

Imagining Indonesian Development

The only prophet without a significant Indonesian following is probably Adam Smith.

—Max Millikan

The collapse of Japanese and European colonialism and the rise of revolutionary nationalist movements in East and Southeast Asia in the 1940s was a signal event of twentieth-century international history.¹ The post-World War II attempt by a generation of U.S. and European policymakers to direct the inevitable process of decolonization along lines compatible with Western interests and the efforts of indigenous forces to assert their own visions of self-determination helps to explain much of the Cold War in Asia, which produced two devastating wars in Korea and Indochina and myriad instances of covert intervention. The historical trajectory of Indonesia, then the world's fifth most populous nation and its largest Muslim state, would be decisively shaped by these efforts. Since the surrender of Japanese forces in August 1945, which ended World War II, U.S. policy toward the former Netherlands East Indies has lagged consistently behind the aspirations of its nationalist leaders to sever the economic, political, and cultural sinews of European colonialism. Concerned more with the implications of rapid decolonization of

Asian empires for Europe and Japan than with the demands for independence of anticolonial leaders, the Truman administration initially acquiesced to Dutch efforts to reestablish control over their former colonial empire, expressing the same ambivalence about the fitness of Indonesians for self-government that it did for Vietnam. For three years the United States publicly professed neutrality in Indonesia's independence struggle while The Hague used lend-lease equipment and funds freed up by U.S. Marshall Plan aid to repress Indonesia's republican forces. Not until the fall of 1948 did Washington decisively back Indonesian independence by threatening to withhold military and economic aid after the Netherlands unilaterally violated a U.S.-brokered settlement. Not only did Dutch military actions threaten the Truman administration's European priorities, but U.S. officials also feared that the anticolonial struggle might unleash more radical and less easily controlled forces, such as the "emergence of a Pan-Asian bloc, which . . . may follow an independent path."² Equally important, the young republican government demonstrated its anti-Communist bona fides to the Truman administration by bloodily crushing a PKI uprising in September 1948 in the East Java city of Madiun.³ While White House officials congratulated themselves for their newfound devotion to Indonesian independence, many Indonesian nationalist leaders remained profoundly suspicious of both U.S. and Soviet intentions. Washington's near simultaneous decision to back the French effort at colonial reconquest in Indochina and continued British control over Malaya—both also challenged by radical independence movements—underscored the fragile nature of Washington's support for Asian self-government, as Indonesia's new leaders readily recognized.⁴

In the wake of Indonesia's independence in 1949, U.S. officials and social scientists identified the Southeast Asian nation as a linchpin in Washington's strategy of regional economic integration and as a line of containment against the expansion of Soviet and later Chinese power. Washington hoped that its support for Indonesian independence and the provision of a modest program of economic and technical assistance beginning in 1950 would help foster the emergence of a representative, capitalist, and pro-Western government.⁵ The vast majority of Indonesians, however, associated Western-style democracy and capitalism with colonialism and sought a collectivist, social democratic (or even socialist), and indigenously rooted path to political and economic development. Sukarno's articulation of the famous five principles known as the *Pancasila*—national unity, social justice, belief in God, humanitarianism,

and democracy—was an imprecise attempt at formulating a distinctly Indonesian vision of democracy through consensus, as opposed to the “free fight” democracy of a competitive parliamentary system.⁶ Mohammed Hatta, Indonesia’s first vice president and its foremost advocate of a decentralized Indonesian state and a democratic, participatory government, likewise firmly rejected Western-style democracy (even as he battled against Sukarno to rescue the parliamentary system), arguing in 1956 that “political democracy alone cannot bring about equality and fraternity. Political democracy must go hand in hand with economic democracy,” a “social democracy covering all phases of life.”⁷ Throughout the mid-1950s both visions reflected a fragile optimism both within and outside Indonesia over the prospects for democratic development, even if they profoundly differed over the meaning of democracy.⁸

