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PROBABLE DEVELOPMENTS IN INDONESIA THROUGH 1955

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

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Concurred in by the

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on 1 March 1955. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, G-2, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC, and the Assistant to the Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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PROBABLE DEVELOPMENTS IN INDONESIA THROUGH 1955

THE PROBLEM

To assess the current situation and to estimate probable developments in Indonesia through 1955, with particular reference to Communist strength and influence.

CONCLUSIONS

1. Independent for only five years, Indonesia has made little progress toward establishing a base for long-term strength and stability. The country's basic problems of economic development, internal security, and administrative reform remain unsolved, while the government centers its activities around efforts to remain in power. (*Paras. 13, 34, 41, 45*)
2. We believe the chances are somewhat better than even that elections will be held during the latter half of 1955. The present coalition government, led by the Nationalist Party (PNI) under Premier Ali Sastroamidjojo, is likely to continue in office during 1955 or until elections are held. It is unlikely to make any significant changes in foreign or domestic policies before the elections. (*Paras. 46, 47, 51*)
3. We believe that a government dominated by the Masjumi (Moslem Party) will probably emerge following the elections. It is possible, however, that despite the Masjumi's broad popular following, the Nationalists and the Indonesian Communist Party (PKI) will gain sufficient seats to form the new government in coalition. (*Paras. 52, 53*)
4. The use of force to overthrow the government appears unlikely during the period of this estimate. However, such action might take place if the PNI made a determined effort to postpone the elections or if it became obvious that the PNI was rigging the elections. Abrupt government efforts to remove the territorial commanders who oppose the policies of Defense Minister Iwa, unlikely at the present, might also result in forceful counteraction. In either case, if the present government's political opposition and the anti-Iwa elements in the army acted in concert, the government would probably be defeated. Even if successful, however, the resort to armed action probably would result in continued unrest and disunity throughout Indonesia. (*Para. 55*)
5. Through its tactic of supporting the present government, and of espousing popular national and local issues, the Communist Party has been able to increase significantly its prestige and appeal and has increased its membership and extended its organization. It has been able to win public support for international Communist causes, and to some degree has influenced Indonesian govern-

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ment policy toward labor and the armed forces. Nevertheless the party continues to face opposition from among principal army leaders, members of the bureaucracy, and opposition political parties. (*Paras. 15-20, 22, 26*)

6. A Communist attempt to take over the government by force is unlikely in 1955. Should the Masjumi come to power, either through elections or by force, it is possible that the Communists would attempt to harass the government by causing economic disruption through their control of SOBSI (a federation representing some 70 percent of organized Indonesian labor). They could also adopt terroristic tactics and seriously disrupt economic and administrative activities in several important areas. But they do not yet have, and are unlikely to develop in 1955, a paramilitary force strong enough either

to take over the government or to seize and maintain effective control of large and important areas in Indonesia. (*Paras. 28, 56*)

7. Indonesia's short-term economic prospects are poor. Nevertheless, in view of the fact that adequate supplies of food and imported textiles will be available, economic unrest probably will not reach a level affecting the political situation in 1955. Indonesia probably has the resources to attain a stable and expanding economy in the long run, but the exploitation of these resources will probably be further delayed so long as political instability and insecurity exist and foreign capital or grant aid is discouraged. In these circumstances, the Indonesian economy is likely to remain in a precarious position for some time. (*Paras. 38-47*)

DISCUSSION

I. PRESENT SITUATION

Political Situation

8. Indonesia is a parliamentary republic with a provisional constitution and legislature. The legislature was appointed from some twenty political parties and groups having their origin in prewar nationalist and religious organizations, or representing the personal followings of individual politicians. National elections for a constituent assembly to draft a permanent constitution, and for a new parliament to replace the existing appointed body, have been promised since independence was achieved in 1949 but have not yet been held. The difficulties involved in holding such an election are great. The vast majority of the Indonesian people lack political awareness. Moreover, election procedures and machinery must be developed by inexperienced officials, and the political party

structure is rudimentary. These elections are now scheduled for 1955 and are absorbing the attention of the government, the members of the provisional parliament, and the bureaucracy. The maneuvering for position to control and influence the elections is partially responsible for the political opportunism which characterizes Indonesian politics today.

9. The present government under Premier Ali Sastroamidjojo, in office since 30 July 1953, is a coalition led by the Nationalist Party (PNI) and includes eleven minor parties. The cabinet members, some of whom are reputed to be Communist sympathizers though not avowed Communists, have demonstrated little administrative competence. Supporting the government but not represented in the cabinet are the Indonesian Communist Party (PKI) and its labor front, the All-Indonesian Central Labor Organization (SOBSI).

10. The PNI has the greatest number of seats in parliament but runs a poor second to the principal Moslem party, the Masjumi, in total party membership and probably in popular support. Although the range of political opinion within the party is broad, the PNI stands for nationalism, secularism in government, "proletarianism," and anti-imperialism. Leadership now rests with the leftist faction.

11. The PNI's political strength rests primarily on its identification with the nationalist-revolutionary movement which opposed Dutch rule, and on its entrenched position in the bureaucracy. The influence of the bureaucracy on the outcome of elections could be considerable because the central government continues the Dutch system of exercising administrative control from Djakarta through appointed officials down to the village headmen.

