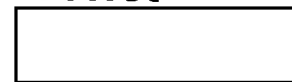
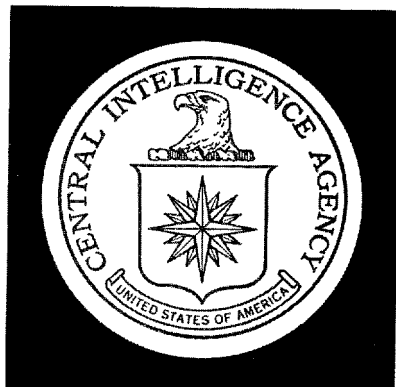


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Special Report

The New Order in Indonesia

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THE NEW ORDER IN INDONESIA

The regime of General Suharto has brought Indonesia to a stage of imposed political stability and the beginnings of economic revival. Although the army holds predominant and ultimate political power, civilian participation in government is considerable and effective.

The new order sees its basic tasks as the restoration of the economy, the continued suppression of Communism, and the development of stable representative government which would include a substantial political role for the army.

There are strains within the regime, particularly between civilians and military and between activists and those who prefer the Javanese process of indirection. The government does appear, however, to be making slow progress toward its various goals. Despite criticism of General Suharto for his primary reliance on army advisers and the slow pace of his programs, there appears to be no effective challenge to his leadership.

Indonesia Since October 1965

The abortive Communist coup of 1 October 1965 provided the opportunity which the army had long awaited to move decisively against the then large and influential Communist Party (PKI). It also ushered in an 18-month period of political maneuvering between two political centers, early dubbed the new order and the old-- army commander Suharto on the one hand, supported by the army and anti-Communist civilians, and on the other, President Sukarno, backed by leftist nationalists, Communist remnants, and groups and individuals who gambled on

his survival or were personally dependent upon him.

General Suharto resisted advice from both army and civilian supporters to move directly against Sukarno or to reorient Indonesian policy by fiat. Instead he chose to move slowly to avoid unduly antagonizing Sukarno's followers, who were concentrated in densely populated East and Central Java. With conscious concern for the nation's history and future development, he pursued national re-orientation through legal forms.

The gradual process of nullifying Sukarno's power officially

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ended on 11 March 1967 when the Indonesian congress--the nation's highest policy-making body--voted to remove Sukarno from office. On the same day it appointed Suharto acting president.

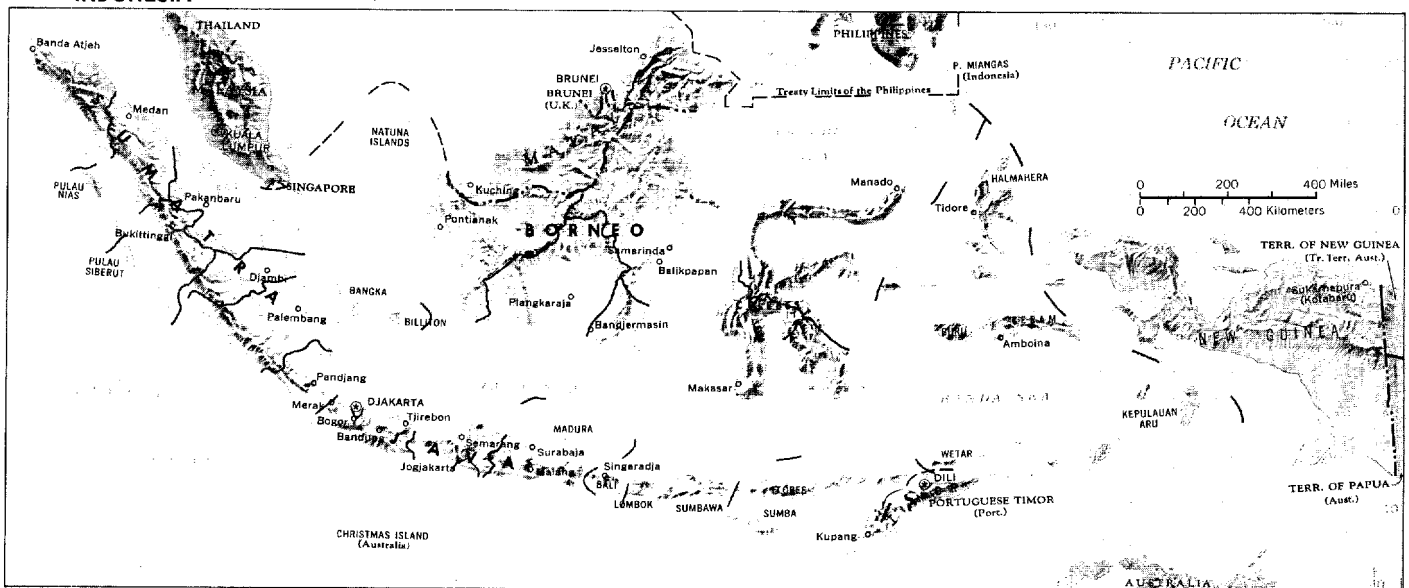
In the interval between the coup attempt and Suharto's assumption of the presidency, the army crushed the PKI and congress banned it; the government was purged of Communist and pro-Communist officials; and Suharto formed a cabinet. With the assistance of the International Monetary Fund, the government in October 1966 formulated and embarked on a stabilization program designed to halt rampant inflation and rebuild the nation's economy. Indonesia disengaged from Sukarno's pro-Peking foreign policy and returned to nonalignment, ended the three-year confrontation with Malaysia, resumed friendly relations with the West, and re-entered the United Nations.

