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Indonesia's International Orientation

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

As indicated overleaf
10 APRIL 1963

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No. 2

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The following intelligence organizations participated in the preparation of this estimate:

The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, the Army, the Navy, the Air Force, and NSA.

Concurring:

Director of Intelligence and Research, Department of State
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Assistant Chief of Staff for Intelligence, Department of the Army
Assistant Chief of Naval Operations (Intelligence), Department of the Navy
Assistant Chief of Staff, Intelligence, USAF
Director for Intelligence, Joint Staff
Director of the National Security Agency

Abstaining:

The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, the subject being outside of their jurisdiction.

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INDONESIA'S INTERNATIONAL ORIENTATION

THE PROBLEM

To estimate major trends in Indonesian foreign policy over the next year or so.

CONCLUSIONS

A. Sukarno is the unchallenged leader of Indonesia. Indonesian foreign policy is conducted largely in accordance with his personal views and in support of his aspirations for personal and national glory. Neither the army nor the Indonesian Communist Party (PKI), upon whom he depends for domestic support, imposes significant restraints upon his formulations of foreign policy. His foreign policy actions are, however, in some measure influenced by a desire to remain on good terms with both East and West; the Indonesian military establishment is now dependent on the USSR and Indonesia's economy requires extensive Western trade and assistance. (*Para. 1*)

B. Indonesia is potentially the leading nation of southeast Asia, and a sense of national destiny is prompting it to seek hegemony over neighboring Malay peoples. The current focus of Indonesian attention is the proposed Federation of Malaysia to whose disruption Sukarno is committed. He is likely, however, to stop short of open military intervention because of reluctance to face the UK directly and concern over US reactions. The probable creation of Malaysia by August 1963 will not halt Sukarno's efforts to dominate the area. Indonesia almost certainly intends to annex Portuguese Timor when the time is propitious, probably within the next two or three years. (*Paras. 21-25*)

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C. The USSR's massive military aid program has increased Soviet influence with Sukarno and enlarged his capability to challenge Western interests in southeast Asia. Nevertheless, Sukarno remains independent of Bloc control and retains his ability to bargain profitably with both East and West. If, however, Sukarno embarks on foreign adventures, his freedom of action may be impaired by dependence on Soviet military support and on PKI political support at home. (Paras. 28-33, 37)

D. We believe that, under present conditions, the USSR is unlikely to seek and Sukarno is unlikely to agree to the establishment of Soviet air, naval, or strategic missile bases in Indonesia. The USSR might, however, be permitted limited use of Indonesian air and naval bases. (Paras. 34-36)

E. Sukarno's basic attitude toward the West, including the US, is one of suspicion. His ambitions for regional domination can only be achieved at the expense of Western interests. Nevertheless, Indonesia's economic ties have remained overwhelmingly with the Western World. []

[] (Paras. 40-43)

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DISCUSSION

I. MAJOR DETERMINANTS OF INDONESIAN FOREIGN POLICY

A. Sukarno

1. President Sukarno is the unchallenged leader of Indonesia. Indonesian foreign policy is conducted largely in accordance with his personal views and in support of his aspirations for personal and national glory. Sukarno has retained his pre-eminent position in great part by playing off against each other the only other major political forces in Indonesia, the army and the Indonesian Communist Party (PKI). Nevertheless, his continuing need for the support of these two forces on the domestic scene imposes no significant restraint upon his formulation of foreign policy, since the army now shares or at least acquiesces in his views, and the PKI, for tactical reasons, supports them. Sukarno's foreign policy ambitions and objectives have been generally accepted as national goals. His foreign policy actions are, however, in some measure influenced by a desire to remain on good terms with both East and West, since the Indonesian military establishment is now dependent on the USSR and Indonesia's economy requires extensive Western trade and assistance.

2. Sukarno's principal domestic objectives are the maintenance and strengthening of his political authority, the forging of Indonesian national unity, and the development of a government-controlled economy free of foreign influence. In foreign affairs, he seeks for Indonesia hegemony over neighboring Malay peoples and the status of a major power, and, for himself, the leadership of the "nonaligned" world.

