

SUBJECT:

Weekly Sta

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

1. Indonesia-Singapore Dispute: Reason Prevails

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

Although there were further dramatic developments during the week in the Indonesia-Singapore fracas, moderates on both sides have prevailed and tensions have now simmered down. Early in the week hot-heads in Djakarta were calling for a break in diplomatic relations and an economic boycott of Singapore. What was supposed to be a peaceful anti-Chinese demonstration in Surabaya got out of hand when leftists, Communists, Marines (Surabaya has Indonesia's largest Marine base) and strongly anti-Chinese elements took over from the petal people and converted the demonstration into a rampage through Chinatown. Damage to Chinese property was widespread, and this will leave figurative and in some cases literal scars which will affect the attitudes (and the economic performance) of the Chinese for a long time to come.

Sobered by this affair, the Central Government moved quickly to prevent anti-Chinese riots in other cities by threatening to shoot any demonstrators on sight. Under the strong influence of Adam Malik, it moved also to calm public opinion. The Cabinet reportedly decided on October 21 that there would be no serious economic retaliatory measures against Singapore for execution of the two Indonesian Marines, and on October 24 the Minister of Information said publicly that, while the Government can "understand the feelings of the people," it cannot allow emotions to endanger national interests. He added, however, that Indonesia must speed up its efforts to "improve the national economy" (i. e., lessen Indonesia's economic dependence on the Singapore middleman).

The Government's only official retaliatory act to date -- and this appears designed primarily to give a show of action to the public -- is to restrict travel by Indonesians to Singapore for "unnecessary" purposes.

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



soon for... No Objection To Declassification in Full 2010/08/30 : HIA-R JONES HOWARD P-  
overzeak  
Singapore 2D-60-197-1... and Singaporean ships. This embargo is  
hurting the local economy; whether it will last is not known.

## 2. Suharto Continues Efforts to Defuse Sabah Problem

Intelligence sources report that Suharto invited a Philippine and a Malaysian official to Djakarta last week in an effort to pave the way for a summit meeting. There have been no results as yet, but Suharto is continuing his efforts. There has been no publicity regarding this Indonesian initiative.

## 3. Indonesian Debt and Aid Meetings Successful

a. Debts - We obtained virtually everything we wanted at the Indonesian debt conference held in Paris on October 17. Indonesia's debts falling due during 1969 will be rescheduled on the same terms as those earlier rescheduled in 1966 and 1967. Meanwhile, the creditors will by November 30 agree on an "agent" to recommend by June 30, 1969, at the latest a basic longterm solution to this problem.

b. Aid - The Intergovernmental Group on Indonesia (IGG) met in the Netherlands October 21-23. The final IGG communique noted that "economic development and prospects of Indonesia had improved decidedly since its last review of the situation in April 1968." It noted also that the GOI had submitted aid requirements for CY 1969 of \$500 million and said the various representatives agreed to "recommend to their governments to take note of these estimates." Actual progress was more encouraging than this bland statement would indicate. Both Belgium and the UK substantially upped their aid pledges for 1969. The Japanese made no commitment but at least accepted the final communique without taking a footnote.



## 4. Suha. No Objection To Declassification in Full 2010/08/30 : HIA-R JONES HOWARD P- 2D-60-197-1

As part of his effort to carry the government to the people, Suharto toured Kalamantan from October 17 to 23. This follows a similar visit to Sumatra in August of this year.