in efforts to counter immediate Communist threats. The army, despite its factionalism and internal conflicts, will probably continue to be a better potential force for providing national unification and a stable non-Communist government. However, we know of no leader, political or military, who is willing to challenge Sukarno's leadership or who has the necessary combina-

tion of army support, popular appeal, and political acumen.

39. Over the next two or three years the political situation may, at best, stabilize temporarily on the basis of a group of autonomous but inherently weak provinces and a central government in which the effectiveness of the parliament and cabinet is reduced still further. At the worst, relations between the provinces and the central government and the general economic situation may deteriorate to a point where sudden political collapse would occur, possibly accompanied by outbreaks of violence. In this situation, the Communists as the best organized group would have a good opportunity to seize control of Java.



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