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The Prospects for Indonesia

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

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THE PROSPECTS FOR INDONESIA

THE PROBLEM

To analyze the major trends in Indonesia and to estimate probable developments over the next year or so with special reference to Indonesia's international orientation and to the West New Guinea dispute.

CONCLUSIONS

1. Until a settlement satisfactory to Sukarno is reached with The Netherlands, the West New Guinea dispute will continue, to overshadow and strongly influence all other foreign and domestic issues in Indonesia. Sukarno will probably draw even closer to the Bloc position on major international issues as Indonesia continues to rely heavily on Soviet military aid and political support for the prosecution of the West New Guinea campaign. The Indonesian Communist Party (PKI) will continue to exploit the issue and to obstruct a negotiated settlement. The diversion of army energies into the West New Guinea campaign will continue to hamper its efforts to reduce PKI strength and influence. President Sukarno will probably continue to be successful in balancing the army and the Communist Party off against each other while retaining for himself the controlling power position. In the event of Sukarno's death, it is likely that the successor administration would be headed by top ministers in the present cabinet with Nasution and the army assuming the predominant role in their support. (Paras. 5-8, 12, 16-22)

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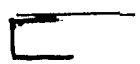


2. A West New Guinea settlement, although it might initially enhance the prestige of Sukarno and the PKI, would cost both an issue that has proven politically profitable for over a decade. The PKI, especially, would be forced to seek new issues and would probably turn to further "anticolonial" campaigns against such targets as Portuguese Timor or Western economic interests in Indonesia. It is unlikely that any efforts of this nature would be carried very far during the period of this estimate. In the event of a settlement, the army would probably give greater attention to counter-ing PKI influence in the country. (Paras. 19-20)

3. Sukarno almost certainly believes that Indonesia cannot rely solely upon diplomatic pressures for a prompt settlement of the West New Guinea dispute. In any case, he will continue the buildup of Indonesian forces in eastern Indonesia and the frequent use of threats of action. We believe that chances for a negotiated settlement of the dispute are slightly better than even. However, as Indonesian military capabilities improve, Sukarno will become increasingly prone to employ military measures short of an all-out invasion in an effort to weaken the Dutch bargaining position and thereby pressure them into meeting his terms for negotiation. We consider an all-out invasion of West New Guinea to be an unlikely course of action for the Indonesians during the period of this estimate. (Paras. 31-36)

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4. The economic outlook for Indonesia over the next year or so is definitely unfavorable. The most serious problems will probably be the intensification of inflation and the continued decline of foreign exchange reserves. Sukarno is unlikely, however, to concern himself with remedial measures. On the contrary, continued economic frustrations will probably provide him an additional incentive to raise the pitch of the West New Guinea crisis. (Paras. 23-27)



DISCUSSION

I. INTRODUCTION

5. President Sukarno's campaign against the Dutch to achieve control over West New Guinea has always been a major factor in Indonesia's domestic politics and foreign policy. Sukarno feels strongly that Indonesian independence will not be complete until "the liberation of West Irian" is achieved and, over the years, he has been able to project this attitude so skillfully that the West New Guinea campaign has acquired the status of a national crusade. Sukarno has successfully used the emotional and nationalistic response on the West New Guinea issue to silence domestic opposition, to divert public attention from mounting economic problems, and to consolidate his position of leadership under the system of "guided democracy." In terms of foreign policy, Sukarno has come to distinguish friend from enemy almost entirely on the basis of policies and actions with respect to West New Guinea.

6. In recent months, Sukarno has moved to increase greatly the intensity and urgency of the West New Guinea campaign. The effectiveness of his anticolonialist propaganda line was somewhat weakened early in 1961 by indications of Dutch readiness to move more directly to prepare West New Guinea for self-government. Later in the year, failures to gain solid Afro-Asian support in UN deliberations on the issue confirmed Indonesian misgivings on this score and increased their sense of urgency for a resolution of the dispute. With the virtual cessation of the separatist rebellion and no immediate problems of governmental structure or political balance to divert his energies, Sukarno has been free to concentrate upon West New Guinea. Massive Bloc arms shipments have enabled him to place increasing emphasis upon the

employment of military pressures for achieving his objective. Accordingly, the West New Guinea issue has come to overshadow and to affect significantly all other foreign and domestic matters.