"Guided Democracy"

In his insistence on legal forms, Suharto has benefited from the sweeping executive powers provided by the Indonesian constitution.

The constitution, hastily written in 1945 to support an emergency wartime regime, was reinvented by Sukarno seven years ago to justify his imposition of "guided democracy" and his assumption of virtually unchallenged power. Although the Suharto regime is committed to a return to a rule of law and has encouraged congress and parliament to carry out their constitutionally prescribed functions (congress makes policy and parliament legislates), it has employed the far-reaching executive authority to develop its own more flexible version of "guided democracy."

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Both the 350-member parliament and the 651-member congress are currently provisional and appointed. Originally appointed by Sukarno in 1960, their membership was purged last year and about a third of the present totals are Suharto appointees.

Congress has called for national elections sometime before July 1968, but since parliament has been unable to agree on an election law, postponement is virtually assured. The regime, which had been concerned over the possibly disruptive effect of an election campaign, is not disturbed at the prospect of postponement.

Suharto

Suharto wears many hats. In a role distinct from his position as acting president, he is chairman of the five-member cabinet presidium, a group which supervises the portfolio ministers and is the government's major administrative body. He also is presidium minister for defense and security--thereby controlling the four armed services (army, navy, air force, and police) and the ministry for demobilization and veterans affairs. In addition he retains the post of army commander and, although an acting commander carries on the routine administration of army affairs, Suharto himself remains the ultimate leader of the troops.

Suharto has emerged as a strong and resourceful, although cautious, leader, and he appears

to understand the complexities of Indonesian sociopolitical life to a greater extent than most of his critics. He was a nonpolitical general prior to the 1965 coup, and his caution--which his critics see as endangering the new order or protecting corrupt associates--may be partly a matter of finding his way. In most instances, however, his slow pace has been deliberate and calculated. Apparently he rationalizes that, with the exception of the continuing anti-Communist campaign, the advantages of rapidly paced action would be outweighed by the increased political tensions and possible economic disruptions it would create.

Suharto has made no effort to disguise the fact that the army is the major political force in Indonesia and his own chief support. However, he has backed an army-civilian partnership in the cabinet and has worked to develop a united team of all four armed forces. He has given cabinet posts to members of the naval, air, and police services, each of which is much smaller than the army, and has striven to avoid an exacerbation of interservice rivalries.

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Criticism of Suharto's performance centers chiefly on his cautious approach and his reliance

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on the army. Censure, however, has never reached serious proportions. Those who complain the loudest support him and agree that there is no feasible alternative.

The Army's Role

Essentially the army and the new order are synonymous. With an army general as president and cabinet leader, the army today has achieved greater breadth and depth in government participation than ever before in its 22-year history of political involvement.

It holds eight of 30 cabinet posts, 25 of 84 subministerial positions, 15 of 25 provincial governorships, about half of the subprovincial offices, and half of the ambassadorial posts. Army officers are sprinkled liberally throughout the government-controlled agricultural and industrial complex. In addition the 17 army territorial commanders exert considerable authority throughout provincial administrative systems regardless of whether the local governor is military or civilian.