The rising strength of the Indonesian Communist Party (PKI) in the years after independence, however, tempered such hopes, as did Indonesia’s firm commitment to neutralism and national development along lines that clashed repeatedly with U.S. goals in the region. Growing U.S. frustration with Indonesia mirrored its concerns during the decade over the rise of indigenous radicalism, neutralism, and nationalism throughout the so-called third world.⁹ By the mid-1950s U.S. support for and optimism about the prospects for democracy in Indonesia proved to be highly contingent. As in countless other nations, Washington began encouraging, alongside technical and agricultural assistance, military aid programs that prioritized stability over democracy and envisioned U.S.-trained military establishments as vanguards of modernization. Indonesia’s abandonment of parliamentary democracy and the outbreak of a U.S.-backed civil war during the late 1950s marked a turning point toward the Indonesian and American embrace of an authoritarian regime as the appropriate vehicle for modernizing the world’s fifth largest nation. When the Kennedy administration arrived in Washington in 1961, visions of military modernization framed the boundaries of American and Indonesian thinking about possible paths to the country’s future.

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Indonesia’s postindependence hopes for political and economic development flowed directly from its experience under Dutch colonial rule and the near insuperable challenge of creating an integrated nation out of a far-flung,

multiethnic archipelago poorly prepared by its former colonial power for independence. The bewildering complexity of Indonesian politics in the decade after independence, with nationalist, Socialist, Catholic, Communist, and Islamic parties and organizations offering fundamentally different proposals for the nation's basic political and economic structure, testified to the difficulty of constructing a unified nation and political system. The persistence of local and regional identities in places such as Aceh as well as Dutch attempts to weaken the new republic through federalist schemes exacerbated these challenges, leading Sukarno in August 1950 to abandon the federal arrangement agreed to in the 1949 Roundtable Conference and guaranteeing conflict between the island of Java, with two-thirds of the nation's population, and the rest of the archipelago. Indonesian views on economic development were likewise conditioned by the exploitative nature of Dutch colonialism—which concentrated much of the economy in foreign hands and oriented it toward production of commodities, such as rubber, tin, palm oil, and petroleum, for the world market. Consequently, Indonesian nationalists, beginning with the country's first president, Sukarno, hoped to take back control of the economy from foreigners and establish a basis for national unity, development, and self-sufficiency.¹⁰

U.S. officials, on the other hand, framed Indonesia's strategic, economic, and political importance squarely in regional terms that flowed from their commitment between 1947 and 1950 to seek the reconstruction of Japan, regional economic integration, and the containment of Communism throughout Asia. Dean Acheson's State Department laid out the goals in a series of planning documents, in particular PPS (Policy Planning Staff) Paper 51 and NSC 48/2, which called for both the economic integration of Southeast Asia through the linkage of its raw materials with Japanese industrial capacity and Western access to the region.¹¹ These core commitments, for which containment and anti-Communism were the means, not the ends, remained the unspoken assumptions guiding U.S. policy toward Indonesia through the end of the Sukarno era and indeed throughout the Cold War.¹²

Indonesia's commitment to a nonaligned foreign policy, its pursuit of state-led development, and its tolerance of a strong and growing Communist party, however, posed profound challenges to U.S. goals that mirrored those it faced elsewhere in the developing world. Indonesia's postindependence leaders, committed to a nonaligned foreign policy, "proved resistant, from the

first, to American direction and obdurately refused to join the American alliance system or even to accept any American aid that might come with strings attached.¹³ Republicans in Washington, who viewed foreign aid as “a global extension of the New Deal Programs they loathed,” sought to link such assistance to pro-U.S. military and economic policies, with predictably counter-productive results.¹⁴ In 1952 popular outrage at U.S. demands that Indonesia sign a mutual security agreement as a condition of receiving U.S. military aid brought down the Sukiman cabinet. First the Truman and then the Eisenhower administration tried to cement Jakarta’s ties to the West and to the regional economy through programs of military, technical, and economic assistance, only to express exasperation as civilian and military leaders of all stripes proved willing to accept aid but unwilling to take sides in the Cold War.