7. In developing their tactics, Indonesia's major competing elements, the army and the Indonesian Communist Party (PKI), are taking their lead from Sukarno's reactions to the changing course of the West New Guinea dispute. Indonesia's faltering economy and its overly ambitious Eight-Year Plan appear to have little claim upon the nation's limited resources as compared with the wealth and human effort being devoted to the West New Guinea buildup. Moreover, Indonesia's international orientation for the next year or two will be strongly influenced by the degree of support on this issue being provided Indonesia by the major powers.

II. DOMESTIC POLITICAL TRENDS

8. *Sukarno.* Although Sukarno's personal popularity has been on the wane for several years, he retains two key assets in maintaining his controlling position: (a) a mystique among Indonesians stemming from his role as the leader and symbol of the Indonesian revolution; and (b) a consummate skill in the manipulation of individuals, groups, institutions, and issues. Under his "guided democracy" concept, he has eliminated the influence of the non-Communist parties and stripped Indonesia's institutions of representative government of all meaningful powers. This narrowing of the political base has left the army and the PKI as the only contenders for political power. Sukarno continues to be successful in balancing the army and the PKI off against each other while retaining for himself the controlling power position.

9. *The Army.* The army has been involved in politics and in the administration of Indonesia particularly since 1957 when it became responsible for implementation of the Martial Law Decrees proclaimed to cope with regional dissidence. Although several of the decrees have been lifted and Sukarno himself has taken over as Central War Administrator from Army Chief of Staff General Nasution, the army has continued to exercise wide authority at provincial and local government levels and to administer many important industries and business enterprises. Much of its administrative and political effort has gone into competing at all levels with the PKI which it regards as the principal threat to its authority and to the future of the country.

10. The army has strengthened its political position during the past year. With the termination of the rebellions in Sumatra and the Celebes, the split between anti-Communist elements, which had weakened the army and divided its leadership since 1957, has been ended. Surrendered rebel troops and many of their commanders are being integrated into army ranks, mostly in Central and East Java where the PKI is strongest. There has also been a substantial improvement in the unity of the military services. Sukarno has replaced Air Force Chief of Staff Suryadarma, a pro-Communist sycophant, with Dani, one of the air force leaders most acceptable to General Nasution. Nasution and Dani, along with Navy Chief of Staff Martadinata, present an anti-Communist army-navy-air force front for the first time, thus reducing Sukarno's scope for his common tactic of playing on divisions within the high command. Nasution may be replaced as Army Chief of Staff while remaining Minister of National Security. Even if this were to happen, he would probably continue to be the dominant military figure and to hold the support of the key army, navy, and air force leaders, at least during the period of this estimate.

11. Although General Nasution feels a basic sense of loyalty to Sukarno as the irreplaceable leader of the diverse trends within the Indonesian nation, he continues to resist Sukarno on those issues which he feels vital to army interest. The army is especially sensitive to any attempt to enlarge the role of the PKI in Indonesia's national life. The opposition of Nasution and his circle of key army leaders has deterred Sukarno from appointment of Communists to the Cabinet. The army also has been instrumental in the indefinite postponing of the scheduled 1962 parliamentary elections at which the Communists would probably have demonstrated their substantial voting strength. Cautionary advice from the army has restrained Sukarno from overly impulsive moves in his drive toward "military confrontation" with the Dutch. Finally, despite frequent interference with these efforts by Sukarno, Nasution continues to encourage regional military commanders to harass the PKI by all legal and semilegal means. The more zealous commanders have had considerable success in preventing the expansion of PKI influence at local levels, and in disrupting their organizations and jailing their leaders.

12. The current mobilization for the West New Guinea campaign is absorbing an increasing amount of the army's attention, leaving less time for its civilian administrative responsibilities and its anti-PKI activities. By directing the army energies into an "anti-imperialist" crusade of his own making, Sukarno has at least temporarily deflected the army leadership from its efforts toward gradual reduction of PKI power. Nevertheless, the tide of public opinion stimulated by Sukarno's emotional approach to the West New Guinea issue has obliged the army to go along with the President's views or risk being isolated from the people. By placing himself at the head of the multiplicity of military and civilian staffs directing the current mobiliza-

tion against the Dutch, Sukarno has assumed the major role in military decisions which could have the most serious consequences for the armed forces.