3. Advances toward each of these goals have continually brought Sukarno into conflict with the West. Opposition to his authoritarianism was provided chiefly by Western-oriented politicians. Separatist rebels in Sumatra and the Celebes were allied with many of these same elements, and, more importantly, received material support from Western sources. The West New Guinea dispute long provided the biggest push toward a pro-Bloc orientation, as Sukarno chose to consider this issue his principal guideline in distinguishing friend from foe among the foreign powers. Virtual Indonesian acquisition of West New Guinea has removed this source of Indonesian-Western friction, but has not satisfied Sukarno's appetite for expanded influence and authority. New tensions with the West are developing as a result of Indonesian hostility to the formation of Malaysia.

4. With the West New Guinea issue resolved and with Indonesia, for the first time since independence, almost completely free from any significant threat of armed dissidence, it is now stated Indonesian policy

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that the next major goal of the government is restoration of the domestic economy. Sukarno has announced repeatedly that this is his plan and that [] foreign aid will be necessary to its accomplishment. However, Sukarno's temperament makes such a program difficult. He frankly admits that he neither understands nor is interested in economics. Even if he decides to adopt certain recommended stabilization policies, he is unlikely to follow them consistently when they prove incompatible with political considerations.

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5. In addition to the fact that Sukarno's ambitions for regional domination can only be achieved at the expense of Western interests, his basic philosophic outlook is conditioned by a commitment to authoritarian and socialistic patterns of government, and by an obsessive anti-colonialism still focused on the remaining Western interests in the underdeveloped world. He sees the present world situation as fundamentally a struggle between "old established forces" and "new emerging forces," the latter struggling to throw off the shackles of imperialism and capitalism imposed by the former. This doctrinaire approach, which echoes in many respects familiar Communist themes, has already been responsible for Sukarno's reluctance to condemn Bloc actions in such situations as Korea, Tibet, Hungary, nuclear testing, and the Sino-Indian border war; he is the only neutralist who has expressly endorsed the Bloc line on Germany and Berlin. It will almost certainly also help to give an anti-Western cast to most of his future international initiatives.

6. At the same time, Sukarno is not unaware of the danger that Indonesia might become so closely identified with the Bloc or so dependent upon Bloc material support as to impair his independence of action. His doctrinal prejudices have not prevented him from playing East off against West in Indonesia's own interest, and he doubtless looks forward to a time when he can proceed under less obligation to either side.

7. In the conduct of foreign affairs, Sukarno has gradually eliminated dissenting voices. Of the few supporters who exercise a degree of influence over him, the most prominent are Foreign Minister Subandrio, Information Minister Abdulgani, and, to a lesser extent, First Minister Djuanda and PKI Chairman Aidit. Defense Minister (and Chief of Staff of the Armed Forces) Nasution probably still exercises some restraining influence on Sukarno in the foreign policy field, but his influence has been seriously eroded over the past year.

8. In the event of Sukarno's death, incapacity, or—as seems highly unlikely—his removal from power, the broad outlines of Indonesian foreign policy would probably change only slightly, at least in the early stages. The most likely successor government would be a non-Communist military and civilian group, heavily dependent on the armed

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forces to maintain control of the country. The group would probably include most of Sukarno's top aides with the exception of Aidit and possibly Subandrio, whose relations with the military have been mutually hostile. Such a government would almost certainly adhere to a policy of nonalignment, although it would possibly be less pro-Bloc. The aggressively nationalistic doctrines of the Sukarno era, the broad commitment to international neutralism and regional hegemony, and the desire to remain on good terms with the USSR would persist and hinder any rapid shift toward pro-Western positions in foreign policy. The PKI, now heavily dependent on Sukarno for the maintenance of its prominent role in national affairs, would lose influence; if it turned to a more militant line, it might be subjected to repressive measures.

B. The Armed Forces

9. The military leadership, a moderating force in foreign policy during the West New Guinea campaign, is not likely to play such a role in the Malaysian affair. General Nasution, Army Chief of Staff General Jani, and certain lesser military leaders are all committed to Sukarno's anti-Malaysia campaign. The army has already been involved in clandestine activities against northern Borneo and is preparing for more extensive covert operations in that region as well as in Portuguese Timor. Naval and air patrols, designed to implement the new policy of "confrontation" of Malaya, are being carried out. Nasution and Jani are also genuinely concerned lest army hesitation in pressing the anti-Malaysia campaign leave the field to Subandrio or the PKI and their respective clandestine organizations. At most, the military leadership will stress to Sukarno the need for caution []

10. The willingness and the effectiveness of the military in restraining Sukarno in the foreign policy field is likely to diminish. Nasution has been elevated to Chief of Staff of the Armed Forces, but this has removed him from direct control of the army, where his successor is the less politically sophisticated General Jani. Another element of rivalry on which Sukarno can play springs from the recent increase in the strength and confidence of the navy and air force, which have received the bulk of modern Soviet equipment delivered to Indonesia and which actively participated in the successful West New Guinea campaign. Although Nasution is still the principal spokesman for the military and the military remains a major force in Indonesian politics, its influence on foreign policy has been diluted and diffused.