The army exerts further power and influence through Suharto's personal staff, a group of nine generals and one colonel. The staff has been criticized by both civilian and military officials for having assumed more authority than it should and to be undercutting the cabinet.

Although the army is united in its support for Suharto, there are divergent groups within it. The principal disagreement has

been over the pace of reorientation and reform within the government. Leaders of the group advocating a faster pace are General Dharsono, commander in West Java, General Sarwo Edhie in North Sumatra, and General Kemal Idris, commander of the Army Strategic Reserve. The army continues its screening process to ferret out Communists, pro-Communists, and active Sukarnoists within its ranks. The acting army commander is General Panggabean, who has worked closely and effectively with Suharto for some years.

Civilian Role

Although the army is clearly predominant and the civilian complaint of "creeping militarism" is indeed valid, responsible civilian participation in government remains substantial.

Civilians hold 16 of the 30 cabinet posts--four of the five presidium ministries and 12 of the regular portfolios. Congress and parliament are both predominantly civilian and have enjoyed greater authority and freedom of expression since mid-1966 than at any time in the last seven years. Teams of civilian economic and political advisers are attached directly to Suharto's office. He relies strongly on the former and has accepted suggestions from the latter.

The most able and influential cabinet official next to Suharto himself is Adam Malik, foreign minister and concurrently presidium minister for political affairs--a

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position which gives him supervisory powers over home affairs, justice, and information. Malik has been a strong proponent of an accelerated political pace and is a major spokesman for a strengthened civilian role, although he has no significant political base. He appears to have good working relations with Suharto, however, and thus seems likely to remain in a key position.

The Sultan of Jogjakarta, presidium minister for economics and finance, in mid-1966 was linked with Suharto and Malik as one of a triumvirate which governed the nation. Although the Sultan retains great respect and prestige, particularly in Java, he lacks expertise and political aggressiveness and is gradually assuming the role of an important and necessary background figure rather than that of a leader. The major decisions on economics and finance have been consistently made by the team of civilian economists attached to Suharto's office.

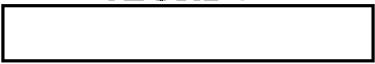
Civilians retain only ten of 25 gubernatorial posts, but at the subprovincial level the average civilian-army breakdown appears to be about 50-50. It is interesting that in East Java, where the regime feels the new order has yet to establish itself firmly, 76 percent of the local officials are civilian. At least half of these and possibly more can be classed as "old order Sukarnoists," an indication of the regime's early decision to tread softly and move slowly.

Political Parties vs. Regime

Political parties have no sharply determining role in government in view of the subordinate position of the legislature, the army's pervasive influence, and the regime's preference for technicians rather than politicians. They do exert leverage, however, and Suharto--who is considerably more liberal than many of the military around him--takes civilian political views into consideration to the extent he deems advisable in determining policy. Suharto is also moving gradually to enlarge the sphere of political activity. Party activity, however, has been discouraged by the partial political moratorium which exists in the form of a general "understanding" rather than an officially imposed restriction. The regime publicly rationalizes that some political standdown is necessary until further progress has been made toward economic recovery, and that economic stabilization, in turn, is a prerequisite for political stability.

Political organizations today tend to assert themselves more at local levels than in Djakarta and often utilize their front groups--particularly their youth--in political action rather than the main body of the party. They make considerable use of the press to express their views, and every major organization or bloc has its own daily. The non-Communist press enjoys relative freedom largely by virtue of Suharto and reform-minded army officers.

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The army distrusts political parties largely on the basis of irresponsible party behavior during the 1950-60 period of unstable parliamentary government. It regards party activity as disruptive to national unity and sees the parties as lacking a philosophy and a sense of national purpose. It is concerned over the long-term problem of developing stable representative government and sees the necessity for continuing at least a significant army role in government for the indefinite future.

The army reportedly hopes to write into the election law a provision entitling it--by appointment--to 25 percent of the membership of congress and parliament, with another eight and one third percent of the seats allotted, also by appointment, to functional groups. The parties are willing to give the army only twelve and one half percent. Another problem which has prevented agreement on the election law is the question of proportional representation, which would benefit densely populated Java. The army, supported by non-Javanese groups, prefers a system of single-member constituencies.

