

INSTITUTE OF CURRENT WORLD AFFAIRS

Bangkok
December 31, 1963

CM-4
U. S. Policy in Sukarnoland

Mr. Richard H. Nolte
Institute of Current World Affairs
366 Madison Avenue
New York 17, New York

Dear Dick:

Indonesia is on the greatest nationalist binge since Mussolini confronted Ethiopia and got the trains to run on time. President Sukarno has changed the name of the Indian Ocean to the "Indonesian Ocean," declared that "Indonesia will never be frightened" if the U. S. Seventh Fleet extends its operational zone to the Indonesian Ocean, stated that "Indonesia will crush Malaysia," ordered the nation's economic problems to be overcome within three months, twisted the British lion's tail, thumbed his nose at the United States, and is getting away with it all. At the same time he has raised the literacy of his people from 5 per cent to 50 per cent in a decade, created a national identity for 100 million souls stretched over an archipelago as long as the distance from Anchorage to Miami, obtained foreign aid from the Soviet Union, the United States, Japan, the United Nations, and the Colombo Plan, and kept Indonesia afloat in an economic morass which for the past five years economists have predicted would engulf the nation within six months.

President Sukarno is either worshiped as the father of his country, or hated. He has been the target for five assassination attempts in two years. Military precautions against repetitions are visible everywhere. Yet he is able to absent himself from his country without fear of a coup d'etat. He speaks for the nation. He can tell the people and the controlled press who to hate, who to like, and when. His opposition is in jail or under house arrest. Although some within the bureaucracy question his judgment in confronting Malaysia, they nevertheless accept it with the remark: "He must have facts not available to me." If criticism goes as far as that of one Indonesian who reminded me that absolute power corrupts absolutely, the critic is ready for "retooling" -- an imaginative capitalistic word describing the Sukarno process of reindoctrination of the wayward in the principles of the 1945 Revolution.

Indonesia, with as large a population and more raw materials than all the satellite states of Eastern Europe put together, is going to economic hell in a hand basket. Its external debt is over \$1.5 billion. Interest payments and other fixed charges exceed \$200 million annually. Except for rice and petroleum, Indonesia production has not yet reached pre-World War II levels. Even in rice the nation is not self-sufficient. One economist of international repute has predicted that in three years the import of essential rice alone will cost \$200 million annually. He predicts that in 20 years the population will nearly have doubled.

Although most observers agree that the creation of a national identity was a first priority and economic development could come later, there is little evidence that Indonesian leaders have the economic ability or the inclination to shift their nationalistic fervor into the building of a viable economy. Plans to create a stabilization fund disintegrated when Sukarno embarked on another foreign adventure and challenged the creation of Malaysia as an imperialist plot. The one concrete predictable result of the confrontation policy will be further economic deterioration. It seems unlikely that Sukarno's directive of December 15 to his Supreme Operations Command that "the nation's economic problems must be fundamentally overcome within three months" will reverse the downward trend. Inflation and its consequences remind one of post-war Europe when cigarettes were better than money.

Sukarno's supporters believe he can defy gravity. But the clear consensus of knowledgeable economists is that the day of reckoning is close at hand. The question is who will be around to pick up the economic pieces. It won't be cheap.

The chief competitors for the dubious right to be around are the United States and the Soviet Union, both of which are having some doubts about their aid programs. Soviet delays in the construction of steel and fertilizer plants have provoked Indonesian complaints. The refusal of President Sukarno to permit large pictures of himself and Khrushchev to dominate the new \$35 million, 100,000 seating capacity sports stadium, built largely with Soviet funds, created friction. Nevertheless, Soviet officials and technicians are present in goodly numbers and have the advantage of close liaison with an indigenous communist party, the largest outside the Bloc, which has many of its members spread throughout the bureaucracy. Even this liaison is tenuous, however, as the Chinese Communists seem to be one up within the Indonesian communist movement. There is a growing belief among non-communist Indonesians that Peking represents the communist wave of the future.

The American aid program is in a state of suspended animation. After many months of planning the United States pulled back from international efforts to stabilize the rupiah. No new aid projects are to be undertaken without special Presidential authorization. Projects underway are to be completed, but there is a general tightening of control and tougher attitude. The slow down in American aid is attributed to coolness toward the confrontation policy, the icy reception which aid for Indonesia received this year in Congress, and the emotional shock suffered by the American community when the British Embassy was sacked and burned on "Ash Wednesday" in September. The homes of British Embassy personnel were systematically ransacked. "It could have been us," was the American reaction. Even the genuine outpouring of Indonesian grief at the death of President Kennedy did not reassure the American community. There were growing doubts that the American presence was either welcome or likely long to be accepted.