Sukarno’s hosting of the Bandung conference of nonaligned nations in 1955 symbolized Indonesia and other postcolonial nations’ determination to chart an independent course in foreign affairs and the broader challenge that nonalignment posed to both the United States and the Soviet Union. The Eisenhower administration initially opposed the convening of the Bandung conference (called “a vast illuminated soapbox where the malcontents of the world—the black, the yellow, the brown, and even some whites—could have their say” by *Newsweek*) and at turns sought to accommodate itself to or undermine the efforts of Yugoslavia, India, Egypt, Indonesia, and other nations to pursue a neutralist path in the Cold War.¹⁵ The Soviet Union, likewise initially hostile to nonalignment, under Khrushchev revised Communist development doctrine to account for and appeal to its proponents, developing the notion of the “national democratic state” as a way station on the road to Socialism.¹⁶ China’s Communist leadership, even as they participated in the Bandung meeting, were also unsure of how to relate to neutralist and anti-imperialist leaders such as Nehru, Nasser, and Sukarno, who were often lukewarm or hostile to domestic Communist parties. Although Mao publicly praised Sukarno for his anticolonialism, Deng Xiaoping confessed to Soviet ambassador to China Stephan Chervonenko that “the struggle with bourgeois figures of this sort is one of the most important problems facing the international communist movement.”¹⁷

The threat that the U.S. and other Western governments identified at Bandung, however, extended beyond the obvious political challenge that nonalignment posed to the imperative of Cold War alliance building. In his

opening speech to the conference, Sukarno implored, "I beg of you, do not think of colonialism only in the classic form which we of Indonesia, and our brothers in different parts of Asia and Africa, knew. Colonialism has also its modern dress, in the form of economic control, intellectual control, actual physical control by a small but alien community within a nation."¹⁸

As Sukarno suggested, the creation of the nonaligned movement raised the specter of more than just an unprecedented alliance of what American conference attendee Adam Clayton Powell called "the two billion colored people of the earth."¹⁹ U.S. officials also feared that political nonalignment might extend to the economic sphere as well, presaging collective attempts at independent state-led development, regional trading blocs, or declarations of support for Soviet or Chinese models of industrialization. Many neutralist leaders embraced socialist ideals, at least rhetorically, and viewed Western-style capitalism as an exploitative extension of formal colonialism. Eisenhower administration officials could only express relief when the nations attending the Bandung meeting seemed to acknowledge their continued dependence on foreign investment and technical assistance from the West and refrained from explicit calls for autonomist programs of development.²⁰

Training for Development

It was to this challenge of explaining and attempting to direct the scope of change in the so-called third world that the U.S. government and a host of nonstate and international organizations turned their attention as the Cold War solidified. The establishment of area studies programs in the late 1940s and early 1950s by a constellation of academic institutions, philanthropic foundations, and the U.S. intelligence community was a crucial development in the history of American hegemony. Both as intellectual adjuncts to the creation of a national security state and as sites for the figurative naming and categorization of the world, area studies programs at Harvard, the University of Chicago, the University of California at Berkeley, MIT, Johns Hopkins University, Cornell University, and elsewhere played a crucial role in the construction and dispersal of social scientific thinking about political and economic development in the developing world and in the production of relevant policy knowledge.²¹ This was nowhere more true than in Indonesia,

where programs funded by the Ford and Rockefeller Foundations, among others, shaped both American and Indonesian understandings of the possibilities and limits of Indonesia's development.

The historian Henry Benda in 1964 wrote without exaggeration that "no country in Southeast Asia has in postwar years received greater attention, institutional support, and dedicated individual scholarship than Indonesia."²² Much of that attention resulted from a massive outpouring of foundation funding for the study of Indonesian politics, economics, and society in the years between 1950 and 1964. During this period the Ford and Rockefeller Foundations alone disbursed nearly \$20 million for education, agriculture, medical, and technical assistance in both the United States and Indonesia.²³ These philanthropic institutions not only facilitated a dramatic expansion of social scientific research on Indonesia but also funded participant and educational exchange programs for Indonesian technicians, economists, teachers, agrarian specialists, military personnel, and engineers—what U.S. ambassador to Indonesia from 1958 to 1965 Howard Jones termed a long-term "struggle for the Indonesian mind."²⁴ Ford and Rockefeller Foundation funds underwrote the creation of area studies programs in the United States, including the Social Science Research Council's Committee on Comparative Politics, which also funded studies of Indonesian politics and economics. These efforts intersected with and helped to shape wide-ranging debates taking place within Indonesian society during the 1950s over the nature and direction of economic and political development, debates that would have far-reaching implications.

