

GEHEIM

Aan
Harer Majesteits Buitengewoon
en Gevolmachtigd Ambassadeur
te
WASHINGTON

xxx Beleidszaken Indonesië/PL

11 januari 1960

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Ik heb de eer U hiernevens te Uwer kennisneming
afschrift aan te bieden van een tweetal aantekeningen be-
treffende gesprekken met Indonesische diplomaten, groten-
deels leden van de Indonesische missies in de V.S., die
mij vertrouwelijk ter hand zijn gesteld.

DE MINISTER VAN BUITENLANDSE ZAKEN,
Voor de Minister,
Het Hoofd Bureau Politieke Zaken Indonesië,

(Dr S.L. van der Wal)

*Ordringen van BPM
5-1-1960*

Foto-Btz. 192563

CONFIDENTIAL

December 12, 1959

According to (most confidential) information, discussions have been re-opened between Nasution and the PRRI regarding a negotiated settlement between the Central and the "Revolutionary" governments. I understand that Col. Kawilarang, strictly incognito, has been—or is—in Djakarta acting as one of the PRRI contacts.

During the past six months there have been several such attempts; however, according to present information the current negotiations hold a better chance for success. The army leadership apparently has become increasingly aware of the prospects of a drawn-out guerilla warfare, a condition which may continue almost endlessly (the official estimate of the "mopping-up period" now has been extended two and a half years!), while in the meantime the country is bleeding to death and communism expands.

If negotiations—which are reported to take place without the President's knowledge—would come to a successful conclusion, it is the intention to surprise Sukarno with a "fait accompli" while absent on his coming world tour.

It would seem, however, that if Sukarno's intelligence is what it is generally reported to be, he must be aware—or soon will be—of what is going on, causing him either to counteract these efforts, or realizing the morass into which he has led the country, he may look upon such "putsch" as a way out (provided it is certain that he will be maintained as head of state, which seems to be the intention). Then, would no good come of the Nasution-PRRI deal, Sukarno could put the blame on his "treacherous" Minister of Defense.

Sukarno must realize by now that his absorption of all powers of state has become somewhat of a fiasco and that the disintegration of the country has accelerated fast since August 17 last. It must dawn even on the President,

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unaccustomed as he is to deal with economic problems, that Indonesia's severely unbalanced budget is the principal cause of the country's current distress, whereas the gigantic expenses for the armed forces are mainly responsible for such unbalanced condition. Consequently, Sukarno well may be in a mood to welcome this "putsch".

In case Sukarno is—or will become—aware of current negotiations between Nasution and the PRRI, his considerations as to whether or not to allow Nasution to bring them to a successful conclusion, undoubtedly must take into account the position of trust and favor Nasution enjoys with the U. S. Government (ref. also Ambassador Mukarto's remarks in this respect, see my notes of October 20). The State Department has put its cards on Nasution as the best bulwark against communism making further strides in Indonesia, which decision has resulted in resumption of U. S. deliveries of military equipment, agricultural surplus commodities, loans, etc. Where would it leave Sukarno, and his Indonesia, if he were to liquidate Nasution?

Recently I had a few get-togethers with Ambassador Ali Sastroamidjojo (two-time Prime Minister of Indonesia), and Zain, Indonesia's Ambassador to Germany (W.). The latter was a delegate to the Indonesian Mission to the current U. N. General Assembly. Ali S.'s position with the PNI party is of course well known, and also Zain must be considered foremost among the party's bigwigs. Much pessimism as to Indonesia's immediate future was in the air during our various talks. It was clear that the attitude of both officials had become quite critical of their President and one-time bosom friend.

The Indonesian word "gila"—which means crazy—was often used when referring to recent measures and the current situation in Indonesia. Both gentlemen stressed the fact that the President now is entirely surrounded by

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yes-men (they particularly referred to Foreign Minister Subandrio and also to Djuanda in this respect), or by men of small calibre without any training or background for the jobs assigned to them. Little sound advice thus reaches Sukarno, who having assumed the job of Prime Minister as well, is in particular need of sound support, they said.

Both Ambassadors appeared greatly upset about the trend of things in Indonesia. Benefiting from their current surroundings where they receive more frank opinions and sounder advice than when in their home country, whereas they are daily exposed to criticism (friendly or other, but always enlightening) with regard to the course of events in Indonesia, the truism that a country which is economically sick is doomed politically, starts to dawn upon these men.

