Foreign Aid to Indonesia and Its Political Implications

Donald Hindley

FOREIGN AID is primarily a tool with which donor governments seek to produce political results of benefit to themselves. In recent years economists have engaged in much research on the economic aspects of aid, but little has been done to assess its political effects. This article examines the case of Indonesia, a country receiving substantial aid from many governments, Communist, Western and non-aligned. First, an outline is presented of the sources, amounts and utilization of aid received by the Indonesian government; then follows an examination of the short-term and longer-term effects of the aid on the political situation within Indonesia.

In December 1949, the Netherlands recognized Indonesian sovereignty over all of the former Netherlands East Indies except West New Guinea. The United States agreed to continue its scheduled delivery of Marshall Plan aid to the archipelago and the new Indonesian government was granted $40 millions with which to purchase vital consumer goods, especially rice and textiles. A year later the Netherlands extended a credit of $53 millions to help Indonesia meet its current debts to the Netherlands.

During the first six years of full independence, Indonesia received aid from Western countries, though in generally decreasing amounts. From 1951 to 1955 inclusive, the United States, as the foremost donor, granted approximately $7 millions a year as technical assistance, and loaned $91.8 millions for various development projects. This low level of aid was due not only to American reluctance to grant more, but also to hesitancy on the part of the Indonesian governments to give any indication that they were aligning themselves with the West. The first Ali Sastroamidjojo cabinet, which held office from July 1953 to August 1955, was led by the nationalist party, PNI. It excluded the generally pro-Western Masjumi and the democratic socialist party, PSI, and it received, and became dependent upon, the parliamentary support of the Indonesian Communist Party, PKI. Aid from the United States declined markedly, but at the same time the Indonesian government began to seek normal relations with the Sino-Soviet countries. In the first half of 1954, embassies were opened in Moscow and Peking. The Communist countries, which were just embarking on a policy of wooing the non-aligned nations, reciprocated with both trade agreements and offers of aid.

In 1952, Indonesia and Hungry signed a trade and payments agreement which was renewed in July 1954. In 1954 also, similar agreements were

signed between Indonesia and East Germany, Poland, Czechoslovakia, Rumania, China and Bulgaria. Trade between Indonesia and Eastern Europe increased rapidly, even though it remained a minute part of total Indonesian trade; in 1953 it totaled about $10 millions, and in 1955 about $60 millions. Total trade with China increased from $2.1 millions in 1953 to $16.1 millions in 1955. Trade with the USSR remained virtually non-existent until the first Indonesian-Soviet trade agreement was signed in August 1956, shortly before the first Soviet aid agreement.

In January 1954, the Czech consul-general in Indonesia stated that his country was prepared to help Indonesia industrialize by providing complete factories. In September 1954, an East German delegation declared that its country could supply factories, train Indonesians, and grant credit facilities. And in October 1954, both the USSR and Czechoslovakia expressed their readiness to supply Indonesia with loans and machinery. During 1955 Indonesia received its first two loans from Communist countries: $9.2 millions from East Germany for the construction of a sugar mill; and approximately $2 millions from Rumania for the construction of a cement plant. On September 15, 1956, Indonesia was offered a Soviet loan of $100 millions and this was ratified by parliament in March 1958.

After the inception of the Djuanda cabinet in April 1957, the Indonesian government became increasingly dominated by Sukarno on the one hand and the army on the other. By about mid-1958 these two extra-parliamentary forces were clearly dominant; this position was formalized by the restoration of the presidential-type 1945 constitution in July 1959, and by the creation of a cabinet that included eleven officers of the armed forces. Indonesia's new rulers have not been shy in requesting and receiving substantial amounts of foreign aid from both world blocs and from a wide range of countries within both blocs; and countries of both blocs have vied with one another to provide aid.

TABLE I. SOVIET AND EAST EUROPEAN AID AGREEMENTS WITH INDONESIA[1]

1. February 1955.	East German loan of $9.2 millions.
2. March 1955.	Rumanian loan of approximately $2 millions.
3. May 1956.	Czech loan of $1.6 millions.
4. September 1956.	Soviet loan of $100 millions, increased in 1959 by an additional $17.5 millions.
5. 1957.	Czech loan of $0.8 millions.
6. 1958.	Czech loan of $6 millions (apparently not used).
7. 1958.	Polish loan of $39.1 millions.
8. 1959.	Polish loan of $5 millions.
9. September 1959.	Czech loan of $14 millions.
10. February 1960.	Soviet loan of $250 millions.
11. July 1960.	Czech loan of $33.8 millions.
12. 1960.	East German loan—amount unknown.