12. President Sukarno's support has been a major source of strength for the Ali government. Until 1953 Sukarno appeared to remain above the activities of all political groups. Over the past year, however, he has displayed an increasing partisanship for the Ali government and the PNI. He probably believes that if the Masjumi wins the elections, it would seek, if not to remove him from the presidency, at least to reduce his power. His desire to retain power possibly reflects a sincere belief that a Masjumi victory in the elections would result in the development of bitter religious and regional issues and the eventual disintegration of Indonesia into a vulnerable and weak confederation. It appears more likely, however, that his primary concern is for his personal position. Relatively lukewarm public reception of the President's partisan activities, including his projected "All Indonesia Congress" designed to bring about a return to the nationalist unity of the revolution, plus public criticism of the circumstances of his taking a second wife, indicates a drop in his prestige, particularly among the elite. Despite this loss of prestige, however, Sukarno remains the most influential person in Indonesia because of his acknowledged leadership in achieving independence.

13. The major concern of the Ali government is to remain in power in order to enhance its prospects in the forthcoming elections. Since the government depends on groups with widely differing interests, and since its majority in parliament is small, the government has been unwilling to take any action, particularly with respect to essential economic measures, that would antagonize members of the coalition or the PKI.

14. In its efforts to remain in power, and in the belief that the Communists can be "used," the PNI has welcomed PKI parliamentary support and has thereby lost some flexibility in policy. The PNI's dependence on Communist support was highlighted during parliamentary action on a motion of no-confidence in December 1954 when the government's victory was made possible by the votes of the PKI and fellow-travelers. PNI-PKI collaboration has to some extent unified the anti-Communist opposition and permitted the latter publicly to link the government with Communism. The government's reliance on PKI support can be expected to be the focal point of opposition criticism especially as the time for elections nears.

15. In opposition to the government are two major political parties. More important is the Masjumi, which is basically a federation of Moslem religious and social groups. The Masjumi has sections in almost every Javanese village and an extensive organization in other areas. Of lesser importance is the Indonesian Socialist Party (PSI), which has considerable influence among the intelligentsia, the younger army officers, and civil servants. In addition, there are some smaller parties, the most important of which are the Christian, Catholic, and Democratic factions.

16. The policies that a strong Masjumi government would follow are difficult to identify because of the broad range of beliefs represented in the party. In general, the Masjumi would probably continue a strongly nationalist, neutral foreign policy but would probably be less rigid in its attitude towards foreign investment and economic assistance. The Masjumi would probably attempt to sup-

press or limit Communist activity and would tend to concentrate on domestic problems rather than nationalist issues such as Irian (Western New Guinea). The majority of Masjumi leaders probably favor a relationship between church and state similar to that in Pakistan, which was established as an Islamic state but which is administered along secular lines. The most prominent Masjumi leaders are Mohammed Natsir, Sukiman, Mohammed Rum, and Jusuf Wibsono.

17. Despite its organizational advantage over other parties at the village level, serious political and religious schisms within the Masjumi have weakened its unity. Splinter groups now divorced from the party, such as the government-supporting conservative Moslem scholars party (NU) and the radical Islamic Party (PSII), have made no cooperative moves in anticipation of the elections. Moreover, the Masjumi will continue to suffer from PNI-PKI efforts to associate it with extremist Moslem dissidents in the Darul Islam. Both the Masjumi and PSI will suffer from the allegation that they enjoy "foreign imperialist" support.

18. The PSI are strongly anti-Communist. In common with all major Indonesian groups, they support an "independent" foreign policy but are more inclined to cooperation with the West than is the PNI. Their economic philosophy is similar to that of other Asian socialists, i.e., they favor gradual nationalization of all major industry including foreign holdings. The party leader, Sutan Sjahrir, is one of Indonesia's most capable men.

19. A nonpolitical source of opposition to the government is the Indonesian Army, a majority of whose leaders strongly oppose political interference in the organization, administration, and function of the armed forces. On 17 October 1952, the principal army leaders demonstrated against political interference and called for a Presidential dissolution of parliament. Since that time the government has been fearful of the political potential of the army and, through Minister of Defense Iwa, has tried to insure that the army should not become unified in opposition to the government. Despite the fact that the

opposition political parties also have opposed the government's defense policies, there appears to be no firm bond or working cooperation with the army's leaders, many of whom continue to profess personal loyalty to Sukarno.

20. Leadership for a unified opposition, especially if this opposition moved to take over the government by force, might be found among nonpartisan leaders such as Vice President Hatta and the Sultan of Jogjakarta. Hatta exercises a great deal of personal influence among Indonesian leaders and appears seriously concerned over PNI acceptance of Communist support and Sukarno's increasing partisanship. The Sultan, a former Minister of Defense, retains considerable influence in the army. Neither is a member of a political party, although Hatta appears increasingly to be drawn toward the Masjumi while the Sultan has been influenced by the PSI.

Communist Situation

21. The Indonesian Communist Party (PKI) was originally organized in the 1920's by the Netherlands Communist Party. The PKI follows the international Communist line, sends delegates to front meetings in Europe and Asia, and its past and present leaders have received training in both Moscow and Peiping. The large Chinese Communist Embassy and the more recently established Soviet Embassy provide direct contact with international Communism, but there is no evidence to indicate the relative degree of Soviet and Chinese influence on PKI policy.

22. The PKI has long been associated with nationalist groups in the struggle for independence. Indonesian political leaders, particularly those PNI leaders whose political careers antedate the revolution, tend to regard the PKI as a cooperative nationalist force. The fear and mistrust of the Communists which was engendered by their armed uprising against Republican forces in 1948 have apparently been somewhat dissipated by their subsequent tactic, begun in early 1952, of supporting the government coalition. Association with the government, in turn, gives

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the PKI an aura of respectability, an opportunity to organize freely, and facilitates its efforts to infiltrate the bureaucracy and the army.