While there is general agreement among Americans, official and non-official, that U.S. policy toward Indonesia is correct -- that the United States would like to see a healthy state, headway being made against poverty, a concentration on internal economic problems, forbearance in foreign adventures, and a reasonably rapid movement toward

a more representative government -- there is serious disagreement about how to go about achieving these aims. How is it possible to justify aid programs in the light of present economic and political conditions in Indonesia? How is it possible to justify aid when the Indonesians view foreign aid as an obligation of the "imperialists" -- blood money, in effect, to compensate for years of economic exploitation? What the Indonesians do with this money is their own business, is the view. "We have a right to make our own mistakes with your money," was one comment.

The American community is divided on how to answer these questions. The hard liners, the "Young Turks," feel that Sukarno believes he can continue to extract aid from the United States by playing on Americans' obsession with the Communist threat. The sooner the United States calls this bluff the better, they believe. They argue that there is a basic Indonesian affection for the United States and when the chips are down Sukarno would not be willing or able to lead his nation into communism as Castro did.

At the opposite end of the spectrum and generally among Americans who have deeper roots in Indonesia, the view is that the key to U.S. policy is PATIENCE, spelled large. Sukarno will always be the revolutionary. He must always have a cause. He and his generation so suffered under the Dutch that they are incapable of a rational approach to economic or political development. But there are younger men and women coming along, argue the Americans with patience, and education will in time produce people and institutions with which the United States can work. It is incumbent upon the United States, therefore, to be patient and understanding. Aid programs should be continued, especially those that involve education and provide technical knowledge which may be useful in the years ahead.

These differing points of view toward United States policy in Indonesia are no secret. United States policy toward Indonesia labors under a difficulty not experienced by the Soviet Union in that our dialogues, while sometimes confusing, are usually public. As a consequence, some acts of the United States are given a significance which they may not have. Thus, the Djakarta Daily Mail headlined the story that long-time American Ambassador to Indonesia, Howard Jones, was to return to Djakarta. This represents a "continuation of U.S. policies to woo President Sukarno and maintain a foothold of influence in South-east Asia's largest nation." Whether that be a fair interpretation or not, Ambassador Jones' return is viewed as a victory for the patient school of thought. There will surely be disillusionment in Djakarta if President Johnson does not follow up the Jones return by finding that continuation of substantial aid programs for Indonesia is in the national interest. If the President makes such a finding and can handle Congressional critics, Ambassador Jones will be the logical man to try to persuade President Sukarno that these programs are also in the interests of the Indonesian Republic.

There is no assurance, however, that the nationalism of Indonesia will permit continuation of aid from the United States subject to such

conditions as the United States may think its interests require. One Indonesian remarked to me that he hoped United States aid programs would come to an end because the Indonesians could then show the world that they could get along on their own. He added that the test of international friendship is whether a country continues to be friendly when it does not receive aid.

Just as Indonesians have suggested that the United States does not understand the new nationalism of Indonesia, perhaps Indonesians do not fully understand the basic aims of United States policy in Southeast Asia. American policy has moved far beyond the Indonesian view that the United States is "obsessed with building up forces opposed to Communist China."

Be that as it may, there is little doubt that relations between the United States and Indonesia are at a low ebb. This is not so much because our basic aims differ, but rather because nationalism has made Indonesians hypersensitive and distorted their view of the United States

A fervent Indonesian nationalist educated in the United States and much concerned at the deterioration of United States-Indonesian relations has suggested that the months ahead should be used to promote more dialogue between the United States and Indonesia. "We still believe," he wrote, "that both Indonesia and the United States seek establishment of a Southeast Asia which is in peace with freedom. We believe that the best bulwark against any form of alien domination is a strong sense of self-respect. In our view, true nationalism alone can bring about that strength." Underline supplied.

It might be helpful if the Indonesians were to re-examine their own nationalistic fervor, recognizing that it is a tremendous force but that history shows that when nationalism runs amuck it often destroys much of what it has built. It might also be helpful if Indonesians sought a more enlightened and less distorted view of their oversimplified concept that United States foreign policy has its roots in obsession with the threat of communism.

On the part of the United States, it would be helpful if more Americans contemplated those facets of our national character that have unwittingly created the image in Asia of the United States as a nation obsessed with the threat of communism, but oblivious to the needs of people. Americans might also make greater effort to understand the drive of nationalism, giving due weight to the instabilities it produces as well as to its fierce dedication to independence.

Sincerely yours,



Carl Marcy