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ELLIOTT HAYNES' INDONESIAN DIARY
December 1967

Table of Contents

	<u>Page</u>
Malik, Tobing, Soehardiman, Delson (New York, June 29)	1
Prof. Sadli, Foreign Investment Team	2
Kim Adhyatman, assistant to Malik	3
Marshall Green, US Ambassador, Ed Masters, Paul McCusker	4
The Sultan of Jogjakarta	5
Brig. Gen. Sudjono Humardani, President's Staff	7
Malik and Adhyatman	8
H.A. Sjaichu, Chairman of Parliament (DPR)	9
M. Subchan, Vice Chairman of People's Congress (MPRS)	9
Mochtar Lubis	10
Col. S. Djojopranato, Editor, Harian Angkatan Bersendjata, and M.P.	11
Nahar Zahiruddin	12
Admiral Mursalin, Vice Chairman of Parliament	12
Hafas, Editor, Nusantora	12
Max Loveday, Ambassador of Australia	13
Brig. Gen. (Police) Dr. Awaloedin Djamin, Min. of Manpower; A.G. Samii	14
Kosasih Purwanegara S.H.	15
Prof. Selo Sumardjan, Secretary to the Sultan	16
Dr. Subroto, Department of Trade	17
Ibrahim Usman, Sec. Gen., P.B. Gasbiindo	18
B. R. Motik, Chairman, All Indonesia Importers' Association	18
Jakob Oetama, Editor, Kompas (Catholic daily)	19
Prof. Soemantri	19
Vice Air Marshal Sutopo, Min. of Communications	20
Rosihan Anwar, journalist	22
Rear Adm. Jatidjan, Minister of Maritime Affairs	22
Abdulrachman Setjowibowo, Chairman, Eco. & Fin. Comm., Parliament	23
Soedarpo Sastrosatomo, Mg. Dir., P.D. Soedarpo Corp.	24
Soedjatmoko (leading intellectual)	25
Maj. Gen. Dr. Sjarif Thajeb, Vice Chairman of Parliament	27
Idham, Director, P.T. Bank Niaga	27
Zein Effendi Sh., Director, The Djakarta Times	28
Julius Tahija, President, Caltex Indonesia	29
Prof. G.A. Siwabessy, Minister of Health	29
Gen. Suryo (Suharto's staff); Prof. Sadli	30
Agus Sudono, Gen. Chairman, Gasbiindo	32
McCusker, US Embassy; and Joe Harary	32
Radius Prawiro, Governor, Bank Negara	33
Mustafa Miga, Editor, Suluh Marhaen	34
A. R. Suhud, member of Sadli's Board	34
Ali Noor Luddin, President, P.T. Masayu	35
Sumono Mustoffa, head of KNI news service	36
Oei Jong Tjioe, Director, P.T. Keramika Indonesia Baru	36
Taufiq R. Tjokroaminoto, Gen. Sec., Gobsii-Indonesia	37
Dr. Soenawar Soekowati, Gen. Chairman, KBM	38
Drs. Soesilo Sardadi, Managing Director, Bank Negara Indonesia Unit IV	39
Dr. Deliar Noer, Rector, Teachers' Training College	40
Barli Halim, Sec. Gen., Dept. of Basic & Light Industry, and Power	40
Frans Seda, Minister of Finance	40
Maj. Gen. Ashari Danudirdjo, Minister of Basic & Light Industry	41

cont'd

Table of Contents (cont'd)

Prof. Dr. Widjojo Nitisastro, Director, Nat'l Planning Bureau	42
R. Achmad Soekarmadidjaja	42
Dr. Mohamad Sadli	43
Ir. Tojib Hadiwidjaja, Minister of Plantations	43
Dr. Selo Soemardjan, Secretary to the Sultan	44
Darius Marpaung, M.P. - General Chairman, Kespekri	45
Mh. Isnaeni, Vice Chairman, Parliament (DPRGR)	45
Arifin Harahap, Secretary-General, Ministry of Trade	46
Harlan Bekti, President, Tohnik Umum	46
Oejeng Soewargana, publisher, friend of Bekti	47
H. Mahbub Djunaidi, Gen. Chairman, P.W.I. Pusat (journalists ass'n)	48
Sjafruddin Prawiranegara, economist	48
R. L. Tobing Sh., VP, Indonesian Importers Ass'n	49
Maj. Gen. Supjipto S.H., Minister, Dept. of Agriculture	49
Zulharmans, Harian Kami	50
Dr. Emil Salim, Bappenas (Nat'l Planning Bureau)	50
R. Soetanto M.A., Direktur Utama, Bank Negara Indonesia 1946 SNI III	52
Omar Abdalla B.B.A., President, Bank Dagang Negara	53
M. Subchan, Vice Chairman, Peoples Congress	53

I N D O N E S I A N D I A R Y

June 29 - New York

Dr. Adam Malik, Presidium Minister for Foreign Affairs
Elkanam Tobing, Indonesian parliamentarian and businessman
R. Soehardiman, Indonesian Consul General in New York
Robert Delson, partner in Delson & Gordon, 230 Park Avenue,
New York, N. Y. 10017, tel. MU 6-8030
Several other officials

The law firm of Delson & Gordon claim to be legal counsel to the Government of Indonesia -- even the new team. Bob Delson and his colleague, Carl Slater, and I had a session several weeks ago in which they offered to give all the assistance they could in the organization of the Roundtable, and specifically to help launch it by making a date with Dr. Adam Malik, Presidium Minister for Foreign Affairs.

Meanwhile, Slater has gone back to Indonesia on a 6-week trip, taking with him a copy of our letter to Adam Malik (the usual initial form letter) to give to the top man in the Indonesian Government concerned with foreign investment, Mohammed Sadli, Chairman, Foreign Investment Council. He also took with him the following description of our room needs at the only plausible hotel in Djakarta, with the promise that he would, on our behalf, nail down the dates for these rooms of March 10 through March 15, 1968: 20 suites and 60 twin-bedded singles.

The date with Malik was duly set up for today (June 29), and Jean Anderson, Ken Gott and I went over to the Waldorf-Astoria Towers to keep it.

Bob Delson had made one initial error which concerned me (but no longer does). I had sent an additional copy of our letter to Malik to the Delson & Gordon office as a matter of courtesy, and Slater took one to Indonesia while Delson, purely on his own initiative, took the other copy to Malik on Tuesday, June 27, and gave it to him. This had all the earmarks, of course, of Delson horning in on our roundtable and attempting to appear as the chief factotum. I dressed him down politely on the telephone, and he was full of apologies.

At that session, an Indonesian parliamentarian (and businessman) named Elkanam Tobing had been present and had constantly interrupted to insist that our Roundtable be held with Indonesian officials in, of all places, Tokyo. The idea apparently is that Indonesia very much wants Japanese business investment and economic development cooperation (and Indonesians also love to go to Japan).

At our session with Malik, I hit this idea on the head, and also discouraged the idea of going to Bandung instead of Djakarta. Malik listened intently, and when, at the end, Tobing tried again to raise the issue of Tokyo, he cut him off abruptly and assured me that if we wanted the meeting in Djakarta we would have it there.

We also made it crystal-clear to Malik that Delson & Gordon was working for the Indonesian Government and not for us, and had absolutely no connection with the Roundtable. Everybody, including Malik and Delson, heartily agreed.

Malik listened carefully to the entire description of the Roundtable, its nature and purpose, etc., and then assured me that, in his view, it would be extremely welcome in Indonesia. He promised to give us a prompt reply to our letter, indicating of course that it would be affirmative. He assured us that the date we had suggested was a good one and did not conflict with any religious holiday or other event.

Also present at this meeting was the Consul General in New York, R. Soehardiman, and a number of other officials.

November 19 - Djakarta

Professor Sadli

Called Prof. Sadli, head of the Foreign Investment Team (technical body whose recommendations to the Foreign Investment Council are tantamount to approval) for a date and he said to go to his house at 5:00 PM. Arrived with Jean and Sanjoto to find him still asleep. Sadli is US-educated, knows how Americans operate, and can take criticism and talk directly and honestly. He raved about the Time meeting in Geneva which struck just the right note and was a "love-in at the International Hotel." Said the Indonesians had returned recognizing that they had to amend some laws, that he is now worried that they must perform before the Time group returns (after the marriage you must perform). The Time group apparently told them some cold truths about foreign investors.

Sadli is all for our Roundtable as an excellent follow-up. He and other civilians (or at least technicians) apparently want the politicians and the military to learn about the outside world and the views and needs of foreign investors -- also to counteract 10 years of brainwashing by Sukarno about imperialism and neocolonialism. But he suggests June or later, primarily because Suharto is going to Europe and the US in March (or April or May). He was concerned at first about our meeting with Suharto on grounds that he is still learning English and is still being educated by the Sadlis and others about the outside world (he's never been abroad). Sadli thinks the foreign trip will make a new man of him. Sadli's objections about a session with him at the Roundtable collapsed when I explained how our group was sensitive to the level of understanding of chiefs of state and never embarrassed them, and that we would furnish simultaneous interpreting. Sadli also suggested that Malik froze when speaking English in front of large groups and that we should have interpreting for him as well. He urged me to see Suharto personally, and immediately wrote out two introductions for me to the two generals who are Suharto's key advisors: Brig. Gen. Sudjono (economics) and Maj. Gen. Alamsjah (political). He also urged me to see Malik's assistant, Kim Adhyatman. He looked over the draft agenda and approved, agreeing that we should add a session with Suharto's Economic Advisory Team of which he is a member (this originally Sanjoto's idea).

Sadli thinks such ideas as harmonization of national development plans in Asia, the Pacific Basin approach, etc., may sound impossible until people think they can work, until the political will exists to carry them out.

This in turn needs leaders with international reputations (like Monnet and others in Europe). He sees no such leaders yet but feels Malik might become one. To rise up, such men need a forum -- international conferences -- where they can develop their ideas and gain recognition. This is another reason why Sadli is all for us.

November 20 - Djakarta

Kim Adhyatman, assistant to Malik

10:00 AM

Easily made a date with Adhyatman. Apparently Sadli had called him (and I suspect called the Sultan and the two generals as well). Adhyatman immediately pronounced himself as all in favor of the Roundtable and ready to "take personal charge" of the response on Malik's side. Adhyatman was instrumental in organizing the Time RT, which he attended, and said he wanted to avoid the big battle that went on unbeknownst to the Time side within the Indonesian delegation before and during the meeting -- where they had two captains, the Sultan and Malik, who were vying for hegemony. Some say Malik, now that the Presidium is dead, has less stature than the Sultan, since Malik is no longer in charge of political affairs as well as the Foreign Ministry as he once was. Yet the Sultan has no portfolio at all, but is simply charged with coordinating all the various economic activities of the ministries. Malik is decisive, has ideas, pushed the cautious, hesitant Suharto to a quick re-entry into the UN and quick end to the Malaysian war. He may agree all too quickly (with such people as Ambassador Green) and then not follow up, but this (says Masters, the Embassy political officer) is because he lacks staff work, can't delegate, can't organize. Malik is, I think, a Sumatran, a race which is more incisive and less cautious and devious than are Javans. The Sultan of Jogjakarta is of course a Javan, not an original mind, but delightful, a man everybody likes, and does well in bringing about a consensus, acting as a catalyst, and a man with much political power even though his supposed field is economics. He may wind up as a figurehead President once the country has held elections and has a Prime Minister. Brig. Gen. Sudjono also has great political power: he and Alamsjah have access to Suharto 24 hours a day, whereas Sadli and his ilk see him once a week. Either Sudjono or the Sultan share the same soothsayer with Suharto, which gives him (I'm positive it's Sudjono) almost a brother relationship with Suharto.

Adhyatman urged me to stay away from Alamsjah, and the US Embassy agrees. He is power mad, would like to be top dog, might seize the RT and use it to his own end. Especially since he's now under attack (justifiably) by the students as corrupt (he's made himself rich). Also, he and Sudjono are rivals, and it is hard to be friends with both. Suharto is expected to dump him eventually -- but is, typically, going very slow in this, just as he did in dumping Sukarno (which Masters now says, in retrospect, was wise, in that it avoided open revolt by the Sukarno forces). Even though Sadli gave me a note to him (Alamsjah) I can just forget him unless he makes it clear he wants to see me, says Masters. It's clear the Ambassador and Alamsjah are not on good terms. Alamsjah tried to ram through some AID policies that were politically oriented, and Amembassy had to get tough and show him the US didn't do things that way.

When I told Adhyatman that Green has written to the Sultan requesting a date for me with the Sultan, Adhyatman instantly said that I should go through the Sultan and not Malik if that is the way things turned out. He urged me not to call Sudjono until I had seen Malik, and true to his word phoned me during my next visit (with Green) to say that I had a date the 21st with Malik at 11:00 AM. Adhyatman said that Suharto had requested that two generals attend the Geneva meeting and that Malik had not objected but that Time had refused. They were probably the two Sadli mentioned to me -- but might have been the ministers for Industry and for Trade. The fear of "creeping militarism" on the part of the civilians is a problem -- or rather, a problem in the country is the uneasy relations between the civilians and the military. Malik in Geneva made a speech saying the two had to get along better and better. There is no reason why we shouldn't accept the military at our Roundtable -- Masters agrees. Adhyatman's other comments: Malik doesn't trust the Indonesian Ambassador in Washington (Malik must accept Sukarno-appointed ambassadors, or Alamsjah-appointed) and goes around him ("We deal with Green and with the number two man in Washington"), and BI must deal with Jack Lightman, number two in the US Embassy, as well as with Green, since "the Army doesn't get along well with Green" but apparently does with Lightman. I felt I had to pass this on to Green, who was surprised ("That's a new one."), but Masters felt it reflected Green's difficulties with Alamsjah. (Nobody feels Nasution is important.)

November 20 - Diakarta

Marshall Green, US Ambassador to Indonesia
 Ed Masters, Political Counselor
 Paul McCusker, economic chief of the Embassy

Green was struck by the scope of the Roundtable and felt we should work with Malik since it is broader than just economic. He agrees we should postpone it to June or later. He feels the Indonesians are sensitive to questions on the elections, banking law, etc., and that many will relish our group coming to ask such questions but others will be "anguished." He promised full Embassy support and requested that I see Masters this afternoon. Also present at this meeting was McCusker, the economic chief of the Embassy -- and at the end I brought in Sanjoto to meet Green.

Met with Masters at 3:30. Very knowledgeable. Says Suharto is a good man trying his best to run the country. He didn't ask for power, it was thrust on him. He is trying to balance civilian with military power in government. The Embassy made a study several months ago of the percentage of military among the top 200 that run the country compared to the Sukarno period, and found that there were 38% under Sukarno and 43% under Suharto. But he admits the military has vastly more power today than it did when Sukarno was in power. The Army began infiltrating the government years ago when it saw what Sukarno was up to (one should say the Military, but the Army is the real power compared to the Navy or Air Force), and now has a corps of men about colonel rank who are among the

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best-qualified administrators in Indonesia. So this Army influence in the government is not bad. But he also stressed, as have others, that the Army has taken over provincial government down to a very low level -- a grass-roots political control that could lead to military dominance on a vast, long-lasting scale. The country simply isn't ready for elections, even though they are required by law as of July of next year (?). The electoral law will be passed the end of this month -- probably a good law though somewhat vague and giving the Administration much leeway in interpretation. But the machinery of elections is missing, even including voting lists. And the political parties that still exist today have no power or relevance. The good parties were banned by Sukarno and still have not been born again (like the socialist party). The two principal parties (secular and religious) have no programs and no effective leadership. It is doubtful that they can even be reformed very quickly (both played footsie with Sukarno and the Commies -- even the Muslim Party, hence it is not true that religion in Indonesia can ever be a bar to Communism). Thus Masters says the earliest the Government can agree to elections is 1970, and even if they are held then they will be carefully controlled, especially in view of the austerity program, which has to get tougher. But Masters does not think that Suharto would ever allow a military junta to arise, and Suharto himself has been making good speeches recently about constitutionalism, the rule of law, etc.