13. *The Indonesian Communist Party.* The PKI has nearly two million members and, with the possible exception of the army, it is the most influential single organization in Indonesian politics. Most of its strength is concentrated on the island of Java, but the party has been making progress in recruiting members and expanding its organization in the outer islands, particularly Sumatra. The party wields its influence primarily through a number of nationwide front groups and mass organizations, including the country's largest and most effective labor organization, SOBSI, and the largest peasant organization, BTI. The PKI is strongly represented in every important body of the central government except the Cabinet. The party seeks, through its mass organizations and its position in government, to make itself indispensable to Sukarno. It has been the chief advocate of a militant approach to the West New Guinea issue, thus playing upon Sukarno's aspirations and discrediting the army's more cautious attitude. Its greatest impact on Indonesian foreign and domestic policies, however, is probably through the personal influence of a number of PKI leaders who, as part of Sukarno's palace clique, have ready and continuing access to him. The relationship between the President and the PKI appears to rest upon the conviction held by each that it is using the other to its own advantage.

14. The PKI does not appear, however, to have increased its influence, prestige, or organizational strength appreciably over the past year. It has not been able to exploit fully Indonesia's chronically poor, and worsening, economic conditions because of its support of Sukarno. Certain recent events indicate that there may be significant limits to PKI ability to carry out disruptive activity.

For example, the PKI instigated waves of strikes and demonstrations during the summer and fall, but when the army met these moves with firm and forceful measures, it soon became apparent that the PKI rank and file had little enthusiasm for exposing itself.

15. There have been reports of dissatisfaction within the PKI with the leadership of Party Chairman Aidit and with the party's policy of supporting Sukarno and seeking to expand PKI influence through legal political means. The position of these dissenters has probably been strengthened by the weak showing of the PKI in last year's strikes. There are also signs that Sino-Soviet disputes over tactics appropriate to Communist parties in underdeveloped countries have been reflected within the Indonesian Party. The PKI, which hitherto has appeared to receive most of its support and external guidance from Moscow, was disturbed by Khrushchev's pronouncements on Albania and Stalin at the Soviet Party Congress and, by implication, associated itself with Chinese Communist views. If the party should fall generally under Chinese influence, an effort would be made to displace Aidit and the party would probably turn toward more revolutionary tactics.

16. However, it is unlikely that a change in PKI policy, even if it occurred, would produce significant effects during the period of this estimate. It is unlikely that any appreciable segment of the PKI would be willing to adopt an anti-Sukarno stance so long as West New Guinea remains such a profitable issue. Furthermore, the events of the past year indicate that the PKI is not ready to embark actively on a hard line without a considerable period of preparation for a change of tactics. In addition, the PKI would approach open revolutionary activity with caution in view of its disastrous experience in the Madiun uprising of 1948.

17. As long as the West New Guinea crisis continues at its current intensity, the PKI will be alert to exploit the opportunities afforded for infiltration of the Indonesian armed forces, for driving a wedge between Sukarno and the military leaders, and for estranging Indonesia and the West. To preserve these opportunities, the PKI will probably continue to obstruct a negotiated settlement.

18. *The Non-Communist Parties.* The power and influence of the non-Communist parties have continued to deteriorate during the past year, and approach insignificance. They are essentially parliamentary parties and in the absence of elections they lack both a means of demonstrating the extent of their popular backing, and an incentive to solicit and maintain such backing. With each passing year, the fact that they can point to a certain number of proven supporters in the last election (1955) becomes less meaningful. In 1960 Sukarno banned the Socialist (PSI) and Masjumi parties which, deprived of patronage and legal status, are disintegrating rapidly. The two remaining major non-Communist parties, the Nationalists (PNI) and the Islamic Scholars (NU), have survived by subordinating their own policy views to those of Sukarno, but neither one exerts any real influence. The army has shown some interest in cultivating certain political party leaders with an eye to utilizing such organizational machinery and mass loyalty as these public figures retain.