[1] The amounts involved in these agreements have been obtained from a wide range of sources, in particular Indonesian newspapers. The amounts are for aid agreed to but in many cases not yet fully spent.

13. January 1961. Soviet loan of $450 millions for arms.*
14. May 1961. Bulgarian loan of $5 millions.
15. August 1961. Polish loan of $30.1 millions.
16. September 1961. Hungarian loan of $29.6 millions.
17. November 1961. Rumanian offer of $50 millions.[2]

Thus Indonesia has signed agreements with the USSR and East European countries for a total of $593.7 millions loans for economic development (of which $582.5 millions was granted after 1955), and of $450 millions loans for arms purchases—in short, loans totalling $1043.7 millions, of which $1,032.5 millions came since 1955. In addition, Indonesia has signed agreements for technical assistance and cooperation with the USSR and the East European countries by which they send specialists to Indonesia and Indonesians are sent to Europe for training. Finally, in October 1960, the USSR presented Indonesia with a gift of a 200-bed hospital.

Indonesia has also been receiving aid from China: a credit of $15 millions in November 1956, a loan of $20 millions in April 1958, and a further loan of $30 millions early in 1961—a total of $65 millions.

After an initial burst of generosity in 1950 and 1951, United States' aid to Indonesia fell in 1952 and remained at an insignificant level until 1956. In 1956 the United States made its first large sale to Indonesia of surplus agricultural commodities for rupiah payments. This form of aid has become the most important one in subsequent years. In all, the United States gave Indonesia $545 millions between November 1949 and the end of fiscal year 1961. Of this amount, $377.2 millions were given after 1955, divided as $70.3 millions of grants, $113.6 millions of loans, and $193.1 millions in sales of surplus agricultural commodities. In addition, Indonesia has received over $13 millions in grants from the Ford Foundation.

TABLE 2. U. S. AID TO INDONESIA (IN MILLION DOLLARS)[3]

1950....40.0 (grant).	1956....114.3 (96.7 sales, 11.1 grant, 6.5 loans).
1951....74.9 (67.6 loans, 7.3 grant).	1957....13.4 (11.0 grant, 2.4 loans).
1952....15.7 (8.5 loans, 7.2 grant).	1958....26.0 (16.3 loans, 9.8 grant).
1953....23.7 (15.8 loans, 8.0 grant).	1959... 85.0 (51.6 sales, 23.0 loans, 10.2 grant).
1954....5.8 (grant).	1960....86.3 (50.1 loans, 25.1 sales, 11.0 grant).
1955... 7.6 (grant).	1961... 52.2 (19.7 sales, 17.2 grant, 15.2 loans).

* This sum was later increased to about $1,000 millions; the additional $550 millions are not included in the total aid estimates given in this article.

[2] In June 1962 the Indonesian government gave details on the proposed expenditure of the Rumanian *loan* of $50 millions.

[3] These figures were provided by the U. S. Agency for International Development Program Office in Djakarta. They show sums actually disbursed by the United States government in the respective fiscal years. Preliminary information indicates that in the fiscal year 1962, United States' sales of surplus commodities to Indonesia totalled $111.5 millions (of which $98.5 millions were then made available to Indonesia as grants or loans for development projects), and grants for economic aid totalled $17 millions. Figures for loans are not yet available. The United States government also sponsored a review of its aid program to Indonesia by a team of non-governmental experts (significantly, no political scientist was included). The recommendations of the team were presented to Presidents Kennedy and Sukarno in

Indonesia has also had considerable amounts of aid from Western countries other than the United States. In 1953 Indonesia joined the Colombo Plan, and by the end of 1961 had received through it grants totalling $20.8 millions, the largest share ($5.7 millions) coming from Australia. France, West Germany, Italy and the United Kingdom, all facilitate the granting of private credits to Indonesia by insuring up to 75 per cent of the credits offered by exporters. Up to the end of 1961, some $95 millions of loans had been received from West Germany, $81.4 millions from France, and smaller loans from Italy and Britain. In December 1961, the West German government reached an agreement with Indonesia whereby West Germany granted Indonesia $50 millions of capital aid and an additional credit of $55 millions.[4]