Masters agrees that, given the poor state of the political parties, we might switch the political session to a session with the legislative leaders. Masters warns that the Javanese are truly, truly, truly sensitive. They will harbor grudges a whole year and then express them. Watch out -- they have a deep inferiority complex (all Indonesians do, says Masters -- unlike Indians!).

He also says Kim Adhyamat is of Chinese derivation -- he changed his name a year ago -- and too close an association by BI with him will raise many Indonesian eyebrows!

November 21 - Djakarta

The Sultan of Jogjakarta

Merdika Selatan No. 6

Office (direct line): 51122

Home: 82191

Saw the Sultan from 8:30 to 10:00. Fair English, pleasant, good sense of humor. Sees priorities for the economy as food (mainly rice), through fertilizer, insecticides, etc., clothing, infrastructure (telecommunications, shipping, etc.), and exports. Rice is short one million tons a year, requiring annual imports worth \$70-80 million they can ill afford to spend. Hence they are pushing the establishment of fully mechanized rice estates (two in Sumatra, one in Borneo, one near New Guinea to supply New Guinea) -- rice estates will grow more than just rice. The Government is asking new investors to grow their own rice, start rice estates (as Uniroyal is now beginning). The Government hopes that migrants will group around these rice estates.

On exports, Uniroyal and Goodyear are planning new rubber plantations in Sumatra. The Government hopes to increase palm oil exports (not coconut) and has issued tenders for concessions in tin, nickel, and oil. 18 companies bid for five tin areas, 21 firms bid for five nickel areas (and apparently Kaiser Steel got one in a joint bid with the French "Nickel International!"). All the mainland oil areas are nearly occupied. A few offshore areas are left, and already companies are fighting for them.

Among Indonesia's problems: a 2.5% annual population growth -- Java with 70 million-plus people horribly overpopulated with every square inch now in use (Sumatra is four times bigger, has only 12-14 million).

At Geneva, the Indonesians found they were thinking too small. In logging, they were thinking 20,000 to 100,000 hectares, private foreign firms talked a million hectares. The Sultan laughed in telling me that some foreign executive asked Sadli how many chickens he had in mind and Sadli replied 50,000. "That's chicken feed; how about 500,000?" was the reply. Thus they are re-thinking the 30-year concession limitation (may go to 50?) and also whether the 5-year tax holiday should be modified to cover such things as pulp mills started years after the logging operation got started.

The Sultan's view on inflation: it was 650% in 1966, the target for 1967 is 65% but will be 75% "or 80% at most," (shortfall owing to rice failure resulting in rice-price hike), target for 1968 is 35% maximum, for 1969 a maximum of 15%, and no inflation in 1970. The Sultan expects the budget to be balanced in 1968 with tax reform. The period through 1970 will be rehabilitation (to quote the Sultan), with real development only starting in 1971. Many industries and towns have not had spare parts for five years (many towns no electricity), and railways, shipping, aircraft, trucks, buses, power plants, etc. are in terrible repair. Hence 95% of the \$200 million credits received from abroad this year are being spent on replacement and spare parts, and a similar percentage of foreign credits received in 1968 will be spent the same way.

Many joint ventures are already operating in fishing (with Koreans, Japanese, etc.) and "there is no more room for fishing ventures." South Koreans are beginning next week to fish south of Java and near Amur (sp?) with ten ships. The Indonesian Government is asking all fishing ventures to process and can as well as just fish.

The Sultan offered the services of his Secretary (a Ph.D. from Cornell and Professor of Sociology) as liaison, saying there are no bus or other services and thus the Government must cooperate with BI in providing such facilities (e.g., for the Ladies Program, which the Sultan specifically asked about). He called the Secretary in to meet me, but he was teaching a class. I am to see him later (through Sadli?).

The Sultan studied the draft agenda carefully for a full half hour. He stressed the idea of inviting leaders of government-owned banks (other government industries too?) to join the business and banking session. He finally agreed that the Economic Advisory Team was sufficient to cover the National Economic Planning bureau. He expressed fear that our meeting

with the Economic Advisory Team would conflict with his own since "that is my team," but I assured him we would cover broad issues with him on stabilization, allocation of resources, and get into detail with the team. He also said the other ministers were men he coordinated, to which I responded that if he wanted to attend other sessions he'd be welcome -- or could send a man like Sadli to cover other sessions for him.

The Sultan wants an Australian briefing memo.

He assured me, after we finished discussing the agenda, that "this can be done." Also, that I would have no trouble in getting the Acting President to attend. He knew I was seeing Sudjono.

November 21 - Djakarta

Brig. Gen. Sudjono Humardani, Private Staff of Economic Affairs
to the Acting President, Office of the Presidium,
Merdeka Barat #15

Saw Sudjono from 1:30 to 3:30. Olive-clad soldiers with guns lolling all about, but sleepy atmosphere. Explained all to Sudjono, and he almost immediately dropped the pretense that he knew little about it (also gave him Sadli's note about me). His behavior indicated strongly that the Government was in agreement that the Roundtable should be held and Suharto should attend. We discussed why the RT was so important for Indonesia -- Sudjono is another bear on the importance of infrastructure. He was curious about my view of what Japan would do to help Indonesia and help maintain Asian security, and agreed reluctantly that Asian security could be maintained by the US and others.

Regarding the session of the RT with Suharto, Sudjono stressed that Suharto kept up with the activities of all the ministries and that he was fully capable of an economic discussion with our group. He said he would try to make a date for me to see Suharto before he left for the provinces (Nov. 24-27), but assured me that I could see him the 27th or 28th on his return. Gave me his office and home phone numbers and urged me to call on him for help as needed.

Studied the agenda carefully, and urged that we include the Minister of Public Works and Minister of Maritime.

Sudjono went to New York with Malik when Indonesia re-joined the UN, also went to the US on State Dept. invitation. He saw Humphrey in Minnesota as well as during Hubert's Indonesian visit, and is a great admirer of Humphrey. "He is the best friend in the US that Indonesia has."

I was not terribly impressed by Sudjono, though he is quite charming -- as I'm beginning to believe all Indonesians can be.

He agreed that I should call him the 27th re a date with Suharto.

November 21 - Djakarta

Dr. Adam Malik, Presidium Minister for Foreign Affairs
Kim Adhyatman, assistant to Malik

Saw Malik and Adhyatman from 11:00 to 12:00. Malik said Green spoke to him last night, and that he replied that he had approved of the idea way back in New York in June. I think he's embarrassed at the long delay and absence of a reply to my letter.

I showed him the revised schedule. He approves. He was interested to hear whether the Sultan had approved. I assured him the Sultan did, and also told him that the Sultan had volunteered his Secretary's help as liaison.

I raised the question of seeing Gen. Sudjono, and he assured me that I should, and that Suharto was taking a trip to the provinces Nov. 26. I must see him first. Malik also assured me that Suharto would agree to the program. Apparently the Government has decided to accept the Roundtable, and my seeing Suharto will merely be a formality.

Malik stresses that the big need for the country now is fertilizer production, and oil. They need big investments in these (oil in the sense that existing producers can do much more). At Geneva they discovered they had been thinking too small (see notes on my meeting with the Sultan). Malik was the one who suggested they take two generals (Jusif and Sudjono) but Suharto turned it down, said they had enough experts there and he needed the generals in Djakarta. Malik swears the American Embassy is wrong and that more than 60% of the top 200 government people are military. He says the military want to postpone elections for selfish reasons, that elections are vital to political stability, but that they must not be held until the rice production has been increased. Sumatra is okay, but elections in Java -- 70 million-plus people -- would return the Communists if held before the rice problem is solved.

The big stress in the RT should be on infrastructure (here is a challenge for the briefing memo). Of 13,600 islands, 3,000 are inhabited. Indonesia needs the latest technology in telecommunications, ships, ports, etc. to make a viable country. This is why Malik is all for our RT. He says we should stress this infrastructure challenge in our briefing memo. Says Union Carbide's problem in a proposed plastics plant (which would export to Asian countries) is that the oil company that would sell them the oil residue is making more money in the black market and doesn't want a big Union Carbide operation to cut into these profits. A more basic point: the Indonesians have been scared off about imperialism, and also want their own little profits, hence balk against a big foreign investor in big projects.

Malik told Sato (Japanese Prime Minister) that Japan should reach 1% of GNP in aid, mainly to Asia, that should include investment guarantees (Sato replied that the Japanese parliament is now working on such guarantees), that given an Asian Marshall Plan for 200 million people in Indonesia, the Philippines, Malaysia and Singapore they would compete with Japan in "20 years." Malik sees these four countries harmonizing their development plans (e.g., in steel production), and disagrees with Dr. Goh of Singapore that this is impossible.

November 23 - Djakarta

10:30-11:10

H. A. Sjaichu ("Shy-Who"), Chairman of Parliament (DPR),
Pintu VII, Komplek Gelora, Bung Karno Senajan, Kebajoran Baru
Moch. Thana Ma'roef, Member of Parliament (Foreign Affairs Committee)

Sjaichu was fully aware of the importance of the Roundtable, but insisted that he and other Parliamentary leaders meet separately from the People's Congress leaders. Also, that they be accompanied by the Finance Committee (as he called it) members (and possibly the Chairman of a number of Parliament's key committees). I finally ascertained (I think!) that the Economics Committee and the Finance Committee are one and the same -- at least the man Sjaichu desperately wants to accompany him is Abdulrachman, whom I had intended to invite anyway and who was described to me as Chairman of Parliament's Economic Committee. No matter.

We agreed on Wednesday, June 19, at 6:30-8:00 PM. I assume that in my letter to Sjaichu I should not only mention Abdulrachman as invited (or welcome) but also Moch. Thana Ma'roef.

November 23 - Djakarta

9:45 - 10:20

M. Subchan, Z. E., Vice Chairman of the MPRS (People's Congress)
(pron. "Soobc-Han") - Pegangsaan Barat #4 (Congress Bldg.)

Subchan, an ex-businessman, was chairman of the National Chamber of Commerce and Industry for eight years.

He said that the political structure of Indonesia is "like a basketball game," with a "man-to-man" defense, e.g., each of the following watches the comparable government official: Nasution - domestic affairs; Subchan - economics, finance, development; Maliki - defense; Siregar - foreign affairs; Gen. Mashudi - social affairs and education.

Subchan believes that inflation will be held to 80% this year, but at a sacrifice of exchange rate disparity. Hence, the Sultan is wrong "as I've told him" in saying the budget will be balanced in 1968 -- unless US aid of \$375 million is forthcoming or foreign investments come in (which Subchan says is doubtful).

He thinks creeping militarism is a danger. The rule of law must be established. The People's Congress is like the Supreme Soviet, has top authority for policy and implementation; it appoints the President and directs the Parliament. Subchan is the Sultan's boss "in theory" ("he has a bigger staff than I do"). Subchan claims to have been a key man in ousting Sukarno, though "I like him."

Subchan wants the Legislative Leaders session first: "We are not salesmen to foreign investors, will tell the truth, give you ideas about questions to put to the Government" (!). Yet Subchan adds that the People's Congress has directed the Government to sell foreign investors! He will come to the RT, offered all help, including the suggestion that I write him re bios of all the legislative leaders and he will organize them. "I'm junior in age and therefore do all the work!"

Later I called Subchan and told him (1) of the split in the Legislative Leaders session, and (2) we had put the People's Congress on the first day.

November 23 - Djakarta

11:30 - 12:00

Mr. Mochtar Lubis, Pintu Air 20A, tel. 18312

Lubis is the no. 1 opinion leader, was eight years in jail under Sukarno, is a national hero, has now started a publication and also does business consulting.

We discussed "Berdikari" ("stand on your own feet") -- banks owned by the army, navy, air force, police, that never pay taxes. Suharto is trying to stop this slowly, but is making no headway. He says this concept of Berdikari, initiated by Sukarno, was a response by Sukarno to the fact that he lacked funds to carry on a war with Malaysia, hence instructed the Army, Navy and Air Force to find ways of raising their own funds. In turn, they (the military) called on the Chinese to help them raise funds, first in trading, etc., and then in smuggling and other corrupt activities. This has carried on today, with (as above) the Army, Navy and Air Force running banks and other operations. (never paying taxes) and continuing to smuggle. The ownership and operation of banks and other establishments by the military is carried on up to the battalion level! This permits retention of a huge military establishment the country cannot afford, terrible economic drain. Corruption, in addition, may have begun because civil servants and military personnel simply couldn't live on their salaries, but it has now become a matter of getting more and more, amassing greater and greater riches, a "way of life."

Suharto can't stop this military corruption, military banks, etc., overnight -- it would cause chaos. He is trying to curtail it slowly, but getting nowhere at all, says Lubis. This is why the military is still living beyond the funds voted for them by the Parliament.

Lubis agrees with Malik that the percentage of the top 200 government powers represented by the military is above 60%. He says you can count those generals who are honest on "the fingers of two hands." He agrees some are good administrators, but many are lousy. Recognizing that Suharto has an open mind, is eager to learn, and that he is trying to moderate the influence of the military, Lubis and other liberals are supporting him. But he has yet to show the dynamism, ability to make big decisions, act decisively, that the times demand. He is still a question mark. The quality of national leadership is lacking -- the ability to inspire people, get them to work hard. He hopes Suharto will grow quickly and achieve this stature, but he lives too much in Sukarno's shadow. Lubis, in face of these facts, and the overwhelming economic problems of Indonesia, greets the country's future prospects for stability and growth with "very cautious optimism."

Lubis wants his #2 man, Prof. Sumitro Jojohadikusumo, to attend the rendezvous dinner with him. He is a former Finance Minister, a distinguished guy now in Amsterdam. I agreed -- and Lubis will invite him on our behalf. Lubis has agreed to make a 5-10 minute talk at the dinner and presumably will ask Prof. Sumitro to do the same.

Lubis may look us up in New York in January.

November 23 - Djakarta

5:00 - 6:10

Colonel S. Djojopranoto, Editor in Chief of the Harian Angkatan Bersendjata," Member of Parliament for Security, Defence & Foreign Affairs - Djl. Merdeka Barat 13, Djakarta

The Colonel is not the Editor of the Army newspaper "Berita Yuda," but of the newspaper that is the official spokesman for the entire military. Its national edition, of which he is Editor in Chief, has a circulation of 40,000. Local editions, over which he has general supervision, have combined circulation of 200,000 or so. These papers go to the soldiers (all the military), the police (which are part of the armed forces in Indonesia) and veterans.

The Colonel sees the military as the only force between Indonesia and chaos. And he sees the Army as natural leaders: General Suharto gives the word - "A" - and the Colonel prints "A". The soldiers read it, and repeat "A". The people, looking up to the soldiers, ask them what's what, are told "A", and the people believe and repeat "A".! The soldiers -- privates to colonels and up -- are so respected that they are naturally elected to be local mayors, governors, etc., and thus the heavy incidence of the military in civilian government does not reflect an effort by the military to muscle in.

The Army (military) is against Communism in Asia and especially in Indonesia. Hence it insists that the Nationalist Party (PNI) "consolidate" by the end of the year or face compulsory dissolution. "Consolidation" means disowning all Marxism, embracing the New Order and swearing allegiance to Suharto. The Nu (Muslim Party) is okay, since "religion is anti-atheistic and hence will never accept Communism.

The election law will be passed by the end of the year (with clauses forbidding Communists to run), but laws must be passed reorganizing (1) Parliament and the People's Congress and (2) political parties. Only then -- sometime in 1969 -- will the New Order be consolidated to the point where elections will be guaranteed to keep the New Order (e.g., the military) in power.

Corruption by the military is "exaggerated" by people who are against Suharto. Give them half the power Suharto has and they'd shut up. Corruption today is much less than it was under Sukarno. The Colonel claims he will put us in touch with people who can prove this. He was eager to persuade us that these people were not themselves corrupt! But he quickly admits the military units should not run banks, etc., and that "this will be stopped when the situation returns to normal."