23. Actual and "candidate" membership in the PKI has probably increased by nearly 50,000 over the past year to a total of approximately 170,000. However, the Communists exercise an influence in a much larger section of the population than these membership figures would indicate, through their control of various front groups and of SOBSI, a federation representing some 70 percent of organized Indonesian labor. In anticipation of the elections, the PKI has been recruiting intensively at the village level. Particular efforts have been made to enroll peasant leaders in the Communist-controlled Peasants Organization (BTI), while the bulk of organized estate workers belong to unions affiliated with (SARBUPRI) a federation which is in turn a member of SOBSI. Organizers from SOBSI have been assigned to these and other front organizations to help in the recruiting.

24. Efforts of Defense Minister Iwa to extend his control over the armed forces, though consistent with the government's desire to control its military establishment, could be extremely useful to the Communists if, as his contacts and activities would seem to indicate, Iwa is in fact a Communist. Iwa has: (a) dissolved the Joint Chiefs of Staff and removed the anti-Communist, anti-Iwa Chief of Staff; (b) assumed personal control over service promotions, assignments, and budgetary allotments; (c) assigned pro-Iwa officers to staff positions to replace anti-Iwa officers or to weaken the position of the territorial commanders; and (d) attempted to keep the army divided on the question of organization. However, these efforts have not overcome the predominantly anti-Communist sentiments of the army, nor do they appear to have weakened seriously the position of the territorial forces and their commanders. In any event, Communist efforts to exert influence over the army by whatever means available is likely to continue. The Communists are likely to make special efforts in the Djakarta area where control of the armed forces is likely to be the de-

cisive factor in control of the government in the event of an armed coup.

25. In addition to attempts to exert influence over the army, the Communists have made several efforts to arm PERBEPESI, its veterans front. Iwa, who has power under the Defense Act to arm "volunteer" or citizens groups, has been associated with this effort and has sought to rationalize the move as the creation of an "election guard." The government has so far resisted this tactic, but Communist efforts to arm PERBEPESI will probably continue.

26. The difficulty of distinguishing between Communists and leftists or naive Indonesian nationalists, prevents an accurate assessment of the extent of Communist infiltration and strength in the present Indonesian government. In parliament, the PKI exercises some control over legislation by virtue of the fact that its vote is critical to the continuance in power of the PNI-led coalition. However, this control is limited by the fact that the PKI is unwilling to destroy its present favorable position, either by voting against the government or by forcing the government to sponsor legislation which might cause the more conservative factions to leave the coalition and thus bring the government down. The PKI is not represented in the cabinet although Defense Minister Iwa has generally pursued policies favorable to the Communists. To a lesser degree both Labor Minister S. M. Abidin and Justice Minister Djody are suspect. A few other ministers, thought to be fellow-travelers when the Ali government was formed, have followed generally moderate policies. We believe that Communist influence is exerted at the cabinet level with considerable persistence through Defense Minister Iwa, and may also be felt through other ministers from time to time; however, it still does not dominate the policies of the cabinet. Communist influence in the bureaucracy has been increasing, and we believe the Communists occupy some key positions.

27. The PKI is forced to limit and conceal its contacts with the large overseas Chinese community because of Indonesian envy and dislike of the local Chinese, the PKI's pose as a nationalist party, and fear among the Indo-

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nesian elite of a powerful China. For doctrinaire reasons, however, the PKI must publicly praise the new China and Mao, thus placing the PKI in a dilemma which anti-Communist forces are only beginning to exploit. It is likely that Communists in the Chinese community provide some financial assistance to the PKI, but they are unlikely to collaborate openly. Should the Chinese community as a whole take a public position in support of the PKI, the indigenous Communist movement would probably suffer a significant loss in native support.

28. Despite the increase in Communist strength and influence, the PKI does not now have the capability of gaining and retaining control of the government. Its organization remains embryonic at the local level in much of the country, and its armed strength is insufficient to carry out a *coup*. However, in view of the PKI's highly disciplined preparation for the elections and the evident lack of preparation on the part of some other parties, significant gains in the PKI parliamentary strength are likely following elections.

Foreign Relations

29. The objective of Indonesian foreign policy continues to be complete independence from foreign political and economic influence and noninvolvement in the East-West struggle. Thus the Ali government is concerned that acceptance of US aid in the absence of some comparable relation with the Soviet Bloc would give the appearance of pro-Western orientation. Indonesia continues to be critical of the US, particularly of US efforts to develop a strong bloc of non-Communist Asian countries. However, US technical aid has been well received, and a majority of Indonesian leaders probably desires additional US aid under conditions not considered to be adverse to their national interests.

30. Indonesia recognized Communist China in 1950, and relations over the past year have centered around Indonesian efforts to negotiate an agreement ending the dual nationality of the two million overseas Chinese in Indonesia. The Indonesian government apparently believes the prospects for a favorable

outcome of these negotiations are good. A trade agreement totalling \$16,000,000 was concluded with Communist China in 1954, but the government still professes adherence to the UN ban on the shipment of strategic materials to mainland China. Indonesia exchanged ambassadors with the USSR during 1954 and negotiated or renewed trade agreements with several Bloc countries. So far, trade agreements with the USSR and the European Satellites appear to have been of little practical economic value. During the first half of 1954, imports from Communist areas were at the annual rate of \$9.4 million, or roughly 1.5 percent of total imports. Exports to these areas have declined from 1.5 percent of total exports in 1952 to about .05 percent in 1954.