19. *Prospects.* Although it is unlikely that the basic elements in the Indonesian political situation will change significantly over the next year or so, the course of the West New Guinea dispute will modify the balance of power between Sukarno, the army, and the PKI. Should the armed forces sustain a major military setback in operations against the Dutch, Nasution and his top commanders would suffer a loss of stature in the govern-

ment and it would probably become more difficult for the army to influence Sukarno and to pressure the PKI. The PKI, for its part, would not hesitate to exploit any army failure in order to improve its own relative position.

20. A settlement of the West New Guinea dispute would, at the start, enhance the prestige of Sukarno and of the PKI as well. Over a longer period, both would suffer from the disappearance of this issue and would seek other causes to support. This would be of particular concern to the PKI, since the army, relieved of the New Guinea preoccupation, would be more free to reassert its opposition to Communist influence in the country. It is unlikely that either Sukarno or the PKI would give major attention to constructive efforts to cope with Indonesia's pervasive and intractable economic problems. Instead, they would probably look for new subjects of agitation. These would probably have an "anti-colonialist" cast; e.g., harassment and further reduction of Western investments in Indonesia, or irredentist propaganda campaigns against Portuguese Timor or British Borneo. During the period of this estimate, however, it is unlikely that any efforts of this nature would be carried very far.

21. *Effects of Death or Incapacitation of Sukarno.* In the event of Sukarno's death, the army and the PKI would find themselves in direct confrontation with regard to the succession. Sukarno's current arrangements for succession to the Presidency provide that the office be filled by the First Minister (Djuanda) and the Deputy First Minister (Leimena) in that order. Both of these Ministers and their close associates would probably be amenable to working fairly closely with Nasution and the army upon whose support they would depend for the stability of their administration. Nasution would probably be content to exercise his predominant influence behind the scenes as long as the civilian leadership met

the military, and the political and economic situation in the country. The military has been a major force in the country's development, and its role is expected to continue to grow. The political situation is also expected to remain stable, with the military playing a key role in the government's decision-making process. The economic situation is also expected to remain stable, with the military playing a key role in the government's decision-making process.

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III. DOMESTIC ECONOMIC SITUATION

The deterioration of the Indonesian economic situation continues. The government budget deficit, financed from loans by the central bank, has been the source of a staggering inflation. Perhaps even more serious for Indonesia is the continued decline of foreign exchange reserves almost to the vanishing point. A sharp drop in export earnings and a relatively high level of imports in the first half of 1963 led to serious inroads on foreign exchange reserves which continued to the end of the year despite a sharp cut in imports during the last six months. Heavy capital payments and debt servicing were also an impor-

tant factor in the country's economic situation. The government's decision to increase the military budget has also had a significant impact on the country's economic situation.

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political gains in officer ranks. This wariness of Soviet influence is likely to continue, at least during the period of this estimate.

26. Despite the vast Bloc arms sales to Indonesia, the bulk of Indonesian trade continues to be with the Free World. The Bloc accounted for only 9.6 percent of Indonesia's total foreign trade in the first half of 1961, principally as a customer for rubber; this was a slight decline from 1959 and 1960. After Malaya/Singapore, the US is the most important customer for Indonesian exports (principally rubber, tin, and oil), the second largest supplier of imports after Japan.

Japanese reparations payments will total \$223 million by 1970. Western oil and plantation interests in Indonesia are still extensive despite continuing government restrictions on foreign operations and investments.

27. The economic outlook for Indonesia over the next year or so is definitely unfavorable. The Eight-Year Plan, which began on 1 January 1961, has gotten off to a slow start and cannot in any case be expected to show quick results. Sukarno appears to have little interest in or comprehension of economic matters and he is unlikely to follow a consistent policy of stabilization and retrenchment. He habitually reacts politically to economic problems. For example, the deteriorating economic situation gave him an incentive to raise the pitch of the West New Guinea crisis. Political and economic frustrations will probably lead him to further harassment of foreign economic interests.