In September 1951, the Japanese delegation to the San Francisco peace conference declared that Japan was ready to discuss reparations with Indonesia. Due in part to fantastic initial Indonesian claims (of $17,300 millions for war damages) the actual agreement was not reached until January 1958. Japan agreed finally to cancel $177 millions of trade claims, and over a twelve-year period to provide $223 millions in reparations and $400 millions in loans. So far loans worth over $100 millions have been extended.

Indonesia also obtains aid from "non-aligned" sources. Agreements with Jugoslavia in September 1959 and July 1961 resulted in loans worth $25 millions. India trains some Indonesian airforce personnel. And among the more exotic examples of aid are the September 1960 agreement with Guinea for a small exchange of experts, and the Saudi Arabian offer of January 1962 of eighteen two-year scholarships to a university in Medina. From the various United Nations agencies, Indonesia received a total of $9.6 millions up to the end of 1961.

At a very rough estimate, Indonesia from January 1956 to the end of 1962 received aid or offers of aid totalling over $2,700 millions.[5] In other words, Indonesia signed aid agreements at the annual rate of about $400 millions. Actual receipts of aid are extremely difficult to calculate, especially as many of the economic aid agreements with the Sino-Soviet bloc are being implemented only slowly; nevertheless, receipts in recent years have been in the neighborhood of $200 millions per annum. Current agreements, as well as new aid from the United States, are likely to maintain the inflow of aid at a high level, at least in the next year or two. The magnitude of this aid is shown by a comparison with the Indonesian government budget and exports for 1960: calculated at the official exchange rate obtaining in the last

June 1962. They call for the disbursement over the next five years of from $51.7 to $62.7 millions in grants, and $145.7 to $170.7 millions in loans. Such disbursement would be in addition to the surplus sales program. See D. D. Humphrey, et al., *Indonesia: Perspectives and Proposals for United States Economic Aid—Report to the President* (mimeographed), Washington, D. C., 1962.

[4] This information was received from the commercial attaché of the Federal German Embassy in Canberra; according to him, the capital aid is probably a grant.

[5] This figure excludes American military aid, about which I have no precise information.

quarter of 1960, the budget planned for total government expenditures of $1,022 millions (of which "defense" received 37.8 per cent); and exports were worth $840 millions. It is thus clear that, whatever the precise inflow of foreign aid into Indonesia in recent years, aid has become a major supplement to the government's income.

It appears that Indonesia has used the non-military foreign aid in an economically sensible manner. The only really questionable projects are two being undertaken with Soviet aid: an "Asian Games complex," with related projects; and an iron and steel mill with a capacity of 100,000 tons per annum. A brief examination of the use of Soviet and United States aid will give some indication of how aid is being used.[6]

The first Soviet loan of $100 millions was to be used as follows: construction of an iron and steel mill, a fertilizer plant, 662 kilometers of new roads and two mechanized rice enterprises in Borneo, provision of technical assistance to prospect for sulphur and phosphates, and to investigate the peaceful use of atomic energy. To this loan was added $17.5 millions, of which $12.5 is for the Asian Games complex and $5 millions for the creation of a Faculty of Oceanography at Ambon in the Moluccas. The Soviet loan of $250 millions is for a variety of projects including: the iron and steel industry, a non-ferrous metal industry, a chemical industry, textile factories, agricultural projects, and the rehabilitation of the state-owned tin mines on Banka Island.

Four main forms of aid have been given by the United States: Marshall Plan aid, technical assistance, loans, and the sale of surplus agricultural commodities. Under Marshall Plan aid, $40 millions were given in 1950 to enable Indonesia to purchase vital consumer goods. Technical assistance means basically the provision of United States' specialists and the training of Indonesians. In 1961, approximately 200 such specialists were in Indonesia, the largest groups being in education (40), transportation (39), public health and sanitation (32), agriculture and fisheries (30), and public administration (29). Of special importance in raising the standards of teaching and the number of graduates, have been the teams from American universities in certain Indonesian university faculties: in medicine at Djakarta and Surabaja, in science and engineering at Jogjakarta, in agriculture at Bogor, in technology at Bandung, and in the National Institute of Administration. In all, approximately 2,500 Indonesians were sent abroad at the expense of the American government up to the end of 1961. Included as technical assistance is $23 millions spent since 1955 on the campaign to eradicate malaria.