31. Although the Dutch agreed recently to the dissolution of the Netherlands-Indonesian Union and to the abrogation of certain agreements relating to defense and economic relations, Indonesian relations with the Netherlands remain strained. The principal immediate causes are the Dutch refusal even to discuss the future status of Irian (Western New Guinea) and Indonesian suspicion of Dutch intentions and actions in Indonesia.

32. Indonesia's relations with Japan remain strained because of Japan's reluctance to consider Indonesia's large reparations demands and because of Indonesia's failure to meet its obligations to Japan resulting from a heavy trade deficit. Indonesia receives most of its textiles from Japan and exports rubber, bauxite, and petroleum to that country. Japan could be a source for considerable investment capital and for technical assistance. Relations are unlikely to improve, however, until the touchy political issue of reparations is finally settled.

33. Indonesia's interest in Asian regional cooperation has increased. Indonesia is one of the Colombo Powers and initiated the Afro-Asian Conference, scheduled for 18-24 April 1955. The government apparently hopes to enhance its domestic and international prestige by acting as host for the conference and also, perhaps, to gain support for its claim to Western New Guinea. Although Indonesia

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appears to follow Nehru's neutralist policies, and relations with India are cordial, the Indonesians do not necessarily follow India's lead in foreign affairs.

Security Situation

34. Indonesia's greatest internal security problem stems from non-Communist dissident activity based on religious or regional interests. There are approximately 35,000 guerrillas active in Indonesia. An estimated 6,000 were eliminated in 1954. Despite army weaknesses and government inaction, the territorial commanders and the Mobile Police Brigade of 18,000 have made some progress in restricting the area of operations of Darul Islam (a fanatic Moslem organization) in West Java, and the operations of the Atjehnese (a group opposed to Javanese rule) in North Sumatra. The army has dealt less effectively with dissidents in South Celebes although they appear to have been contained. There have been no new outbreaks of dissidence during the past year. While the presence of dissident groups in Indonesia presents an opportunity for the Communists to fish in troubled waters, there has been no indication that the Communists have succeeded in associating themselves with or have profited directly from dissident activities.

35. Despite some improvements, the Indonesian Army remains relatively poorly equipped and trained, and weakened by factionalism and political intervention. Against a modern attacking force, the army with a strength of 180,000 would be capable only of guerrilla harassing tactics. The loyalty of at least 10 of its 125 infantry battalions is in doubt because of sympathy either with one of the dissident groups or with the Communist Party.

36. The Indonesian Navy, with a total personnel strength of about 10,000, is not an effective defense force, and its capabilities are limited to antismuggling operations. Communist activities and infiltration in the navy are believed to be slight.

37. The Indonesian Air Force, with a personnel strength of 17,000 and 200 obsolete piston aircraft, less than half of which can be operat-

ed at any one time, has demonstrated a fair capability to operate against small dissident guerrilla concentrations. The development of an effective air force continues to be hampered by a general shortage of supplies and technical assistance, although the latter deficiency may be slightly alleviated in 1955 through the implementation of a training agreement with India. The air force commander is a supporter of Iwa.

Economic Situation

38. Indonesia, although rich in natural resources, has one of the lowest per capita income levels in the Far East. The national economy is heavily dependent on exports of tin, rubber, oil, and agricultural products which are vulnerable to world market fluctuations. The small increase in national income since World War II has been almost entirely absorbed by population growth. The bulk of the population of some 80 million continues to have little better than a subsistence standard of living.

39. Despite the fundamental problems which exist in the Indonesian economy, as in most underdeveloped economies, widespread economic discontent does not exist. Smallholder agriculture occupies about three-fourths of the labor force and produces virtually enough rice to make the country self-sufficient in this basic element of the Indonesian diet. On the other hand, Indonesian economic stability continues to be threatened by a precarious balance-of-payments position and lack of resources for financing normal government internal operations, both of which factors contribute to inflationary pressures. Indonesia is caught between dependence on the export of primary products, the earnings from which can be expected to increase only moderately under normal market conditions, and increased import demands generated by the needs of the urban population and by development projects. The low level of domestic capital formation and the absence of a flow of international investment, has caused the government to resort to deficit financing to meet even its modest development and other budgetary requirements.

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40. The Indonesian banking system is poorly developed, has limited resources, and is so far unable to control the volume or composition of credit. The resources of foreign banks are committed primarily to short-term trade credits. Government pawn shops and Chinese money lenders with their very high rates of interest are the major sources of necessary temporary rural and urban credit.

41. The Ali government, like its predecessors, has concentrated on stop-gap economic measures designed to meet immediate difficulties. Stringent import restrictions on consumer goods, although tending to increase inflationary conditions, have checked the fall of foreign exchange reserves. The budgetary deficit in 1954 was held to approximately the 1953 level. Some progress has been made toward planning for self-sufficiency in food. The government has been attempting to obtain long-term credits from foreign governments to cover imports of capital goods for industrial and economic development. The credits that have been confirmed total considerably less than the \$88 million claimed by the Indonesian government, and the Indonesians have been slow in drafting project proposals that would satisfy the creditor nations.

42. All Indonesian leaders are agreed on the need for economic development. However, the possibilities for mobilizing domestic resources for investment are limited because the margin between production and consumption is narrow and uncertain, and capital which is available must for the most part be devoted to maintenance of existing facilities. Moreover, Indonesia's ability to use capital if it were available is limited by its lack of trained administrators and technicians. Furthermore, Indonesia has been handicapped by political instability, internal insecurity, and incomplete rehabilitation following the Japanese occupation and the Indonesian revolution.

