



**SECRET**

## INDONESIA AND WEST NEW GUINEA

I. President Sukarno's sharply intensified campaign to gain West New Guinea poses the probability of an attack against the area this year unless a political settlement is reached assuring its transfer to Indonesia.

A. The naval clash on 15 January between Dutch and Indonesian vessels, in which Indonesia lost one and possibly two torpedo boats in an infiltration attempt, may spark retaliatory Indonesian action which in turn could provoke general hostilities.

B. Indonesia's plans for an attack on the area, accelerated since last November, probably will be further intensified.

C. At the same time, Indonesia remains hopeful that UN Acting Secretary General U Thant can arrange a peaceful settlement.

D. Indonesia's minimum demand, however, is administrative responsibility over New Guinea, whether or not under the UN; Indonesia will not accept the Dutch position guaranteeing self-determination to the Papuan natives.

E. The Dutch are willing to negotiate but would like to do so in the presence of a third party and on the basis of Papuan self-determination.

II. Indonesia has used the New Guinea issue to justify massive arms purchases from the Sino-Soviet bloc.

A. Purchases total \$830 million, of which over \$600 million has been contracted solely from the Soviet Union since January 1960.

**SECRET**