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CENTRAL INTELLIGENCE AGENCY

Office of National Estimates

21 April 1960

MEMORANDUM FOR THE DIRECTOR

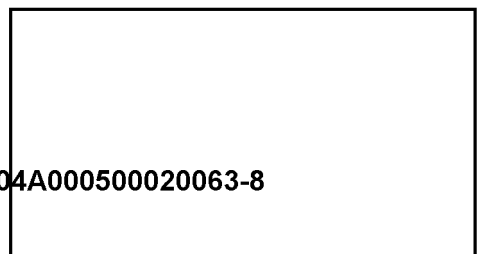
SUBJECT: Trends in Indonesia

I. INTRODUCTION

1. Indonesia is in a decline of serious proportions. Its economy is crumbling; political power is becoming increasingly polarized between the Army and the Communist Party (PKI); its people are split deeply on a wide variety of issues; a seemingly insoluble rebellion is sapping its remaining strength; and popular discontent, particularly in urban areas, is increasing.

2. Since 1952 there has been a consistent upward trend in PKI influence and strength. This has been due primarily to the ineffectiveness and disunity of the non-Communist elements, to Sukarno's willingness to permit the PKI to prosper by posing as a nationalistic, pro-Sukarno movement, and to the organizational

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abilities of the PKI itself. Since 1957, however, this trend has been offset to a considerable extent by the increasing political and administrative role played by the Army as a consequence of its responsibilities under the martial law regulations imposed to cope with the rebellion in the outer islands and Darul Islam terrorism on Java.

3. Sukarno has now had nearly a year of complete formal power as President, Prime Minister, and Supreme Commander. Thus far he has made no constructive move to utilize his authority for an attack on the country's problems. He has spent most of his time in a fruitless process which he calls "retooling." Clearly, this constant reorganization of Indonesia's political bodies and institutions is, on the one hand, a substitute for decisions and corrective action, and on the other, manipulation to maintain his personal position.

4. March was a particularly busy month. When Khrushchev's two-week visit ended on 1 March, Sukarno had accepted a \$250 million seven-year credit, a cultural agreement, and a gift of

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three submarines and a cruiser. On 5 March, Sukarno relieved the members of Parliament of their functions and on the 27th he announced the appointment of a new Parliament in which the Masjumi is virtually excluded and the PKI position strengthened. Also on the 27th, Sukarno appointed a generally leftist preparatory committee to organize the National Front, a mass organization to be led by Sukarno and supported by government money. It is intended as a rival to the political parties.

5. During the month, he also reorganized the staff of his Central War Administration. Although the Army still appears to dominate the structure, Nasution was moved from First to Second Deputy War Administrator. Meanwhile, Sukarno has compounded the confusion by pressing a reorganization of regional government which included the appointment of Communists as Deputy Governors in several regions.

6. On April Fools Day, with public discontent rising and the economy in chaos, with political parties seeking to form an opposition bloc, with the reorganization of political institutions still up

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in the air, and with the lines of conflict between the Army and the PKI more tightly drawn than ever, Sukarno departed on a two-month world tour.

II. THE ECONOMY AND PUBLIC DISCONTENT

7. Recently the economic situation has turned from bad to worse. Consumer goods are in short supply; blackmarketing and hoarding have increased; and inflation is becoming an increasingly serious problem. The sad state of the economy is due primarily to mismanagement, neglect, and dislocations resulting from ultranationalistic, politically motivated moves such as the seizure of Dutch properties, the mass expulsion of Dutch nationals, and the repressive measures against the economically important Overseas Chinese. The operations of the RPI rebels and of the Darul Islam terrorists add to the government's economic problems. They have disrupted communications and normal productive activity. The RPI smuggling activities and raids on rubber plantations have deprived the

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government of much needed foreign exchange. Military operations against the various rebel and dissident groups place a severe strain on the government's budget.

8. The Indonesian people, particularly the Javanese, have demonstrated a remarkable capacity for passive acceptance of political chaos and economic decline. The rural population is cushioned against dire privation by its subsistence economy. The urban population, which is hit first and hardest by any economic downturn, is easier for the police and Army to control, because it is physically concentrated. However, current reports indicate that there is widespread and increasing public grumbling and unrest, in rural as well as urban areas, as a result of economic hardship and the lack of constructive government countermeasures.

