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Security Information

5 August 1953

INDONESIA

- I. Nature of crisis.
 - A. New Communist-influenced cabinet is widening cleavage between right and left.
 - B. This causing political confusion which Communists exploit.
 - C. Other results may be increasing lawlessness, a military coup, rebellion in East Indonesia, and serious economic deterioration.
- II. How this situation developed.
 - A. Split between two largest parties paved way for this cabinet.
 1. These parties, Masjumi and National, broke over latter's cooperation with Communists.
 - B. Cabinet created only through Communist support.
 1. Communists have no posts but key ministries filled by Communist sympathizers.
 2. Communist vote in parliament necessary to cabinet's parliamentary support.
- III. Vulnerability of government to Communist strategy.
 - A. Report of Communist program.
 1. Create a political impasse and then propose a "national front."
 2. "National front" eventually will be replaced by a "peoples' democracy."
 3. Communist program well under way.

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- B. Extent of Communist influence in cabinet.
 - 1. Defense, Justice, Finance and Economics headed by pro-Communists. Perhaps also foreign affairs and communications.
 - 2. Moderate premier Ali a front -- he probably cannot control his colleagues.
- C. Probable Communist-influenced cabinet policies.
 - 1. Anti-western acts like cancellation of TCA.
 - 2. Cessation of war on Communist guerrillas.
 - 3. More trade with Soviet Orbit.
 - 4. Closer diplomatic relations with Moscow and Peiping.

IV. Coming tensions

- A. President Sukarno's role and rift with Vice President Hatta.
 - 1. Sukarno's acceptance of cabinet unexpected; looks like he more leftist than hitherto thought.
 - 2. Pro-US Vice President Hatta may break with Sukarno and rally moderates to halt leftist trend.
- B. Masjumi will probably try to overthrow cabinet in parliament. Its success uncertain.
- C. Prospects for 1954 elections.
 - 1. This cabinet would try to rig or postpone them.
 - 2. Nationalists and Communists know Masjumi more popular and fear defeat in elections.

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D. Military coup attempt is possible.

1. Rightist army and police officers might try a coup or league with Moslem insurgents, the Darul Islam.
2. In event of a coup attempt, however, certain military commands, particularly in East Indonesia, would remain loyal to Sukarno.

E. Greatest danger is that no political or military action will unseat the cabinet.

1. Communists could then consolidate control over the cabinet and eliminate the opposition piecemeal.

V. Economic situation is also gloomy.

- A. Economic deterioration is result of falling world rubber prices.
- B. New cabinet expected to pass nationalization and labor laws crippling to industry.

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