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# **Downturn in Indonesian-US Relations: Perceptions and Implications**

**An Intelligence Memorandum**

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**Downturn in Indonesian-US  
Relations: Perceptions  
and Implications** 

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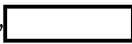
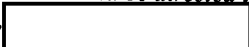
**Summary**

Indonesian-US relations have deteriorated sharply over the past year after a series of US policy decisions on ship transit, rice sales, and military aid that Jakarta believes did not take into account Indonesian sensitivities. The Indonesians have long considered their relationship with the United States a special one, and the Suharto regime has nurtured good relations with Washington despite Jakarta's nonaligned foreign policy.

Even at the height of anti-Americanism under former President Sukarno, some technocrats and members of the military quietly maintained their American contacts. Jakarta now fears that the special relationship is eroding, and Indonesian military leaders are taking steps to signal Washington that it cannot take Indonesia for granted. Indonesia's capacity to retaliate is severely limited, but the personal good will that has characterized US-Indonesian relations is in jeopardy.



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*This memorandum was prepared by  of the East Asia-Pacific Division, Office of Political Analysis. It was coordinated with the National Intelligence Officer for East Asia, the Office of Economic Research, and the Office of Strategic Research. Information available as of 14 August 1980 was used in its preparation. Comments and queries are welcome and should be directed to the Chief, Southeast Asia Branch, East Asia-Pacific Division, *

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[Redacted]

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**Downturn in Indonesian-US Relations: Perceptions and Implications** [Redacted]

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Recent US policy decisions regarding ship transit, rice sales, and military aid have raised doubts in Jakarta about the nature of the US commitment. US friendship and assistance to Indonesia have been key factors in the Suharto government's success. Indonesia, which believes superpower rivalry in Southeast Asia is growing, fears that Washington is abandoning support just when it is needed most to assure stability in the region. [Redacted]

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Domestic concerns, particularly the elections in which Suharto will seek a fourth term, have heightened the significance Suharto attaches to US support. He believes his regime must survive into the late 1980s to prove the appropriateness of his strategy for achieving economic and political stability. Although the government-controlled party does not face a parliamentary election until 1982 and Suharto's term lasts until 1983, the highest levels of the government have an almost obsessive preoccupation with the election process. As a result, domestic and foreign issues that might otherwise be merely troublesome are seen as pitfalls, and potential weaknesses assume a sharper focus. [Redacted]

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**Warship Transit**

The most serious affront to Indonesian national pride was the US decision last May that it would no longer provide notification of the passage of warships through Indonesian waters—revoking a courtesy begun in the early 1970s. Jakarta reacted with the unprecedented step of presenting a diplomatic note to the US State Department on 13 June that clearly signaled Indonesia's consternation and disappointment over the decision. The

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[Redacted]

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The US decision struck at the heart of Jakarta's claim of sovereignty over all the waters encompassed by the Indonesian archipelago. [Redacted]

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[Redacted]

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[Redacted] sees the US reversal on ship transit notifications as a rebuff to Indonesian efforts to get the archipelagic principle accepted in international law. The Indonesians have pointedly reminded Washington that its new policy provides justification for Soviet warships to transit Indonesian waters just as freely and secretly. [Redacted]

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The Indonesian Navy has an extremely limited patrol and surveillance capacity, primarily because economic development has taken precedence since 1965 over improving defense capabilities. This policy is gradually changing, however, stimulated by the Communist victories in Indochina in 1975 and the subsequent growth of the Soviet naval presence in the area. [redacted]

The dispute over notification has been kept out of the controlled Indonesian press, but [redacted] if made public, could be used by the radical nationalists and fanatical Muslims to arouse xenophobic hysteria to the detriment of the Suharto regime as well as the Americans. [redacted] any disturbance in the stability of Indonesia would redound against US policy interests in Southeast Asia. [redacted]

### Rice Supplies

The ship transit decision came when Jakarta was just recovering from its dismay over adverse US policies regarding another hallowed Indonesian priority—rice. Even though its rice production may exceed a record 18 million tons this year, Indonesia is the world's largest rice importer, purchasing almost 3 million tons annually to feed its rapidly growing population of nearly 150 million. The government equates rice supplies with political stability and is already preparing to obtain sufficient rice stocks to prevent the possibility of embarrassing shortages during the national election campaign. Although elections are two years away, the Indonesians are determined to assure a huge stockpile [redacted]

Early this year the United States informed Indonesia that in 1981, the PL-480 assistance program, which provides part of Jakarta's rice imports, would drop from \$100 million to zero. The Indonesians subsequently discovered that Washington also was pressing Japan to limit its sales of rice at concessionary prices to Indonesia. Jakarta's technocrats, most of them US-trained and longstanding friends, complained bitterly about this apparent double blow—a unilateral cutoff of cheap rice, coupled with pressure on another US ally to limit sales—in an area where Indonesia is vulnerable. The technocrats pointed out that Indonesia is a good customer, buying commercially some \$200 million of food from the United States in 1979 in addition to the \$100 million at concessionary prices. [redacted]