American loans from 1950 to the end of fiscal year 1961 totalled $205.4

[6] For a comprehensive account of the projects for which Soviet aid is being used, see I. R. Korowin, "Kerdjasama Ekonomi dan Teknik Uni Sovjet-Republik Indonesia," *Harian Rakjat* (Djakarta), June 27, 1960. For detailed information on American aid to Indonesia, see the following documents issued by the United States A.I.D. Program Office in Djakarta: *Indonesian-United States Cooperation for Indonesian Economic Development*, 1961.; *United States Assistance to Indonesia since 1950 thru 1961* (miscellaneous tables), 1962; and *Free World Assistance to Indonesia's Economic and Social Development*, 1962.

millions. They have been used for a wide range of projects including transport, power and telecommunications supplies, a huge cement plant, three Electra aircraft, a thermal power plant, the rehabilitation of fourteen ports and harbors, the rehabilitation of the railway in South Sumatra, a jeep assembly plant, diesel generators, and road rehabilitation and construction. The purpose of the sales of surplus agricultural commodities for rupiah payments is to enable Indonesia to purchase food (rice and wheat flour), cotton and tobacco without using foreign exchange. Of the $304.6 millions received from sales through fiscal year 1962, over $224 millions were made available to Indonesia as grants and loans for mutually agreed development projects. For example, in the fiscal year 1961, 747 million rupiahs were made available, of which 400 millions were for a major irrigation project in West Java, 150 millions for road rehabilitation, and 60 millions for an agricultural experimental station.[7]

Up to July 1961, approximately 4,410 Indonesians had received or were receiving specialized training in Western countries financed by aid, and about 1,200 Indonesian students annually are at present trained in those countries. As of July 1961, at least 300 technicians from Communist countries were working in Indonesia, and about 300 Indonesian students were receiving training in such countries.

Because foreign aid, given or offered, has been at a level of about $400 millions a year since 1955, it is unquestionable that aid has had, is having, and will have, marked political effects within Indonesia. In the shorter term, aid has helped bolster the position of the existing governing groups, but the longer-term effects are difficult to ascertain.

Since early in 1958 the government in Indonesia has been dominated by President Sukarno and the army, with a group of civilian administrators in a third and inferior position. But the possibility of a major upheaval has always been present for a complex of economic and political reasons. The last few years have been a period of economic deterioration in Indonesia. Exports, foreign currency earnings, and industrial production have all declined, while the production of foodstuffs has been virtually static. Inflation has been rapid.[8] At the same time the population (the majority of which lives close to subsistence level) is increasing at about 2.3 per cent, or nearly 2.3 millions, per annum. And standing outside the government core are hostile political

[7] The whole question of "sales" as aid is a complicated one. For example, the Indonesian government must import a certain amount of food and cotton in order to prevent grave unrest. "Sales" permit the government to obtain much of this amount without using its limited foreign exchange. This in turn means that the foreign exchange thus "saved" is then available for other uses. In the case of Indonesia, it appears that other uses may include the purchase of armaments from the USSR. The rupiah payments for the surplus commodities are currently being returned, in large measure, for development projects. Whether or not the Indonesian government would have printed money for these projects anyway, is a moot point.

[8] For a recent commentary on the continuing economic deterioration in Indonesia, see Justus M. van der Kroef, "Indonesia's Economic Difficulties," *International Journal*, XVII, No. 4 (Autumn 1962), pp. 399-413.

forces: the remnants of the now-banned Masjumi (Moslem) and Socialist parties, as well as the former PRRI-Permesta rebels, and the Indonesian Communist Party. The last is in alliance with Sukarno, providing him with a counterweight to army influence in the government, and he is providing the Party with protection against severe repression by the army. But the PKI, with two million members and in control of a network of mass organizations claiming over twelve millions, is a constant threat to the existence of all three governing groups.