The Ford Foundation arguably played the most significant (and doubtless most well-publicized) role. Ford-funded education training for Indonesian social scientists directly shaped Indonesian development thinking.²⁵ Between 1956 and 1962 Ford Foundation fellowships, in addition to AID participant training programs, provided training for an entire generation of Indonesian economists through the creation of a partnership between the University of Indonesia and the University of California at Berkeley and the funding of graduate economics study at MIT, Cornell University, and other institutions.²⁶ The young republic's need for trained economists was acute; in 1956 only fifteen Indonesians had pursued advanced study. Two years later Ford Foundation officials reported that its economics training program had "become increasingly associated with the internal development of Indonesia."²⁷

The experience of the economist Subroto was illustrative. After Subroto had completed a master's degree in economics at McGill University in 1956, Sumitro Djojohadikusomo, dean of the Faculty of Economics at the University of Indonesia (FEUI), arranged for Subroto to continue graduate work at MIT, where he worked with Ben Higgins, Charles Kindleberger, and Paul Samuelson studying Indonesia's terms of trade in primary commodities. A year later Subroto returned to teach at FEUI, leaving again in 1960 and 1961 to study management at Stanford University and business at Harvard, both on Ford Foundation fellowships.²⁸

Sumitro told officers of the Rockefeller Foundation that his hope was to reorganize the Economics Department at the University of Indonesia "along American lines" in terms of both research and organization. Sumitro, a former minister of trade and minister of finance, was Indonesia's most prominent economist, a member of the Indonesian Socialist Party and a leading supporter of the PRRI (Revolutionary Government of the Republic of Indonesia) rebellions in 1958. Forced into exile in 1957, he maintained close ties to the State Department and CIA throughout the Guided Democracy period until invited back to Indonesia by Suharto in 1966 following Sukarno's ouster.²⁹ The group of economics professors from the University of Indonesia who surrounded Sumitro, the most significant of whom include Widjojo Nitisastro, Mohammed Sadli, Subroto, Ali Wardhana, and Emil Salim, would after the fall of Sukarno in 1966 play a crucial role in setting Indonesian economic policy and dismantling the edifice of Sukarno's Guided Economy, prompting radical scholars to dub them the "Berkeley Mafia."³⁰ U.S. officials assiduously cultivated these Western-oriented technocrats, who in the spring of 1963 were the chief supporters of an ill-fated attempt by First Minister Djuanda to commit Indonesia to an IMF-sponsored program of structural adjustment. The State Department's Policy Planning Council later cited the political destruction of these "modernizers" as a major factor in Indonesia's subsequent economic disintegration between 1963 and 1966.³¹

The support of the Ford and Rockefeller Foundations for U.S. and Canadian social scientific research on Indonesia during this period had an equally significant impact on American and Indonesian development thinking. Between 1952 and 1956 alone the foundations helped fund the establishment of the Southeast Asian Studies Center and the Contemporary Indonesia Project at Cornell University, Harvard University's Development Advisory Service,

the Southeast Asian Studies Program at the University of California at Berkeley, and the Center for International Studies at MIT.³² The bulk of U.S.-based social scientific research on Indonesia during the 1950s and early 1960s took place either directly under the auspices of these grants or through foundation-funded centers for international and area studies.³³

Cornell University's Modern Indonesia Project and MIT's Center for International Studies (CENIS) illustrate the central role that such funding played in the creation and dissemination of research on Indonesian politics and society. As early as 1951, Ford Foundation director Paul Hoffman, the former CEO of Studebaker and Marshall Plan administrator, began discussing with Economic Cooperation Administration officials the need for greater policy-relevant research concerning Indonesia.³⁴ A year later the Ford Foundation provided funding for the establishment of programs at MIT and Cornell, the latter headed by George McT. Kahin, a founder of Southeast Asian studies and author of the seminal 1952 book *Nationalism and Revolution in Indonesia*.³⁵ In 1953 Kahin requested funding for a comprehensive and interdisciplinary study of contemporary Indonesian political life, including its central and local governments, parliament, labor, youth, modernist Muslim organizations, non-Islamic parties, and Indonesian Chinese community. An overarching goal of these studies was to achieve a "greater understanding of [the] problem of Communism in Indonesia." The Modern Indonesia Project also emphasized the creation of an indigenous social scientific community, noting that in its first year it had more than doubled the number of Indonesians conducting social science research.³⁶