11. Perhaps most important, military leaders are concerned that opposition to Sukarno's foreign policies would accelerate the prospective decline of their domestic influence. With West New Guinea virtually annexed and internal security restored, the martial law decrees under which the army has exercised broad political and economic powers since

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1957 are scheduled to be rescinded. Civil government will be restored by 1 May 1963, and the responsibility for internal security will be turned over to the National Police. The army may lose some positions in the Cabinet, where a major reshuffle is in prospect. The army's position is also being undermined by the PKI and by ambitious non-Communist politicians, particularly Subandrio, all seeking to make the army the scapegoat for the deteriorating economic situation.

12. The army is seeking to minimize the prospective loss of political influence by filling strategic administrative posts at local and national levels with trustworthy civilians and former officers. It also plans to continue its support of the relatively small but efficient and anti-Communist National Police. Most important, the army is broadening its various rural development activities into a large-scale civic action program designed to improve its image among the people and counter the growth of PKI influence in the villages. In the total political picture, however, the most likely prospect is for some diminution of military influence.

C. The Indonesian Communist Party

13. The PKI is at present the only significant political party in Indonesia. Under his concept of "guided democracy," Sukarno has almost eliminated the influence of the non-Communist parties on national policy. Even the PKI poses few obstacles for Sukarno in the foreign policy field so long as he pursues a course generally inimical to Western interests. The PKI will continue to stress anticolonial issues, which will enable it to ride in tandem with Sukarno and strengthen its nationalist image. It is already heavily involved in subversive activities abroad in league with leftist parties in Malaya, Singapore, and Sarawak. It is contributing volunteers to army-sponsored paramilitary units training for operations in western Sarawak, and it possesses independent links with Chinese-dominated Communist paramilitary groups in the same region. At home, it is mobilizing its various mass organizations in support of Sukarno's anti-Malaysia program.

14. Although for at least a decade Sukarno and the Communists have found a community of interest in the foreign policy field, conflicts of interest have arisen and will continue to arise as he seeks to maintain a semblance of balance between East and West. For example, Sukarno has been at variance with the PKI in maintaining a fairly restrained Cuba line, keeping neutral on the Sino-Indian issue, and accepting the US Peace Corps. []

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15. The PKI is meanwhile gradually increasing its influence locally and nationally by cautious exploitation of economic issues. Sukarno views Aidit and his followers as potential recruits to Sukarno's own brand

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of socialism, and relations between the two men have long been close. The PKI still functions largely outside the official governmental apparatus, but it is now making its strongest bid since independence to acquire Cabinet representation. The intensity of this bid results not only from PKI confidence in its present influence, but also from increased pressures by the PKI's militant faction, which is pro-Peiping though not demonstrably under Peiping's control. The influence of this faction is strong and seems likely to grow. The militants are probably willing to acquiesce in Aidit's policy of supporting Sukarno so long as this course offers substantial promise for expanding Communist influence and fostering hostility toward the West. They would, however, use any setback, such as failure to win posts in the Cabinet, to attack Aidit and improve their own position within the PKI. Sukarno distrusts the pro-Peiping faction of the PKI, and his tolerance of PKI activities would probably be reduced if this faction became dominant.

16. Throughout the period of this estimate, the principal PKI threat to Sukarno will probably not be an increase in its domestic influence, or successful pressuring of him to adopt some new and unwanted course of foreign policy. Rather, the danger is that the PKI, with its various foreign and domestic instruments not fully subject to Sukarno's control, could induce him to proceed with established government policy—such as the anti-Malaysia campaign—faster than he intends.

