

JULY 25, 1969

PER YOUR REQUEST, THERE FOLLOWS THE MEMORANDUM FOR THE RECORD ON THE INDONESIAN MEETING OF JULY 2, 1969.

MEMORANDUM FOR THE RECORD

DOS Review Completed.

SUBJECT: MEETING ON INDONESIA -- JULY 2, 1969

PARTICIPANTS: GUY A. PAUKER, RAND CORPORATION
[redacted] CIA, OCI INDONESIAN ANALYST
HENRY A. KISSINGER
JOHN H. HOLDRIDGE
WILLIAM A. K. LAKE

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1. POLITICS

THE ARMY: PAUKER IDENTIFIED THREE GROUPS WITHIN THE ARMY: THE GROUP OF ANTI-COMMIIST, NATIONALIST YOUNG OFFICERS WHO PROVIDED SUHARTO'S EARLY BACKING, SOME REMAINING PRO-SUKARNO GENERALS AND A GROUP OF JAVANESE OFFICERS WHO ARE GENERALLY LESS ACTIVE, MORE CORRUPT AND MORE TRADITIONAL IN OUTLOOK THAN THE YOUNG NATIONALISTS. SUHARTO HAS BEEN DRAWING CLOSER TO THE JAVANESE OFFICERS RECENTLY -- HE SHARES THEIR JAVANESE RELATION AND THEIR FEAR OF MUSLIM ORTHODOXY. THIS TRADITIONAL JAVANESE FEAR OF THE MUSLIMS, WHO COMPRISE 45 PER CENT OF THE VOTERS, HELPS EXPLAIN THE HISTORY OF AND UNCERTAIN PROGNOSIS FOR ELECTIONS IN INDONESIA.

SUHARTO HAS BEEN MOVING SOME OF THE NATIONALIST ACTIVISTS AWAY FROM DJAKARTA AND INTO THE PROVINCES, NOT SO MUCH THROUGH FEAR OF THEM AS BECAUSE HE BELIEVES THEY CREATE DIVISIONS AND A COMPETITIVE SPIRIT WITHIN THE ARMY.

THE JAVANESE GENERALS ARE LESS FAVORABLE TO A FREE MARKET ECONOMY THAN THE YOUNG ECONOMISTS (MANY OF WHOM WERE TRAINED AT BERKELEY). THE ECONOMISTS ARE ALSO CLOSE TO SUHARTO. PAUKER BELIEVES THE DANGER IS THAT IF THE CURRENT ECONOMIC POLICY IS NOT SUCCESSFUL, THE JAVANESE GENERALS COULD GET SUHARTO TO MOVE TOWARD MORE STATE CONTROL. THE NEW FIVE-YEAR PLAN HAS JUST BEGUN, HOWEVER, AND THE RATE OF INFLATION HAS SLOWED AT LEAST TEMPORARILY TO FIVE PER CENT PER YEAR.

ON-FILE NSC RELEASE INSTRUCTIONS APPLY

2. PERSONALITIES

SUHARTO: PAUKER SAID THAT SUHARTO HAD NEVER INTENDED TO BE PRESIDENT, BUT HE TOOK CHARGE ON THE MORNING OF OCTOBER 1, 1965 AND APPOINTED HIMSELF COMMANDER OF THE ARMY. EVEN THEN, HE DEFERRED TO NASUTION ON POLITICAL MATTERS UNTIL FEBRUARY 1966 WHEN SUKARNO FIRED HSUTION. SALARTO GAINED THE ARMY'S SUPPORT BECAUSE OF HIS RECORD OF COMPETENCE.

SUHARTO IS STILL POPULAR BQR HIS PERSONAL INTEGRITY. HE LIVES IN A MODEST HOUSE AND IS A FAMILY MAN. ANOTHER ELEMENT IN HIS POPULARITY, HOWEVER, IS HIS TOLERANCE OF THE

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"WEAKNESSES" OF HIS COLLEAGUES.

FOREIGN MINISTER MALIK: LIKE THANAT IN THAILAND, MALIK IS A TECHNICIAN WITH NO PERSONAL POWER BASE. HE IS VERY BRIGHT AND WOULD LIKE TO LEAD A POLITICAL MOVEMENT, BUT WOULD NOT KNOW HOW. HE IS ANTI-COMMUNIST BUT ON GOOD RELATIONS WITH SOVIET DIPLOMATS.

SULTAN OF JOGJAKARTA: THE SULTAN IS HELD IN RELIGIOUS AWE BY ALL JAVANESE. HE HIMSELF, HOWEVER, TRIES TO BE INFORMAL IN HIS RELATIONS WITH HIS COUNTRYMEN. HE IS REPORTEDLY NOT TOO BRIGHT.

NASUTION: NASUTION HAS BEEN SHUNTED OFF TO A HIGH *BUT FAIRLY* MEANINGLESS POLITICAL JOB. HE PLAYED HAMLET AFTER THE 1965 COUP, AND THEREFORE GAVE WAY TO SUHARTO. NASUTION DID NOT GAIN THE SUPPORT OF THE JAVANESE GENERALS BECAUSE HE IS SUMATRAN, OF A DIFFERENT TEMPERAMENT, AND SOMETHING OF A PURITANICAL MARTINETTE.