He suggested several people who can give us information -- and whom we might invite to the RT:

- . Rosihan Anwar (we've invited)
- . Hatta (is passe)
- . Dachlan Ranuwihardjo, leader and founder of HMT, the Moslem youth or student organization (but we have a student leader)
- . Achmad Sukarmadidjaja, leader of the IPKI Party ("The Upholders of Indonesian Independence") founded by Nasution-(we should invite). Amembassy says it is not strong now in numbers, but could be if PNI is banned, since IPKI, like PNI, is secular.

He refused to commit himself to attend the RT, asked many questions about BI. I must write to invite him again. As an Army apologist, he is lousy, showing more enthusiasm than brains. He spent the Sukarno period in the field as a Regimental Commander in Bali, probably pimping for a general. ←!

November 24 - Djakarta

9:00 - 9:05

Nahar Zahiruddin

A quick meeting in the hotel lobby before dashing to a meeting with Loveday. He understood the invitation to the business and banking session, said he was a key man in the PIBA meeting. He may call me. If not, I should write him (should write in any case). He hasn't yet formally accepted.

November 24 - Djakarta

11:25 - 12:00

Rear Admiral Mursalin, Vice Chairman of Parliament

(note: not Mursalim as the US Embassy has it) →

Taman Sunda Kelapa 4, Djakarta

tel: 46620 (home); 71894 (office). (don't count on this, it's a big, empty room)

*He's wrong -
we're right*

When he ascertained that Sjaichu had accepted, he said he would too. This man must really be bird-dogged, however. He said the People's Congress had directed Parliament to pass the electoral law and a law on political parties, but elections won't be held until 1969. Says talk to the Minister of Maritime on shipping to the islands. He gave me a rundown on what responsibilities each Vice Chairman of Parliament has; his is coordinating economics and I gather Abdulrachman reports to him. Abdulrachman's committee, by the way, is the Economic and Finance Committee of the Parliament.

Mursalin's English is not very good.

He asked about the agenda for the Parliamentary session, and I said (1) laws under debate or to come up, (2) political stability, (3) new political parties, (4) elections, (5) structure of government.

November 24 - Djakarta

10:30 - 10:55

Hafas, Editor, Nusantora

He will attend, and also may run an article now.

There are more good economists, technocrats, etc., outside the Government, but, like Sumitro, their time is not yet. They are not in any party, refuse to be "boot-lickers." By the end of December a new independent party will be formed by Hafas, Lubis, and others. Then these good men will again work in government and legislative roles.

The PNI is infiltrated by Communists. It and NU are the only parties in the provinces, hence any election now would automatically put the same people back in power who were in at the time of Sukarno. Also -- and part of this problem -- since the Dutch provision of shipping to the 3,000 islands was destroyed in 1956, the islands have been unreachable. You can't even get election materials to them. Hence, why spend \$80 million on an election now just to prove Indonesia is democratic?

The Army is today the only force between Indonesia and Communism.

Nusantara has 25,00 circulation, goes up to 30,000 when news is hot. It was closed down five years ago -- and Djojopranoto's paper took over, has a 5-year lead.

Nusantara has published a series of articles on why foreign investors don't rush in. Jeannie Anderson can -- and should -- get them at the US Embassy.

Hafas is an extremely self-assured man, somewhat abrupt and stentorian-voiced.

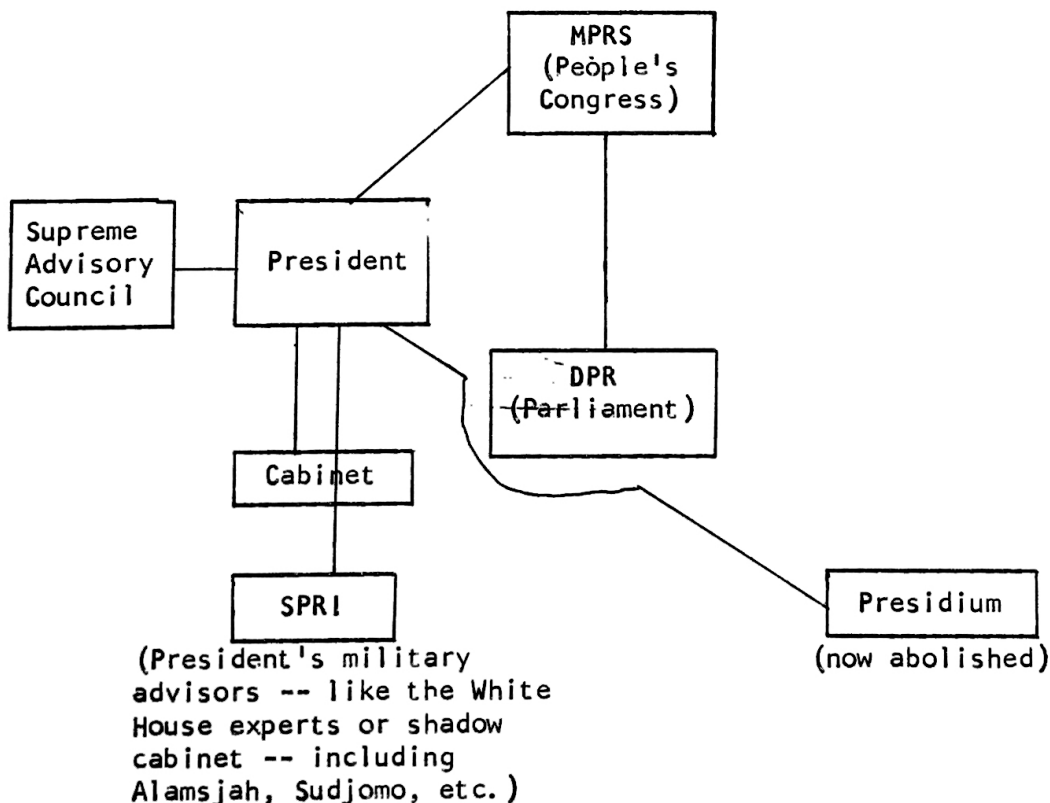
Hafas did not attend the PIBA meeting, sent his economic editor instead.

November 24 - Djakarta

9:15 - 10:00

Max Loveday, Ambassador of Australia to Indonesia

See the following chart on the Indonesian government structure:



Loveday says the President in fact has all the power, not the People's Congress. Also, that the SAC actually has members who draw salaries, but it's never heard from, and that the SPRI may be more powerful than the Cabinet.

12 men do all the work, are the brains in the Government (Sadli, Salim, etc.). There is not enough time in the day. Indonesia needs a corps of foreign advisors, at least one in each ministry -- a key point.

Green is enormously effective, hard-working, sincere, and McCusker and Masters are top-flight.

PIBA's research (one week) was superficial, yet enough to shake up the Indonesians.

Indonesia felt foreign investors would rush in when they opened the door with the foreign investment law. They are still "picking themselves off the floor" from the shock of no inrush of investors. They greeted PIBA with great enthusiasm, will not greet us as well -- may have become cynical.

Never trust that a man will do what he says he will. They always tell you what you want to hear. This re attendance, provision of meeting rooms, buses, etc. The Sultan's secretary is nice, relatively effective -- but even he needs watching.

Our research should take many, many weeks. And I should return long before two weeks before the conference.

Loveday says Sir Ian McLennan, Managing Director of Broken Hill, is the guy who is really taking the company overseas, has the vision and guts. He was at Time's Geneva meeting on Indonesia.

November 24 - Djakarta

1:00 - 1:35

. Brig. General (Police) Dr. Awaloedin Djamin, Minister of Manpower
A. G. Samil, Bureau for Relations and Information, Department
of Manpower

The Manpower Ministry has two sections: (1) development and utilization of manpower (training, including management training!); (2) protection and social welfare (pay, working hours and conditions, health, etc.).

There are "five principles" - irrigation, fertilizers, insecticides, better seeds, better techniques (?) - that have worked well in upping agricultural output. This phrase, "five principles," has become an Indonesian by-word.

Awaloedin speaks good English, seems very well informed and extremely dedicated. Equally so does Samil. A hopeful pair.

He recognizes that Indonesia must create conditions attractive to foreign investors, not just open the door. He sees foreign investors as

vital to the (1) employment and (2) training in modern skills (labor and management) of Indonesians. He visited the ILO's management school in Turin recently, says the professors are too theoretical (a sophisticated guy!).

He will attend the RT, even if this means cutting short his participation in the ILO meeting in Europe which lasts from June 5-23 or so. Samil tried to warn him he would be tied up at this meeting at the time of our RT, and he brushed it aside, saying BI's meeting was more important to Indonesia and he would return in time to take part! I must mention this in my follow-up letter. Further, he and Samil are eager to give us materials re the Ministry's work, and Samil will translate some basic information for Jean. She must call him. They have training schools, management schools, etc.

Awaloedin and his ministry are pushing birth control -- but for psychological reasons call it "family planning." We should get more dope on this, prospects for success, etc.

Awaloedin wants to balance labor-intensive and capital intensive investment. He sees road-building, cottage industry (handcrafts), construction and similar projects as providing much-needed employment, but agrees that capital-intensive investment will (1) make Indonesia competitive in world markets and (2) furnish secondary employment in service, repair, parts manufacture, etc. He especially hopes that capital intensive investments in raw material exploitation will be made by foreign investors ("all our wealth is outside Java") -- and that this will attract people and draw them out of Java. He believes this type of investment will have a "multiplier effect" regarding jobs and employment. "When conditions outside Java become better than conditions in Java, then people will move out to the islands."

I feel Awaloedin could be an ace-in-the-hole for us. He's smart, very interested in the RT -- and in the military.

November 25 - Djakarta

Koesih Purwanegara S.H.
Djl. St. Sjahrir 16, Djakarta tel. 45705

Purwanegara was trained in law. He is secretary of the business association of which Bekti is, I believe, president. He's also chairman of the Football (soccer) Association, "my first love."

He will attend the RT. Urges that we invite Idhan, private banker and GP of the organization of private banks, possibly in place of Sumali, whom he says is narrower in scope; also, Ali Noor Luddin of Masayu (trading company), and Engineer Suhud (a private businessman who is also a member of the Foreign Investment Team). He gave me addresses of most of my full list of businessmen, was very helpful. Has four kids (tots) and his wife is a lawyer and president of the Women's University Club and a member of WIC. She could be helpful in the Ladies Program.

is drafting a bill (I believe -- he's a bit difficult to understand and very long-winded) to speed up foreign investment by removing "impediments."

His bill would exclude foreign investors from the provisions of the company law (derived from the Dutch who in turn derived it from 18th century French law) relating to voting rights, in which shareholders may not vote more than six or three shares (depending on whether they own more or less than 100 shares). In short, his bill would let foreign parent companies exercise voting control, which they must, in his view, if the Indonesian sub was part of a worldwide structure. His bill would also permit the Indonesian capital in a joint Indo-foreign venture to enjoy all the rights, tax holidays, duty-free imports, etc. that the foreign capital enjoys under the foreign investment law. This would speed up foreign investment by avoiding the need to wait for completion of a law on domestic investment, which may take a year or more. The only exclusion of rights enjoyed by foreign capital that would be given to domestic capital in his bill are rights relating to transfer of earnings and capital (naturally).

November 25 - Djakarta

8:00 - 9:00

Prof. Selo Sumardjan, Secretary to the Sultan

Sumardjan has good English, is US-trained, a Sumitro student.

On the Ladies' Program, he suggested I use WIC (Women's International Club), and said that Dr. Emil Salim is expert at popularizing economics and would be the best man to talk to the ladies.

On interpreters, he says there are no simultaneous interpreters in Indonesia, that we should forget about it and if General Suharto and Malik want to use consecutive they will furnish their own interpreters. We should concern ourselves solely with non-English/Indonesian language problems (e. g., Japanese). But it seems very doubtful if any simultaneous equipment exists in usable form.

Sumardjan will be our liaison man, will form a committee if necessary to work on the RT. I mentioned the need for a bus on Sunday to and from the US Embassy, and should write him about this; also keep him informed about our negotiations with WIC, etc.

He says Sumitro still has too many enemies in the Army, should stay in the background for the time being.

He urges us to have a separate session with Widjojo on planning, that Widjojo's 5-year plan to start in 1969 will be in rough outline by June 1968. The Sultan also urged this, and we will probably have to bow to it. Widjojo is also the top man of the Economic Advisors Team.

He says the political parties had action arms for mass action -- including unions, women's groups, student groups, etc. -- and that the unions didn't exist to help workers but as instruments for mass support of political parties. The parties used to finance themselves by taking graft through government channels. The Sultan has put a stop to this, and hence the parties have no money, are passive, and hence so are the unions passive. Also, the effective

union leaders were Communist, and the new union leaders are weak, unknown.

He urges us to invite Brig. Gen. Suhardiman, head of SOKSI. This union was formed to combat Communism in the labor movement and is controlled by generals; as such, it is small but powerful and important.

He suggested that Hatta is living in the past, that we strike Roem (too many politicians at Opinion Leaders session) and invite Sjafrudin Prawiranegara instead, an excellent economist ("Lubis is a politician!").

On Business Leaders, he suggested B. R. Motik as counterweight to Beki (two big business camps) and Jusuf Reno Sutan as the buffer or catalyst between them. Said not to invite Dasaad, who financed Sukarno (though his son, says Kosasih, is okay and now runs the business). Also suggests Sumali (private banker), Julius Tahija (Caltex), Sudarpo Sastrosatomo (ISTA-shipping, etc.).

He explained that Subchan and Sjaichu are in opposing camps of the same party, and hence Sjaichu was not saying that Parliament leaders couldn't meet together with People's Congress leaders, but that he wouldn't meet in the same room with Subchan!

Sumardjan will attend the session with the Sultan and Economic Advisory Team (of which he seems to be an ex-officio member) and will "float in and out of other meetings" with government ministers as he sees fit.

Parliament is only working on two political laws: the electoral, and the law affecting political parties and labor unions.

November 25 - Djakarta

12:00 - 12:30

Dr. Subroto, Department of Trade, Djl. Abdul Muis 87
Office tel.: 43033/31 (direct line); home tel.: 82297

Subroto, another Sumitro graduate and US-trained, is the key deputy to the Minister of Trade and also one of the five men who constitute the Economic Advisory Team to Gen. Suharto.

He agreed that we should change the Economic Advisory Team session to a session just with Widjojo and Salim, call it the National Planning Bureau session, and assume that he (Subroto) would accompany his minister (Trade) and that Ali Wardhana should be invited to attend with the Governor of the Central Bank and the BLLD (Kartadjumena). I must make this change.

He seemed enthusiastic about the Roundtable, and will call me (if not, I'll call him) about a date with Jusuf, Minister of Trade, before Jusuf leaves with the President on December 6 for another trip.

I left Jeannie and Sanjoto to interview him while I rushed off to a date at 12:30 with a labor leader.

November 25 - Djakarta

12:35 - 1:25

Ibrahim Usman, Secretary General, P. B. Gasbiindo
 Tanah Abang III #6 Tel: 45782
 Plus five others in the union

A heartwarming, intriguing visit to this mud-laden cesspool. They got quite excited about the RT, want me to meet their General Chairman (now away), Agus Sudono (home phone: 49937). They say the Army wants to take over or control all the unions, hence don't like the idea of inviting SOKSI. I should ask Sudono if he would boycott the session if we did. They wanted to invite the other unions on our behalf, which I firmly declined. They agree that they and other unions have been adjuncts of political parties and are now broke, but show real eagerness to begin working on behalf of workers. They even seemed genuinely responsive to the idea that unions are best off (1) getting funds from dues and working solely for workers, (2) keeping out of politics, and (3) staying out of management so as to be able to fight for better wages, etc. They were eager to learn how co-determination was working, differences between US and European union movements, etc. They have a new (July 1967) constitution which they say is "democratic" and modelled after the US. I have an Indonesian-language copy.