D. The Economic Situation

17. The Indonesian economy continues to deteriorate despite the removal of many of the strains generated by the West New Guinea campaign. The economy suffers from severe inflationary pressures, stagnating production, and a critical shortage of foreign exchange. The crisis has brought forth a need for a stabilization program at home and for substantial foreign aid in the form of balance-of-payments assistance to finance imports of raw materials, spare parts, and consumer necessities of types which the Bloc cannot adequately supply, [] Political considerations have invariably prevailed over economic ones with Sukarno, but he will probably accept some stabilization measures in order to obtain the aid he needs []

18. Sukarno is seeking a stabilization loan from the International Monetary Fund (IMF) [] The IMF has suggested a program which would require elimination of rice subsidies, removal of certain price controls, devaluation of the currency, strict control of credit, a substantial decrease in the military budget, tax reform, and an overhaul of the customs. The imports [] and the local currency which they generated, could serve to mitigate some of the austerities of the stabilization program, thus making it more acceptable to Sukarno and more tolerable to the Indo-

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nesian people. An important requirement [] would probably be the rescheduling of Indonesia's foreign debt payments, including those due for Bloc arms deliveries. Of the estimated \$613 million arms debt to the USSR, about \$30 million came due in 1962, and the annual servicing is scheduled to rise to over \$70 million in 1965 before leveling off.

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19. Some of the above requirements [] would be highly unpalatable to Sukarno. He would also be most un-receptive to anything that smacked of political conditions, such as an undertaking to mitigate his opposition to Malaysia. As to reduction of the burden of external debt, Sukarno is unlikely to resort to repudiation. In particular, he would almost certainly feel that repudiating Indonesia's obligations to the USSR would jeopardize further Bloc military and economic aid and political support, and would increase Indonesian dependence on the West to an undesirable degree. Some of Sukarno's subordinates have asked the USSR for a rescheduling of debt repayments and seem confident that arrangements can be made.

20. Indonesia's economic plight and Sukarno's own politico-economic views carry the possibilities of other disagreements with the West. Indonesia's petroleum production is about 90 percent foreign-controlled, and foreign investment is also heavy in rubber. Sukarno is aware, however, that nationalization of Western oil or rubber properties would jeopardize [] aid, as well as confronting him with major difficulties in marketing the output. As contracts are renegotiated, Indonesia will seek ever more favorable terms, but outright nationalization is unlikely over the next year or so. New foreign capital is acceptable in Indonesia, but each new investment must be negotiated under a concept of "production sharing" which provides for cooperative efforts with Indonesian public or private enterprises, profit sharing, and eventual transfer to Indonesian ownership.

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II. TRENDS IN INDONESIAN FOREIGN POLICY

A. Regional Ambitions

21. Indonesia's size and population, strategic location, and natural wealth make it the most important country of southeast Asia. There is a sense of national destiny at work in Djakarta that is leading to the pursuit of regional hegemony and, ultimately, recognition as a world power. The urgency of these ambitions is intensified by Sukarno's obsessive anticolonialism and by the fact that he considers most neighboring states to be still under Western domination. Sukarno has often stated that Indonesia covets no territory beyond that included in the former Netherlands East Indies, but events in recent months cast doubt on this affirmation. Indonesia's increased military capabilities, its success in obtaining West New Guinea, and the evident reluctance of any

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major power to challenge it directly on that or subsequent issues have stimulated Indonesian ambitions.

22. *Malaysia.* The current focus of Indonesian attention is the proposed Federation of Malaysia, to whose disruption Sukarno is publicly committed. His opposition is couched in terms of an objection to neo-colonialism, claiming that Malaysia will be merely a mask for continued Western domination. The Indonesians have also expressed fears of the eventual extension of Chinese Communist power over the new-state. It is likely that Sukarno is indeed moved by these considerations, especially the former. But he also sees Malaysia as an obstacle to Indonesian hegemony in the Malay world and to his personal ambitions for international leadership. His emotions on the issue are intensified by a strong personal dislike of the Malayan Prime Minister, Tunku Abdul Rahman, whose conservative, pro-Western outlook is anathema to him and whom he sees as a potential rival for leadership of the Malay world. Sukarno probably also believes that a campaign against Malaysia will assist, as did the West New Guinea campaign, in strengthening his political position at home.