In short, the present Indonesian governing groups are constantly faced with the problem of sheer survival. Within Indonesia there is a hierarchy of groups whose continued and strengthened support and cohesion is necessary in order for the government to survive. At the top of the hierarchy are the members of the armed forces—the army (300,000 men), the police (120,000), the smaller air force and navy—closely followed by the members of the bureaucracy, which includes the managers and employees of the former Dutch enterprises seized in December 1957 (more than 500,000 white-collar workers), and such groups as professional people and university teachers. Below these are the urbanized and semi-urbanized workers. And at the bottom are the peasants (about 65 to 70 per cent of the population) who, fortunately for the government, are still in general bound politically by a tradition of obedience to "the authorities" and by a belief that they themselves are incapable of effecting significant changes in the socio-economic and political situation. The government is using foreign aid in a way closely correlated to this hierarchy of political importance: that is, a large share goes for the armed forces, a smaller but still large share for the white-collar workers, a small share for the remaining urban population, and little of immediate benefit to the peasants.

That large, well equipped and cohesive armed forces are vital to the maintenance of the Indonesian government was made clear by the occurrence of the PRRI-Permesta rebellion (1958 to 1961) and by the presence of the large Communist Party. About $1,000 millions of military aid are being received from the USSR; a smaller but significant amount comes from the United States, and other countries, such as Poland, are also supplying war materials. This aid not only permits the modernization of the armed forces (that is, increases their firing power and manoeuvrability) but it also fosters increased cohesion within the armed forces. Due to historical circumstances, the Indonesian army has never been a cohesive force, but cohesion has improved markedly since 1954, especially under the continuous command of General Nasution since October 1955.[9] Many factors explain this trend, but foreign aid is one of them.

Military aid permits the central army command to disburse greater rewards to all levels of the army—from study trips abroad for members of the

[9] In June 1962 General Nasution was succeeded as army chief-of-staff by his close colleague Major-General Achmad Jani. Nasution remains Minister of Defense.

central command, to jeeps for sergeants, down to better housing for the privates. At the same time, non-military aid increases the general amount of foreign currency available to the central government, and enables the government to spend on the armed forces more of the foreign currency obtained from non-aid sources. It is also to be noted that in the case of Indonesia, modernization and enlargement of the air force and navy increases the amount of foreign currency available to the government from non-aid sources. With aircraft and patrol boats the government has been able to reduce considerably what was extensive smuggling between foreign ports and the export-producing regions of Sumatra, Celebes and East Indonesia.

The government is attempting to meet the material needs of the armed forces and the white-collar group partly through a redistribution of internal wealth and goods, by taking from the politically less important and giving to the politically more important.[10] In part it is trying to meet these needs by the use of foreign aid. Some of the rice imported under aid agreements[11] is sold to the politically important at low prices: in April 1962, to members of the armed forces for one rupiah per liter, to the bureaucracy at 4 to 6 rupiahs, and to other urban dwellers at 15 rupiah—compared with the free market price of over 60 rupiahs per liter in Djakarta. Textiles and fibres have also been imported with foreign aid,[12] and low-priced textile rations distributed to the politically important. The numerous aid-supported development projects provide jobs for the bureaucracy as all aid is used by state agencies. The government maintains control of the disbursement of foreign scholarships so that these too can be used as material rewards. And foreign aid allows the government to "squander" some of its limited foreign currency on economically non-essential material rewards—on official trips abroad (where a foreign exchange allowance enables favored persons to purchase luxury items, often for resale at home), and on such things as automobiles. Thus foreign aid is used to help maintain the political loyalty of those in the society on whom the government is most dependent for the maintenance of power.

In order to prevent the development of a politically dangerous level of unrest among the urban population other than the armed forces and the bureaucracy, the government must provide the cities with a minimum of basic consumer goods. Foreign aid is used in four ways to overcome the shortage of these goods. First, supplies of rice, wheat flour, and textiles are

[10] For example, by the seizure of the enterprises of the Dutch in December 1957, then of the allegedly pro-Kuomintang Chinese residents, then of the citizens of the Chinese People's Republic; and now by the enforced restraint on workers' wages and the enforced government purchases of rice from the peasants at arbitrarily fixed and low prices.

[11] From 1956 to the end of fiscal year 1961, the United States sold Indonesia for rupiahs 661,000 tons of rice and 8,719,000 bushels of wheat flour; and part of the 1958 Chinese loan of $20 millions was for the import of rice.