MIT's CENIS, created in 1953 under the leadership of former CIA official Max Millikan, aimed more broadly to serve as an interdisciplinary space for the construction of a comprehensive theory of development.³⁷ In 1953 CENIS director Millikan proposed a three-pronged study of nations at various stages of the development process, focusing on Italy, India, and Indonesia (the last two an early focus of the Soviet Union's tentative embrace of nonaligned states).³⁸ The MIT Indonesia project sought, in the words of one scholar, "to develop a comprehensive theory of Javanese culture and society," in part to explain the failure of Indonesia to produce a vibrant entrepreneurial class.³⁹ But the project's goals were as much prescriptive as descriptive. The CENIS grant proposal for its Indonesia project identified its chief goal as determining the country's "possible alternative courses of future

development” and how these could “be affected by the policy and action of the governments concerned, the U.S. government and international agencies.”⁴⁰

Beginning in 1953, CENIS supported a team of anthropologists, sociologists, economists, communication specialists, and political scientists to conduct research along four major themes in Indonesia: “1) the process of capital formation; 2) social aspects of agricultural development; 3) the emergent alignment of political forces with special reference to their effect on economic development; [and] 4) sources of political and social disaffection.”⁴¹ The Indonesia project identified its goals in consultation with the head of the National Development Planning Agency (BAPPENAS) of the Indonesian government and the director of the Social Science Department of the University of Indonesia. As the Center’s 1954 annual report noted, the major premise underlying its research was that “the major obstacles to Indonesian economic development have to do with the *organization* of the country’s human and natural resources” and not with its historic (and historically constrained) role in the world economy. Explicitly rejecting the development framework offered by Indonesian nationalists—*pembangunan* as nation building and the creation of a noncolonial national economy—CENIS scholars described the country in classically Ricardian terms of comparative advantage and asked, “What, in terms of its position in regional and world markets, should Indonesia’s pattern of industrialization be?”⁴²

Over the next ten years the MIT Indonesia project provided some of the answers, producing some of the most significant social science research on Indonesia in the fields of economics, anthropology, political science, and communication studies.⁴³ The research of anthropologist Clifford Geertz, doubtless the most famous of the MIT-affiliated scholars, illustrates the ways in which the project shaped both popular and official understanding of Indonesian culture and the framework within which Americans and Indonesians thought about the country’s development. CENIS director Max Millikan recruited Geertz, a student of Talcott Parsons, to travel to Indonesia in 1954. Upon returning to Cambridge, Geertz urged the young anthropologist to write a study that would “explain why Java had failed to achieve an agricultural evolution that would set the stage for industrialization.”⁴⁴ The resulting works, most famously *Agricultural Involution*, located Indonesia’s economic backwardness in the response of colonial-era peasants to exploitative Dutch agricultural practices.⁴⁵ Rather than provoking a flight of peasants to urban areas where they might become fodder for industrialization, Geertz

argued, agricultural poverty in Indonesia resulted in more intensive cultivation of ever-shrinking plots of land and a downward spiral—his “involution”—of overpopulation, technological stagnation, and disempowerment.⁴⁶

Although the involution thesis has since come under heavy criticism, it carried important implications for U.S. policy in Indonesia and for Indonesian development.⁴⁷ In addition to confirming the arguments of modernization theorists that the barriers to Indonesian development were partly cultural in nature, Geertz’s work buttressed the claims of U.S. policymakers that the solution to Indonesia’s agricultural problems lay in educating farmers in American farming methods, greater technical expertise, and agricultural mechanization, all of which would gradually push peasants from rural areas and toward urban centers where they might provide an industrial workforce. The most important example of such thinking was the International Cooperation Administration—(and later AID-) sponsored agricultural extension program linking the University of Kentucky to the Agricultural University at Bogor. Between 1957 and 1966 this program brought more than 200 Indonesian agricultural experts for study to the United States and an equal number of Americans to Indonesia. The goals of U.S. officials, who pushed technical training, extension programs, and the capitalization of peasant agriculture, clashed directly with those of many Indonesian development planners, who prioritized agricultural self-sufficiency and rural employment over technological modernization. Although both Indonesian and Americans “shared the important belief that the goal of development was transformation to a Western ideal of economic growth and productivity,” they differed profoundly in their views on the means to these ends.⁴⁸ Moreover, by the late 1950s and early 1960s Indonesian officials, frustrated with American priorities, could—and did—increasingly turn to the USSR for similar forms of assistance.