23. Indonesian efforts to frustrate Malaysia follow two parallel courses: support of insurrection in Borneo and heavy political pressure on Malaya—the proclaimed policy of “confrontation.” Covert activities on a small scale have been under way in the northern Borneo territories since 1960, but Indonesian hostility toward the Federation of Malaysia concept was not surfaced until the abortive December 1962 revolt in Brunei, for which Indonesia provided political support, financial assistance, and training for a few rebel units. Sukarno will probably continue to stir up trouble in British Borneo by supplying and training disruptive forces, hoping thereby to create enough disorder to gain the attention of the UN and to delay federation. We do not believe, however, that Sukarno will take sufficiently strong steps to prevent the establishment of Malaysia by the scheduled date of 31 August 1963. Although outright military intervention is possible, it is likely that Sukarno would be reluctant to face the UK directly and would hesitate also to risk the damage to political and economic relations with the US which he probably believes such intervention would cause. Even after Malaysia is organized, however, Sukarno will not halt his efforts to dominate the Borneo territories through subversion and the promotion of internal disorders.

24. In carrying out his policy of “confrontation” with Malaya, designed to pressure the Tunku and the UK into reconsidering federation, Sukarno is also in pursuit of a broader objective. He is encouraging the overthrow of the ruling Alliance government of Malaya in favor of a regime that could be influenced and ultimately dominated by Indonesia. Clandestine organs of the Indonesian Government and the PKI are supporting both the legitimate and subversive activities of sev-

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eral leftist and pan-Malay parties in Malaya and Singapore and will continue this support. []

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25. *Portuguese Timor.* Indonesia almost certainly intends to annex Portuguese Timor within the next two or three years. Movements for the "liberation" of the territory have existed in Djakarta since 1956, and in the past year both the PKI and the Army Psychological Warfare Section have been planning campaigns to stimulate popular interest in the cause. Indonesia could easily and quickly seize the territory, but will probably await circumstances that will let it pose as the protector of subject peoples and move toward the expulsion of the Portuguese by a combination of diplomatic, subversive, and military activity. Incidents among the feuding border people or Portugal's policies in its African territories could provide the pretext for Indonesian action within the period of this estimate.

26. *New Guinea.* The UN is scheduled to administer West New Guinea until at least 1 May 1963, but with tacit UN acquiescence Sukarno has already succeeded in gaining *de facto* control of the territory. It is unlikely that Indonesia intends to honor its agreement that before 1969 it would permit an act of self-determination in the territory. At most, Sukarno will go through the motions of assessing Papuan sentiment. []

Indonesia may eventually undertake "anticolonial" agitation aimed at Australian New Guinea, although probably not within the period of this estimate. []

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B. Ambitions for Afro-Asian Leadership

27. The Bandung Conference of 1955 was the high point in Sukarno's campaign for leadership in the Afro-Asian world. Since mid-1962, he has sought to arrange another such convocation, but has discovered that the rapid progress of decolonization in Africa and the development of intraregional rivalries in Asia have diminished general enthusiasm for such gatherings. The Sino-Indian border war provided an excuse

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80-90 percent of Indonesian naval equipment is of Soviet origin. Soviet arms deliveries to Indonesia, which reached a peak just prior to the August 1962 West New Guinea settlement, have continued to arrive though at a markedly slower rate. Certain Indonesian officials have become increasingly concerned over the heavy financial burden Soviet military aid entails and the inability of the armed forces to assimilate the equipment. Efforts have been made to cancel some outstanding orders or to obtain spare parts and equipment more suitable to current requirements. Some deliveries may have been cancelled, but the USSR has not yet shown readiness to modify significantly existing delivery contracts.

31. Indonesia has also pressed the USSR for some sort of accommodation in payment terms. The USSR is probably willing to grant some moratorium on current repayments and an extension of maturities. It will, however, probably seek to maintain its present position by continuing to furnish the equipment for the Indonesian Armed Forces, hoping to gain political and economic benefits. The USSR is likely to seek a larger share of such key Indonesian hard currency exports as estate rubber and tin. The diversion of these commodities to the USSR would probably produce a sufficient trade surplus for Indonesia to meet debt payments rescheduled over a longer period. Such a measure would also weaken Indonesia's ability to earn foreign exchange in world markets and would tie its economy more closely to the Bloc.