43. Indonesia has a strong antipathy towards private foreign capital and is suspicious of grant aid from foreign governments. Many Indonesian leaders view the operations of foreign capital as inevitably exploitative unless

closely checked, and in consequence foreign investors have been the object of a continuous campaign to limit their economic influence and their profits. Restrictive regulations have been largely directed toward Dutch-controlled enterprises, which represent the bulk of foreign investment in Indonesia. American petroleum interests, through negotiation with the government, have received sufficiently favorable terms so that they are embarking on very substantial investment programs involving expansion of production and refining facilities. Even if all impediments were removed, it is unlikely that Indonesia would be able to compete — except in the high-profit exploitative industries — with other areas, particularly North America, in attracting large-scale, long-term private investment. In the prewar period such investment was a major factor in economic development, notably in estate agriculture.

44. All Indonesians are agreed that foreign aid should be refused if it imposes any restrictions on Indonesian sovereignty or freedom of action. In general, grant aid offered by any country to Indonesia is suspect because of its political implications. On the other hand, Indonesia is apparently receptive to large-scale technical assistance, to economic aid under UN and regional auspices, and, as evidenced by recent developments, to loans from Western sources.

45. At present, Indonesia has no comprehensive plan for economic expansion, even though several partial plans for industrial and agricultural development have been publicized since World War II. These incomplete programs fail to grasp the dimensions of Indonesian requirements: they gloss over engineering and economic considerations, and are usually distorted in the direction of narrowly nationalistic considerations. Under present circumstances, government investment consists of isolated projects frequently undertaken solely on political grounds and often abandoned because of unforeseen contingencies. Their effective implementation is further hampered by corruption and administrative ineptitude at virtually every level of government. Government investments are the

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source of almost half of Indonesia's gross investment and are likely to be the most important element in future development, given the low availabilities of domestic and foreign private capital and Indonesian policies toward foreign aid. The compulsion to act has been minimized because the economy has expanded sufficiently to maintain the consumption levels of the largely peasant population, and economic conditions have not yet caused popular unrest.

46. Indonesia's short-term economic prospects are poor. Indonesia may decrease its foreign exchange deficits somewhat in 1955, but foreign exchange holdings will remain at dangerously low levels. Deficit financing and import restrictions will continue to increase inflationary pressures. Large numbers of urban dwellers and government employees with fixed incomes may suffer a significant decline in real income. Nevertheless, in view of the fact that adequate supplies of food and imported textiles will be available, economic unrest probably will not reach a level affecting the political situation in 1955.

47. In conclusion, Indonesia probably has the resources to attain a stable and expanding economy in the long run, but the exploitation of these resources will probably be further delayed so long as political instability and insecurity exist and foreign capital or grant aid is discouraged. In these circumstances, the Indonesian economy is likely to remain in a precarious position for some time. The principal saving factor in this situation will be the likely steady increase in domestic food production to match population growth.

II. PROBABLE DEVELOPMENTS

THROUGH 1955

48. The Ali government probably will retain PKI support and remain in power until the elections unless the opposition concludes that the government is likely to succeed in rigging the elections or in attempting to delay elections beyond 1955 for partisan reasons. With interest centered on election preparations, the Ali government is unlikely to make any significant changes in its domestic policies.

The government will continue to solicit parliamentary support from the Communists, and government policies will continue to provide opportunities for further increases in Communist strength and influence. Open attacks on the position of army leaders who oppose Defense Minister Iwa's policies are unlikely. However, Iwa will probably continue his efforts to fill command and staff positions with his own appointees.

49. Indonesia's foreign policies are unlikely to undergo any change. Efforts will probably be made, particularly during the Afro-Asian Conference, to further the campaign for Western New Guinea and to enhance Indonesian prestige among the Arab-Asian nations. Indonesia is unlikely to attempt to expand trade relations with the Soviet Satellites and Communist China so long as good rubber prices hold in world markets. Relations with Communist China might be impaired if Communist China fails to agree to a satisfactory solution of the problem of dual nationality of overseas Chinese.

50. Indonesia will undoubtedly continue to show interest in the continuation and possible expansion of US technical assistance. In general, conditions for foreign investment are likely to remain unfavorable, although it is possible that companies willing to adjust to local factors, as have some American enterprises, may find advantageous investment opportunities.

51. *National Elections.* Commitments of party and government leaders, the desires of the small government parties, moral compulsion, and the possibility of civil strife if elections are unduly delayed again, make the chances somewhat better than even that elections will be held this year. There is some evidence that the PNI is attempting to manipulate the election machinery to favor its cause.

52. Provided the elections are held in 1955 and are reasonably honest and within the framework of the present law, three major parties will probably emerge. The Masjumi will probably win the most seats. The PNI's popular following is unknown and possibly

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smaller than claimed, but with the advantages of its government position it will probably rank second, followed closely by the Communist Party. Three moderate-sized parties — the Socialist PSI, Moslem NU, and conservative Greater Indonesian Association (PIR) — are likely to emerge from such an election. Few of the smaller parties are likely to survive because of the character of the electoral system that will be used.

