

Week ending

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DO NOT REVIEWED 31-MAR-2008: DECLASSIFIED FOR RELEASE IN FULL

I. GENERAL SITUATION

A. DJAKARTA DRIFTED SLOWLY OUT OF HOLIDAY ATMOSPHERE DURING WEEK ONLY TO RUN HEAD ON INTO SHARP INCREASES IN PRICES OF RICE AND FOREIGN EXCHANGE. PSYCHOLOGICAL FACTORS, PARTIALLY IN CONNECTION PHASED SUBSTITUTION OF "SUDIRMAN" CURRENCY FOR THAT BEARING PICTURE OF SUKARNO, APPEAR PRIMARY CAUSE OF SUDDEN RISES.

B. MAJOR POLITICAL EVENT OF WEEK WAS REPORTED URGING BY JAVA MILITARY COMMANDERS THAT SUHARTO APPROVE FORMAL ESTABLISHMENT OF PMI AND INDEPENDENT MOVEMENT AND ENLARGE PARLIAMENT. SUHARTO REPORTEDLY AGREED BUT TOLD GENERALS TO OBTAIN AGREEMENT OF ARMED FORCES COMMANDERS.

C. FLAP OF WEEK WAS ARREST OF PROMINENT DJAKARTA LAWYER OF

CHINESE DESCENT ON CHARGE MEMBERSHIP PRO-COMMUNIST ORGANIZATION FOLLOWING ACCUSATIONS OF EXTORTION HE LODGED AGAINST DJAKARTA AND POLICE OFFICIALS. PRESS AND ACTION COMMAND PROTESTS LED TO CABINET CONSIDERATION AND LAWYER'S SUBSEQUENT RELEASE.

D. Fondept official told press announcement forthcoming soon of major diplomatic ~~significance~~ reshuffle.



Week ending

3. JAVA COMMANDERS MEET

A. ARMY COMMANDERS OF JAVA MILITARY AREAS, STRATEGIC COMMAND (KOSTRAD) AND PARACOMMANDOS (IRPKAD) ASSEMBLED THIS WEEK IN BANDUNG FOR THIRD OF THEIR DRAMATIC MEETINGS DESIGNED PUSH POLITICAL SITUATION FORWARD. ALTHOUGH RESULTS OF MEETING NOT PUBLICIZED, RELIABLE EMBASSY SOURCE STATED THAT COMMANDERS URGED THAT NEW INDEPENDENT MOVEMENT AND INDONESIAN MOSLEM PARTY (PMI) BE LAUNCHED, THAT PNI BE REDUCED IN INFLUENCE AND THAT PARLIAMENT BE ENLARGED. ACCORDING THIS SOURCE,

ACTING PRESIDENT SUHARTO AGREED BUT SUGGESTED THAT COMMANDERS OBTAIN STATEMENT TO THIS EFFECT FROM FOUR COMMANDERS OF ARMED FORCES.

B. COMMENT: DESPITE SUHARTO'S REPORTED SUPPORT FOR JAVA COMMANDERS' PLATFORM, THERE NO ASSURANCE THAT POLITICAL REFORM WILL MOVE FORWARD IN NEAR FUTURE. IN ADDITION TO DIFFICULTY OF OBTAINING NAVY AND POLICE SUPPORT, CIVILIAN ELEMENTS CONTINUE TO ADVANCE BEWILDERING ARRAY OF CONCEPTS FOR REFORM AND THERE HAVE BEEN DISAGREEMENTS EVEN WITHIN SMALL AND DEDICATED LEADERSHIP OF NASCENT INDEPENDENT MOVEMENT.