9. The Communists are the only ones in a position to capitalize on this growing public discontent. Through their mass organizations, they are free to agitate, protest, and demonstrate and to take advantage of the situation to win adherents to their

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solutions. The Army has the difficult and thankless task of enforcing the prevailing economic regulations and maintaining public order. More and more, public discontent is tarnishing the image of Sukarno. Given continued economic decline and political disorganization, which appears probable, it is likely that the time will come when Sukarno's major remaining asset -- his hold on the masses -- will be in peril. In these circumstances, an erosion of Sukarno's prestige among the Indonesian people would be an important factor in any decision by the Army or the PKI to attempt to bring about a major political change.

III. LIKELIHOOD OF A COUP

An Army Coup

10. An increasing number of Army leaders appear to be reaching the conclusion that Sukarno must be deposed in order to protect army interests and to prevent Indonesia's economic and political decline from reaching critical proportions. We believe that Nasution, Acting Prime Minister Djuanda, and most non-

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Communist political party leaders are agreed that the present serious situation must be retrieved, and that Sukarno's authority and influence must be eliminated or at least reduced greatly, before any significant improvement can be made. Sukarno's absence from the country during the present unsettled period would seem to provide Nasution and the Army an opportunity to seize power. The absence of Hatta (due to depart for a trip to the US on April 29) would also be fortuitous if he were slated to play an important role in the post-coup government. His absence would make it easier to clear him of implication in the coup plot.

11. Army assets for a coup effort include the near monopoly of arms and control of much of the country's administrative machinery through its functions under the Central War Administration. The Army would probably have the support of important Navy elements, most non-Communist political leaders, and much of the civil service.

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12. However, a coup effort would present many problems and risks. The Army is not a unified organization responsive to central control. Nasution does not have the backing and loyalty of several important regional and unit commanders. Nasution and the Army do not have wide popular support. Sukarno's hold on the masses is still formidable. The PKI, with its mass following, its strong organization, and its influence in labor and peasant organizations would offer stout opposition. The Air Force command would almost certainly oppose, but probably would not be able to prevent significant defections to the anti-Communist side.

13. Nasution and his followers probably have not yet developed the necessary plans and organization for an Army coup. Moreover, Nasution has not demonstrated the determination or the dynamic characteristics required for such a decisive and risky move. Furthermore, his position as Chief of Staff is not secure. Without the leverage of that office he would not be a major influence in Indonesian affairs. He undoubtedly remembers

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well the October 1952 affair in which he tried a show of force against Sukarno, failed, and suffered several years of total eclipse as a result.

14. Nevertheless, there are a number of elements in the situation which point toward a possible Army move. These include a virulent press campaign against the installation of Sukarno's appointed Parliament in which Sukarno personally is being attacked in an unprecedented manner. It is clear to informed Indonesians that the press must have Nasution's support and protection in these attacks. Consequently, Nasution may find that he has created a situation, wittingly or unwittingly, in which he will have to make a move to seize power or face dismissal upon Sukarno's return. Other indications pointing toward Army action are the continuing efforts of the small opposition parties banded together as the Democratic League to attract support among Masjumi, NU, and PNI leaders and among the people as a whole, and Nasution's recent sudden calling of a conference of regional commanders.

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15. Although the odds favoring an effort by Nasution to seize power, either during Sukarno's absence or soon after his return, have gone up, we believe that the chances of an Army coup are still less than even. If he does try, and if he carries most of the Army with him, we believe that he would have a better than even chance of succeeding.

A PKI Coup

16. For the foreseeable future, a PKI uprising, either immediately violent or in the form of paralyzing strikes, is unlikely. The Communist strategy probably is to seek power by legal and parliamentary means. The PKI is probably the largest political party in the country and by all odds the best organized and led. It would have a good chance of playing a major role in the Indonesian Cabinet in the next year or two as a result of national elections if they are held, or as a result of playing upon Sukarno if the elections are postponed.