32. In Moscow's view, the gains made in drawing closer to Sukarno and in encouraging him to embark on courses of action which prejudice Indonesia's relations with the West have almost certainly justified its military investment in Indonesia. Although the peaceful settlement of the West New Guinea dispute was a disappointment to the USSR, its position in Indonesia is still a strong one. Indonesia must look to the USSR for technical advice, training, and spare parts, to the point where the Indonesian Navy and Air Force would be seriously crippled by withdrawal of Soviet support. Soviet contact with air force and naval personnel has also increased: some 3,000 Indonesian naval officers and technicians have been trained in the USSR; in Indonesia, about 700 Soviet advisers have been on assignment with the navy, and 550 with the air force.

33. The interchange of officers and technicians has not modified the military leadership's basically anti-PKI attitude. There has been relatively little impact on the all-important army; only about 100 army personnel have been sent to the USSR and only a handful of Soviet advisers are presently attached to the army. The number of Soviet military and technical advisers in Indonesia has diminished from a peak of about 1,200 in late 1962, and, unless massive new contracts are signed, Soviet personnel there will probably number only 300-400, primarily missile and submarine technicians, by the end of 1963.

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34. The USSR has thus far followed a policy of seeking to draw Indonesia into a pro-Soviet orientation by exploiting Sukarno's differences with the West and gradually increasing his dependence on the USSR for political and material support. This policy permits the USSR to damage the Western political, economic, and military position in southeast Asia without direct Soviet involvement. Soviet policy planners may also have considered the advantages of a more direct approach to enlarging their influence in the area—obtaining air and naval bases on Indonesian soil. The Soviets might believe that the existence of a military position in the southwest Pacific could increase their ability to support local "wars of national liberation." They might also expect some political gains among neighboring anti-Communist states from the intimidating effect of their military presence.

35. Some superficial similarity between the military buildup in Indonesia and that in Cuba, particularly the delivery of SAMs, has raised the question whether the Soviets might install IRBMs and MRBMs in Indonesia. There is as yet no evidence of such action. Our present information on the pace of delivery and installation of SAMs and their proposed deployment suggests that they are intended to protect Djakarta and selected air bases, rather than to shield the establishment of strategic missile bases. Evidence to date also indicates that SAMs will be manned by predominantly Indonesian crews, several of which have already completed training. From the Soviet point of view, strategic missiles in Indonesia would not enhance Soviet striking power against the US. The USSR, however, might see some military advantage in enlarging its missile capability against the Malay Peninsula and Australia. The USSR would probably calculate the chances of decisive Western action to be substantially less than in Cuba. On the other hand, the USSR would be reluctant to place its most sophisticated weaponry, including nuclear warheads, within the power of the Indonesian military.

36. The USSR would probably not want to establish its own air, naval, or strategic missile bases in Indonesia unless it were more fully assured of Sukarno's commitment to the Bloc and of the continued loyalty to him of his military chiefs. The Soviets probably consider that an effort to pressure Sukarno into providing bases would jeopardize their long-range political objectives in Indonesia. Sukarno is likely to be reluctant to grant bases, since such a move would compromise Indonesia's status among the neutralists and directly challenge the US. []

[] All things considered, we believe that under present circumstances the USSR is unlikely to seek and Sukarno is unlikely to agree to the establishment of Soviet bases in Indonesia. Lesser concessions are more likely, e.g., permitting the USSR limited use of Indonesian air and naval bases or

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installation of Soviet satellite monitoring facilities. These might serve as entering wedges for more ambitious moves should the Malaysia dispute worsen or Sukarno move closer to the Bloc.

37. Although Soviet military aid has increased Sukarno's capabilities to challenge Western interests in southeast Asia, we do not believe that he has yet elected to link Indonesian foreign policy irrevocably with that of the USSR. Indonesia remains independent of Bloc control and retains its ability to bargain profitably with both East and West. Nor do we believe that Sukarno will willingly sacrifice his freedom of action in return for Soviet aid. []

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[] If, however, Sukarno embarks on foreign adventures, his freedom of action may be impaired by dependence on Soviet military support and on PKI political support at home.

B. Communist China

38. Sukarno sees Communist China as the leading Asian socialist state, with almost identical views on colonial issues. Peiping is probably as well satisfied with Sukarno's performance on the international scene as with that of any other Asian or African neutralist leader. Despite Communist China's relative inability to assist Indonesia materially, state-to-state relations have improved markedly since the 1959-1960 controversy over the status of the Chinese minority in Indonesia.