November 27 - Djakarta

4:30 - 5:10

B. R. Motik, Chairman, All Indonesia Importers' Association (O.P.S. Impor)
 Djl. Banjumas 2 tel: 51625, or 51675

Motik was in the hospital awaiting a "minor" operation, but he looked and sounded pretty weak. I went with his wife to see him.

He looked at the business guest list and said "none of my friends are on it, I'm alone." He then added:

R. L. Tobing (import/export -- not the M.P. I met with Malik)
 M. Nuh (transport)
 Drs. Noordin Zaini (his own secretary -- or his associate's secretary)
 Drs. Sikri Djaffar (inter-island trade)
 Mr. Assaat

To get addresses and phone numbers, call O.P.S. Impor Pusat, 1, Djl. Modjoparit, tel. 47269 or 40643.

He then explained the battle between himself and Bekti and Kosasih. It seems -- he says -- that he was the big-shot in the Commerce & Industry Association until Sukarno. Then the Communists began infiltrating -- right into the board of directors -- and he began fighting this, and was finally forced out by the Bekti/Kosasih forces. But Motik is -- or sounds like -- a fanatic right-winger: "Bekti supports the Chinese, or some of them, and to me all Chinese are Communist." He also dislikes Bekti because Bekti always talks -- including in the PIBA meeting, about his own company, is always trying to advance his own cause and not the cause of all the Commerce & Industry Association members.

He says, too, that Tahija is a newcomer who did little until the PIBA meeting.

He says a new Commerce & Industry Association must be formed. I have doubts about Motik, must check him out. We don't want to get in the middle of a battle in the business world. PIBA didn't: they had only the Bekti forces.

He says Sutan helped force him out: "Scratch him from your meeting."

November 27 - Djakarta

11:00 - 11:45

Jakob Oetama, Editor in Chief, Kompas (Catholic daily)
Pintu Besar 86 Tel: 23667
P. K. Ojong, Publisher

Both want to attend the RT, but agree that only one will speak for 5-10 minutes.

They feel the law on political parties will give reasonable freedom, but the big question is whether the parties will use it.

They say our Opinion Leaders are all of the same persuasion (except Djojopranato) and urged us to invite nationalists and socialists, e.g.:

Mustafa Mega, Editor in Chief, "Suluh Marhain" (nationalist paper that Isuarni is behind)
Mahbub Djunaidi, Editor in Chief, "Djuta Masjarakat" (NU-Muslim-nationalist paper)
Zein Effendi, "Djakarta Times"
Rosihan Anwar, ex-Editor in Chief of the PSA (Socialist) daily.
(Oetama and Ojong say that Anwar will have started a new paper by June 1968. The old one was shut down by Suharto as Communist.)

November 27 - Djakarta

9:30 - 10:05

Prof. Dr. Ir. Soemantri, Menteng Raya 3, tel: 50232

Delightful, good English. Will come and bring key aides. Jeannie should see Soetarjo Sigit, Chairman of the Dept. of Mining's Foreign Investment Committee, or Manoe, that committee's secretary, for information. Sadli had spoken to Soemantri.

He confirmed the Sultan's figures on mining bidders, added that Alcoa is seeking bauxite concession but wants lower income tax than normal 60%. Mining companies pay land rent, royalty (Alcoa willing to go to 10% of production), and then the income tax. Department of Mining would like to see the income tax come down to 50-55%, but say the Finance Minister has the last word.

Soemantri is willing to extend the tax holiday -- or see it start at the time of processing. But he says some firms are more interested in low tax during the whole concession period than in the tax holiday.

Soemantri is willing to see concessions extended 20 years (to 50) after exploitation and processing has begun, not at the start (they want to see what they are extending).

The Mining Dept. used to have Industry too, but now this is split. The Mining Dept. would like to see (or foment) processing, including petrochemicals, but the Dept. of Heavy and Light Industries now has this. Hence the two departments will cooperate and have joint consultation re petrochemicals.

Soemantri is worried that Indonesia's own tin production is now too low, and that if the tin cartel (INCO?) sets quotas for Indonesia on the basis of the present output, the country will get squeezed out of its rightful share of the market.

National (Indonesian) oil producers can finance and handle easy technology of on-shore exploration, but foreign capital and technology are needed for off-shore. Soemantri hopes the output from all sources can be raised from 0.5 million bbs/day today, to 1.5 million in 1969. Soemantri says the existing foreign oil companies are big, can do the necessary job: Caltex (The Texas Co.) and Stanvac (SOJ).

Soemantri made it a condition to Gen. Suharto in accepting his government job that the Gas & Oil section would be put firmly back under him as Mining Minister. He said the head of that section and the former Mining Minister simply couldn't get along.

November 27 - Djakarta

2:00 - 3:00

Vice Air Marshal Sutopo, Minister of Communications
Hajam Wuruk 2

He agreed that he would "try to" come -- then later revealed the reason for his hesitancy: he has not gotten a letter from the Sultan "officially" approving his participation. He requested such a letter, adding that it should go not just to him but to all the ministers. I must arrange such a letter through Selo Sumardjan, who has already agreed to write to the Ministers of Agriculture, Plantations, and Industries (as well as phone them).

On research, he urged that we (Jean or Sanjoto) approach first his Secretary-General, Simatubang -- and through him the Chief of the Planning Bureau (of the Ministry) Mr. Soehono, and also the Chief of the Analyst and Reporting Bureau which collects and analyzes all the country's communications data and feeds this to the Planning Bureau.

On air communications, he feels the huge size of the country and its 3,000 inhabited islands makes air travel the key to development (though he

admits ships will be important, too). He feels Indonesia should "eventually" have its own aircraft industry making at least small and medium "rugged" planes; he thinks such an idea is "sound" right now, but admits that other projects may take priority -- he's glad they created a National Planning Bureau to centralize the setting of priorities and allocation of resources in terms of the national interest. (Another indication of what a key man Widjojo is.) He is even eager to keep imported advanced weapons systems (aircraft) to a minimum ("just enough to protect our sovereignty") so as to push civilian aircraft harder, ("even though I am an Air Marshal"). They now feel that totally government-run airlines and aircraft industry is bad, and passed a law last Spring permitting private firms to get into the act. Already there are two private airlines in operation, and he hopes private firms will start up production of airplanes as well.

They are letting Thai International run Caravelles into Bali (Garuda runs Electras in). But they want "the whole world" routed into Bali and will finish a big-jet airport by the end of 1968. He himself feels there are other tourist heavens in Indonesia as well as Bali, and hopes these can be publicized.

On telecommunications, they have been buying telephone equipment from Siemens, and recently revised the contract to force (?) Siemens to assemble telephone exchanges in Indonesia (Siemens will discuss actual production at a later date). Philips (Eindhoven) is now negotiating to produce fluorescent and other lights, but has also expressed an interest in manufacturing telecommunications equipment (perhaps as bait for the lamp factory?). These are the only two firms that have approached the Indonesian Government on telecommunications. The Indonesian Government does have a 20-year contract with ITT for satellite communications (ITT said it took seven years to get their money back), but this "mainly" concerns communications with the outside world ("we don't know if the satellite can be used for internal communications"). Indonesia's problem is that they have only one big station, and this means they must schedule operating hours to and from various regions, cut a region off at the scheduled hour despite a heavy traffic load.

The Indonesian Government doesn't know if it would be more economical to use undersea or wireless telecommunications.

While telecommunications equipment manufacturing is really under the Ministry of Heavy and Light Industries, that is a new Ministry that doesn't know what is needed in telecommunications equipment and which would take "much too long to act." Therefore the Communications Ministry handles negotiations until the factory is approved, hands over negotiations from there on to the Ministry of Heavy and Light Industry.

Sutopo stresses that telecommunications is extremely expensive, and that development will drag on for years unless they get big outside financing.

November 28 - Djakarta

8:00 - 8:30

Rosihan Anwar, free-lance journalist - Teuku Umar 23A

Anwar is ex-editor of the PSI (socialist) daily (and Sanjoto's former editor). His paper was shut down; the new Government hasn't yet decided whether to license him to begin a new paper (nor whether to license Lubis to begin another new paper, he said, though I thought Lubis had already started a new paper). Even if he gets a license, raising the capital in today's tight money situation will be tough. Anwar likes to free-lance, but feels he should begin another newspaper on principle.

He debated with Subroto last night on TV, told Subroto that his list of woes (drop-off in aid from donor countries, worsening terms of trade, etc.) was old-hat, and the question was what the Government intended to do about them. To this, Subroto replied that there were "bottlenecks" such as monetary bottlenecks, internal bottlenecks, holding up progress. Anwar replied: "What are you doing to break the bottlenecks?" His own answer (Anwar): "Nothing." Why? Because the Javanese feudal tradition, strengthened (worsened) by the present government structure, means that bureaucrats won't make decisions, will not act to get the country going. Moreover, the Government is still littered with the old order -- people who fear foreign capital and block it, etc. "A few men like Sadli and Subroto can't succeed in the face of this widespread obstruction."

He will attend the RT, and make a 5-minute talk. His house is back behind the street-front house -- the latter taken over by the Army to guard Gen. Nasution across the street and another general down the street. The front yard is littered with gun-carriers, etc.

November 28 - Djakarta

9:05 - 10:00

Rear Admiral Jatidjan, Minister of Maritime Affairs, 42010
Djl. Panglima Polim III/140, Kebajoran-Baru, Djakarta, tel: 72010,
Office: Medan Merdeka Timur 5, Djakarta, tel: 48798

Jatidjan's English is poor. He had another Admiral with him who never produced a card but whose English was much better. I hope he attends the RT. Jatidjan said they would make sure to make themselves available for the hour and a half if the RT was held. Obviously, he too needs a letter from the Sultan.

Both men talked plaintively about the Government's treatment of shipping. In the 1968 budget, shippers and shipping lines receive no government subsidies as do the railroads and Garuda. But Jatidjan seems to feel that shipping lines can show a profit without subsidies if they are given profitable routes to balance against unprofitable ones. Thus, in the "Indonesian Shipowners' Association" (both government and private lines) the Government is offering "ocean" shipping with its lucrative foreign exchange earnings but requiring in turn that the lines "fill in" routes in inter-island shipping that are marginal or loss routes. The old (Dutch) line, KBM, was a monopoly and

received subsidies. Foreign lines have an advantage over Indonesian lines in that Indonesian lines (government and private) must automatically hand over to the Government 10% of their foreign exchange earnings. The Government line PELNI sends a 2,000-ton ship from Djakarta west along the north and then under-belly of Indonesia and back every 35 days, but it collects only about 400 tons. One reason is that exporters in the islands used to be required to export through large trading companies and would ship their produce to central exporting ports, from which large shipments could be made. Today they are allowed to export directly themselves, and hence send out 50 tons at a time or so. Thus, the Minister says he is requiring shipping lines to buy 500-ton ships as the maximum size that can still be economical.

The Government subsidizes roads and airports -- but not ports! It requires ports to pay their own way (dredging, wharfs, etc. paid for from berthing fees, etc.). The Minister did, however, ram through 2.4 billion rupiahs in the 1968 budget for ports (20% of 1968 port requirements).

Shipyards abound in Indonesia, but they are today largely idle. Reason: for building new ships and for maintaining and repairing old ships they must:

- 1) pay full duty on all materials and supplies;
- 2) pay 5-6% interest per month on their loans;
- 3) pay 10% tax on the value of the new ship in advance.

As the Minister says, no country treats its ship builders like that. They can't compete and hence the business goes to Singapore and elsewhere.

55% of shipping today is government-owned.

November 28 - Djakarta

11:10 - 12:00

Abdulrachman Setjowibowo, Chairman, Economic & Finance Committee, DPRGR (Parliament) - home address: Djl. Darmawangsa IX/6, Kebajoran, Djakarta. Tel: 70733 (home); 46210/328 (office)

Abdulrachman is a police general (?). He agrees to attend the RT.

He feels we should invite the Motik forces to the Business Leader meeting, but that our group would not want to get embroiled in the Bektik/Motik fight.

He says he is hopeful Indonesia can beat inflation and acquire stability, but that "strong measures" may be needed:

- . Increase tax revenues (partly to offset loss of exchange-differential revenues) by:
 - . spreading the income tax beyond 200,000 ("I know rich people who don't pay taxes").
- . Stop smuggling (requires better communications and shipping to the islands).
- . Stop corruption (he feels the comments about the Military and "stand on your own feet" principle are inspired by private business, says that

his own Police bank (related to Police welfare activity) and other military banks get no special privilege and "compete" freely with private banks -- but admits that military governors must watch out that they don't exceed "proper limits" in business activity.

- Practice austerity -- which "must begin with government austerity" in the budget, and in the level of living of government and military personnel.

While discussing these points he raised his fist to show that force may be required.

November 28 - Diakarta

3:00 - 3:55

Soedarpo (preferred spelling) Sastrosatomo, Managing Director
P. D. Soedarpo Corporation, Djl. Veteran 1/21-22 or Kali Besar
Barat 43 Phone: 47108

Saw Soedarpo with his export manager. Soedarpo Corporation is a holding company which has firms that export (as brokers, not on their own account) and import (they represent RCA, Rem Rand, Univac), hold a major share of a shipping company.

He will attend the RT.

He says Anwar will have no trouble raising money; he owned 20% of the old paper, will finance the new one!

Says Motik's dislike of the Chinese is a cover-up for his own business inadequacies -- though he himself is in "both the Bekti and Motik camps." The Motik group are professional association people (or "politicians") with little real business experience. "To understand trading, you've really got to be a trader." But he says the Motik group are powerful lobbyists with great influence in the Government (see Sumardjan) and cannot be discounted. They are responsible for the new laws that have brought exports down (the check price, which doesn't permit fighting for export markets, the absence of adequate financing, etc.). In contrast, the Bekti group are active traders, and are more modern.

But Soedarpo suggests that if we really want to understand Indonesian business we must invite a few big Chinese traders. "This won't be popular, but to be realistic you must do it." They are shrewd, wheeler-dealers, "out for the buck first and the country second." He suggests Choo Ming Fat, of Tri Bina Karya, a big rubber trader in Sumatra who has a big influence in rubber production, and the son of the founder (?) of TOAR, a huge auto parts and replacements importer.

On the Motik side, he suggests we invite Motik, Tobing and Nuh and that's all.

(McCusker of the US Embassy agrees, and suggests we scratch Nahar as a politician (association man, not a businessman) and Sumali, but that we do invite Idham as a private banker plus Sutanto of Negara III, the government bank that does most of the foreign business. Sutanto is correspondent for many US banks, all of whom say good things about him.)

November 28 - Djakarta

Soedjatmoko, Cjl. Tandjung 18, Djakarta - Tel. 44757

Soedjatmoko is Indonesia's leading intellectual, though he has no degrees! We had a fascinating discussion (he speaks excellent English). He was just back from a lecture tour in Australia and gave me his two lectures.

Unlike the Negroes in the US, the Chinese in Indonesia are respected for their economic wealth and power. The problem is to fit them into an acceptable role in the economy; this is possible in a growing economy, but "people won't accept them in a stagnating economy, which Indonesia has today."

Technocrats like Sadli, Widjojo, et al., concentrate on problems open to government action: bottlenecks, reorganization, etc., and stress the creation of conditions through government action (mainly monetary -- i.e., tight money and austerity) that should lead to or foment rationality in decision-making. But they ignore the fact that economic imperatives are not the only imperatives at work in a society: they ignore the basic factors that cause people to act rationally. For example, they ignore the fact that competition is needed to make government (state) companies behave properly. Civil servants running state companies should be judged on merit, not on the usual system of automatic advancement. These state companies need entrepreneurial strength, people who can calculate risk and take risk and who are rewarded if they succeed and get fired if they fail. At the moment, the conditions created by the government in the austerity program have little effect on state companies, since their managers are not judged on the basis of how they are reacting as managers to the deflationary measures. Government creation (by the technocrats) of economic factors does not cause the appropriate reaction by managers of state enterprises for these reasons.

