

Dated: 19th December, 1963.  
DEPARTMENT OF EXTERNAL AFFAIRS, 1963.

Rec'd: 23rd December, 1963.  
**INWARD SAVINGRAM**

FROM:

Australian Embassy,  
DJAKARTA.

*Q-7915/5*

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SAVINGRAM NO. 86 - SECRET

MALAYSIA-INDONESIAN POLICY

Indonesia's Malaysian tactics have undergone a substantial refinement during the last few weeks suggesting that confrontation in the economic field will probably continue to be the "primary" means of implementing the "crush Malaysia" policy for some months. The development is associated with a greater realism about the adverse economic impact on Indonesia of the breach of economic relations with Malaysia. There appears also to be more awareness that the struggle will be long and that, if it is to be won, Indonesia must take effective measures to prevent the economy from deteriorating sharply. Once again, turning necessity to advantage, the Indonesians appear to be using this pause to persuade the United States to maintain de facto neutrality in the dispute and, perhaps, to think again about the pros and cons of supplying additional economic assistance, which would help with the now acute balance of payments problem. Coincident with this attempt to influence the United States there has been a noticeable thawing in Indonesian/Australian relations. However, United Kingdom/Indonesian relations remain as stoney as before. These trends seem likely to continue for several months unless some new factor arises which causes the President to react with excessive emotion.

2. Two significant developments (our Savingram No. 84), which have a considerable bearing on this change of emphasis, are additions to the Cabinet and a major policy statement by Subandrio to the Indonesian Parliament outlining the Government's economic policy.

Cabinet Changes

3. The inclusion in the Cabinet of Oei Tjoet Tat and Achmad Astrawinata as Minister of State attached to the Presidium and Minister of Justice respectively, has brought distinctly nearer the day when the PKI is officially in the Government. While neither of these men are officials of the PKI, both have extreme left backgrounds and could be PKI secret members, particularly Astrawinata. Both are ambitious and opportunists and in practice, are not likely to behave very differently from Party members. While this is not a Nasakom Cabinet in the sense that publicly known PKI members or officials have been given ministerial responsibility, at a minimum PKI influence in the machinery of the government has been facilitated. Neither Oei nor Astrawinata have major portfolios. However, if Oei attends Presidium meetings he will certainly be an excellent source of intelligence for PARTINDO and, through it, the PKI. Astrawinata will be able to control the judiciary and to arrange priorities for the prosecution of corruption cases. If he wanted to, he could seriously embarrass the

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6. A further consideration, which may have been decisive in the President's timing, was his estimate of the impact of the additions on United States policy. I have pointed out before that Indonesia owes its international successes to its skilful exploitation of American fear of a Communist Indonesia. By these additions the President is discreetly warning the United States that it would be unrealistic for it to assume that if it cuts itself off from him he will not hesitate to co-operate openly with the PKI. (This approach is nicely complemented by statements like Nasution's in Paris that if necessary Indonesia will turn to the USSR for the arms that it needs.) Any disposition on the part of the United States to assume complacently that the Army will step in to prevent such a development is taken care of by the Army's acceptance to date of the series of snubs being meted out to it. At the same time Sukarno has not yet admitted the PKI to a formal share of power. Thus there is little risk that the United States will turn against Indonesia.
  
7. The United States may think that it has successfully employed a "carrot and stick" approach towards Indonesia. Unquestionably, the latter has made affective use with the United States of a "velvet glove, mailed fist" approach. A few days after the Cabinet changes were announced Subandrio slipped on the velvet glove. In a major policy address of characteristic political subtlety he explained that the Government's economic stabilization plan of 26th May had been based on the assumption that large scale foreign aid, would be forthcoming and would now have to be changed because the aid was not given. In this context the United States was not referred to and there was no direct implication that the United States was being criticized. Since moderate Indonesian leaders have in private been very critical of United States "broken promises" and a public flaying of the United States would have brought considerable internal political benefit to the regime Subandrio's restraint was clearly calculated. And, as such, it has been noted by the American Embassy.
  
8. Subandrio's address (the text is being forwarded separately) also created the impression that Indonesia might be looking for a way out of the Malaysia impasse. He did this not by minimizing the "crush Malaysia" policy but by emphasizing the primary importance in the Government's thinking of solving economic problems for their own sake. While he did not say that the confrontation policy would continue to be exerted primarily in the economic field he left that impression. Foreign observers were seemingly expected to come to the conclusion that for domestic political reasons the regime would have to continue economic confrontation (which in any case was not unreasonable having regard to previous economic exploitation by Malaysian Chinese of Indonesia) but that the Government had revised its priorities and would now be doing what we thought it should, namely get on with solving its economic problems. These, however, could be overcome by Indonesia itself. The speech was purportedly about how this would be done. However, other than showing greater awareness of the extent of Indonesia's problems it was largely a familiar hotch potch of quasi economic and ideological jargon. Such

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of its points which deserve serious attention are discussed in fortnightly economic Savinggram No. 87. That these aims will be clear within a day or so later Sukarno said that three months should be enough to "surmount in a fundamental way" the nation's economic problems.