39. While both Indonesia and Communist China will seek to maintain and improve their presently amicable relationship, there are potential points of friction that could reverse this course. General dislike for the Chinese minority remains a latent source of tension. Communist China's long-range ambitions in the Malaysian area are in essential conflict with those of Indonesia. In the short term, however, Sukarno's attitude toward Communist China is more likely to be affected by Peiping's relationship with the militant faction of the PKI. Perhaps as a result of the influence of this faction, the PKI has adopted the Chinese Communist position on major international issues. If the militant faction gained leadership of the PKI and pressed for more vigorous exploitation of popular grievances, Sukarno's displeasure would probably be reflected in cooler relations with Peiping. Any hardening of the PKI line, whether or not inspired by the Chinese, would run counter to Moscow's present policy of supporting Sukarno.

C. The US

40. Despite Indonesia's increasing involvement with the Bloc over the past few years, its trade ties have remained overwhelmingly with the non-Communist world, [] []

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[] The US remains one of Indonesia's major trading partners, both as supplier and as customer. []

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42. Sukarno's attitude toward the US is mixed. Basically, he looks on the US as the leader of the capitalist states, opposed to what he regards as Indonesia's legitimate ambitions at home and abroad, and a one-time supporter of his political enemies. At the same time, he is favorably impressed by what he interprets as an improved US approach to colonial problems in the past two years, and he gives the US at least some credit for helping him achieve a favorable solution of the West New Guinea dispute. Many knowledgeable Indonesians also recognize the long-term US effort to assist the ailing Indonesian economy []

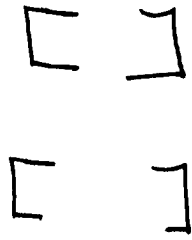
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43. In recent years, US influence over Indonesian foreign policy has been almost negligible. []

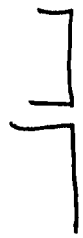
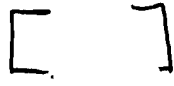
[] On most foreign issues Sukarno will probably continue to maintain his generally pro-Bloc position [] []

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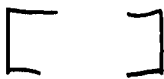
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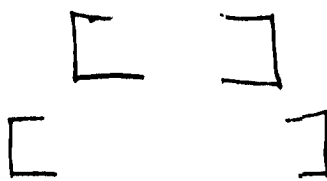
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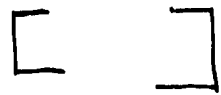
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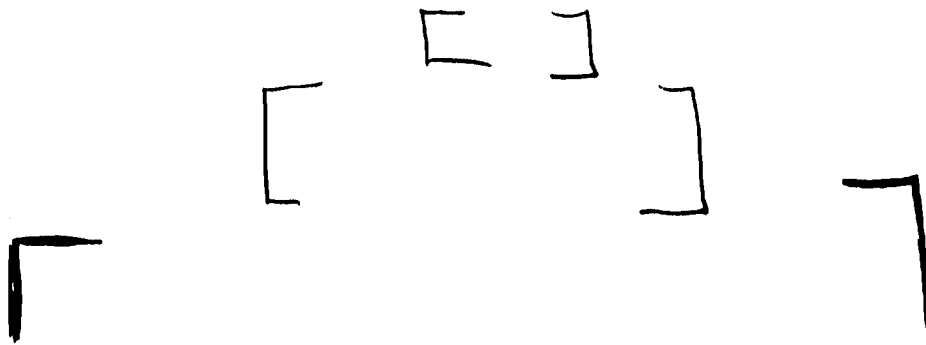


(18 .

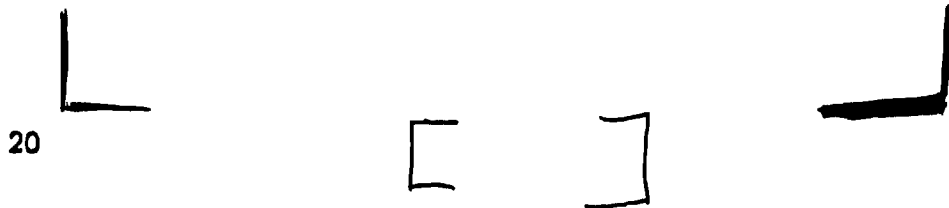


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1.3(a)(4)

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