Major Political Organizations

Indonesia's two major parties are the orthodox Muslim Nahdatul Ulama (NU) and the Indonesian National Party (PNI). Both are Java based and factionalized and, depending on factional ascendancy, have vacillated in their support of the Suharto regime.

Although the NU has not moved into the mainstream of the new order, it is anti-Communist, and its younger members and its large and active youth front have frequently aligned themselves with and strongly supported the army. Idham Chalid, a former Sukarno-ophile and a presidium cabinet minister, was reinstated as party chairman in early July, but two anti-Sukarno activists also were included in the five-member executive council.

The PNI, the largest party in parliament, is under moderate national leadership imposed last year with army assistance. The PNI's presidium minister, Sanusi, is a moderate, as are most members of the party's parliamentary bloc. The party, however, is controlled chiefly by its large left wing. This left wing is not only the principal vehicle of active Sukarnoism but appears also to be cooperating with remnants of the Communist Party and to be accepting former Communists as PNI members. As a result of these activities, army commanders in Java revived the anti-Sukarnoist campaign in early July and threatened firm action against any individuals or groups wishing to restore Sukarno's leadership.

The most dynamic elements among civilian organizations are the "action fronts" which developed during the postcoup period and which sometimes call themselves collectively the "Generation of '66." The most active of these groups have been the student fronts--KAMI and KAPPI, composed

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respectively of university- and high-school-age youth--and the so-called "scholars' front," KASI, made up largely of lawyers and other professional groups. Suharto appointed about 30 action-front leaders to parliament last January. These leaders and their organizations are both the strongest supporters and principal critics of the regime. They have been the major opponents of "creeping militarism," of corruption in government, and of Suharto's preference for slow and indirect action.

In late July Suharto approved the formation of a new Muslim party which will be composed of members of the Masjumi, a modernist party banned by Sukarno in 1960, and various organizations either affiliated with it or ideologically sympathetic to it. In terms of size and strength it should easily rival the NU and PNI and will probably give the regime more consistent support than those two parties have done. Further it will provide geographic balance to the political scene since it draws its major strength from West Java and Sumatra, whereas the NU and PNI are largely based in East and Central Java.

The Communist Party

The outlawed PKI is fragmented and under continuing military pressure. The party is presumed to retain a significant following in East and Central Java, but is not likely to attempt a test of its strength in those areas. Its dominant wing is pro-Peking and is dedicated to ultimate revolution. For the time

being, however, its policy is to remain relatively inconspicuous, to focus on infiltration of other organizations, to foment friction wherever possible, and to prepare for armed revolt. The peasantry remains its primary target.

Despite the party's present disorganization, the government regards it as a continuing threat. There is a long tradition of leftist nationalism and Communist activity in East and Central Java. The reported present collusion between Communists and left-wing nationalists is continuing evidence of this. Serious economic problems in these two provinces, including growing landlessness among the rural population, and resentment over the mass killings of Communists after the coup are strong issues for Communist exploitation.

Regime leaders feel that an organization should be developed to accommodate the millions of Indonesians who once belonged to Communist front organizations but who were not indoctrinated Communists. Nothing, however, has yet been done.

Economic Scene

Economic improvement is the regime's priority policy. Suharto and many of his civilian and military colleagues believe that their government will stand or fall on economic issues and that the latent appeal of the left can be defeated only through an improved living standard for the average citizen. The effort is presently still directed largely

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against acute inflation, but plans are that it will gradually evolve into a development program.

An economic stabilization program, formulated with the assistance of the International Monetary Fund in 1966 and progressively implemented since then, is showing slow but favorable results. The rate of price increases was 35 percent during the first quarter of 1967, compared with 141 percent during the first three months of the preceding year. A substantial part of these continuing increases reflects adjustments to the politically courageous step of partially removing government subsidies. Legal exports have increased and may meet balance-of-payments targets for this calendar year. A changed investment climate is beginning to attract foreign business back to Indonesia.