[12] From 1956 to the end of the fiscal year 1961, the United States sold Indonesia 433,000 bales of cotton for rupiahs; part of the 1958 Chinese loan was for the import of textiles; and a considerable amount of Japanese reparations has been supplied in the form of textiles.

being obtained and distributed in limited rations at low prices. Second, textile factories are being built,[13] and an effort is under way to increase rice production through agricultural research, seed distribution centers, the production of fertilizers, extension of irrigation, and the opening of mechanized rice production centers in Borneo.[14] Third, aid from a wide range of countries is being devoted to increasing foreign earnings by the rehabilitation of exports: the acquisition of ships and shipyards to replace the loss of over 70 per cent of inter-island shipping in December 1957 (as a result of the government's seizure of Dutch enterprises), and the rehabilitation of roads, railways and harbors for the same purpose of facilitating the movement of exports and internal trade within the archipelago; and the rehabilitation of the oil and tin industries.[15] And fourth, foreign aid is being used to produce or assemble goods at present imported with foreign currency—for example, cement, chemicals, fertilizers, jeeps and railway coaches. If all or some of these aid-supported development projects are fully implemented, the Indonesian government will have at its command far greater quantities of home-produced basic consumer goods as well as the foreign currency to import more goods that it considers politically necessary.

With the use of foreign aid, the Indonesian government is able to give apparent validity to its promise of a "just and prosperous society" in the foreseeable future. The population in general is more likely, in the short run, to accept the authority of the government if the government can give signs that the new, prosperous era is attainable under its guidance. With foreign aid, a large number of development projects are now under way or in the planning stage to provide such signs. Significantly, there are virtually no important development projects that do not involve foreign aid. And if some people complain that a fine Asian Games complex and an iron and steel mill do not meet Indonesia's urgent economic needs, many more view them as a sign that "we are getting somewhere," as bringing prestige to Indonesia and hence to the government.

So far we have seen how foreign aid has been used by the Indonesian government to maintain, and in some cases strengthen, the support it receives from the armed forces, the white-collar workers, and much of the

[13] Under the 1961 Chinese loan agreement worth $30 millions, Indonesia is to receive six spinning mills with a total of 160,000 spindles, and 1,000 automatic looms. Reparations and loans from Japan, and loans from East Germany, the USSR and the United Kingdom are also being used to help supply the 400,000 spindles estimated to be necessary to meet Indonesia's needs once the Chinese mills are in operation.

[14] To take two examples of the use of aid in this field: it is planned that the Borneo rice projects will open up at least 10,000 hectares of unused land to rice cultivation, as well as increase production on 100,000 hectares of peasant land; while the Djatiluhur hydro-electric and irrigation project in West Java, on which French and American aid is being used, is hopefully expected to increase rice production by 300,000 tons per annum.

[15] Seventy-five per cent of the 1961 Rumanian loan of $50 millions is to be used to rehabilitate the Tjepu oilfield in Central Java. A Japanese loan-cum-investment of $52 millions is being used to restore the North Sumatran field to full production. Soviet aid is being used to restore tin production to its former level.

remaining urban population. But foreign aid, particularly from the Soviet bloc, has had another effect of great moment to the regime: it has reduced the Communist Party's manoeuvrability.

Sukarno is allied to the PKI as a counterweight to army strength in the government, but, like the army and the civilian administrators, he is concerned to make the PKI incapable of challenging the regime as a whole.[16] The government's friendship with the Sino-Soviet bloc, demonstrated by the receipt of substantial aid, may be viewed as one of the means whereby the government impairs the PKI's potential ability to challenge the ruling groups or to foment widespread unrest. The PKI's potential ability is, of course, impaired if the anti-Communist armed forces are strengthened, and if the government can meet at least minimally the material needs of the armed forces, the bureaucracy, and a substantial part of the remaining urban population. The PKI is also affected in more subtle ways. The friendship of both the Soviet bloc and China with the "national bourgeois" ruling groups in Indonesia makes it more difficult for the PKI leaders, should they so decide, to attack the ruling groups as "enemies of the people" and "pro-imperialist," or to arouse strong hostility to the ruling groups among party members and cadres. That is, Soviet and Chinese friendship with the existing national bourgeois government gives that government a certain legitimacy among local Communists. It is also a strong possibility that because the national bourgeois government has sought and won the friendship of Moscow and Peking, those two leaders of the Communist world would be less likely to encourage or advise the PKI to display militant opposition to the government, and they may actively advise against such opposition. In short, the government's friendship with the Sino-Soviet bloc may well reduce the likelihood of internal Communist disruptive activities.

