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Opmerkingen :	
Verzonden aan:	de Minister van Buitenlandse Zaken.

Aan Zijne Excellentie Prof. Dr. J.E. de QUAY
Minister-President

Plein 1813 no. 4

s-GRAVENHAGE.

rejum JJ

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INDONESIA

Economic/Political

GEHEIM

Economic Penetration of Indonesia by the
Sino-Soviet Bloc

Offer of Credits by the Sino-Soviet Bloc

1. On 21st May the Minister of Trade, RACHMAT MULJOMISENO, said privately that the CPG had agreed to raise the credit of twenty million dollars for the establishment of a textile factory in Indonesia to thirty million dollars. This was in accordance with the desire of the Indonesian Government as a result of the present financial difficulties in Indonesia. The Minister said that the conditions of the credit were light and would be profitable to both sides.

2. On 6th June, the Minister of Trade said that the additional credit of seventeen and a half million dollars from the Soviet Union for the Asian Olympic Games Stadium, which had been given in addition to the hundred million dollars loan, would be governed by the same terms as the latter loan, in the absence of any other channel for repaying this credit. The Soviet Union were prepared to increase the credit of seventeen and a half million dollars, if this proved necessary.

Offers by the Bloc to Purchase Rubber

3. The Head of the Directorate of Foreign Trade Relations in the Ministry of Foreign Affairs, ISMAIL TAJIB, said privately on 14th May that the Soviet Union had

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already declared that it was prepared to purchase Indonesian rubber up to a quantity of seventy thousand tons a year over a period of five years. The rubber they wanted was first quality only. The Soviet Union had also said that it wished the question of the purchase of this rubber to be divorced from other existing Trade Agreements. ISMAIL TAJIB said that the Indonesian Government was attracted by this offer, providing the price as compared with the World Market price was satisfactory.

4. On 22nd June ISMAIL TAJIB again said that according to present estimates, in the year 1960 Eastern Bloc countries would import one hundred thousand tons of rubber from Indonesia, consisting of rubber from both the estates and small holders (peoples' rubber). If these figures were achieved it would mean a rise of about 18% in the volume of exports of rubber to the Eastern Bloc as compared with 1959. However, the conclusion of such agreements was not certain, since the CPG for example was trying to arrange a form of barter, especially as far as the purchase of rubber was concerned. North Korea had asked for three thousand tons of rubber from Indonesia, although ISMAIL TAJIB could not understand why they wanted such a quantity. This latter request was being discussed with the North Korean authorities by the Indonesian Consulate in PEKING. The Indonesian Government was in favour of such a transaction, but would require payment in dollars.

Financial Questions

5. On 1st June the Minister of Finance, SUTIKNO SLAMET,

confirmed that the Soviet Union had requested Indonesia to make the rupiah convertible with the rouble. The object was that all Soviet loans could be paid direct. This request had been rejected by the Indonesian Government, since Indonesia was bound by agreement with the International Monetary Fund of which the Soviet Union was not a member. The Minister of Finance said that such a change would damage Indonesian Monetary Relations with the West and would only increase the present financial difficulties. As a result, all assistance received from the Soviet Union had to be calculated in American dollars or pounds sterling.

6. On 5th June ISMAIL TAJIB said privately that the CPG had also requested that credits and other financial assistance granted by the CPG should not be paid in American dollars, but that another standard world currency should be arranged. This request also had been refused.

7. A member of the Parliamentary Finance Committee, MUNADIR (of the PNI Party), said privately on 12th June that on 11th June his Committee had held a meeting with the Minister of Finance. At the meeting, the representative of the PKI Parliamentary Fraksi had asked the Minister of Finance whether the Indonesian Government could not take steps to tie the rupiah to the Chinese Yen, in view of the recent increase in trade between the two countries, including the credit of thirty million dollars promised by the CPG. The Minister replied that the Indonesian Government did not intend to take any such steps, in view of the

fact that Indonesia was at present in the American Dollar Bloc as far as trade was concerned. The CPG was not a member of the World Bank which laid down the standard dollar rate. Therefore, while Indonesia remained a member of the World Bank it would be difficult to do as the PKI member suggested.

8. On 19th June the Minister of Finance said privately that as one of the ways of overcoming the present financial and economic difficulty, Indonesia was now trying to obtain loans from all quarters, whether capitalist or communist. He added that the Prime Minister, DJUANDA, was at present holding discussions with the Soviet Union Chargé d'Affaires, KUZNETSOV, in the hope of obtaining an additional loan of sixty million dollars from the Soviet Union. The Minister said that there was a move afoot to obtain loans from all the Eastern Bloc countries, amounting to a grand total of four hundred million dollars. Indonesian Embassies in these countries had already received the necessary instructions and their reports were awaited in DJAKARTA. The Minister was optimistic, because of the present cold war conditions. So far it was clear that North VIETNAM would give a loan of seventeen million dollars and discussions on this would soon be held.

9. On 19th June the Minister of Foreign Affairs a.i., HL RDI, said privately that it was clear that the Communist countries were paying the closest attention to Indonesian monetary difficulties and that they already indicated their willingness to grant assistance to Indonesia.