No "purges" in the banking system have yet taken place. They are needed.

Indonesia's technocrats have no time to think through problems as above (there are too few doing too much); worse, they are showing signs of fatigue and intellectual sterility. They may even kill themselves.

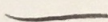
But the answer is not foreign advisors in each ministry. These are not used properly by the Minister or by their counterpart in each ministry. And if they are used vigorously, they tread on sacred cows, often give advice that doesn't fit the country's reality -- or take years to learn that reality. More useful would be a small research organization [BI?] to study problems on call and come up with recommendations, but not be part of the government system itself with all the "love-hate" relations this creates.

Indonesia must broaden its political life. This is the key issue. Social forces (workers, housewives, students, etc.) must be given a chance to channel their energies toward responsible, constructive action, must have freedom of thought and behaviour in the creation of free political parties, labor unions, etc. Soedjatmoko himself would then not just stay outside the government system (where he can at present contribute most through criticism

and suggestions) and lecture and write, but would join forces with the government. Broadening the political life of Indonesia would put an end to "extra-constitutional" action by the general public in protests, corruption, etc. -- extra-legal behaviour that is bound to increase as the gap between expected government performance and actual performance widens, as it must. More feeling of responsibility must be given to people to involve them more in the life of the country. Government is only part of society. To his credit, as an astute politician, Sukarno did involve a large part of society in his politics; today, these same people are not involved, have not had roles assigned to them, don't know what to do or where they stand, are lost. Soedjatmoko has been urging Suharto for more than a year to travel in the country, involve the people in his New Order; he is finally beginning to do so, "but it is rather late."

Epecially important, trade unions must be developed if the country is to mobilize for production and economic development. Under Sukarno, the trade union leadership betrayed the trade union movement, left a "shell" of unionism (became mere extensions of political parties). But a real trade union movement in Indonesia must be more than US-style -- with right to collective bargaining, to strike, etc. It must also assume the responsibility to raise production, which means that it must curb or set limits to strikes, wage demands. [I disagree with this point.]

The problem in broadening Indonesia's political life is manifold: earlier Indonesian states (Dutch colonial, pre-colonial kingdoms) were feudal, "bureaucratic" states. Thus, Indonesia's traditional notions of society are non-democratic, and don't give rise to ideas concerning the value of non-governmental (and unregulated) action by social groups. Hence there does not exist in Indonesia an understanding of how a modern, pluralistic society operates or functions. For these reasons, militarism in Indonesia today comes "by default," not from a conscious plan. In these terms the fight in Indonesia is not against a purposeful, well-entrenched idea of militarism, and of a closed society, but against ignorance and tradition. Thus education of Indonesians regarding the open society is basic to the survival and growth of the country, but this takes a long, long time. However, "it can be done" (and this is what Soedjatmoko is really trying to do). Another problem, of course, is that the Army is security-conscious and afraid of the type of free social action an open society demands.

Soedjatmoko will participate in the Roundtable. 

November 28 - Djakarta

7:00 - 8:00 PM

Maj. Gen. Dr. Sjarif Thajeb, Vice Chairman of Parliament
Ejl. H.O.S. Tjokroaminoto 114, Tel (GBR) 46420

Thajeb is responsible for foreign and social affairs in the Parliament. He is supposedly the military voice in Parliament.

Jean Anderson was with me on this call, and took notes, so I will only mention a few things. Thajeb says there is a "gentlemen's agreement" in Parliament that the new election law will not only provide for proportional representation (which he insists will help the old Sukarno parties) -- the students want a simple, direct voting system -- but also that the law will contain provisions to permit the President of Indonesia to appoint one third of the 700-760 members of the Peoples Congress [totally unwieldy number -- a farce] and to appoint 100 of the 460 members of Parliament (the other 360 would be elected). Of the latter 100 appointed by the President, three quarters would be from the armed forces, the rest professors, intellectuals, etc.

Subroto has made political mistakes and will be thrown out of the Government.

The Parliament is growing in power, no longer knuckles under to Suharto's every demand ("we had to do so at the start, it would have been unsafe not to"), and is telling the People's Congress to go fly a kite -- that it, the Parliament, is the body that makes the laws, and that the People's Congress should stop trying to tell Parliament what laws it should pass and stick to creating very general, overall policies.

The new law on political parties and labor unions must cut down the number of parties (how he didn't explain). Indonesia now has eight parties -- all formed or approved by Sukarno -- and two new ones are in formation (Independent, and the PMI [Muslim]). They don't want to emulate France of the 1940's and 50's.

Thajeb will attend the Roundtable.

November 29 - Djakarta

8:00 - 8:45 AM

Idham, Director, P.T. Bank Niaga
Roa Malaka Utara 21, Tel: 23740

Idham claims he only knows local (Indonesian) banking. He will attend the Roundtable.

Idham is president of the private bankers' association, and a Kosasih recommendation.

He recommended Omar Abdalia, President of the Bank Dagang Negara, a state bank, as an excellent man. Further, this bank is more dynamic and aggressive -- though smaller -- than Bank Negara III. The second man is Moeljoto Djojomartono, also good. He also recommended Drs. Soesilo Sardadi of BNI IV (another state bank), as young, bright, and knowledgeable about foreign banking, trained in London in the Chartered Bank (as some 30 or 40 Indonesians were). He agrees Sutanto is a very good man, but he took over the Bank Negara III from the old (Sukarno) management, who had made it a mess. It is improving now, but still isn't very aggressive.

The banking laws now under debate are:

- . A state commercial bank law, divided into:
 - state savings banks
 - state development banks
 - state commercial (?) banks
- . A private banking law (with a clause covering both foreign/Indonesian banking joint ventures and foreign branch banks -- though some members of Parliament want a separate law re foreign banks)
- . A law on the Central Bank, re-creating it as purely a reserve bank
- . A law on insurance companies.

He feels the military banks may survive if they learn the ropes (e.g., the peculiar behaviour of Indonesian creditors, etc.), and if they create services to meet the needs of the community at large so they can attract depositors. "I don't know how they are currently financed."

November 29 - Djakarta

9:20 - 9:50 AM

Zein Effendi Sh., Director, The Djakarta Times
Djl. Hajan Wuruk 8 tels: office 48170, home 51522

Effendi was late at the hotel because his car broke down. We had a very brief meeting. He will attend the Roundtable.

He suggests the need for a true nationalist (in Indonesia, this doesn't just mean an Indonesian, but a non-Chinese Indonesian): Sumono Mustoffa, Chief Editor. KNI. This is a newspaper of the MURPA Party, Malik's former party (he left it), and a party not only known as "nationalist" but also as "Trotskyite." (This explains why Malik is distrusted by some in the New Order.) But Sumono, says Effendi, is not Trotskyite, has sound ideas.

November 29 - Djakarta

10:05 - 10:50 AM

Julius Tahija, President, Caltex Indonesia (?)
Kebon Sirih 52

Tahija may be negative about our RT since he is (1) the "Indonesian who made it" as President of Caltex Indonesia, and (2) the self-confessed creator of PIBA (whereas at the BI RT he is just another participant). But negative he is. His reason (stated): Indonesia needs one or two big investments ("I was instrumental, through The Texas Co., in getting Texas Gulf Sulphur to invest in Indonesia"), since other US firms will then follow; but two bad experiences in trying to get started will undo all the conferences in the world in Indonesia; there is a grave danger that bureaucratic delays, etc. will queer a few big deals ("One \$100 million deal is now hanging on the ropes" -- he means Union Carbide, I believe) "and Alcoa refused for some time to send another delegation to Djakarta;" hence what Indonesia needs now is implementation of investment projects, not more conferences to arouse interest. The latter will only cause damage in the light of Indonesia's inability to carry through.

My answer, that our RT would help educate international companies in the need for patience, fell on deaf ears.

But he will attend the RT.

He says the Motik group thinks only of its individual members' selfish interests: "PIBA has challenged foreign investors to think beyond their immediate profit and loss interests, and thus we Indonesians must match this level of thinking. Motik and his group do not."

PIBA has set up an Indonesian businessmen's group to promote foreign investment.

I gave him the Bourdrez success story and he immediately agreed, saying that the provinces in Indonesia do not yet understand the need for foreign investment; are not ready to cooperate in making it at home, helping it get started.

November 29 - Djakarta

11:00 - 11:40

Prof. G. A. Siwabessy, Minister of Health
Dj1. Imam Bondjol 7 Tel: 46540

Siwabessy speaks fair English. He is direct, sincere and dedicated.

He says Indonesia had one doctor to 200,000 people at the time of independence, now has one to every 25,000. It now has six medical schools -- and in 10 years will have one doctor for every 2,000 people; they are producing 500 "well-trained" doctors a year. They have a paramedical personnel program in being (nurses, etc.), and will build, equip and staff 30 or 40 hospitals

in the next six years, five or six per year at a cost of \$1 million each or \$35-40 million to build and equip the full number.

He has proposed (or is about to propose) a national health insurance scheme to Parliament. "If they don't accept it, they can find themselves a new Minister of Health."

He has initiated a \$20-30 million program to eradicate malaria. The #2 health problem, after malaria, is smallpox, much less expensive to deal with. Providing water (for baths), plus shoes and clothing, will cut smallpox in half, and "rehabilitation of hospital beds will also help."

Indonesia needs technical assistance in training doctors, nurses, hospital technicians orderlies, etc.

Pfizer must start production of basic materials in 3-5 years, but the Foreign Investment Law covers drug companies adequately, no need for a special law.

South Java has no water or electricity, many starve. Food is the third big health problem (after malaria and smallpox). The Minister has a plan to build nuclear-power plants in that region for desalinization/irrigation purposes (\$50 million per plant, without distribution of the electricity or transmission). He's a big spender -- or wants to be.

He is excited by the RT, will attend, and probably send us questions.

November 29 - Djakarta

1:30 - 3:00

General Suryo (Suharto's staff)
Professor Sadli

Got a call from Sadli in the morning: "The Acting President has officially approved your Roundtable," but he's "trying to sell Bali and suggests several days of the Roundtable there."

Later, I was called to the President's "White House" by Gen. Suryo, and met there by Sadli, who told me I was to meet "the big boss" (Suharto). Waited with Sadli (and later Gen. Suryo) for 2½ hours, but never did see the President. His cabinet meeting was delayed by a visit to the tomb of Gen. Nasution's 4-year-old daughter: when the Communists attempted their coup on Oct. 1, 1965, they tried to kill Nasution -- he went over the wall, and the bullets got his youngest daughter, the only natural child he had (he has four older adopted children). He's bitter.

Sadli is woefully overworked and lacking in knowledge of international investors. "Is H. L. Hunt a man who can deliver on his promises?" "Who is Universal Chemical Ltd. of the Bahamas -- they want to be brokers bringing together Kelly Oil and outside financing for a \$50 million fertilizer project using gas in West Java (unproven), but they want a 20-year guarantee of

purchases by the Government in foreign exchange and guaranteed supplies of natural gas."

Sadli says the "honeymoon" between the New Order and the intellectuals ended last year.

Union Carbide's investment, that could reach \$50-100 million, is in danger. They want 90% (100,000 tons a day) of the 20% of Caltex' production that goes to the Government (and which the Government lets Caltex market on behalf of the Government). And they want the right to sell this crude directly if they (Union Carbide) don't need it all for production of plastics or plastic materials. The Government doesn't want to give them this right. Another problem is price: the Government wants to charge the actual "realized" price, Union Carbide wants a lower price. No

Alcoa's bauxite deal is also in danger. (Sadli himself suggested the present "cooling off" period in the negotiations.) The Government is willing to drop the tax holiday and average out an income tax (factoring in the dropped holiday) of about 40% for 30 years or even 50 years and also negotiate a lower royalty ("the 10% of foreign exchange that companies must give the Government is too costly for them, we realize; and we also realize that a 60% income tax is ludicrous"). But Sadli insists that any investment will pay off in 30 years (even though he's willing to extend it, later, to 50 years or so). Apparently, the Goodyear and Uniroyal contracts include the provision that after 20 years (in 1987) the Government will negotiate a 20-year extension beyond the 30-year limit (1997). Sadli is the author of the 30-year limit (which he pulled out of a hat says McCusker, with no economic rationale), and is sensitive to criticism about it; tends to get stubborn on the point. James(?) Rockefeller of FNCB, at a PanAm board meeting in Djakarta where the then new Foreign Investment Law was described by Sadli and the Sultan, attacked it strongly on several grounds, including the 30-year limit and the clause about right of the Government to nationalize only by a law of Parliament ("we all know you can nationalize; why mention it at all?").

Alcoa wants a 75-year concession if they put up an aluminum plant.

"Universal Chemical Ltd." of the Bahamas, apparently just a group of promoters, wants a deal to bring in Kelly Oil and make fertilizer from natural gas in West (?) Java -- but wants a 20-year guarantee that the Government will buy the output in dollars and a guarantee of natural gas supply (the field is unproven). Sadli asked me if he should insist on knowing who the backers of Universal Chemical Ltd. are, what I thought of the deal. He was enthusiastic at first (this area of Java needs development); then cooled off.

Sadli asked if H.L. Hunt was an outfit that could back up its claims and promises. I said yes.

Sadli is illiterate re international firms: "You Americans are crazy to invest in plants -- you just kill your exports and hurt your balance of payments." This he got from a US Treasury man now in Djakarta.

Sadli operates on an amazingly thin base of information. He asks his friends and anybody he can get his hands on about this or that potential investor, what they think on this or that proposal. He needs help -- and of a kind we could really give him.

November 29 - Djakarta

6:30 - 7:45 PM

Agus Sudono, General Chairman (or President?), Gasbiindo
Djl. Sultan Agung 7 (home)

Sudono is young, has five small children. Speaks good English.

He will attend the RT. Suggests we invite Sob Pantjasila (RC), Kespekri (Protestant), Kubu Pantjasila (IPKI), but says that KBIM is too small, doesn't even have a Djakarta branch.

He is very close to the AFL-CIO. Knows Jay Lovestone.

He is strongly anti-Army. Of generals, he says that one moment a general is a general, another moment he is a labor leader (untrained) like Gen. Suhardiman; another moment a businessman or banker (also untrained). This is too much!

He feels labor unions must unhook themselves from political parties, become truly independent, and start fighting for economic development. This is the only salvation, and must even come before fighting for workers' rights, since only through economic development will workers prosper. Thus unions must enter a "partnership" with management to insure that the company stays profitable and contributes to economic development. But by this Sudono does not mean co-determination or worker voice in management; rather, he means the unions cooperating in keeping worker demands realistic, worker effort in production at a maximum. (Sounds like the millenium.) He hopes to bring all the free trade union leaders together to start a movement away from politics and toward economic development by next January.

He feels the men around Suharto are corrupt (but he jumps when Gen. Alamsjah calls), but that the New Order commanders in political power in the provinces are first-rate. He says the Celebes have fantastic mineral resources.

He is afraid foreign investors stay away through fear of union ideas.

He will attend the RT.

November 29 - Djakarta

4:00 - 5:45

Paul McCusker, economic chief of the US Embassy
Joe Harary (sp?)

They suggested we add an Indonesian of Chinese origin, who is talkative and peppery, to the business session: Dr. Oei Jong Tjioe ("Dr. Wee"), Director, C. V. Keramika Indonesia, a manufacturer of ceramics. Office: Djl. Raja Mangga Besar 52 (tel: 22671, 20695, 21660). Home: Djl. Diponegoro 64, tel: 81861.

Suggested I write a letter to the Sultan thanking him and the Government and spelling out all the conditions and agreements of the RT, giving it to

Selo Soemardjan, and that I draft a reply over the Sultan's signature that says that the Government officially approves the RT, etc. (he says Soemardjan would welcome such a draft). I must also get Soemardjan to send a letter to all the Government officials -- and I could draft that one too -- over the Sultan's signature.