IV. FOREIGN RELATIONS AND PROSPECTS

28. Over the past several years, Sukarno has shifted Indonesia's neutralist policy slowly toward the Bloc position on all major international issues. Soviet military aid and unstinted Bloc political and propaganda support for the West New Guinea campaign, more than any other factors, have drawn Indonesia into

this close relationship with the Bloc. Sukarno's leftward drift has also been a result of his disappointment with the absence of neutralist support for his West New Guinea crusade at the Belgrade conference and his earlier exclusion from the Tito-Nasser-Nehru talks in Cairo. There is also a much-improved relationship with Communist China, as contrasted to the strained situation which obtained only two years ago, and closer official contact with North Korea and North Vietnam.

29. []

30. If a negotiated settlement is reached on the West New Guinea issue, some improvement in Indonesian relationships with the West is likely. []

[] However, Sukarno's continued presence in a leadership role will probably guarantee a continuation of Indonesia's pro-Bloc orientation in international affairs. If the West New Guinea dispute enters the stage of open hostilities, it is likely that Indonesia would become further alienated from the West and progressively more dependent on the Communist states. In such a situation, pro-Western voices in the armed forces would become silent and Sukarno would move even further into the "socialist camp."

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V. WEST IRIAN CASE

31. That today, in order to gain New Guinea, Indonesia has used a national mobilization of the Indonesian people for the purpose of subverting Dutch administration. These efforts attempt to create dissidence among the people of the Netherlands East Indies, and to create a uniformity of mind and action among the native population to enable them to accomplish the transfer of authority to Sukarno probably by force if necessary. This has passed when Indonesian military and diplomatic pressures, and a few limited prompt settlements of the issue. The result appears therefore, to have had a great effect of an agency on this matter to the Indonesian side, especially to the D.I., by initiating a considerable buildup in a form Indonesia is making threats of military action against the Dutch. Sukarno aimed, seemingly, to show that without such continuing pressure the Netherlands will not be persuaded to end the Indonesian term.

32. Despite the Indonesian national policy of military confrontation in the West New Guinea area, the chances for a negotiated settlement of this dispute within the period of the estimate are slightly better than even.

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Anticipated roadblocks to agreement are mutual suspicions and Dutch refusal to agree to the transfer of administration directly to Indo-

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nesia. The Indonesian military and diplomatic pressures, and a few limited prompt settlements of the issue. The result appears therefore, to have had a great effect of an agency on this matter to the Indonesian side, especially to the D.I., by initiating a considerable buildup in a form Indonesia is making threats of military action against the Dutch. Sukarno aimed, seemingly, to show that without such continuing pressure the Netherlands will not be persuaded to end the Indonesian term.

The Indonesian mobilization of the national people, resulting in the present situation, has continued until a few prompt settlements of the issue. The result appears therefore, to have had a great effect of an agency on this matter to the Indonesian side, especially to the D.I., by initiating a considerable buildup in a form Indonesia is making threats of military action against the Dutch. Sukarno aimed, seemingly, to show that without such continuing pressure the Netherlands will not be persuaded to end the Indonesian term.

The Indonesians probably have the capability to make a bold move at such defended centers of Dutch authority as Gorong, Palula, Lamau, and, possibly, Merauke on the western and southern coasts of West New Guinea. However, under present conditions, such an Indonesian operation might be effectively intercepted en route. Moreover, even if initially successful, the bold move operation might be converted into a rout by Dutch counterattacks, unless a ceasefire and negotiations followed quickly. We therefore do not believe that the Indonesians

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will attempt such a substantial operation until they have achieved air superiority over the waters off these coasts, a situation not likely to exist before the end of this year. The possibility cannot be excluded, however, that Sukarno might order such an operation at an earlier date either in exasperation or in an effort to force the Dutch to the conference table.

36. An all-out attempt to take West New Guinea by military action would necessarily involve a large air and amphibious assault on Biak, the primary center of Dutch military power. The Indonesians can now easily

muster the 6,000 ground troops, 1,000 paratroops, and the airlift which would be required, but waterlift capabilities are a serious limitation. Above all, the long sea voyage involved would make prior neutralization of Dutch sea and air strength based at Biak necessary if the invasion convoy were to reach its destination. Although Indonesian military strength will continue to increase, we estimate that they will not achieve the capability for successfully carrying out such an operation during the period of this estimate. We therefore regard an all-out invasion of West New Guinea as the least likely Indonesian course of action over the next year or so.