

SUBJECT:

Weekly St No Objection To Declassification in Full 2010/08/30 : HIA-R JONES HOWARD P

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021-68

President Approves Indonesian Aid

1. On June 19, the President approved the AID-Agriculture proposal which had been developed in consultation with the Department of State for the remainder of our 1968 aid to Indonesia. It authorizes the completion of our \$110 million pledge, additional rice and cotton assistance later in the year to be applied toward 1969 computations, and as much additional wheat flour and bulgar as can reasonably be absorbed by the Indonesian economy. This news will be related to Suharto and released publicly as soon as Indonesia and Japan reach an agreement on the Japanese aid commitment for 1968. Dr. Widjojo is heading an Indonesian mission presently negotiating the final Japanese aid package in Tokyo. (See also today's Weekly Notes from EA/J.)

DOS REVIEWED 01-APR-2008: DECLASSIFIED FOR RELEASE IN FULL

Communist Situation in East Java



2. The Indonesian Army Commander in East Java and his Intelligence Chief have given our Consul a detailed briefing on PKI strength and activities in the Communist redoubt area which has been established in a poor area along the south coast.

3. Seventeen of 35 villages in the area were said to be not under effective government control, and six members of the PKI Central Committee are believed to be in the area. The Communists have allegedly formed two guerrilla companies within the base area, each numbering about 150 men. It is estimated, however, that only about 100 men have firearms. There is no evidence of any external supply of arms.

4. Although deploring the shortage of funds and communications equipment which hamper effective army counter-measures, the Commander expressed optimism that continued heavy pressure would result in elimination of the threat. There has been no indication of a major deterioration in the situation, and our Consul feels that Army intelligence on PKI activity

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5. Soedjatmoko, speaking at the AID-financed Southeast Asian Development Advisory Group Seminar in New York June 20, eloquently pled for greater attention to political power factors in formulating economic advice to Indonesia and other underdeveloped countries. He noted that acceptance of the optimum economic solution may have the side effect of dangerously diminishing the power of the government to follow through with subsequent steps necessary to achieve the sought after economic goals. On the other hand, economic technicians should present alternative options to the political leadership. There would be times when it would be better to take a less optimal but still useful course of action in the first instance in order to harness government power to successfully carry out the full program at a later stage.

6. In the afternoon session, Dr. Guy Pauker presented the results of his analysis into the reasons for and mechanisms used by the PKI in embarking on the October 1, 1965 "coup." Pauker's study will soon be appearing as a RAND paper. Lewis Purnell and Bob Rich attended the SEADAG sessions from EA/IND, and AID was represented by Messrs. Bullitt and Shakow.