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9. The Foreign Office newspaper, "Indonesian Herald", has followed up Subardrio's statement with three editorials on United States/Indonesian relations which exploit in a clever, probably too clever, way some of the unquestioned assumptions underlying American policy.

10. The following is an outline of the argument which was developed:-

The future of South East Asia would depend on how Indonesia and the United States handle the problems of the region. Admittedly American influence was very large but so was Indonesia's because it was in the forefront of the changes sweeping through Asia. The reason for the failure of American policy in Asia (i.e. in South Vietnam, Laos, Cambodia, Pakistan and to a lesser extent Ceylon, Burma, Japan) was that the United States was "not sufficiently taking the Asian mind into consideration" and was obsessed with building up forces opposed to Communist China. "Indonesia stands today ..... a true bulwark against any alien force or alien ideology".

The "freezing" of American aid, it was stated, reminded the Indonesians that they could be sure of American friendship only if Indonesia "behaved". This American attitude was contrasted with the true "friendship shown by Indonesia for the United States as demonstrated by the national mourning of Kennedy's death. If the Indonesian people had concluded that friendship was synonymous with loans and grants why would they mourn? Despite the fact that British pressure was one of the causes of present American coolness towards Indonesia, United States aid had not been irrevocably cancelled; "from the side of the Indonesian Government it had been "discounted" not "refused".

The editor considered that the United States had not yet come to a firm verdict on the merits of the Malaysia issue. Notwithstanding the remarks of a number of American Senators, there was a "stronger school" which considered that the United States should not be concerned about Malaysia because "Malaysia was no substitute for Indonesia as a potential stabilizing factor in the future politics of South East Asia". This school was concerned about the confrontation policy because it stopped Indonesia from coming to grips with its economic rehabilitation. This view was wrong, though worthy of serious consideration, because it did not take account of the fact that one reason for the establishment of Malaysia was to perpetuate the "colonialistic manipulative stranglehold" on the Indonesian economy. Indonesia was acting in self-defence and whatever the United States might think it could never accept political, economic or military arrangement which perpetuated neo-colonialism in the "heart" of the country.

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DEPARTMENT OF EXTERNAL AFFAIRS

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11. Indonesian/United Kingdom relations by contrast are quite frigid. Nothing has happened on compensation or on the return of British enterprises taken over in West Java and Government committees are being set up to "advise" four British enterprises in Surabaya. Gilchrist is still not able to see Subandrio. "Antara" now speaks of "enemy", i.e. British, planes being shot down and the tone of Indonesian propaganda as a whole is offensively anti-British. In part this needling may be done for its own sake but it may be intended to provoke the British into breaking off diplomatic relations or into taking some precipitate action which would harm United Kingdom relations with the United States and, perhaps also, Australia. (Apart from several concrete manifestations of the more cordial Indonesian attitude to Australia, of which you are aware, the "Indonesian Herald" has carried an editorial on Indonesian/Australian relations which explains that the tension in relations between the two countries is primarily due to Australia's understandable difficulty in coming to terms with the "Indonesian revolution, with its negation of European centred history".)

12. Indonesia seems to assume that if the British can be partly isolated from their allies their will to continue the struggle will weaken. It is also evident from unofficial statements made on the anniversary of the "independence" of "Kalimantan Utara" that some Indonesians are confident that guerilla tactics will make the "massive" concentration of British forces "ineffective and inexpensive", and that in time European troops will bear the full brunt of the fighting. The Indonesians are unlikely, therefore, to reduce their efforts to subvert Malaysia and to encourage covertly the development of insurgency in Sarawak. They would not regard this as vitiating the tactical approach they are developing towards the United States. Their elaborate argument about confrontation being an act of self defence provides a rationalization of sorts.

Conclusion

13. If a similar approach had not been used so many times before it would be tempting to accept it at face value. While the American Embassy does not seem to have been taken in (or not yet, Jones being still away) this may not be the reaction in Washington where American disposition to go on providing at least aircraft spares and PL+SO aid will be strengthened. When all is said and done Sukarno's tactics have involved concessions to the PKI so that the risk that a Communist Indonesia will eventually emerge has been marginally increased.

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23rd December, 1963.

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