It is possible that aid to Indonesia from Communist countries could be of some immediate help to the PKI. The Party's association with the generous and industrially advanced or advancing Communist countries could bolster its prestige; the Communist aid teams in Indonesia could give it funds and advice; and the Communist countries, as donors of substantial aid, could exert direct or subtle political pressure on the Indonesian government—for example, for granting cabinet positions of power to the PKI, or for a lessening of the restrictive and repressive measures now being taken against it and its mass organizations. The PKI's prestige may have been increased by the Party's association with the generous Communist countries, and so with their aid programs, but its prestige rests very largely on internal Indonesian developments. It now receives respect from other political forces in Indonesia, but at the same time the ruling groups are very careful to prevent it from acquiring positions of power. With the presence of a large Communist diplomatic staff in Indonesia which meets openly with the PKI

[16] This statement is developed in my article, "President Sukarno and the Communists: The Politics of Domestication," *American Political Science Review*, LVI, No. 4 (December 1962), pp. 915-26.

leaders, the aid teams are superfluous as dispensers of advice and funds to the PKI, and there is no evidence that the Communist countries attempt to exert political pressure on the Indonesian government. To do so might alienate the government that they so obviously wish to maintain as a friend, and could seriously embarrass the PKI which painstakingly portrays itself as a patriotic and truly independent party. Furthermore, as Indonesia also receives substantial aid from Western countries, and is far from the nearest Communist border, the pressure that Communist countries could apply to the Indonesian government is considerably reduced.

Unquestionably, massive foreign aid has strengthened, in the short run, the position of those groups that comprise the Indonesian government. But it is also certain that major political problems will arise unless the government can solve the country's economic problems. Has massive aid increased the likelihood of such a solution in the forseeable future?[17] The answer is uncertain, but it is not an unqualified affirmative.

Foreign aid has helped train thousands of Indonesians in skills that would be essential for any future developmental programs; and the offers of economic aid have forced at least some members of the government to think in terms of development. On the other hand, it is possible, and even likely, that substantial aid has allowed the government leaders to continue to sidestep a drastic overhaul and rehabilitation of the economy. Put conversely, it is possible that without the provision by aid of a minimum of consumer goods, a minimum of economically non-essential material rewards, a sprinkling of development projects, and modern military equipment on a large scale, the government would have been forced to face the fact of economic deterioration. So far there has been no willingness (or, perhaps, political ability) to take such measures as a reduction in the size of the armed forces, a reduction in the relatively high living standards of the social and political elites, and stern disciplining of the lax bureaucracy—all necessary if the economic chaos is to be tackled with resolution.

Worse still, massive aid may have provided Sukarno and his colleagues with the means to continue to pursue a fervent nationalist course that is of short-term political benefit to themselves, but of long-term economic and political havoc to Indonesia. Many Westerners sympathized with Indonesia's struggle for West New Guinea. The announcement in mid-1962 that some 75 per cent of the government's expenditure was allocated for this campaign came as a shock to both Westerners and Indonesians, but hope was placed in Sukarno's declaration of August 17, 1962 that: ". . . I, since now the problems of security and West Irian may be said to have been solved, feel able, God willing, to overcome the bottlenecks and the difficulties of economic problems in a short time that will not be too long."[18] However, that the

[17] One should note that foreign aid in health, sanitation and medical education increases the number of mouths to be fed, thereby aggravating the problem of economic progress.

[18] Sukarno, *A Year of Triumph*, Permanent Mission of the Republic of Indonesia to the United Nations (mimeographed), New York, 1962, p. 31.

government might *not* turn from fervent nationalistic agitation to the less heroic courses of economic development is suggested by Sukarno's past political behavior, by the very nature of the second main element in the ruling coalition, the military, and by the strident anti-imperialist outcries of Sukarno's chief subsidiary ally, the PKI.

