

3. MALAYSIA. PRINCIPAL DEVELOPMENT WAS LANDING OF 30-40 INDO INFILTRATORS (INCLUDING DEMOLITION EXPERTS AND SOME REGULAR ARMY PERSONNEL) ON COAST OF MAINLAND MALAYEZA ON INDO INDEPENDENCE DAY AUG 17. DESPITE DRAMATIC NATURE OF LANDINGS, (N) ANNOUNCEMENT MADE BY INDOS. WHEN PRESSED WITH QUESTIONS ON BASIS FOREIGN NEWS REPORTS

FONMIN SUBANDRIO AUG 19 TOLD REPORTERS THAT HE CONSIDERED LANDINGS "MERELY FABRICATION OF KUALALUMPUR". NEWS FIRST APPEARED IN DJAKARTA PRESS (ON INSIDE PAGES) AUG 20, FEATURING SUBANDRIO STATEMENT.

SUKARNO'S INDEPENDENCE DAY SPEECH PLEDGED CONTINUED CONFRONTATION OF MALAYSIA IN STANDARD TERMS. GREATER DENUNCIATION THIS TIME RESERVED FOR USG (ITEM 1). HE WARNED BRITISH, HOWEVER, THAT QUESTION EVENTUAL INDO COMPENSATION FOR TAKEN-OVER BRITISH BUSINESSES IN INDO WOULD BE DEPENDENT UPON BRITISH ATTITUDE TOWARD

DISSOLUTION OF MALAYSIA.

COMMENT INTELLIGENCE REPORTS LEND CREDENCE TO VIEW THAT GOI DISSATISFIED WITH POLITICAL RESULTS OF BORNEO GUERRILLA ACTIVITY AND INCLINED IN FUTURE PLACE GREATER EFFORT ON TERRORISM IN MALAYA AND SINGAPORE AS MEANS EXTORTING QUICKER POLITICAL SUCCESSES. NEVERTHELESS, SIZE OF AUG 17 OPERATION STRUCK DRAMATIC BLOW AT CURRENT NEGOTIATION EFFORTS AND WILL LIKELY FURTHER DELAY AGREEMENT ON NEXT TRIPARTITE MEETING.



State Department review completed