53. Following the elections, an anti-Communist government headed by the Masjumi probably will be formed. Should the Masjumi lack a majority, it probably would be able to form a coalition government including the PSI. Should the Masjumi's plurality be small, the PNI and PKI might be able to form a government. On the other hand, in this situation the right wing of the PNI might refuse to enter another coalition with the PKI and might instead agree to participate with the Masjumi in a coalition government, or at least to support the Masjumi in parliament.

54. Should the Masjumi form a government, either alone or in coalition, considerable restrictions would probably be placed on Communist activity. Such a government, though not pro-Western, would probably lean toward the West and might seek aid for economic development. Foreign investment might be encouraged, and domestic economic and fiscal policies would probably be more conservative. Officials with greater technical competence would probably direct government affairs. However, the extent to which such a government could depart from the position of the extreme nationalists would depend on the strength of its parliamentary position.

55. The use of force to overthrow the government appears unlikely during the period of this estimate. However, such action might take place if the PNI made a determined effort to postpone the elections or if it became obvious that the PNI was rigging the elections. Abrupt government efforts to remove the territorial commanders who oppose Iwa's policies, unlikely at the present, might also result in forceful counteraction. In either case, if the political opposition and the opposition army leaders acted in concert, the government would probably be overthrown. Even if successful, however, the resort to armed action probably would result in continued unrest and disunity throughout Indonesia. For this reason and because of a widespread dislike of forceful methods, a decision to use force would be taken only if there existed an urgent sense of national crisis among opposition leaders.

56. A Communist attempt to take over the government by force is unlikely in 1955. Should the Masjumi come to power either through elections or by force, it is possible that the Communists would attempt to harass the government by causing economic disruption through their control of SOBSI. They could also adopt terroristic tactics and seriously disrupt economic and administrative activities in several important areas. But they do not yet have, and are unlikely to develop in 1955, a paramilitary force strong enough either to take over the government or to seize and maintain effective control of large and important areas in Indonesia.

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APPENDIX A

LAND AND PEOPLE

1. The 2,000 islands of the Republic of Indonesia extend over 3,200 miles from east to west and about 1,500 miles from north to south. The island of Java contains two-thirds of the 80 million Indonesians and is the center of Indonesian political and cultural life.

2. The "outer islands," however, are very important to Indonesia's economy since they yield most of the internationally prized strategic raw materials: Borneo and Sumatra have the richest oil wells in all of Eastern Asia; tin mines are located on the small islands of Bangka and Billiton near Sumatra's east coast, and the largest Indonesian rubber plantations are in Sumatra. Moreover, these relatively underpopulated and underdeveloped islands, vast portions of which are still under heavy forest cover, hold out promise for Java's crucial problem of overpopulation. Java's reserves of arable land are virtually exhausted, and the very small average landholdings are becoming increasingly smaller by progressive splitting.

3. Indonesia is a conglomerate of numerous ethnically related groups, each varying in language, temperament, social organization, and material culture. Though the great majority of the population is Moslem, the Hindu religion is strong in Bali; animistic beliefs prevail in the wilds of Borneo, and there are important Christian areas in Ambon and Flores in East Indonesia and in parts of Java and Sumatra.

4. Despite this great diversity, there are important unifying factors which help to wield these peoples together. To the majority, the Mohammedan religion provides a common code of ethics, family law, and religious ritual behavior. Common historical experience was gained under a strong, centralized Netherlands Indies Government. The centralized

national Indonesian government headed by a president whose popularity is widespread continues this cohesive effect. Symbolic of national unity is development of a national language which is based on Malay. Finally, despite a strong ethnic self-consciousness in various tribal groups, there is a bond of common Malaysian ancestral stock. Only in the eastern end of the archipelago, in the islands dotting the ocean between Flores and New Guinea, does this prevalent Indonesian type begin to give way to the darker, stockier, and frizzy-haired Melanesian type.

5. The vast majority of Indonesians are illiterate and engaged in agrarian pursuits, either on village land or on large foreign-owned estates. The villages in which most live are small closed worlds, and the news and rumors exchanged in the market towns and the liaison between the head of the village and the district or subdistrict authorities, constitute the principal links to the outside. In a rural atmosphere geared to the slow, steady rhythm of long-embedded cultural traditions the average Indonesian probably thinks and acts solely on the basis of beliefs and attitudes absorbed during childhood in his native village. The guiding principle of Indonesian village life is "mutual assistance" or "cooperation," and the village is an organized whole including the lands, irrespective of individual or communal rights to them or their utilization. There is little room in village society for the competitive, acquisitive individual. The habitual inertia of village life is partly responsible for the complacent and largely unresisting nature of the Indonesian rural community.

6. Indonesian wage labor, drawn from the peasantry, still occupies a relatively minor role in the country's economy. Of the estimated 4.3 million wage earners, over one-third are engaged in estate agriculture, which is often a seasonal occupation, and many