On the other hand, a balanced budget has not been achieved this year. A rice deficit and the need to purchase foreign rice continue to require substantial outlays of foreign exchange; and the still low production of export products, despite recent improvement, combined with a high rate of smuggling, has kept legal imports down, reduced revenue, and retarded economic recovery. The country's foreign-exchange reserves have long since been exhausted. Transportation and distribution facilities, which should have priority attention in a nation with Indonesia's geographic problems, have deteriorated badly, contributing to the decline in production and exports.

Indonesia's most fundamental problem--a rapidly growing population and the unavailability of land--resists early solution. The problem is particularly acute in Java and Madura where 65 percent of the population, now estimated at 108 million, occupies seven percent of the nation's land area. In late July, Suharto tentatively endorsed a program of family planning.

Under present circumstances, Indonesia has been unable to meet payments on its foreign debt of some \$2.7 billion. In 1966 Indonesia's Western creditors agreed to reschedule payments on debts already in arrears and on certain categories of loans and export credits falling due through December 1967. Meetings in Paris and Amsterdam this October and November will discuss debts falling due during calendar years 1968 through 1970.

The IMF considers present debt relief arrangements insufficient and has urged direct foreign assistance to Indonesia. Western creditors have pledged or already advanced a total of \$200 million for 1967, and the coming Amsterdam meeting will discuss economic aid commitments for 1968.

Separate bilateral meetings with the Soviet Union, Indonesia's largest creditor, have resulted in a draft agreement on rescheduling of debt payment but the USSR has made no offers of economic assistance. Rescheduling with other Communist nations is still in progress.

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Foreign Policy

Although Indonesia officially espouses a policy of nonalignment, foreign relations are in fact oriented toward the non-Communist world. This follows partly from the government's domestic anti-Communist position but chiefly from Indonesia's need for foreign economic assistance and the probability that such aid will come chiefly from the West and from Japan. Nevertheless, Indonesia maintains correct relations with the Soviet Union and other European bloc nations and will seek assistance from those nations also.

Relations with Communist China remain unfriendly. The major current issue between the two countries is Indonesia's treatment of Overseas Chinese. Peking charges prejudicial and often illegal treatment of the Chinese minority; Djakarta charges Peking with interference in internal Indonesian affairs. Although relations have been severely strained from time to time, and Peking propaganda is now calling on Communist remnants to overthrow the Suharto government, a break in relations is not likely.

Indonesia continues to move toward the regularization of relations with Malaysia and Singapore. It has formally recognized Singapore but not Malaysia, apparently because well-placed Indonesian Army officers find present informal relations to their economic and political advantage. Formal relations should certainly

develop, however, within the next year. Trade has been resumed with both Singapore and Malaysia, but it is not expected to return to the substantial level that prevailed before Sukarno's "confrontation" policy.

Indonesia retains its interest in expanded regional influence, but the Suharto regime is pursuing this policy within the context of friendly relations rather than within the former one of military expansionism. Largely at the initiative of Foreign Minister Malik, a new cultural and economic organization--the Association of Southeast Asian Nations--came into being on 8 August composed of Indonesia, Malaysia, Singapore, the Philippines, and Thailand. Suharto and Malik are opposed to a regional military pact in the immediate future and both have publicly corrected statements from within the military establishment which have implied Indonesian interest in a regional defense arrangement.

Indonesia has reduced its diplomatic representation in Africa and for the time being has abandoned its pretensions to Afro-Asian leadership.

Conclusion

Suharto's and the army's long-range concern is the latent threat from the left. This underlies the priority status accorded economic policy and continued army operations against Communist remnants. The regime is also worried about the PNI's course of leftist

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nationalism--the continued identification of its left wing with Sukarno and the left wing's willingness to cooperate with the Communists. A new effort to encourage, and if necessary coerce, the party actively to support the new order is now under way. Suharto hopes ultimately to develop the PNI into a dependable secular force to balance the Muslim parties.

Suharto has demonstrated his intention to observe constitutional processes and to permit the development of an increasing civilian voice. At the same time, the army's predominant political role will be preserved certainly

until elections are held. A move toward significantly increased army controls would be regarded now as a step backward and would be taken only under considerable provocation.

Progress in economic reform has been greater than expected, but much still remains to be done. In the immediate future, further steps must be taken to curtail smuggling, rehabilitate the infrastructure--especially transportation--and improve the revenue effort. The new order, however, acknowledges the seriousness of its problems and is moving to deal with them.

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