They suggested a little publicity wouldn't hurt: "Elliott Haynes, just in from a successful Roundtable with Prime Minister Holt and the Australian Government, has met with the Sultan, Malik, et al., to organize an Indonesian RT with international executives coming from Europe, the US and Japan, etc." This should be planted with Antara, and also with Jeff Williams of AP and Stone of UPI. Williams: 45522; Stone: 45937/46823.

Suggested I check editors and union leaders with the Embassy Press Officer and Labor Attache.

Said we could rent electric typewriters from Royal or IBM, that the US Embassy wives were not a source of secretarial help but that the secretaries of other embassies got afternoons off and might work, but that we will have to hire local help: "They want \$5 American in cash per hour, and it's worth it if you get a good one."

They said to stay clear of Gen. Suryo, who has an unsavory reputation. |

November 30 - Djakarta

8:00 - 8:30 AM

Radius Prawiro, Governor, Bank Negara
Djl. Thamrin 2

Fair English. Accepted the idea of a combined meeting with BLLD and Wardhana, and will attend. He wanted to make sure both the Sultan and Malik approved.

He wants a copy of the Australian briefing memorandum.

A lizard skittered across our papers right under our noses and plopped down on the floor. Prawiro giggled in embarrassment as he moved it away.

November 30 - Djakarta

10:15 - 10:40

Mustafa Miga, Editor in Chief, Suluh Marhaen
Dj. Kran/Kemajoran IV/24 Tel: 41103/21334

Miga does not speak English. He will attend the RT and bring Drs. Samuel Pardede, his Foreign Editor, as his interpreter.

Pasaribu of the Hotel Indonesia -- my assistant for the past two weeks -- was interpreter at this meeting.

Miga says that Suharto is not expected to ban the PNI (Isnaeni's nationalist, secular party -- though PNI people are primarily Muslim). "Suharto is a good democrat." The forthcoming law on political parties must give freedom to the forces in the country that are working for the Five Principles (Pantjasila -- Pantja=5, Sila=principle), including PNI. Nor will the law ban any of the remaining parties (like PNI) now in existence; the goal of fewer parties will be achieved by a merger of the separate Muslim parties.

The suspension of the PNI in Sumatra was contrary to Suharto's policy and will be lifted, he says.

The Five Principles:

1. Belief in the One, Supreme God.
2. Just and Civilized Humanity (humanism).
3. The Unity of Indonesia (nationalism).
4. Democracy which is guided by the inner wisdom in the unanimity arising out of deliberation amongst representatives.
5. Social Justice for the whole of the People of Indonesia.

The three leading independence leaders: Sukarno, Tjokroaminoto, Hatta

November 30 - Djakarta

11:20 - 12:00

Ir. A. R. Suhud, Taman Tjut Mutiah 7, P. O. Box 2236, Djakarta-Raya

Suhud wants an Australian briefing memo. He will "support" the RT and attend.

He is a consulting engineer. Is a member of Sadli's Foreign Investment Board (not "Team"), but says he's called in only at the last minute on deals such as the Phillips contract. He assesses whether a project is good for Indonesia, fits with Indonesia's external economic relations, and will be profitable for the company.

He did not accept the chairmanship of the PIBA foreign investment promotion group, since he wants to stay out of the Bekti-Motik battle (Bekti=PIBA). But he helps PIBA on the side. He is an extremely busy guy, speaks good English.

He says the Government ignores social and mental attitude realities and concerns itself solely with US-style factors such as supply and demand, monetary policy, etc. But the social/mental problems are many. The simplest to explain is the fact that the Government is still "colonial" in attitude -- i.e., bureaucrats who lack entrepreneurial ideas and vigor. For example, the ASEAN program (Malaysia-Singapore-Philippines-Indonesia) is totally in the hands of bureaucrats, no businessmen are involved who can understand what it is to make a deal, share markets, trade back and forth. Another example: in Australia the Trade & Industry Ministry is businesslike, offers facilities to potential investors, practically pulls them into the country -- but in Indonesia the opposite is true.

He agrees that Sadli and others do not understand business thinking or the international corporation, but blames the Dutch: "I don't care that the Dutch took the rubber, tea, spices, etc. -- they deserved it for their sweat in coming to and working in Indonesia. But they took the top jobs and gave the Chinese the middle jobs -- hence Indonesians never got a chance to become entrepreneurs, learn how to build a business and an economy." Younger Indonesians now are beginning to learn.

Suhud feels the tight money policy won't work, will cause an explosion. "When there's only a trickle, the few powerful people get it and the mass of people get nothing."

Suhud is trying to educate the ASEAN people and the Sadlis. He appears to be liked by everybody; and would be a very useful ally for any prospective investor.

November 30 - Djakarta

2:00 - 2:45

Ali Noor Luddin, President, P.T. Masayu
Djl. Djenderal Sudirman H18; P. O. Box 2107; Tel: 72181/72182
Home: Djl. Hanglekir 11/21, Tel: 72558

Masayu is the International Harvester distributor.

Luddin disagrees with Suhud on the question of lack of entrepreneurs in Indonesia. The Dutch may have caused it once -- but this was 25 years ago "and what have we been doing since?"

He feels the 90%-of-aid expenditure on replacement parts is stupid, since the machines date from 1952 Eximbank loans and are slow, inefficient, not worth repairing -- and parts are horribly expensive. "But you can't stop the policy because too many officials are involved. There's not one official in Djakarta whose boss has given him a job description, and when responsibility is not clearly fixed you're in deep trouble." Venality is also a problem. One recent investor got his approval from the Government, then found himself being quoted land at \$25 a square yard! The governor of the city (or province?) intervened and ordered the price cut to a sensible \$2 a yard -- but the firm wound up paying \$5.50 anyway. In another instance, a new investor wanted a phone hooked up to his office -- and some official along the way asked for a \$2500 bribe!

The US Treasury consultant now in Djakarta asked McCusker, Harary and Luddin why US aid had stopped US exports -- "what happened to the \$500 million you spent in the US on normal commercial imports in 1965?" Luddin explained that the money used in 1965 from check prices (?) and DPs (?) had dried up, that without US aid there would be no imports at all from the US. He then suggested the US AID officials in Washington stop taking 1½ years to analyze and approve projects -- and that these projects be centered on private Indonesian groups, e.g., rice projects using US equipment to create purchasing power and a continuing rice-equipment market for US suppliers.

Luddin will attend the RT.

December 1 - Indonesia

11:00 - 11:40

Sumono Mustoffa

Djl. Djatinegara Barat III/6 (home) Tel: 43202

Djl. Prapatan 46 (office)

Mustoffa heads up KNI, a private news service started after the October coup by eight or nine newspapers, and which "cooperates" -- not competes -- with Antara, the Government news service. They operate on a shoestring, are really broke.

He insists KNI has nothing to do with the Murba party.

He will attend the Roundtable. His English is only fair.

December 1 - Djakarta

2:30 - 3:40

Oei Jong Tjioe, Director, P.T. Keramika Indonesia Baru

Office: Ejl. Raja Mangga Besar 52 tel: 22671

Home: Djl. Diponegoro 64, Djakarta III/19 tel: 81861

An Indonesian of Chinese ancestry. Jean saw earlier. His theme: PKI had three million card carrying members, and only 250,000 were killed in the October coup. This leaves 2.75 million left around, plus another 20 million fellow travelers. This is the big danger.

He claims Choo Ming Fat, suggested by Soedarpo, financed the PKI, is two-faced and politically dangerous (in the light of the above figures), urges us not to invite him. Instead, he suggested:

Tan Theam Ann, president (?) of Pantja Surja (five sons) who is headquartered in Medan (like Choo Ming Fat)

Kwee

Oei is to send me the addresses of these men. Both of these men are Chinese -- but loyal to Indonesia -- and better yet are industrialists (like Oei, who started a ceramics plant). "We have plenty of traders in Indonesia, but

Indonesian Diary

we neglect production." Oei is working on a deal to produce something cheaper but better than foam rubber from discarded husks of some plant for automobile seats -- with German (Manheim) interests.

Oei claims that 80% of Indonesian business is still in Chinese hands; another 10% is in the hands of "my people," Indonesians of Chinese origin; and only 10% is in the hands of pure Indonesians. The latter represents a "handful" of Indonesians such as Soedarpo, Bekti and Tahija. Ten, altogether (?). The banks are run by generals, but behind them are always the Chinese. When an Indonesian gets a Government license to trade or do some form of business, what does he do? He doesn't (or doesn't know how to) use it, but he gets some Chinese to use it for him. This explains why Sumitro's program to get the Chinese out of the trading business failed, despite all the licenses and financing that Sumitro furnished to Indonesians.

Corruption in Indonesia is widespread. Garuda (government airline) sells \$4 million worth of tickets outside Indonesia, doesn't account for this within Indonesia. The same corruption is evident in trade in rubber, oil, tea, etc.

Oei will attend the RT. The problem will be to keep his remarks brief. I warned him about this -- but we'll have to sit on him. He can be sat on, I discovered.

December 1 - Djakarta

5:00 - 6:10

Taufiq R. Tjokroaminoto, General Secretary, Gobsii-Indonesia
Office: Taman Matraman Timur 2 tel: 81026
Home: Djl. Singamangaradja No: 44 (Pav.), Kebajoran Baru tel: 73259

Met in his home with him and his father and the head of PSII's Moslem Association of Businessmen (founded in 1938!), and several other Gobsii types. They spent much of the time chasing the flamboyant roosters out of the living room onto the porch (I exaggerate slightly).

TRT's English is only fair, and he's the silent type. But he will attend the RT.

They told me that today Gasbiindo was split in half (both halves keeping the name) with one half going to Agus Sudono and the other to the founder of Gasbiindo, Jusuf Wibisono).

TRT says that Gobsii was created by the United Islamic Party of Indonesia (PSII) and must remain tied to that party, Agus Sudono notwithstanding. But he agrees with the "partnership" idea.

He is -- or seems to be -- more concerned with immediate labor problems than with politics. Says the big question for discussion at our RT is unemployment: 40,000 in Djakarta, 3-4 million in Indonesia as a whole. He hopes to have a conference on this problem with all labor unions and government officials soon. Says he has solutions, but wouldn't -- or couldn't -- share them with me.

December 1 - Djakarta

7:30

Waited in my room for Duta Masjkarat, deputy to Mahbub Djunaidi (NU-Muslim nationalist-newspaper editor), but he never showed up. Could Pasaribu have goofed and I should have gone to his office?

December 1 - Djakarta

8:00 - 9:30

Abortive effort to get to the Minister of Agriculture, General Sutjpto with an idiot taxi driver, who had me talking with a Lt. Col. Soetidjab Tjitrosoemarto, of Dinas Perbekalan Kesehatan Angkatan Darat, Djl. Salemba Raja 28, whom I thought was the minister for 10 minutes, until he finally informed me he was in charge of buying medicine for the Army! When I finally (after another false delivery of my body to the wrong address) got to the right place, I was an hour late and missed the appointment. The birds flying around the reception hall at the first stop made up for the trouble.

To reach Sutjpto, ask for Departamen Pertanian, in front of St. Carolus.

December 1 - Djakarta

10:00 - 10:45

Dr. Mr. Soenawar Soekowati, General Chairman, KBM
(also a chairman of PNI and Chief of PNI's Economic Dept.)
Djl. Dago 42A, Bandung Tel: 5626
Kebayoran phone: 70730
Djakarta address: Djl. Galuh 1/4, Deb. Baru

This labor union leader (KBM), of the Marhaenis party (or wing of PNI?) swears that popular opinion to the effect that PNI is Marxist is wrong; that, to be sure, Sukarno typified it as such, but "PNI doesn't belong to Sukarno but to the people," and the people in PNI reject Marxism. Soekowati and Maliki (the PNI leader) opposed the PKI (Communist Party) and Sukarno -- and for this reason Soekowati was dismissed as Deputy Agriculture Minister in September 1965 -- a month before the coup (good timing!).

He feels PNI will not be banned, since Suharto knows the political repercussions of a ban would be dangerous.

He feels that Indonesia will achieve fewer political parties not just by the merger of Muslim parties, but also a merger of nationalist parties; PNI may merge with IPKI and SOKSI (the latter, he says, is as much a political party as a union).

He doubts that solidarity of the Indonesian labor movement (which he feels is necessary) will be achieved, because some unions are secular and some are religious. He sees a very limited kind of cooperation among them.

His philosophy of labor is that labor in Indonesia must be "good

partners" of management and government in fomenting economic development. Labor can't be the "antithesis" (where'd that Marxist word creep in?) of capital, as it is in the US, since "there is no capital in Indonesia."

Soekowati and Maliki approve of foreign investment. To support this point, he mentioned a Dutch firm which he nationalized (he apparently nationalized a good many on the Government's behalf) in 1958, and which became a state enterprise in 1959, with 2,000 workers. They expected that it would grow and increase employment. Generals were put in charge. The firm shrank for five years, employs many fewer than 2,000 today. "The workers get punished, but it's the management that should be punished." Foreign investors will provide good management, and thus help the workers.

December 2 - Djakarta

9:15 - 9:45

Drs. Soesilo Sardadi, Managing-Director,
Bank Negara Indonesia Unit IV
Home: 19, Djl. Madiun Tel: 51119
Office: 66-70 Djl. Kebon Sirih Tel: 47012

Fair English. Will attend the RT (business and banker session).

He feels there should be 20 million on the tax rolls (five people per family, 110 million people).

On Seda's point about the secondary level of speculative credit institutions, he says that it is a matter of psychology -- the Government must create a climate of opinion that speculation isn't necessary and won't pay. To do this, the Government must first cut out its own unnecessary expenditures (it is the country's biggest spender). Also, the Government organizations must begin obeying the law requiring payments to be made by checks drawn against bank accounts as a means of reducing the money supply (this law has never been adhered to).

He wants an Australian briefing memo.

Sardadi was asked by Gen. Suharto to leave private business and take over this state bank. He feels that there are many left in the Government who are from the old order and who will never change their thinking and must be replaced. But accomplishing this is difficult, because of the "hard shell" around Suharto (Aiamsjah, Suryo, Sudjono, etc.) who are themselves corrupt and lacking in modern ideas. To get Suharto to listen, "you must push from your side and we will push from ours." He is young (35 or 38) and dynamic. Should make a good panelist at the RT.

He told me that Sanjoto's brother (very unlike Sanjoto) was chairman of the PNI, came to dislike some of Sukarno's ideas and said so too bluntly, was thrown out of the Party (or of office), had a stroke, was ill for six years -- and died.

Indonesian Diary

December 2 - Djakarta

10:20 - 10:45

Dr. Deliar Noer, Rector, Teachers' Training College
Komplek I.K.I.P., Rawamangun Tel: 81811 pes. 104

He expected me at 8:00 (unknown to me). IKIP is way the hell and gone out in the sticks. We had a very short meeting.

He said he sees very little of businessmen, wondered why we are inviting him. He understood the broad scope of the Rendezvous Dinner, and will attend.

His English is not so good.

December 2 - Djakarta

11:00 - 11:45

Barli Halim, Secretary General
Department of Basic and Light Industry, and Power
Off: Djl. Kebon Sirih No. 36 Tel: 48111/45729
Home: Djl. Brawidjaja III/7, Kebajoran Baru Tel: 71528

He will attend the RT "with his Minister." He'll try to fix an appointment for me with the latter for Tuesday morning. He asked for a copy of the Australian briefing memo.

Has fair English, but a nervous type.