3. POLITICAL SITUATION AND PROGNOSIS

PAUKER DESCRIBED THE PRESENT REGIME AS "A NON-FLAMBOYANT SUKARNO TYPE" GOVERNMENT. THE PARLIAMENT HAS THE POWER TO OBSTRUCT AND A LIMITED POWER TO LEGISLATE; THE PRESIDENT HAS SWEEPING POWERS. THE ALLOCATIONS OF SEATS IN THE PARLIAMENT WAS NEGOTIATED IN SUHARTO'S OFFICE. NEW ELECTIONS ARE SCHEDULED FOR 1971, BUT SOME DOUBT WAS EXPRESSED ABOUT WHETHER THEY WILL BE HELD AT THAT TIME.

THE POLITICAL PARTIES ARE NOT HAPPY WITH THE PRESENT SITUATION. THEIR EXCLUSION FROM THE GOVERNMENT MEANS THAT THEY CANNOT USE GOVERNMENT POSITIONS TO SELL LICENSES, ETC. (INDONESIA'S FOREIGN EXCHANGE EARNINGS ARE ONLY SEVERAL HUNDRED MILLION DOLLARS A YEAR. THEREFORE, THE "POT" IS RELATIVELY SMALL FOR THE ELITE GROUPS WHICH ARE TRYING TO GET THEIR CUT.) THE JAVANESE GENERALS, ON THE OTHER HAND, WANT THE ARMY BNQH TO STAY OUT OF PARTY POLITICS AND TO MAINTAIN POWER.

THE PARTICIPANTS AT THE MEETING AGREED THAT THE POLITICAL SITUATION WOULD STAY ABOUT THE SAME FOR THREE TO FIVE YEARS, BUT THAT THERE ARE DANGERS OF POLARIZATION. MANY OF THE PNI'S MEMBERS COULD BECOME RADICALIZED, WITH THE SUPPORT OF THE JAVANESE GENERALS. THEY WOULD NOT CALL THEMSELVES COMMUNISTS, BUT WOULD BE MORE XENOPHOBIC AND OPPOSED TO FREE ENTERPRISE. THE MUSLIMS, ON THE OTHER HAND, COULD PUSH STILL HARDER FOR A MUSLIM STATE IN INDONESIA.

4. ADMINISTRATION

THE TRANSLATION OF CENTRAL GOVERNMENT DIRECTIVES INTO LOCAL ACTION REMAINS VERY POOR. THE CIVIL SERVICE IS VASTLY OVERSTAFFED. THIS SITUATION DISCOURAGES INVESTORS.

ALTHOUGH THERE HAVE BEEN SOME ENCOURAGING ECONOMIC DEVELOPMENTS -- E.G., THE LOANS, THE SLOWED RATE OF INFLATION, ROADBUILDING, ETC. -- THERE HAS NOT BEEN REAL FORWARD PROGRESS AND UNEMPLOYMENT REMAINS VERY HIGH. MANY OF THE PEOPLE ARE RESTLESS IN AN INDONESIAN WAY -- THEY ARE VERY SUBDUED. IS MAJOR PROBLEM IS THAT NEW INVESTMENT IS IN EXTRACTIVE INDUSTRIES IN NON-JAVANESE AREAS. IT DOES NOT THEREFORE CREATE EMPLOYMENT IN JAVA.

POPULATION PRESSURES ARE GROWING, PARTICULARLY, OF COURSE, ON ARABLE LAND. ON THE BRIGHT SIDE, FOOD PRODUCTION IS INCREASING AND THE FOOD BATTLE COULD BE WON IF THE PEOPLE WILL ACCEPT

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FOOD THAT DOESN'T TASTE AS GOOD AS THAT TO WHICH THEY ARE ACCUSTOMED AND PROBLEMS OF DISTRIBUTION CAN BE LICKED.

THE NEW FIVE-YEAR PLAN IS HEAVILY DEPENDENT ON FOREIGN ASSISTANCE. IT MAY BE UNREALISTIC IN ITS PROJECTIONS ON DOMESTIC SAVINGS. INDONESIA'S ABILITY TO ABSORB MUCH GREATER AMOUNTS OF U.S. AID, HOWEVER, IS LIMITED.

IN SUM, IT WAS AGREED THAT THE ECONOMY IS STAGNATING OR MAKING SLIGHT PROGRESS, BUT THAT EVEN THIS IS AN ACCOMPLISHMENT.

6. FOREIGN POLICY

SUHARTO HAS TO RELY MORE ON THE WEST FOR AID THAN DID SUKARNO; HE CULTIVATES GOOD RELATIONS WITH US MORE BECAUSE OF THIS FACT THAN FROM IDEOLOGICAL AGREEMENT. THE INDONESIAN GOVERNMENT IS PREOCCUPIED WITH DOMESTIC AFFAIRS, AND WILL THEREFORE PROBABLY NOT UNDERTAKE ANY GREAT INTERNATIONAL ROLE IN THE NEXT FEW YEARS.