5. DIPLOMATIC RESHUFFLE IN THE CARDS (UNCLASSIFIED)

A. FONDEPT DIRGEN FOR SPECIAL AFFAIRS BRIGGEN HER TASNING

TOLD PRESS JANUARY 8 THAT GOI WOULD SHORTLY ANNOUNCE A NUMBER OF CHANGES IN DIPLOMATIC REPRESENTATION ABROAD, PLUS THE CLOSING OF TWO OFFICES AS PART OF THE GOVERNMENT'S AUSTERITY PROGRAM. TASNING REFUSED SPECIFY IDENTITY OR NUMBER OF FORTHCOMING CHANGES, BUT DID STATE THAT ANNOUNCEMENT WOULD INCLUDE NAME OF NEW AMBASSADOR TO MALAYSIA WHO WOULD BE MEMBER OF ARMED FORCES. TASNING SAID NO DECISION YET TAKEN ON APPOINTMENT OF AMBASSADOR TO SINGAPORE.

B. COMMENT: (LIMITED OFFICIAL USE): RUMORS PERSIST THAT NUMBER OF CHANGES UPCOMING IS 21 (INCLUDING TWO POSTS TO BE CLOSED.)



New Ambassador to Washington

1. According to the Indonesian Foreign Ministry, they have now sent instructions to their Embassy here to submit a request for an agreement for the appointment of "New Order" intellectual Sudjatmoko as Ambassador to the United States. (We have not yet received the request.)

2. Sudjatmoko will reportedly replace Ambassador Suwito here in late March. The current DCM of the Indonesian Embassy here, Minister Idrus N. Djajadiningrat, is reportedly to be named Ambassador to Belgium at about the same time.

Suharto Asks Postponement of Election Date

3. President Suharto announced January 10 that he had sent a message to the Consultative Assembly noting that it will be impossible to hold national elections by mid-1968, as scheduled, since the Parliament has not yet reached agreement on the general election law. He asked the Assembly to consider a new date. (COMMENT: There is general consensus within Indonesia that the election should be postponed. Political parties are not yet ready to compete and the framework for the competition will not even be clear until some of the basic issues at dispute in the Parliament over the election law are resolved.)

Army Commanders Meet to Accelerate Political Change

4. Army commanders on Java met January 7-8, as they have twice before, to nudge the "New Order" forward more rapidly in its development of political institutions. Reportedly, the generals recommended immediate formation of a new Moslem party to enfranchise those followers of the large modernist Moslem party banned by Sukarno several years ago, and formation of a new "independent" group. Suharto has reportedly agreed, but asked the generals to seek concurrence of the other armed forces commanders before publicizing the program. (COMMENT: This may markedly accelerate the coalescence of "New Order" political forces into viable political parties.)



Week ending

I. GENERAL SITUATION

- A. SWEEPING SCHEMES FOR RESTRUCTURING POLITICAL GROUPINGS APPEAR TO BE GIVING WAY FOR PRESENT TO SIMPLER PLAN TO HAVE MPRS ENDORSE SUHARTO FOR 3-5 YEAR TERM AND POSTPONE ELECTIONS
 - B. PROTESTS OVER RECENT STEEP PRICE INCREASE IN RICE HAVE NOT YET SINGLED OUT POLITICAL TARGET BUT SOME LOSS OF PUBLIC CONFIDENCE IN GOVERNMENT AS A WHOLE OVER ISSUE SEEMS INEVITABLE.
 - C. MORCOS VISIT TO INDONESIA APPEARS TO HAVE MADE SIGNIFICANT CONTRIBUTION TO UNDERSTANDING BETWEEN TWO COUNTRIES.
 - D. INDONESIANS WONDERING JUST WHO LEE KWAN YEE IS SO AFRAID OF IN WAKE OF EARLY BRITISH WITHDRAWAL AND PROFESSING THAT SINGAPORE HAS NOTHING TO FEAR FROM INDONESIA.
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Week ending

2. A FIVE YEAR TERM FOR SUHARTO?

A. POLITICAL ARENA REMAINS OBCURED BY NUMBER OF CONFLICTING PLANS AND ABSENCE OF CLUES AS TO SUHARTO'S INTENTIONS, BUT FOCUS HAS SHIFTED FROM SWEEPING SCHEME OF POLITICAL REORGANIZATION TO MORE SIMPLE PLAN OF UNITING CURRENT FORCES BEHIND CAMPAIGN TO HAVE MPRS ENDORSE 3-5 YEAR TERM FOR SUHARTO AND POSTPONE

ELECTIONS UNTIL EARLY 1970'S. THIS TO BE ACHIEVED BY ENLARGING PARLIAMENT AND "REFRESHING" COMPOSITION OF PARTIES'S PARLIAMENTARY DELEGATIONS. MANY PARTY LEADERS REPORTED TO BE FAVORABLE TOWARD SCHEME.