Although PL-480 aid eventually was restored to \$50 million and US pressure on the Japanese ceased, the political damage had been done. Although Indonesians profess to understand US budgetary problems, they are miffed by what they see as US insensitivity to a crucial Indonesian political issue. The technocrats reportedly have instructed their government buyers not to purchase US commercial rice this year. [redacted]

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**Military Assistance**

Jakarta considers US military assistance a barometer of US good will. The Indonesians do not want a security treaty with the United States, but they want assistance. They believe they had personal assurances from Vice President Mondale when he visited Suharto in May 1978 that Washington would provide adequate military support. They therefore interpret recent reductions in military credits and military training programs as a betrayal of the symbolic links forged between Southeast Asia and the United States. Indonesia sees itself as the major partner in the Association of Southeast Asian Nations and as the only one whose armed forces could rival Vietnam's. The Indonesian Armed Forces, however, are ill equipped with a conglomeration of obsolete, mostly Soviet, arms and have poorly trained personnel. Last year, Jakarta embarked on a major program to reequip and revitalize its military. [redacted]

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[redacted]. The Indonesian Government already may have decided to ask Washington to withdraw US military advisers assigned to Indonesian military headquarters. The warning, while reflecting the depth of Indonesian feeling, serves as a bargaining chip in seeking a restoration of cuts in military aid. The Indonesian military, which prefers US equipment, still keenly wants to maintain its military supply links with the United States. Most of Indonesia's military leaders were trained in the United States and influenced by US military doctrine. For a variety of reasons, including cheap prices, the Indonesians buy military equipment worldwide, but they would prefer a steady supply of US arms, planes, and ships. Indonesia also is a proponent of achieving standardization of arms among ASEAN states; the Philippines and Thailand are already US equipped. [redacted]

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**Consequences and Implications**

The Indonesians have little leverage and few options in seeking redress of their grievances with Washington. They want US trade, aid, investment, technology, and friendship. The relative importance of the United States as an influential aid donor has been declining in a financial sense and will decrease even more in the next few years. Indonesia's burgeoning wealth from oil revenues makes Jakarta increasingly able to buy goods and expertise. [redacted]

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Nevertheless, Indonesian officials attach symbolic significance to US assistance greatly out of proportion to its economic or security importance. Suharto believed he had achieved, through the Mondale visit, a relationship at an "intimate and special level." He is upset by the apparent crumbling of

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this perceived relationship and believes the blame lies in the inconsistency of US policy. [ ]

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The sense of betrayal is heightened because the Indonesians believe that they have supported US policy interests in international forums, backing US positions in the United Nations and often acting as backstage mediators for US interests. They have been supportive on Iran and Afghanistan and have espoused a moderate position on Third World issues, such as the North-South dialogue, and in OPEC. During the Vietnam refugee crisis, Indonesia acted with uncharacteristic swiftness to provide humanitarian support, despite limited resources. The Indonesians have responded to US initiatives on human rights by releasing tens of thousands of political prisoners over the past few years in an effort to counter Congressional criticism. They also have tried to comply with US pressure by allowing limited, but symbolic, foreign visits to assess conditions in East Timor, despite its sensitivity as a domestic problem [ ]

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Suharto's concern with what he sees as reduced US support is intensified because the reduction coincides with increasing criticism of his regime by a revitalized nationalistic opposition, which is looking for issues to exploit in the election campaign. Political pressure from such opponents and irritation with US policy could prompt Suharto to demonstrate his strength and self-reliance by striking at US interests in Indonesia and encouraging the xenophobia already displayed by some domestic news media. Suharto's government could retaliate by imposing tighter restrictions on US foreign investors, expelling press correspondents, assuming a more aggressive posture in OPEC, or stalling negotiations on pending capital investment projects. Suharto could also terminate US-Indonesian discussions on shipments of liquefied natural gas to the Pacific coast, for which negotiations have been under way since 1973. [ ]

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Indonesia is in a strategic position astride the major sea lanes linking the Pacific and Indian Oceans, and US military deployments depend on maintaining friendly relations with Indonesia to keep its straits open. Although unlikely, Suharto could create enormous difficulties for US strategic interests should he change his policy on overflights or unhindered passage of US ships. [ ]

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Suharto's unhappiness with recent US policy decisions has not reached the point where a revival of anti-Americanism is imminent. Nevertheless, he may decide to limit access to his government by US diplomatic, business, and military representatives; good personal relations between those representatives and their Indonesian counterparts have been a key to implementing US policy goals in Indonesia. Although such a move would be detrimental to Indonesia's long-term interests, it is a tactic the Indonesians

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have used before. It also would be popular among many elements of Indonesian society who are critical of Jakarta's close economic and foreign policy ties with foreign, particularly Western, governments [redacted]

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Deteriorating relations with the United States are unlikely to result in closer ties with the Soviets. Suharto and his military advisers are anti-Communists and distrust Moscow and its ambitions in Southeast Asia. The more likely response would be for the leadership to join a growing backlash against Western-style modernization by turning inward and succumbing to calls for more nationalistic policies. [redacted]

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