December 2 - Djakarta

8:30 - 9:00

Frans Seda, Minister of Finance
Home: 22 Djl. Sriwidjaja Blok 1, Kebajoran Baru Tel: 72263

Fair English, quite open and talkative. He has been trying to stimulate business (and still fight inflation) by lowering taxes in one area and increasing government revenues in another. Thus he's cut the sales tax (loss: 2.5 billion rupiahs) and customs duties (loss: 5 billion rupiahs). Because it takes too long to get a tax increase through Parliament, he's tried to broaden the tax rolls from the present 210,000 to at a minimum 1.5 million. The "wealth" tax roll is only 9,000, should be at least 1% of the total population (or one million), but he hopes to raise it at least to 200,000 or 300,000. Only 20,000 companies pay the company tax -- and "there are 300,000 Chinese business firms alone!" He feels 14 million people should pay the land tax, and only 100,000 do so. Only 150,000 "plots" are even registered in the whole of Indonesia (and I believe he said there are this many in Djakarta alone). Naturally, few people pay the tax on sale of land. Since he has only 16,000 tax collectors, he must rely on voluntary payments -- and has recently introduced the "self-assessment" principle. He feels it will work, and points to success already achieved with importers in Medan (Sumatra) and elsewhere.

Indonesian Diary

He's disturbed by the fact that in between the primary financing sources and the country's producers who need it is a layer of "secondary sources" -- speculative credit institutions who finance producers and others by a "hit and run" method. He feels this has resulted (at least in part) from the disruption of the business and financial sectors under Sukarno. The proper channeling of money has been disrupted, and most of money circulation goes to these secondary credit institutions.

He wants the Australian briefing memo. Will attend the RT.

December 4 - Djakarta

1:05 - 1:40

Maj. Gen. Ashari Danudirdjo
Minister of Basic and Light Industry, and Power
Kebon Sirih 36

Poor English. He will attend, but will probably bring an interpreter.

It is amazing how poor, and in what bad shape, the economy is. The Ministry's three big problems and/or projects at the moment are:

1) How to rehabilitate existing industry when it has been totally neglected for so many years.

2) What to do with the semi-completed huge projects begun by the Eastern Europeans. Should they be left unfinished or should more millions of dollars be poured into them? "Our national economic priorities make this an insoluble problem." A huge amount of foreign investment is needed to finish them, but they were poorly planned to begin with. Example: an Eastern Europe-devised steel mill, on which some \$10 million has already been spent (and which Indonesia must still repay) needs another \$24 million to complete, but "everything is wrong with this project;" hence they are trying to use what has been completed under this project, such as the workshop, and have succeeded in using 10% of it -- so the question here is not so much should they finish the mill but how to use what has already been built.

3) The 1968 budget provides some money for (a) industrial rehabilitation, and (b) for what the Minister called preparation for the industrial "take-off" which will initiate the 5-year plan beginning in 1969. Of the \$325 million Indonesia hopes to get from donor countries in 1968, the Ministry of Basic and Light Industry, and Power will get (of the \$75 million for projects out of the \$325 million) \$14.2 million for electric power (even though \$20-30 million is needed just to patch up Djakarta's power system alone!), and \$3.25 million for other industries under the Ministry's care: paper, caustic soda, tire (\$1 million needed to finish a government-owned plant begun by West Europeans), salt, fertilizer, cement. The entire fertilizer plant needs \$50 million alone.

Indonesian Diary

December 4 - Djakarta

2:50 - 3:55

Prof. Dr. Widjojo Nitisastro, Director
National Planning Bureau (and head of Economic Advisory Team)
Dr. Emil Salim, Deputy Director, National Planning Bureau
Dr. Ali Wardhana, Economic Advisory Team

Saw all three of these key men at once. Salim is also on the Economic Advisory Team (to the Acting President), with responsibility for production and planning. Widjojo heads up the team, and Ali Wardhana is responsible for monetary and banking affairs for the Economic Advisory Team.

Widjojo did most of the talking, and was quite skeptical. He grilled me for an hour on every aspect of the Roundtable. The other two were very relaxed and friendly. Wardhana wants an Australian briefing memo.

I had to leave before we could even begin to discuss issues and problems, unfortunately. All three will attend the RT.

December 4 - Djakarta

4:00 - 5:15

R. Achmad Soekarmadidjaja
Home: Djl. Tosari 27 Tel: Gambir 45204

He brought with him his "secretary," Drs. Muchlis, who turned out to be, he says, Director of the Planning Bureau of the Minister of Basic and Light Industry, and Power, and who spent the time attacking the US bitterly for sending in \$2 million of rice and what and not furnishing credits and grants for projects: "You spend \$1 billion a week fighting Communists in Vietnam and let 110 million Indonesians --- with the spectre of Communism at their backs --- starve." He says it takes from \$500 to \$750 to create one job; assuming 3.5 million unemployed, that is \$1.75 billion --- not counting the 20 million under-employed. Also present was Drs. Chaidir Minang, a business friend.

Achmad says PNI does not support the Pantjasila, and until it does there can be no merger of IPKI and PNI (he ignored the question of merging with SOKSI). But he says PNI may do so (after purging itself of some bad elements) and then IPKI could merge with it. He does not believe that PNI will be banned, but thinks it will be cut down in size (at Suharto's insistence that it slough off certain elements).

IPKI has 10 mass-action groups (students, workers and housewives) plus a "merchants" group, or 11 all told. It is nationalist, independent, secular.

Indonesian Diary

December 4 - Djakarta

10:30 PM

Dr. Mohamad Sadli

Sadli called. He was receptive to the idea that BI could help him in vetting investment proposals, would welcome a letter and later a talk about this.

He told me that Union Carbide really has proposed that it take over the Government's entire share of Caltex production -- (and enjoy depletion allowance) -- so that, as production goes up, so does Union Carbide's oil. They want, says Sadli, to get into the oil business, since oil companies are getting into the chemical business. Sadli has difficulty in swallowing this, and again asked my opinion. I told him I'd have to study the facts, couldn't give a telephone opinion.

Sadli claims authorship of the ASEAN idea, but says it is still a pipedream.

December 4 - Djakarta

9:35 - 10:15

Ir. Tojib Hadiwidjaja, Minister of Plantations
Djl. Imam Bondjol 29

Tojib feels his should be called the "Ministry of Commercial Crops," since its main job is to foment their production. He himself is non-political, a plant pathologist and former Rector of the Agricultural College at Bogor. The Ministry handles:

1) Big estates -- 500 acres or more, both government and private. The Dutch set up government-owned estates originally, and their number has increased since the Indonesian Government took them over in 1958. In 1963-64, the Government expropriated the British estates, in 1965 the Belgian, French and Swiss. The two American (rubber) estates were returned this year (to Goodyear and Uniroyal). They got the Belgians to come back in joint ventures (paying the Belgians for the Indonesian share), and are now awaiting the decision of former UK owners on the same deal (he feels some UK ex-owners may not wish to return).

2) Private Indonesian-owned estates, of which there are 280 in West Java alone (presumably between 50 and 500 acres in size).

3) Smallholdings ("native" plantations) of 50 acres or less (most are $\frac{1}{2}$ acre or 1 acre). These grow rubber, coffee, pepper, kapok, spices (cloves, nutmeg, etc.). The total yield of smallholdings in rubber is more than that of the big estates, but the quality is low. (The trees are old, and smallholders have paid little attention to the variety of trees that should have been planted.) The Ministry is now trying to upgrade the quality. (Here the Minister began talking about rubber "slabs," which used to be exported to Singapore -- and the fact that "re-milling" is now done in Indonesia, to make "blankets;" and the fact that foam rubber is now exported from Indonesia; and the fact that "crumb rubber," using "slabs" (?), will produce a better quality and price of rubber. I got lost.)

Indonesian Diary

Uniroyal not only has started its own rice estate next to its rubber estate (in the highlands, growing rice without flooding) but may also enter into joint ventures with Indonesian-owned estates to grow rice and other products, or may rent the land of these estates and do it along -- I presume again at the request of the Indonesian Government.

The big question for Tojib: should they replant old rubber estates with more rubber trees, or should these lands be converted to rice and other crops? The demand for and price of rubber is falling -- but if Indonesia switches to another crop on a given estate it's risky -- especially when they switch to perennials, which take years to start producing well and which you're stuck with once you plant it. What will happen to world market demand and prices is difficult to forecast. For example, the US used to import a great deal of Indonesia's palm oil -- but with the introduction of other oils (cotton, etc.), these imports fell to 2,500 tons in 1965.

The Minister has tried to get soft loans from the IBRD for fertilizer imports to cover imports for a period of two years. Tea, for example, needs 400-600 kilograms per hectare per year, but the Government estates have only enough for 200-300 ($\frac{1}{2}$ of the need); hence these tea plants are not disease-resistant. Rubber and other plantations have similar fertilizer needs and the same need for soft loans. Tojib figures two years of imports will permit increased production and exports so that the country can import all the fertilizer it needs the third year and start repaying the loans. But IBRD is not yet convinced (the Indonesians failed to get this in Amsterdam).

Total government-owned estates (tea, rubber, etc.) need \$20-30 million in soft loans for fertilizers alone in the next two years, and all estates combined (including private) need \$50-60 million for the period. The Asian Development Bank has no funds yet for this kind of soft loan.

Commercial crops represent 50-60% of Indonesia's export earnings. $\frac{1}{2}$ of this goes to the EEC. The EEC taxes on these crops ranges from 6% to 80% (depending on how processed the crops are), causing Indonesia a big loss in foreign exchange. This, too, is a big problem.

Tojib will attend the RT, with bells on. He feels the political situation is good for foreign investment, and that the private Indonesian estates desperately need foreign partners and capital. He'd like to discuss this at the RT.

December 4 - Djakarta

7:00 - 7:45 PM

Dr. Selo Soemardjan, Secretary to the Sultan (at his office)

Selo is going to Bali until next Saturday. This was my last visit with him. Gave him a letter to the Sultan nailing down RT agreements, conditions, etc., plus a suggested reply to me from the Sultan. He accepted both -- including the promise that the Sultan would send a letter to all Government officials saying he and Suharto approve their participation (he said this would force the Sultan to phone Suharto!). He also read and approved my press release.

Soemardjan told me that in Gen. Sudjono's absence, Gen. Suryo is my contact with Suharto (the Embassy told me to stay away from Suryo), but that the man to write to who handles all of the President's correspondence is Brig. Gen. Soedarmono, the Secretary of the Cabinet.

December 5 - Djakarta

5:05 - 5:45

Darius Marpaung, M.P. - General Chairman, Kespekri
Home: Djl. Guntur 43 Tel: 51396

Received me in white gloves in a small, dingy, dirty home. He has gout, was in obvious pain (his hands), is going to Texas for treatment in ten days ("Christian friends have made it possible."). Youngish, fair English.

He doesn't think the unions will combine and break away from political parties for three and probably five years at the least -- and perhaps not for a great deal longer. He agrees that many feel they can't survive without the help and support of a political party -- though Kespekri is independent, is not even related to a Christian Party, and, though small, has succeeded (and is a bit militant!). It is strong in North Sumatra; assume, he says, that a textile company owner is also Treasurer of the Christian party active in that area, and that Kespekri had joined that Party. As the union in the textile company (which it is), how could Kespekri fight for the workers? He says he tried to draw the Indonesian unions together in a confederation ("which we must have to be strong") but failed, since every union was worried about its freedom and identity in such a confederation. (Even Agus Sudono, says the US Embassy Labor Attache, is about to become a VP of a political party, and his words about separation have a hollow ring. Also, the division within Basbindo -- which is not a break-up of the union into two separate unions -- will weaken Sudono in his quest for confederation.) He (Marpaung) believes elections won't be held until 1970, and that the situation at least until then will be too muddled for any real union movement away from politics.

Marpaung will attend the RT. His secretary shoed me to my taxi: "God bless you, sir."

December 5 - Djakarta

7:50 - 8:20 AM

Mh. Isnaeni, Vice-Chairman, Parliament (DPRGR)
Home: Djl. Mangunsarkoto 5 Tel: 51384/46446 (old phone)

Pleasant visit. Fair English. He apologized for being so hard to see, explained they are trying to wind up the 1968 budget by December 24. He is responsible for "Commission A," which handles industry and public works. Says it is very difficult to draw up a budget in an unstable country where conditions change sharply "every day."

He will attend the RT -- says it's "very important."

He and Widjojo and others seem firmly convinced that the US plan expressed in Amsterdam to furnish 1/3 of the \$325 million in aid is a solid commitment. They seem to give no weight to the fact that the US Administration has to ask Congress for the money -- and may not get it.

December 5 - Djakarta

10:10 - 10:30

Arifin Harahap, Secretary-General, Ministry of Trade
Djl. Abdul Muis 87 (Tanah Abang Timur 87)

A brief visit, designed to insure the Minister's (Jusuf) attendance, since Subroto never made a date with Jusuf for me (Soemardjan says he's very shy and shuns foreigners). Harahap confirmed that Jusuf is in Bali and won't return before I leave, but said "I am sure the Minister will be happy to participate." He also said Jusuf sees foreigners every day and is used to them! He claims he could have made a date for me, alas. He will inform Jusuf of our talk, the RT, etc. My only fear is that Subroto may be tossed out of the Trade Dept., and Harahap confirmed that he will be made an ambassador, and Col. Abdulrachman, Director-General of the Dept.'s Bureau of Foreign Trade, is also away, so there may be nobody left in the Department whom I have seen.

December 5 - Djakarta

8:50 - 9:55

Harlan Bekti, President, Tohnik Umum
Wahid Hasjim 86

Bekti was suspicious at first of the RT. I think the PMBA people are worried that another continuing group may be set up by BI in competition with them. Once he understood, he became intensely interested and helpful. He agrees the Motik people are good lobbyists. He himself will come if he possibly can, and we should send him all our materials. But he is very much involved with the ILO, and Alawoedin, Minister of Manpower, has asked him to attend the June ILO meeting in Geneva (Indonesia has just re-joined ILO). He will try very hard to be with us, thinks the RT is great.

He said he had an elementary school friend who is now political advisor to Nasution, and when I said I couldn't get a date with Nasution he promptly called his friend and took me personally to call on him (after an interlude while I visited Harahap).

Indonesian Diary

December 5 - Djakarta

10:50 - 12:10

Oejeng Soewargana
Djl. Garut 18, Djakarta

Tel: 51660

Bekti took me to see this man to get his help in reaching Nasution. He is a publisher, helped to create the IPKI party with Nasution, and is the latter's political advisor. He is now setting up courses on Communism in Asia for the four "war colleges" (Army, Navy, Air Force and Police) and for the colleges of the Dept. of Foreign Affairs and the college of the Dept. of the Interior. Studying Communism is his hobby (a devout Moslem, he is fasting now that we are in Rahmadan -- as is Sanjoto). He wants an Australian briefing memo and list of BIES members, and will try to get me a date with Nasution, whose political advisor he is.

He showed me two confidential documents we should get hold of: "The Cornell (University) Study on the October 1 Coup," and a rebuttal by The Rand Corporation, also called "The Oct. 1, 1965 Coup." The Cornell Study (Masters has a copy) is all wrong (Masters agrees), partly in that it over-emphasizes the strength of the PKI before and after the Coup, both in numbers and in influence and power in political and other organizations. Oejeng feels that many members of PKI were not convinced Communists. The PKI infiltrated the BTI (Indonesian Peasants Association) and such parties as the PNI, but never used the name "Communism," as other groups used their name (e.g., "Catholic," "Christian," "Muslim"). Hence people in the infiltrated organizations never identified themselves as Communists -- and this has proved to be a real weakness for the PKI and the Communist movement in Indonesia in general.

The Marhaenis (group?) in the PNI adopted the policy that they accepted "Marxism, as modified to fit the needs of Indonesia." This opened the door for PKI infiltration -- and the party remains infiltrated today. But Suharto will not ban the PNI: "the Army needs to keep alive a strong nationalist party to be a counter-force to the Muslim parties."

Books recommended by Oejeng:

Donald Hindley: "The Communist Party of Indonesia 1951-63"
University of California

Herbert Feith: "The Decline of Constitutional Democracy in Indonesia"
Cornell University

Robert A. Scalapino: "The Communist Revolution in Asia"

He also urges we talk to: Frank N. Trager, NYU; Robert Tilghman and Karl J. Pelzer (Yale); and Arthur Dommen at Yale. All, or most, are opposed to the Cornell Study.