B. MEANWHILE, HOWEVER, HOPE FOR NEW MOSLEM PARTY AND INDEPENDENT MOVEMENT HAS TEMPORARILY WANED. BACKERS OF NEW MOSLEM VEHICLE PMI ARE STILL OPTIMISTIC BUT EVIDENCE SUGGESTS THEY ARE GETTING RUNAROUND FROM MILITARY LEADERS CLOSE TO SUHARTO. PROSPECTIVE INDEPENDENT MOVEMENT LEADER UMAR KHAYYAM WAS MORE PESSIMISTIC THAN USUAL AS TO THIS GROUP'S CHANCES OF GETTING SUHARTO'S

FINAL ENDORSEMENT. POWERFUL JAVA COMMANDERS ARE STILL BACKING THESE ORGANIZATIONS, HOWEVER, AND ISSUE STILL IN DOUBT.

C. AT THIS POINT, IT APPEARS THAT CHANGES IN PARLIAMENT MAY NOT BE TOO SWEEPING AND THAT PARTIES MAY DEMAND EXTENSIVE GUID



PRO QUO'S FOR SUPPORTING MPRS PLAN. DATE FOR SESSION OF LATTER BODY STILL UNCERTAIN, WITH SOME POLITICIANS PREDICTING JUNE MEETING AT EARLIEST. THIS WOULD FORCE SUHARTO TO MAKE HIS FOREIGN TRIPS SCHEDULED FOR MAY AND JUNE AS "ACTING" PRESIDENT, SOMETHING HE HOPES TO AVOID.

D. COMMENT: INDONESIAN POLITICS NORMALLY PERVADED AT ANY GIVEN TIME BY PLETHORA OF SCHEMES AND INITIATIVES, MOST OF WHICH DISAPPEAR OR ALTER BACKFIRE. SUHARTO IS PLAYING HIS CARDS CLOSE TO VEST ON ALL ASPECTS OF PRESENT SITUATION AND HAS NOT COMMITTED HIMSELF EVEN ON PROPOSAL TO PROVIDE HIM WITH THREE TO FIVE YEAR TERM. IF BROAD UNANIMITY CAN BE SECURED BEHIND IDEA, HOWEVER, IT LOGICAL TO ASSUME HE WILL GO ALONG.

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5. INDONESIAN REACTION TO ACCELERATED BRITISH WITHDRAWAL

A. GIST OF INDONESIAN COMMENT ON BRITISH ANNOUNCEMENT ITS EARLY WITHDRAWAL FROM MALAYSIA AND SINGAPORE HAS BEEN THAT IT WAS INEVITABLE AND THAT SECURITY OF AREA PROPERLY THE CONCERN PRIMARILY OF NATIONS IN AREA. MOST PAPERS EMPHASIZED THEME THAT TASK OF SEA COUNTRIES NOW IS TO WORK TOGETHER THROUGH ASEAN AND HOPEFULLY REAP DIVIDENDS IN INCREASED SECURITY AND ECONOMIC STRENGTH.

B. POINTING TO LEE KWAN YEE'S ARDENT DESIRE TO SEE BRITISH STAY, ALL PAPERS ASKED WHOM HE MEANT, CLAIMING THAT INDONESIA CERTAINLY POSED NO THREAT TO ITS FELLOW MEMBER OF ASEAN.

C. CONJUNCTION OF BRITISH ANNOUNCEMENT AND VISIT OF PRESIDENT MARCOS TO INDONESIA (SEE ITEM 4) HAS FOCUSED MORE



ATTENTION ON ASEAN THAN ORGANIZATION HAS HAD SINCE ITS ESTABLISHMENT IN AUGUST OF LAST YEAR. THERE ARE SEVERAL INDICATIONS THIS INCREASED ATTENTION HAS ALREADY ADDED SOME MOMENTUM TO REGIONAL ORGANIZATION WHICH SO FAR MOVING SLOWLY. LONG

debayed second meeting of ASEAN standing committee tentatively scheduled for Jan 25.