The current Indonesian intervention against the attempt to create a Malaysian Federation indicates the possibility that the government leaders still prefer the easier course of political agitation against "foreign enemies." And foreign aid has increased the possibility that the government will follow such a course. Aid has given the Indonesian ruling groups the strongest military apparatus among Southeast Asian countries (and the Indonesian armed forces have to justify their existence as well as their major role in government), and at the same time enough consumer materials to stave off severe material impoverishment among those elements of the population who are at present politically important. In short, it appears likely that aid, military and economic, may have postponed rather than advanced the day when the economy will receive the attention it demands.

Thanks in part to foreign aid, the Indonesian government coalition seems to be, at least for the moment, in an impregnable position, and because the coalition is successful, neither of its leading members is willing to risk its destruction. The apparent impregnability of the governing coalition has produced a crystallization of other forces around either Sukarno or the army. Not only those hostile to one of the major government components but also those hostile to the regime as a whole have come to attempt to exert influence through the component they find less disagreeable. Thus (to construct a generalized scheme), Masjumi, PSI, regionalists, some bureaucrats, and some members of PNI and the orthodox Moslem NU now see the army as the force through which to attempt to exert influence; and PKI, most of PNI, some bureaucrats, and some NU members support and attempt to influence Sukarno. But, in the longer run, the two main government components are not equal. Sukarno at 61 is older and more ephemeral than the army; as he ages, it is to be expected that many of his present supporters will desert him for the army—the force which is very likely to dominate the government when Sukarno is gone. And should death, illness or (most unlikely) an army coup remove Sukarno from the political scene in the near future, it is to be expected that many of his present supporters would stampede to the army. Even the PKI might then be forced, in view of the strength of the army and its more or less eager (and opportunistic) supporters, to seek a *modus vivendi* with the army.

If foreign aid has increased the likelihood of an army-dominated government in the future, it is highly questionable whether the army would use that position to deal resolutely with Indonesia's grave economic problems. On the one hand, many army officers have proved to be corrupt, while many placed in charge of the Dutch enterprises seized in December 1957 have

shown themselves to be inefficient managers. That is, army officers are no less corrupt or inefficient than other Indonesians, and General Nasution has been unable or unwilling to remove the corrupt and inefficient. On the other hand, the army leaders have provided no effective obstacle to Sukarno's concentration on nationalist agitation. At present it is the new army chief-of-staff, Major-General Jani, who is making the most militant anti-British and anti-Malayan statements in the struggle to defeat the Malaysian Federation project. All this means that there is no conclusive evidence that the army leaders are development-oriented or are capable administrators for future development programs.

So far we have examined the short-term political effects of aid on Indonesian political development, and the most likely intermediate-term effects. But what would be the political results if aid led to, or encouraged, economic development and concomitant educational progress? Any answer would be highly speculative, and I shall limit myself to a brief examination of two relevant propositions: first, that the Indonesian masses apparently are far from revolt, even under existing economic conditions; and second, that development could lead to revolution.

Apparently the materially deprived Indonesian masses are far from revolt for two basic reasons: they do not yet *feel* deprived, and they do not yet feel that they have the right or the ability to bring about any significant change in socio-economic and political conditions. The Communist Party has won the support of about 25 per cent of the population by a program of help for the poorer sections of society in the solution of their everyday small but pressing problems. But because these poorer sections are still largely bound by tradition, the PKI's mass support is not yet of the quality needed to overthrow the existing regime.[19] Past experience suggests that the poverty of the masses could still deepen considerably before the masses would react militantly. However, it must be added that the poverty cannot deepen indefinitely without explosive political results, especially when the PKI's organization is so widely spread.

It is possible that massive economic and educational progress could prevent political upheaval, especially if the existing ruling groups were willing to absorb the newly educated. There is another possibility: if the impoverished masses tasted social and economic mobility and were given a "modern" world view, they might come to resent consciously the existing privileged ruling groups and accept the desirability of overthrowing those groups. In other words, economic development, if achieved, *could* set in motion social and political forces whose long-term political effects would be impossible to calculate.

Brandeis University, April 1963

---

[19] See my articles, "President Sukarno and the Communists," *op. cit.*, and "The PKI and the Peasants," *Problems of Communism*, XI, No. 6 (November-December 1962), pp. 28-36.