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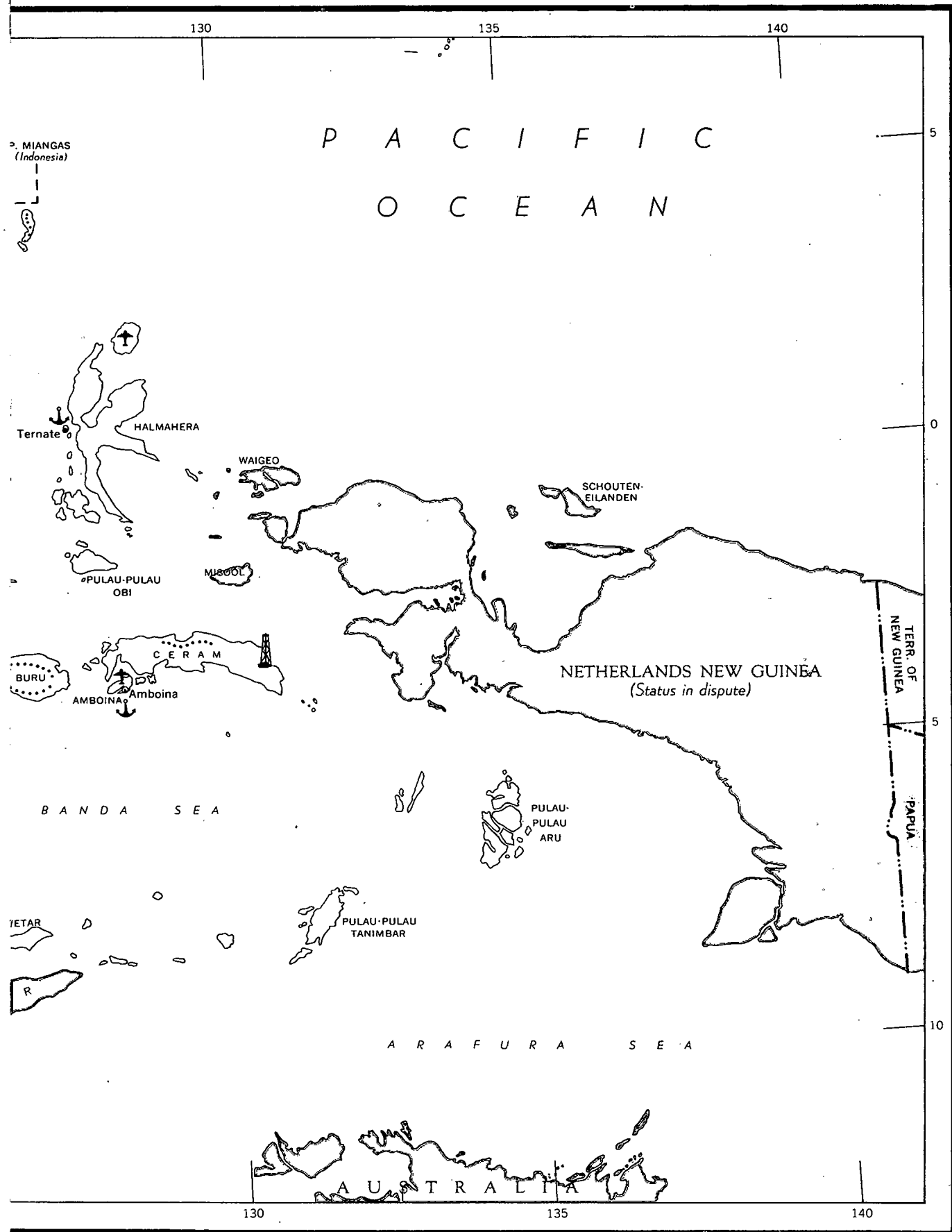
workers retain firm bonds with their native villages. The rest are employed in a variety of manufacturing and mining enterprises, in the communications and transportation systems, and in other services.

7. Since the country gained its independence, a middle class has begun to develop. It remains relatively small, however, and exerts little influence.

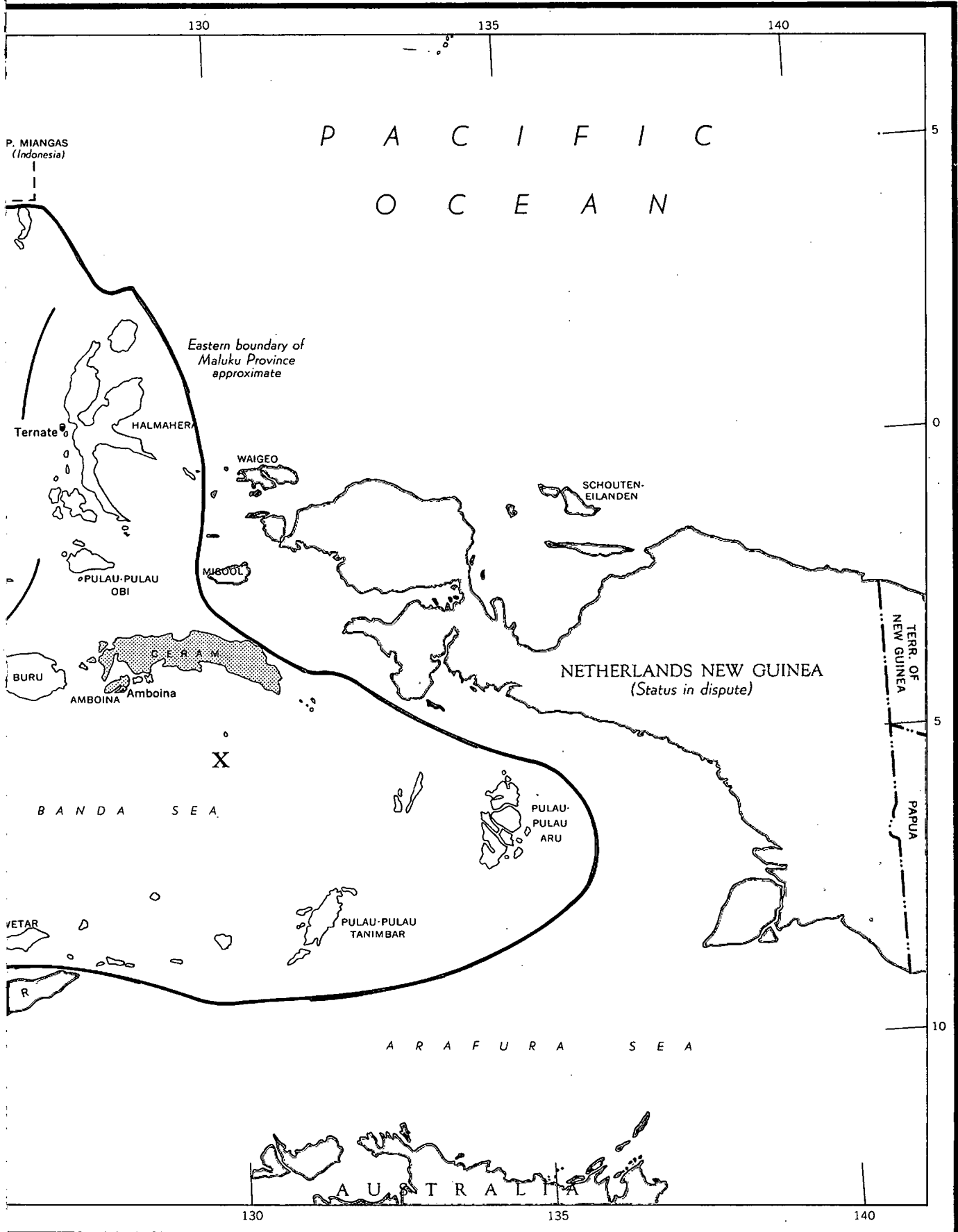
8. The present leaders are drawn from the small group of political intelligentsia, who spearheaded the fight for freedom. It will re-