THE INDONESIANS BELIEVE THAT THEY SHOULD DOMINATE THE AREA, ALTHOUGH THEY DISCLAIM IMPERIALIST INTENTIONS. PAUKER SAID THAT THE INDONESIANS WOULD JOIN AN ASIAN ALLIANCE IF THEY LED IT; THEY ARE JEALOUS OF INDIA, HOWEVER, AND WOULD NOT JOIN AN ALLIANCE LED BY INDIANS. THEY WOULD BE CAUTIOUS ABOUT JOINING A SOVIET PACT. MALIK FEARS MILITARY ALLIANCES, AND WOULD PREFER A WEB OF BILATERAL RELATIONSHIPS ON WHICH HE COULD COUNT IN TIMES OF TROUBLE.

PAUKER DISPUTES THE VIEW THAT THE ARMY STOOD UP TO THE COMMUNISTS IN 1965 BECAUSE OF OUR COMMITMENT TO VIETNAM. HE SAID THAT THE INDONESIANS FIND THIS ARGUMENT OFFENSIVE. HE AGREES WITH THE ARGUMENT, HOWEVER, IN A BROADER SENSE. THE ARMY MIGHT HAVE GONE ALONG WITH THE COMMUNISTS IN THE EARLIER 1950'S, AFTER CHINA WENT COMMUNIST, IF THERE HAD BEEN NO SEVENTH FLEET IN THE AREA.

WITH REGARD TO VIETNAM, PAUKER NOTED THAT WHILE THE LEADERSHIP IS ANTI-COMMUNIST, IT HAS AMBIVALENT FEELINGS ABOUT THE NATIONAL LIBERATION FRONT AS THEY FEEL SOME EMPATHY TOWARDS A "LIBERATION GROUP." THE INDONESIANS WOULD NEVERTHELESS LIKE US TO SEE IT THROUGH IN VIETNAM, AND WILL EXPCESS THE HOPE DURING THE PRESIDENT'S VISIT THAT WE WILL AVOID PRECIPITATE WITHDRAWAL. THEY WILL BE WISHY-WASHY, HOWEVER, IN STATING ANY SUPPORT FOR OUR EFFORTS IN VIETNAM

THE KINSHIP BETWEEN THE MALAYS IN MALAYSIA AND THE INDONESIANS WAS NOTED. THERE WAS AN OMINOUS TONE TO REPORTS OF INDONESIAN OFFERS OF HELP TO THE MALAYSIAN GOVERNMENT DURING THE RECENT COMMUNAL RIOTS. LEE IN SINGAPORE HAS AN ALMOST PARANOIC FEAR OF AND CONTEMPT FOR INDONESIA. ON THE OTHER SIDE, THE INDONESIANS FEAR CHINESE SUBVERSION AND, PAUKER SAID, THE POSSIBILITY THAT THE CHINESE COULD GAIN CONTROL OF THE JAPANESE INDUSTRIAL BASE FOR THEIR OWN EVIL DESIGNS. PAUKER ALSO SUGGESTED THAT THE INDONESIAN ARMY COULD BE USEFUL IN COUNTER-INSURGENCY OPERATIONS IN THAILAND. THE INDONESIANS WOULD ALSO TAKE PART, HE SAID, IN A PEACE-KEEPING FORCE IN VIETNAM.

7. PRESIDENT'S VISIT

THE INDONESIANS WILL CIRCUITOUSLY SEEK ASSURANCES OF CONTINUED AID. THE ARMY WISHES CIVIC ACTION EQUIPMENT RATHER THAN MORE MILITARY EQUIPMENT; IT WILL NOT REQUIRE THE LATTER FOR FIVE MORE YEARS. THE PENTAGON'S POLICY IS TO PROVIDE THEM WITH EQUIPMENT TO USE IN HELPING THE POPULACE, IN ACCORDANCE WITH U.S. CIVIC ACTION DOCTRINE. THE INDONESIANS, ON THE OTHER HAND, WANT IT TO BUILD FACILITIES FOR THE ARMY -- FOOD STORAGE, HOUSING FOR THE TROOPS, ETC. PAUKER BELIEVES THAT WE

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SHOULD GIVE THE INDONESIANS WHAT THEY WANT. THE INDONESIAN AIR FORCE WANTS B-25'S AND B-26'S.

THERE ARE NO UNPLEASANT BILATERAL PROBLEMS BETWEEN US.

PAUKER SUGGESTED THAT WE ASK THE INDONESIANS -- PARTICULARLY THEIR MILITARY INTELLIGENCE CHIEF -- ABOUT THEIR COUNTER-INSURGENCY METHODS, ESPECIALLY PHOENIX-TYPE OPERATIONS. WE COULD LEARN FROM THEM IN THIS REGARD.

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