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OUTLOOK FOR INDONESIA

I. In Indonesia, Communist strength and influence are expected to continue to increase during the coming year.

A. Significant Communist electoral gains registered in provincial elections held in east, central, and west Java during July and August, combined with President Sukarno's encouragement of Communist activity, have given the party new prestige and an improved base from which to work.

II. President Sukarno, meanwhile, is proceeding with the implementation of his concept of "guided democracy."

A. In a 17 August independence day speech, he reiterated his contention that "political democracy" is not feasible for Indonesia but that the country must still work for "economic and social democracy."

B. The form of his projected new political system is not yet clear, but all indications are pointing to something akin to Communism or as described by Ambassador Allison, "a form of Hitlerian national socialism."

C. Sukarno is expected increasingly to depend on the support of the Communists, the only party to wholeheartedly endorse his concept, and

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III. Outside Java, the Communists will continue to work hard in the next

year to expand their influence in those areas. Although they may make

some progress, they are unlikely to become a ~~threat~~ <sup>major political force in</sup> to provincial ~~regimes~~ <sup>areas.</sup>

IV. The extent of current fragmentation in Indonesia tends to be ~~obscured by the~~

obscured by the gradual day-to-day drift of affairs.

A. There is no doubt, however, that the central government's economic

situation is worsening, and will continue to do so as the result of

barter trade <sup>between and foreign countries</sup> in the provinces and the provinces' refusal to transfer a

<sup>large part of their</sup> ~~revenues~~ revenues to Djakarta.

B. In <sup>his continuing</sup> ~~another~~ effort to reverse the trend toward economic chaos and

political disintegration, Premier Djuanda is planning a round-table

conference with dissatisfied regional leaders early next month but

prospects for any solid achievement <sup>do not appear to</sup> ~~are not~~ bright.

V. C. Regardless of the present intentions of dissident leaders ~~as to their on~~

eventual relationships with Java, they <sup>seem</sup> ~~appear~~ to be steadily <sup>extending</sup> ~~drifting~~

<sup>the scope of their autonomy</sup> ~~toward de facto self-government.~~

A. Although these leaders are likely to maintain at least <sup>the</sup> ~~the~~ <sup>fiction</sup> ~~fraction~~ of ties to Java during the next year, complete separation cannot be ruled

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VI A Communist seizure of power in Indonesia during the coming year, either

by peaceful or by forceful means, is possible but not probable.

*Present Communist strategy seems to be operate*  
A. ~~The success of the Communists would depend on the army's attitude, and~~  
*legally, exploiting Sukarno's favoritism and*  
~~the party's ability to incite mob violence, and the reaction of army~~  
*their growing popular support.*  
~~units in Java to such a development would be uncertain.~~

B. If the Communists should ~~seize~~ *gain* power, the dissident areas would probably  
disassociate themselves from the central government, appeal to the  
West for support, and try to aid anti-Communist forces in Java.