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NSC BRIEFING

24 November 1959

INDONESIA

I. President Sukarno, who is final arbiter of any policy in Indonesia, continued government's firm line with Peiping on 20 November when he told Chinese Communist ambassador in Djakarta that Indonesia will implement its presidential decree banning alien (in effect, Chinese) retail merchants in rural areas whether Peiping likes it or not.

A. This decree is part of campaign of "economic nationalism" which was directed first against Dutch, then against KMT Chinese, and now against Peiping-oriented Chinese and any other aliens involved in retail trade in rural areas (few Indians and Pakistanis).

1. Related order requires that aliens in rural areas, regardless of occupation, be resettled in towns and cities; deadline for implementation of both is 1 January 1960.
2. More than 300,000 Chinese of total 3,000,000 in Indonesia estimated involved.

B. Peiping, whose prestige as protector of Overseas Chinese obviously at stake, strongly pressured Indonesian government for repeal of decree; when this unavailing, ordered Chinese embassy officials to circulate among Indonesian Chinese and instruct them to resist Indonesian government orders.

State Department review completed

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1. Neither Peiping nor Djakarta appear at this time to be thinking in terms of suspending relations.
- II. Sukarno told Chinese ambassador at 20 November meeting he could listen to no more objections to Indonesian ban at this time.
 - A. He refused to lift recently imposed restrictions on movements of Chinese embassy personnel but agreed to release a consul general whom Indonesian army had placed under house arrest.
 - B. When ambassador accused Sukarno of playing into hands of Western imperialists, president tapped ambassador on knee and told him he needed no advice on that subject.
- III. At conclusion of meeting, described to US ambassador by Indonesian Foreign Minister Subandrio, Chinese ambassador looked glum.
 - A. As they left conference room to face press, Sukarno said, "Smile, ambassador, smile! They will think we have been quarrelling."
- IV. Interesting sidelight on situation is Soviet ambassador's plea, as reported by Subandrio, to "keep me out of this."
- V. During last few days, two new developments indicate issue will be kept alive.
 - A. Indonesian Government declared Djakarta a closed town for aliens wishing to enter for permanent or temporary residence. Decree apparently aimed at Chinese.
 - B. Ratification of Sino-Indonesian agreement abolishing dual nationality has been postponed indefinitely--by which side is not yet clear.

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VI.



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A. Indonesian navy allegedly piqued over new Peiping maps claiming Indonesian islands of Natuna--off northwest coast of Borneo and within hundred miles of Chicom Spratley Island claims (already disputed by South Vietnamese, Chinats and private Filipinos).

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