17. The current Communist strategy appears to be that of engineering a split between the Army and Sukarno, joining the

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latter to impair the Army's independent power, and then devouring Sukarno at their leisure. At the same time, they appear to be following the equally profitable course of identifying themselves with growing popular discontent, waiting for the continuing economic decline to erode Sukarno's mass popularity to the point at which he falls into their hands. The one event which probably would push them into open revolt in the near future is an Army move against them serious enough to threaten their existence; this, however, seems unlikely as long as Sukarno is in a position to forestall it.

IV. THE RPI REBELLION

The Effects of the Rebellion

18. The central government's decision to oppose the rebellion by armed force brought Indonesia's armed forces onto the center of the stage. The success of the early operations against the rebels enhanced greatly the prestige of the military, particularly the Army. The rebellion also provided the occasion

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for proclaiming and maintaining in force the State of War and Siege decree, the vehicle which has projected the Army into the political and administrative life of the country. This development, coming at a time when Sukarno had lost confidence in the political party system and when the non-Communist parties were declining in importance, has tended to counterbalance the growing strength and influence of the PKI.

19. The rebellion has made it impossible for the Javanese, who dominate the central government, to impose their will on the major non-Javanese ethnic groups, and has forced the central government to make economic and political concessions to the outer islands. Moreover, the combination of Army and RPI control on Sumatra and the Celebes has slowed down the expansion of PKI activity in those areas.

20. The rebellion also split Indonesia's major non-Communist leaders and forces into two opposing factions. The split is probably not irreparable, but it would be difficult to overcome. The PKI has gained as a result of this major split among the

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non-Communists. In addition, the rebellion has increased Indonesia's economic problems and exacerbated US-Indonesian relations.

Outlook for the RPI Rebellion

21. Despite the stalemate between the RPI rebels and the government forces, the rebels retain considerable support and sympathy among the people of Sumatra and Celebes, and they have some following on Java. However, the rebels in Sumatra and North Celebes do not appear to be able to expand significantly their areas of control. The government forces now committed against them, about one-third of Djakarta's combat effectives, can do no more than contain the rebels. The Army does not feel it can deploy more of its presently available combat strength to the outer islands because of the terrorist activities of the Darul Islam and the political strength of the PKI on Java. The central government is presently organizing about 30 new battalions, some US-equipped. If all or most of these forces were used for a major offense against the RPI, the latter might in time be brought to the point of collapse as a result of attrition and erosion of morale.

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22. The most satisfactory resolution to the present military stalemate would be a negotiated settlement which could end the unproductive spectacle of Indonesia's major anti-Communist elements divided and at war with one another. However, there is little prospect of a negotiated settlement, at least so long as Sukarno remains in power. Even if Nasution and the Army were in control, a settlement would be very difficult, but not impossible to negotiate.

23. The effect on the overall political and economic scene of a PRI collapse is impossible to estimate with any degree of precision or certainty. The martial law regulations might be eased or lifted, thereby reducing the Army's leverage and influence in Djakarta and its major means of countering PKI activity. However, given Sukarno's operational technique of maintaining himself in power by balancing rival factions, and considering the fact that the PKI and the Army are the only two remaining major factions, we believe that he would probably not emasculate the Army as a political force. Moreover, because

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he has taken over as the head of the Central War Administration which administers the martial law decree, he might decide that the decree and the administrative structure set up under it, including use of the Army as the implementing agency, would be too useful to him to terminate it.

24. If the central government were to fall suddenly under Communist control, we believe that the Communists would have a difficult time establishing their supremacy over Java, let alone the outer islands. If the RPI movement were still in being it would provide a rallying point for opposition. We believe that important elements of the military forces, of the Darul Islam, and many non-Communist political leaders and groups would join together or cooperate in their anti-Communist efforts. In this event, these forces could establish control over Sumatra and the Celebes as a base of operations and, with outside assistance, might be able to oust the Communist regime in

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Djakarta. Over the long run, however, the viability of a separate state of Sumatra and/or Celebes would be highly uncertain.

FOR THE BOARD OF NATIONAL ESTIMATES:

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SHERMAN KENT
Chairman

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