Indonesian Diary

December 5 - Djakarta

1:30 - 2:15

H. Mahbub Djunaidi, General Chairman
P.W.I. Pusat (Indonesian Journalists Association)
Tjokroaminoto 14 Tel: 49590
-- and Editor, Duta Masjarakat (Muslim daily)

Mahbub is also fasting. He is young, has fair English. Will attend the RT.

He says newsprint cost will rise in 1968 to the point where a newspaper will have to sell for 7 or 8 rupiahs, and "people can't buy a paper at that price." He feels the Government must subsidize the papers. Says three paper mills are supposed to start operating -- but nothing has yet come out of them. He was interested in the paper companies in our group.

He feels the PNI is still basically Marxist -- "It's in their Constitution." Also feels that the Socialists (Sumitro, Lubis, etc.) have Marxism in their Constitution, but that these men are not truly Marxist.

December 5 - Djakarta

4:05 - 4:50

Sjafruddin Prawiranegara
Home: Djl. Tjiputat Raya 3, Kebajoran Lama
Off: Djl. K.H. Agus Salim 52A, Tel: 42811

Sjafruddin is an economist, was Minister of Finance and then Governor of the Central Bank from 1945 to 1950 or so. He has just returned from East Java where he was lecturing on how bad the present Government is. He will attend the RT (Rendezvous Dinner) and be one of the four or five panelists -- he'll be frank!

He says Sumitro's "students" (Sadli, Soemardjan, Widjojo, etc.) lack "moral courage" and have sold out, become "yes men." They accept far more than they should -- or rather, should get out of Government before accepting all they do accept. Basically, he feels they accept a rotten, corrupt government which makes a mockery of its own policies: the tight money and balanced budget policy, for example, is a farce. The assumption in the 1968 budget is that revenues will be 110 billion rupiahs. He says they'll be lucky to get 50 billion -- and even if they were to get the 110 billion they still need \$250 million of outside aid to balance the budget. Further, 90% of the budget goes to pay the salaries of this corrupt government (yet he also volunteers that low salaries make corruption inevitable). There is today no rule of law, but only corruption. Only the "generation of 1966" (the post-coup youngsters) is pure -- and even they lose their ideals and become corrupt when they come into contact with and under the influence of the old Sukarno forces who are still in power -- and "Indonesia will not survive without this 'idealism,' this 'moral courage'." Yet he admits that Suharto needs the generals and other military men and can't dismiss them en masse, even though they are corrupt men who collaborated with Sukarno.

Indonesian Diary

His solution: assume every government employee is corrupt, fire them all, hire back half and put the rest on a waiting list. ("Even the Attorney-General is corrupt: how have these men the right to judge the corruption of others?") Then start an Indonesian Marshall Plan of a kind, heavily involving foreign private enterprises; in this way create wealth-producing projects competently managed, and then put these suspended government employees, including generals, back to work in these projects. "You can't save Indonesia with credits alone."

Quite a guy. And the first white-haired Indonesian I've come across.

December 6 - Djakarta

3:50 - 4:40

R. L. Tobing Sh., Vice President, Indonesian Importers Association
Home?: Djl. Dr. Sam Ratulangi 19A, Tel: 45516; Off tel: 47269

He came with two aides. He is quite nationalistic, feels Indonesia needs some form of protection (unidentified) against the power of foreign capital. Fair-to-poor English. Feels, like Motik, that "most" Chinese are Reds, but listened when I suggested that acceptance of and compassion toward the Chinese would make the difference between their loyalty to Indonesia and to Peking.

He will attend the RT, and will inform Moh. Noeh about it. I am to write Noeh:

Moh. Noeh
c/o Organda
Djl. Madjapahit 1 Tel: 43773/40282

Tobing says Choo Ming Fat financed the "generals," presumably those who attempted the Communist coup of Oct. 1, 1965 ("Gestapu-PKI").

December 6 - Djakarta

10:50 - 11:45

Maj. Gen. Supjipto S.H., Minister
Department of Agriculture (Departamen Pertanian)
Salemba Raya 16

Finally met with Supjipto and four aides. He will attend the RT with the Minister of Plantations. No English, will have to bring an interpreter, but will probably rely on his colleagues in the main (he will bring his Secretary-General and all his Director-Generals!).

He says Indonesia's big agricultural needs are:

- Fertilizer and agricultural machinery and equipment, especially equipment to open up new farm lands in Sumatra and elsewhere outside Java.
- Exploitation of forestry. They should immediately exploit 40 million hectares, keep 80 million in reserve, and open another 40-50 million to farming.

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Indonesian Diary

- Development of animal husbandry. -- They have plenty of cattle, would like a slaughtering operation like the Goa deal.

Supjipto is pushing for more processing operations in Indonesia -- spoke of the need to produce prefabricated housing and other wood products rather than just export lumber.

He obstinately refused to comment on the question of farm prices allowed to rise as a stimulus to farmers. I don't think he knows much, and/or is afraid to talk. Example: when I mentioned the IBRD refusing soft loans for fertilizer imports, he said that at Amsterdam the IBRD was pushing the Indonesians to give greater weight in their planning to agriculture -- completely off the point. He'll be a difficult guest.

The Ministry will have its 5-year plan and other materials in a week or so, I believe in English. This, plus Supjipto's speech at the FAO meeting, should be picked up by Sanjoto.

December 6 - Djakarta

12:00 - 12:30

Zulharmans, Harian Kami
Kramat VII/a Tel: 45386/45408

The "s" in Zulharmans is not pronounced. He listened to the story and assured me Nono Makarim, whose deputy he is, will attend the Opinion Leader session and be a panelist.

Nono is 27, member of Parliament representing students, and editor of the student paper Harian Kami. He's on a two-month Leadership Grant visit to the US now (State Dept.).

Zulharmans suggested we drop Hafas as a panelist (he'd just repeat Lubis) and put Mahbub in his place, since the only man in the group who speaks for a Muslim party is Mahbub (there are many Moslems in the group, but no real Moslem politicians or political spokesmen except Mahbub). He says Subchan of the People's Congress would do better (better English), but we can't take Subchan out of that session. He also wonders if Mahbub will speak out boldly at a meeting like this. Thank the Lord June is not Ramadhan, maybe we can get Mahbub liquored up!

December 6 - Djakarta

1:30 - 2:50

Dr. Emil Salim
Bappenas (National Planning Bureau)

Spent the first hour waiting for Salim, with desultory discussion with a Dutchman whose name sounded like "Saunders" (and with a British accent), who is a member of Tinbergen's Economic Institute and expects to stay at Bappenas until 1972 or 73. His salary is paid by Tinbergen, but the Dutch Government is really footing the bill! He was at Bappenas even before Widjojo.

Indonesian Diary

Salim says the Peoples Congress has already directed Bappenas, under Rule 23 (?) to put the 5-year plan on the basis of the free play of market forces. The Plan will concentrate on 1969 --- since they must have a detailed development budget for that year -- and be very simple and broad for the 1970-74 period. It will stress infrastructure and agriculture, in strategic terms. Example: by 1969 they will have converted the present Government agency which buys and disburses rice to an agency whose purpose will be to create a buffer stock --- buying locally as well as importing, and selling or not selling according to the supply and price of rice. The philosophy will be to keep the price of rice high enough to permit rice growers to buy fertilizer and expand production. Just recently the price ratio of fertilizer to rice was 2 to 1, making it impossible for the growers to buy fertilizer. The Government decided at a Bandung conference that they must adopt a policy that will increase rather than dampen production. Salim says the price today is about right in relation to fertilizer price. The Plan will focus on rice because its price affects the whole economy --- and similarly the Plan will involve the Government in other key commodities.

The Plan will gradually move the Government out of business -- at least those businesses that private enterprise can and will run. Example: the Textile Bureau, which has been operating plants, will in future provide facilities for private textile expansion of production. In the main, the Government will create industrial parks rather than industries per se. But there are many vested interests in the Government who or which will make the process of getting the government out of business a slow one. "There is still division in the Cabinet on this question," i.e., they don't yet know if they'll go to free exchange as in the Philippines or not. As government does get out, more and more of its revenues can be spent on infrastructure, where private enterprise cannot operate.

1967 was the first year that Indonesia had a budget that meant anything (at least for the past 10 years). Past budgets were ignored -- Ministers always got end-of-year supplements. The "discipline" of a tough budget is causing anguish and criticism among the public. In the 1967 budget most of the revenues are going for the "Routine" budget and very little for the development budget. Salim expects the weight to change --- but again gradually -- in favor of development.

Although the 1968 expected internal revenues of 96 billion (not 110 billion) rupiahs will probably fall short, the \$250 million was budgeted on the basis of a BE rate of 160. It is already 200; hence, while a rise in the BE rate does hurt, it also helps the Government balance its budget (or cut its budget deficit).

Planning must await the acquisition of at least some basic data. Indonesia has no national income accounts, no industrial census, etc., and only recently didn't even know how many people were on the Government payrolls! The tax rolls must be expanded greatly, and this takes time.

Salim believes the Government's detractors expect too much too soon, are not realistic. He stresses that Sukarno left a horrible mess -- exports and production way down, inflation up, GNP stagnating. The idealists outside Government think all this can be changed overnight. They are wrong.

December 7 - Djakarta

8:50 - 9:50

R. Soetanto M.A., Direktur Utama

Office: Bank Negara Indonesia 1946 (BNI III)

Dj. Lada 1 - Tel: 23291/25885

Home: Dj. Lawu 5, Tel: 50520

Good English. He feels the RT could jolt Suharto, is all for it, will attend.

His bank, BNI III, a state bank, is the only bank that began originally as a purely Indonesian state bank. Hence it is a bank for small business, for "newcomers," and has 325 branches throughout Indonesia. Most of these lose money (shades of Australia!), e.g. BNI III has 7 branches in West Borneo, only one of which makes money. In number of transactions in export-import and foreign exchange BNI III is first, but in value they rank third. The Bank Dagang Negara (also state) has 45 branches and enjoys the legacy of big Chinese business clients (exporters) which the bank had when it was a Dutch bank. BNI IV has 28 branches, and enjoys as clients the big estates. BNI III was a wreck when Soetanto took over. He uncovered 600 million rupiahs worth of fraud involving 160 employees!

Soetanto was chairman of the committee that drafted the original bank law, which outlawed foreign branch banks. The Minister of Finance made two changes in this draft: (1) permitting foreign branch banks, and (2) making the Minister of Finance responsible for giving licenses to new banks rather than the Governor of the Central Bank. Soetanto fears foreign banks, and says they must be restricted if they do come in, because (1) Indonesians can't forget the old days of foreign bank and other domination; (2) the state banks are required by law to charge only 3-5% interest per month, whereas private banks (the "secondary level of speculative credit institutions"?) can charge what they like (7.5% to 10% today) and presumably the foreign banks would have the same freedom -- but whereas Indonesians don't trust the strength of the private banks (for good reason), they would trust foreign banks with their deposits, and the state banks (and maybe the private banks too) would be driven out of business; the Government rationale in forcing state banks to help business is that business must have access to loans lower than the rate of inflation; (3) the total money supply in Indonesia is 40 billion rupiahs, 25% (10 billion) in the banks (demand deposits): with the BE rate today \$1 to 200 rupiahs, this means the banks have only \$50 million!!! A Freeport Sulphur investment will alone amount to \$70 million (in West Irian): this shows the relative magnitudes involved in foreign capital strength vs. Indonesian. Soetanto would agree to the idea of foreign banks acquiring equity in Indonesian banks if this included the state banks, which have a "social function" to perform.

Savings in Indonesia are only 5-6%, and the country needs 15-20% to reach the take-off stage. He wonders if Indonesia can attain the take-off stage without inflation; he feels Indonesia needs "controlled" inflation for the next 20 years. One idea he harbors is that international firms might sell stock certificates in Indonesia to give Indonesians something secure to buy as savings, thus slowing inflation.

Indonesia has 75% currency and 25% demand deposits. The Government still pays its bills (I believe he said!) by printing money rather than writing checks against existing bank accounts (paying salaries, e.g., in cash). By paying in cash, they permit continued corruption: "The generals must go or the whole effort will go down the drain. The generals around Suharto have big houses, go to Singapore, Hong Kong or Tokyo every weekend, send their wives to Europe on tour, educate their children in Swiss schools and keep mistresses everywhere -- all on 2,000 rupiahs a month salary. This is destroying confidence in the Government and will eventually destroy it" -- and he banged his fist futilely in his hand.

December 7 - Djakarta

10:15 - 11:30

Omar Abdalla B.B.A., President, Bank Dagang Negara
 Off: 5, Pintu Besar Utara, Djakarta-Kota Tel: 22822/22826
 Home: 19, Pasuruan, Djakarta-Kota Tel: 51655

Suggests as a business guest Mr. Hasjim Ning, an Indonesian who assembles Toyotas, Consuls, etc., as founder of the Indonesian Service Company.

There are 123 private banks in Indonesia, 80 in Java alone, but none are really controlled by the Central Bank -- and he doubts that the Central Bank will in future be able to control them -- not enough skilled bank examiners.

He feels that all banks -- private, foreign and state -- should have to furnish the same low interest rates. He's not worried about losses by provincial branches, partly because the export business is outside Djakarta (Medan, etc.) and branches can make money. Djakarta is only an import market.

He will attend the RT.

December 7 - Djakarta

8:30 - 9:30 PM

Mr. Subchan, Vice Chairman, People's Congress

I had called Subchan to tell him I was cancelling the session with the Peoples Congress (he was sleeping in the afternoon when I called, as all Indonesians seem to do -- or at least the Muslims). He insisted we meet in the evening at his office.

I explained that I hadn't been able to see Malik, Mashudi, Siregar, or Gen. Nasution, and that we needed a strong Muslim like him to speak for the political forces of Muslim at the Rendezvous Dinner. (Mahbub's English is bad, he's junior in rank and too scared to speak out.) I also explained that Nasution's political advisor had tried to make a date, but that Nasution's excuse was that this is Ramadan, he sleeps extra long in the PM, reads the Koran with his friends at night -- and hence is too busy in the AM to see me -- a flimsy excuse!

Subchan gave me a number of names of people we would invite to fill this need (mainly PNI types???).. He then began to tell me why we should keep the Peoples Congress session. I baited him ("the Parliament has become supreme, Peoples Congress has become just a symbol, etc."). His reply: "those who say such things about the Peoples Congress are like the weak who denigrate the courageous -- it's a psychological reaction. The Peoples Congress is the only force that isn't afraid of the military and stands up to them. I myself (Subchan), knowing that Nasution is indecisive, forced through the action that finally got rid of Sukarno -- but I stay in the background and give Nasution the credit. Rosihan Anwar is a master politician, and he does have principles, but he won't go to jail for them, is expert in salon conversation -- but we (Peoples Congress) truly fight for what we believe. Resolution 23 which directed the country and the 5-year Plan to adopt the market forces as the key economic determinant was my resolution -- most members of Parliament don't even understand it," -- etc. etc.

When he guaranteed to deliver Nasution at the RT, I agreed to reinstate that meeting. He is to slip me into the meeting of Nasution and the vice chairmen at 8:30 AM before their 9:00 AM weekly meeting (next June) -- says Nasution ducked Hubert Humphrey's dinner for Suharto because (1) Humphrey had already spent an hour with Nasution in the latter's home, and (2) there is a real protocol problem in that the Peoples Congress appoints the President and thus the Chairman of the Peoples Congress in theory outranks the President (but not, of course, in practice). This is even a problem at flag-raising: to whom is the salute directed???

Nasution could have been President, said Bekti, if he'd been more decisive in 1965 -- and Subchan agrees.

Subchan has given me his personal pledge that Nasution, Maliki, Mashudi and Siregar will attend the RT.



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