They also speak very bitterly about the suffocation or repression of the political parties in Indonesia, with Sukarno assuming dictatorial powers for all practical purposes. Ali S. has refused to give up his membership in the PNI party and, according to regulations, must therefore leave the Government service. His long-time friend Sukarno, however, has offered to make an exception for him which Ali S. has refused to accept. Ali S. now will return to Indonesia soon (in February), where he hopes to have a few sound talks with the President, whereas he sees as his immediate and urgent task to put some spirit back into his PNI-fellowmen, so that they no longer need be "party to their own funeral".*

Also Ali S.'s son—who graduated from the Washington University in political science and who had rapidly climbed the ladder of Luar Negeri (Ministry of Foreign Affairs)—has resigned from the service to dedicate himself to the cause of reviving the place of the political parties in Indonesia's political setup.

*The reader should not be surprised at the frankness of our discussions. For a great number of years I have been well acquainted with both gentlemen, particularly Ali S. whom I have known since our highschool days.

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In my notes of 28 August it was already stated that Ali S. quite well may consider Indonesia's ship sinking, believing it opportune not to be identified with it any longer.

When leaving in February, Ali S. will visit various countries of the Eastern, Western and neutral blocs. On his list are a. o. Hungary, Algeria, Morocco and Egypt.

Enclosed is a copy of the November issue of the PERI information bulletin edited in Geneva. The Macao bulletin is no longer published (presumably because of lack of funds), which is regrettable because it was the better of the two publications.

Whanganian BPH
5-1-1960

Foto-Btz. 192563 a

Confidential

December 21, 1959

When at the Indonesian embassy a few days ago, discussions ran high on the subject of the current friction between the Indonesian and Red Chinese governments.

As to the attitude in this dispute of the Chinese leaders, and of their officials in Indonesia*, opinions varied between "I told you so, one never can trust a Chinese" and a great disappointment in a "friend and fellow-Asian" whose claim to seat in the UN Indonesia had so faithfully supported.

Most officials had come to the conclusion, however, that it actually is to Indonesia's benefit that Red China had dropped her veil at this early stage, and had shown herself for what she really is: an Imperialist, acting with considerable insolence.

It is the latter fact, Minister Nugroho remarked, which impresses and frightens him most in this affair. The "haughty arrogance" with which Chinese officials, from the top down, are behaving themselves, no longer thinking it necessary to shroud their displeasure in a cloak of diplomatic niceties, openly "throwing away their Bandung card"**, does not spell much good as far as their strength and intentions are concerned.

As was pointed out by Nugroho, it would have been so easy for the Chinese to continue for some more years to throw sand in the eyes of the (gullible) Indonesians, or other Asians for that matter, while working hard—subversively—toward their ultimate goal: communist governments for these countries under Chinese domination. Why then, Nugroho wondered, do the Chinese think it no longer necessary to apply the silk-glove approach, and even show open contempt for the sovereign rights of their "Bandung allies and brethren"? A little more tact on the side of the Chinese, and in the eyes of Indonesia, India, etcetera, would have remained closed for a "comfortable" number of years more, it was observed,

Even President Sukarno's skin, so thick as far as China is con

*The latter openly incite the Chinese subjects living in Indonesia against the local government, while issuing orders going straight against the Indonesian, thus "ignoring the sovereignty of the host country", it was said.

**Expression used by THE ECONOMIST of December 12 in an article on the India/China feud.

cerned, appears to have been pierced by recent events. However, embassy officials thought it a great mistake on the part of Subandrio to have gone to Mao, "as if he was in a pleading position". I was told that Subandrio was treated by Peking with harshness and scorn and that he had left China greatly disillusioned and in a rather furious mood.

For the first time I heard embassy officials openly speculate about what really China's ambitions are and where its fast-growing strength will lead to in another 10 or 15 years.

I also was told of a report to Djakarta by the Indonesian ambassador to Peking, discussing the rather frigid reception given Khrushchev during his last visit to China. Also, that China no longer is fighting Taiwan with Russia's most modern military equipment. It was pointed out that Russia now seems inclined to distance herself to some degree from Red China, the fast-growing colossus on her eastside border, seeing to it that this "kid-brother" no longer is being given the most modern "toys" which in his hands may become a menace even to Russia. Viewing recent events in this light, Indonesia's ambassador to Peking would not be surprised if Khrushchev would move somewhat over to the West, although at this stage such tendency would be almost indiscernable.

Practically everyone at the embassy felt satisfaction over the fact that at last the position of power the Chinese in Indonesia hold over that country's economy, is being attacked*. Most of my spokesmen however doubted that their government will show sufficient stamina to continue until the goal has been fully reached. They pointed out that a similar move was started by the Philippine government about 6 years ago, but that such efforts had come to nought owing to lack of perseverance on the part of that government (when faced with strong protests) and also because of a liberal amount of bribing on the part of those threatened.

Those of my spokesmen who dared to talk openly about Sukarno, were scornful of the results obtained by their President/Prime Minister since the time he assumed full executive powers. Of the manifold agencies recently established by Sukarno, none has

* Few worry about the fact that no proper measures have been taken to take care of the vacuum created by the elimination of the Chinese middleman.

produced any impressive results. On the contrary, due to a certain amount of overlapping of tasks and also to a dire lack of experts, confusion is rampant.