main the most important class in Indonesia and will most likely supply the country's leaders for some time to come. Most of these men have embraced "Western" concepts of government and are acutely conscious of the enormous gap between their own thinking and that of the average Indonesian. Their efforts to create a viable economy and an improved social order are handicapped meanwhile by unstable internal political conditions, lack of trained technicians and administrators, and the absence in many leaders of a highly developed sense of civic responsibility.

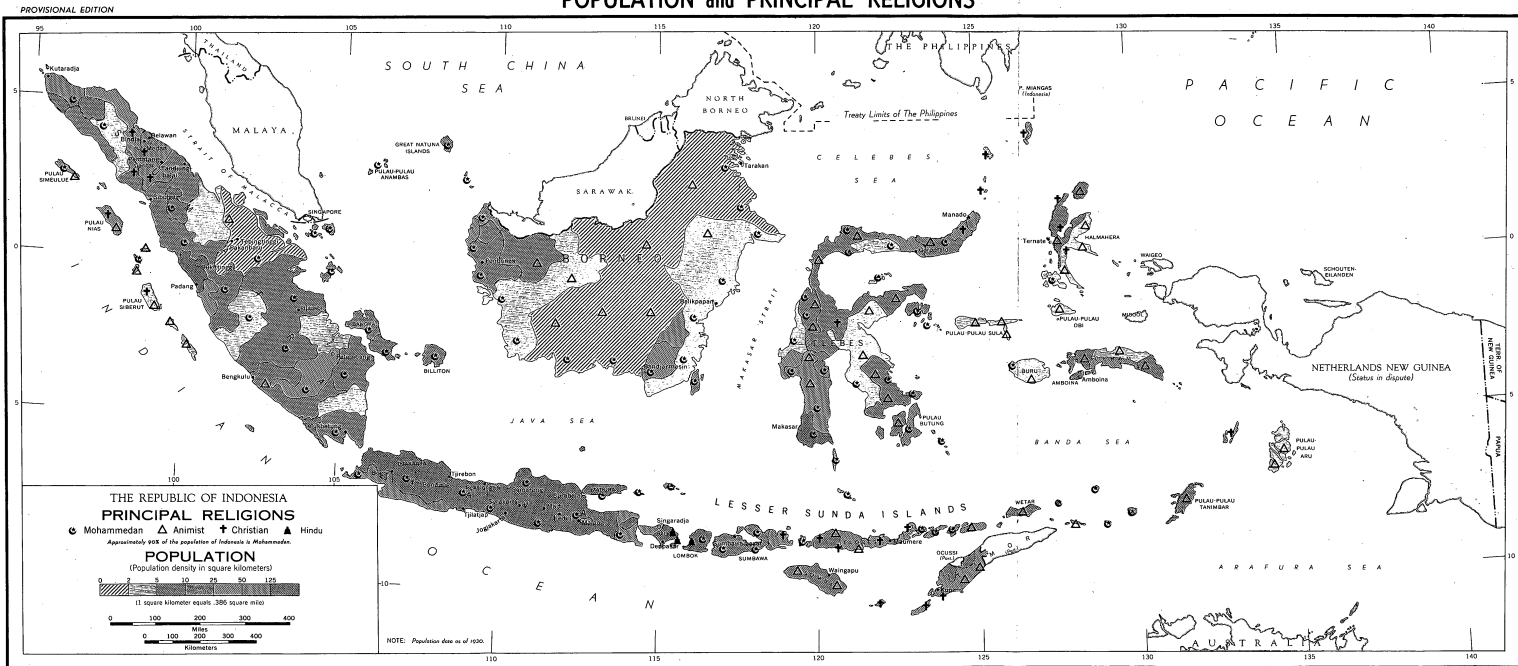
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POPULATION and PRINCIPAL RELIGIONS



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