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NSC BRIEFING

15 July 1954

INDONESIA

I. Ali cabinet appears fairly secure for present.

A. Of two small parties, one has reversed earlier decision to withdraw support. Other still on fence.

1. Even if both out, Ali might survive by relying on Communists.

2. Sukarno wants keep present setup.

B. By reassignment of parliamentary seats, P.N.I., leading government, now has four more than Masjumi, leading opposition.

C. Deteriorating economy not yet political issue.

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1. Main sufferers are politically powerless Chinese and Europeans.

2. Opposition reluctant to take over economic mess.

II. Ali's confidence probably factor in timing of apparent decision to ship rubber China. Polish vessel in Djakarta since 1 July.

A. Documents on rubber loaded indicate China destination: shipment believed 6000 tons.

B. Loading halted after 250 tons on board; govt decision possibly not firm.

C. National Party, Communists have long advocated non-observance UN rubber embargo.

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1. In past, indications  
Indonesia had trouble  
making deal with Peiping.
2. Ceylon rubber meets  
China's strategic needs;  
purchase from Indo possibly  
designed to strain US-Indo  
relations.

D. Indo view of world alignment  
may also be factor in decision:  
Ali recently said "balance of  
power in world seems to be  
shifting to new position."

E. Ali did not admit shipment to  
our ambassador, but hoped no  
application of Battle Act.

1. Said, anyway, US aid too  
small to be missed.

III. Indo world's largest natural rubber  
producer.

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- A. Most Indo rubber produced by small holders rather than estates.
- B. Small holders important politically.
- C. Their rubber low-grade and Indos claim hard to market.
- D. But in demand on NY market.
  - 1. Importers note reduced availability; defaults by Indo firms.
    - a. Probably result Indo exchange, export restrictions.
    - b. Possibly, Indo letting accumulate for sale China.

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INDONESIA: PARLIAMENTARY REPRESENTATION--14 July 1954 (223 active members)

<u>Govt parties</u>		<u>Opposition</u>	
National Party (PNI)	43	Masjumi	39
Gr. Indo Assoc (PIR)	18	Socialists	15
Natl people's party (PRN)	8	Demokrats	13
Nahdlatul Ulama (NU)	7	Catholic	8
Labor	5	Christian	5
Islamic League (PSII)	4	TOTAL	<u>80</u>
Party of Gr Indo (Parindra)	6		
Popular Party (SKI)	3		
*Farmers' Corps (BTI)	3		
*Progressive Faction	8		
TOTAL	<u>105</u>		
<u>Communist Bloc (supports govt)</u>		Non-Party	16
Communist Party (PKI)	16	(Split approximately 8-8 between govt	
SOBSI (labor fed)	2	and opposition)	
Murba	<u>4</u>		
TOTAL	<u>22</u>		
Govt parties	105	Opposition	80
Comm bloc	22	Non-Party	<u>8</u>
Non-party	<u>8</u>	88	opposition votes
	135		
	government votes		

\*votes with Communist bloc