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1-19-68

A Five-year Term for Suharto??

1. Sweeping schemes for restructuring political groupings now seem to be taking a back seat in Djakarta to a simpler proposal for uniting behind a campaign to have the Consultative Assembly endorse a 3 to 5 year term for Suharto as President and postpone national elections till the early 1970's. Most political leaders are reportedly favorable to this proposal but Suharto, in typical fashion, has not committed himself to any plan. If the Consultative Assembly takes such action early in the spring, it would have the desirable consequence of sending Suharto on his foreign travels in May and June without the modifier "Acting" before his title of President. The Embassy has received indications that the Sultan of Jogjakarta will be designated Acting President during Suharto's absences from the country.

Philippine President Marcos Visits

2. In the first visit of a foreign chief of state since Sukarno days, Philippine President Marcos paid a highly successful visit to Djakarta January 12-15. Our Embassy feels the meeting contributed substantially to closer friendship and cooperation between the two countries.

Reaction to the Accelerated British Withdrawal

3. The British announcement, together with the Marcos visit, focused renewed Indonesian attention on a possible security role for ASEAN in the future. Indonesian media did not gloat over the British withdrawal (as they would have a short time ago), yet neither did they see any cause for panic. Lee Kuan Yew's manifest desire to see the British stay offered opportunity for a chorus of press comment from Djakarta assuring Singapore that Indonesia certainly posed no threat to its fellow ASEAN member. Restrained reaction by the Government's news agency and radio stations has been coupled with an absence thus far of official comment by any senior GOI official.

Week ending

I. HIGHLIGHTS

A. HIGH RICE AND OTHER PRICES PROVIDED SPARK FOR STUDENT PROTESTS WHICH TARGETED AMONG OTHERS SUHARTO'S WESTERN TRAINED ECONOMIC ADVISORS.

B. TWO MEETINGS LAST WEEK, ONE SPONSORED BY SILIWANGI COMMANDER DHARSONO, ATTEMPTED TO PUSH GOVERNMENT TO TACKLE JOB OF POLITICAL RESTURCTING AND OTHER URGENT REFORMS.

C. IN CONTRAST TO UNSETTLED ATMOSPHERE AT NATIONAL LEVEL, QUIET PROGRESS BEING REGISTERED ON WEST JAVA REGIONAL CIVIC ACTION PROGRAM.



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4. WEST JAVA CIVIC ACTION PROGRESS (CONFIDENTIAL)
A. RESTIVENESS IN CITIES COUNTERPOINTED DRAMATICALLY BY
RURAL PROGRESS OBSERVED DURING ALL-DAY TRIP BY AMBASSADOR AND
SEN. BAYH TO SEE SILIWANGI DIVISION CIVIC MISSION ACTIVITIES
IN BANTEN AREA OF WEST JAVA JAN. 20. SILIWANGI MAKING RAPID
PROGRESS IN REHABILITATING PRE-WAR ROAD CONNECTING INTERIOR
AND SOUTH COAST TO DISTRICT CAPITAL OF SERANG WHICH NOT MAIN-
TAINED FOR 20 YEARS. ROAD WILL OPEN UP IMPORTANT NEW AREAS
FOR RUBBER, OTHER CROPS. CIVIC ACTION HAS ALSO BUILT NEW
FISHING HARBOR AND SEAWARD CHANNEL AT BANTEN. LABOR BEING
PROVIDED BOTH BY TROOPS AND COMMUNISTS PRISONERS. IRONICALLY,
STEEL BEAMS AND OTHER PARTS FOR PROJECTS BEING TAKEN FROM



CONSTRUCTION STOCKS AND FRAMEWORK OF NEARBY INCOMPLETE, AND
TOTALLY UNECONOMIC SOVIET-BUILT TJILEGON STEEL WORKS.
B. COMMENT: SILIWANGI ACCOMPLISHING THIS VIRTUALLY WITHOUT
RECOURSE TO CENTRAL GOVERNMENT BUDGET.
VISIBLE PROGRESS IN THIS LONG DEPRESSED AREA POIGNANT REMINDER
THAT INDONESIA WOULD HAVE MANY FEWER PROBLEMS IF IT COULD RUN
ITSELF AT NATIONAL LEVEL AS IT HAS LEARNED TO DO OVER CENTURIES
AT DISTRICT AND LOCAL LEVELS.