Sumarno, Indonesia's representative to the IMP, mentioned that minister Saleh had withdrawn the mining and petroleum bills from parliament for his and the cabinet's re-consideration.

Sumarno while in Indonesia last month was requested (for the third time) to become president of the Bank Indonesia. As his beliefs in the monetary field have little in common with current Indonesian government thinking*, Sumarno is holding off as long as he can, pointing out that the second on the list of "available", Sutikno Slamet, at present is not fully employed**, whereas moreover a transfer of Sumarno, after only 1½ years of service with the Fund, would greatly inconvenience 8 other A-A countries which Sumarno also represents. If Sumarno's (mild) protestations are of no avail, he will leave for Djakarta in June.

Sumarno said that during the many contacts he had with Sukarno while in Djakarta, he had noticed that the President's "leadership" in the economic/business/industrial field is moving more and more in the direction of limited state capitalism; in fact, Sukarno's "experts" -- in their search for a "happy medium" between the Russian and American concepts -- are now studying the Yugoslav system in these specific fields. Sumarno therefore does not think it likely that the 2 abovementioned bills, when released by Saleh, will show any improvement upon their previous text; on the contrary, if the Sukarno-clique has not learned its lesson by the time these bills are finalized, their ultimate contents well may be much worse compared to the legislation previously submitted to Parliament.

Sumarno also mentioned the fact that Sukarno becomes increasingly pleased with the current cooperation on the part of the Japanese in the economic field. Three samples mentioned by Sumarno in this respect were the forestry, hotel, and petroleum exploitation (N.Sumatra) projects, all three falling under the \$400 million Indonesian/Japanese cooperation arrangement (not to be confused with the \$400 million war reparations). According to Sumarno, these three plans have been approved "in principle" by Indonesia. He therefore believes it to be rather definite that the often mentioned Japanese combine will handle the actual exploitation of the N.Sumatra fields for Permina, but some more

* Which latter is embodied by the views of Sukarno and his immediate palace-clique.

** S.S.'s position has been reduced to adviser to the ministry of Finance.

palavering may take place as to the exact terms of the loan agreement (the part of the output which is to go to Japan, price "discounts", etcetera).

As to the Exim Bank loans to Indonesia, the impasse is deepening. As reported on previous occasions, the Bank closely sticks to its rules for proper authorization to sign loan agreements. According to Indonesia's 1945 Constitution, as implemented by most embassy officials here, presidential as well as parliamentary approval is required only in the case of a treaty; these officials therefore claim that an agreement does not require ratification by parliament. Many in Indonesia however -- among whom members of parliament -- maintain that the term used by the 1945 Constitution stands for 'treaty' as well as for 'agreement'; consequently, also parliament's fiat would be needed for loan agreements with the Exim Bank. As long as Indonesia has taken no decision in this respect -- and apparently Sukarno thinks it expedient to go slow at this time as to absorbing the powers of parliament -- the Exim Bank demands 2 signatures, one of the President and one of parliament, which means that for the time being no such loans will come off.

This problem assumes even wider proportions owing to the fact that the Exim Bank is charged with the administration of the ICA agreements. ICA is less strict when it comes to which agency(ies) should sign for Indonesia; in fact, it has ordered the Exim Bank to make the outlays resulting from the ICA's longterm credit arrangements with Indonesia without further fuss. However, the Exim Bank, as ICA's banker, feels that it can not make the payments without the agreements having been properly signed.

The fertilizer plant project, as well as the additional loan for the Grisek cement plant, are the principal victims of the Exim Bank's attitude. As to the first mentioned project, arrangements with Foster Wheeler regarding construction, management, personnel education, etcetera, have been completed. However, negotiations with Grace & Co. for a consulting engineers contract have come to a dead end; the reason being that Grace with so many new projects of its own -- here and abroad -- felt it could not spare its (few urea) experts to do the job for Indonesia. Deere & Co. has now been approached by the Indonesians.

Instructions from Djakarta to economize drastically on the embassy's budget, have hurt the few experts connected with the embassy considerably more than the other officials. These ex-

perts, of course, belong to the upper strata of the better-paid personnel, and the embassy leadership, insufficiently aware of their value (in the true Indonesian fashion), is replacing them by cheap workers, mostly drawn from the ranks of Indonesian students available in Washington. Bitterness is rampant among those with a greater feeling of responsibility.

I enclose for your interest 2 documents issued by the embassy:

1. Elaboration of Political Manifesto, prepared by the Supreme Advisory Council;
2. Text of a letter addressed by Minister Subandrio to his Red China colleague, pertaining to Indonesia's recent measures directed against Chinese subjects living in Indonesia.

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