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Suharto Bars Military from Investigating Civil Cases

A. SUHARTO ORDER PROMULGATED JANUARY 18 DIRECTED SERVICE COMMANDERS TO FORBID THEIR OFFICERS FROM INVESTIGATING CIVIL CASES, APPEARED TO REMOVE AUTHORITY OF NATIONAL POLICE TO INVESTIGATE PKI SUBVERSION, AND ORDERED THAT INVESTIGATE PROCESS IN ARMED FORCES BE REGULATED WITH VIEWS TOWARD ELIMINATING MALPRACTICES.

B. COMMENT ISSUANCE OF ORDER, WHICH RELATED TO ARBITRARY ARREST BY POLICE OF CHINESE CIVIL RIGHTS LAWYER YAP (WEEKA NO. 2) MARKS STEP FORWARD IN ADMINISTRATION OF JUSTICE IN INDONESIA. COMPLIANCE WITH NEW REGULATION AT LOWER LEVELS WILL BE CONTINUING PROBLEM BUT DIRECTIVE PROVIDES NEW ORDER'S CIVIL RIGHTS ACTIVISTS WITH POWERFUL LEGAL WEAPON AGAINST ARBITRARY ARRESTS BY MILITARY ELEMENTS IN CIVIL CASES.



1-26-68

Crisis of Confidence

1. The economic crisis, made up by a mixture of public uneasiness over a new currency issue, doubts about the availability of rice, and conscious exploitation by political elements seeking to embarrass the Government, continued last week. Suharto is reported deeply concerned, and the Economic Team has made an urgent plea to Ambassador Green for an early announcement of U.S. assistance to act as a psychological stabilizer. They also renewed their request for an emergency shipment of rice to help check the soaring price of this basic food item.

2. A Freeman-Gaud memorandum to the President has cleared BOB and Treasury, and we hope to be able to give Green negotiating instructions on a \$60 million package early next week. There is also a good prospect that we will be able to provide 50,000 tons of rice to arrive by late March.

Toothless Tiger

3. Sukarno was permitted to go to Djakarta to be with family and friends during the Lebaran holiday. His visit went unnoticed by both the press and his erstwhile vociferous enemies in the action fronts, demonstrating conclusively his passage from the Indonesian political scene.



President Approves \$60 Million Assistance Package

1. On February 1, the President approved the initial portion of our 1968 aid commitment for Indonesia. The package totals \$60 million, including \$35 million for development loans and \$25 million for PL-480 commodities. At the last minute we were able to substitute 50,000 tons of rice for part of the cotton originally planned. President Johnson suggested that he send a personal message to Suharto in connection with this aid and Ambassador Green is awaiting receipt of the President's message before informing Suharto. We anticipate the message may be transmitted in time for Green to call on Suharto Saturday morning.

2. Announcement of our aid package will be a psychological as well as material boost to the Indonesian Government at this stage and will also place additional pressure on the Japanese and other donors to accelerate their response to the agreed Indonesian foreign assistance requirements.

3. Demonstrations against price increases have subsided somewhat in Djakarta and Suharto has astutely improved his communication with the student action commands which have simultaneously been both his strongest supporters and most vocal critics. In a meeting with action command leaders, Suharto firmly backed the government's present economic stabilization program but promised every effort to insure adequate supplies of foodstuffs.

Corruption Trials Commence

4. The long awaited trials of Indonesian officials on corruption charges began January 29 as a Djakarta court considered the first cases submitted to it by the Attorney General's corruption task force. No big names are yet on the docket, however, and the prospect is likely that the more powerful culprits may merely be eased out of their positions rather than prosecuted. Even this would be a