The Soviet and Chinese Challenge

The concerns among U.S. officials about Indonesia’s possible drift to the left in the 1950s reflected broader anxieties about the Soviet Union’s growing focus on the developing world. Following the death of Joseph Stalin, Soviet premier Nikita Khrushchev inaugurated a fundamental turn in Soviet foreign policy, including the pursuit of peaceful coexistence with the West, an

accommodation to nonalignment, and initiation of expansive programs of economic and technical assistance to countries such as Indonesia, India, Egypt, and Afghanistan. In addition to denouncing the former dictator's domestic crimes, Khrushchev criticized Stalin for his shortsightedness in seeking rigid control over local Communist parties and in failing to actively pursue closer relations with newly independent countries where conditions were not immediately ripe for revolution.⁴⁹ As John Foster Dulles told the National Security Council in November 1955, this shift marked the beginning of a Soviet economic and political offensive with grave implications for U.S. interests in the third world. Not only did Soviet overtures undermine U.S. attempts to forge closer political ties with neutralist states, Dulles argued, but such efforts also could fray the trade and military ties that effectively bound developing countries to the West.⁵⁰

Between May and October of 1956 Sukarno undertook a series of visits—to the United States, much of Western Europe, the Soviet Union, Mongolia, Yugoslavia, China, and Czechoslovakia—that highlighted these contrasting models of economic development.⁵¹ On his May trip to the United States, during which the Eisenhower administration pledged \$25 million in aid, Sukarno offered lavish public praise for American technological and economic might, quoting Thomas Jefferson in an address to Congress that received a standing ovation and making a favorable impression on the American press. Privately, however, the Indonesian president commented that the United States had little to offer as a model for a country as poor as Indonesia. In Moscow, Sukarno secured a Soviet pledge of \$100 million in economic assistance and invited Soviet president Kliment Voroshilov to come to Jakarta. (The visit inspired the CIA's famously bungled attempt to create a pornographic film showing Sukarno in a compromising position with a Russian stewardess. The shapely blond had been seen with Sukarno on his visit to Moscow and accompanied Voroshilov to Jakarta.)⁵² In a 1957 meeting of the CPSU Central Committee, Plenum Deputy Premier Anastas Mikoyan argued that although Sukarno and other non-Communist leaders were "bourgeois nationalists," closer political and economic ties to nonaligned states such as Indonesia created opportunities for "undermin[ing] the influence of the imperialist powers on the countries of Asia."⁵³

U.S. officials and social scientists largely agreed with Mikoyan's assessment, if not his choice of words. The Soviet—and later Chinese—challenge

was always as much economic as it was political and military. Indeed, in the late 1950s "the Soviet Union seemed to possess a number of distinct advantages over the West," which had little to do with its military capabilities, "in any competition for the loyalties of the emerging postcolonial societies of Asia and Africa."⁵⁴ One was political, stemming from the Soviet Union's opposition to colonialism (outside Eastern Europe) and in favor of civil rights for nonwhite peoples, a stance that appealed to anticolonial nationalists and radicals throughout the developing world. The U.S. practice of racial apartheid at home, the AFL-CIO's representative in Indonesia wrote to George Meany, was "withering the reputation of the USA citizens and government here in Southeast Asia." Moreover, from Southeast Asia to southern Africa, Washington's political and military alliances with both current and former European colonial powers made the task of winning the support of postcolonial states immeasurably more difficult.⁵⁵

No issue highlighted this dilemma more than West New Guinea. The Dutch had administered West New Guinea as part of the Netherlands East Indies, but in the 1949 Round Table Agreement that gave Indonesia its independence, The Hague insisted on retaining control. Indonesian officials thought Netherlands officials would complete the transfer of West New Guinea to the Republic of Indonesia once the political situation was more amenable.⁵⁶ The Dutch had other ideas. After repeated talks and appeals to the United Nations failed, Indonesia in 1957 seized Dutch economic assets, expelled Dutch citizens, and three years later severed relations. The takeover of Dutch assets carried tremendous implications for Indonesia's internal balance of power, its development prospects, and its foreign relations. The Indonesian armed forces quickly assumed supervision of formerly Dutch-controlled extractive and manufacturing enterprises, securing an independent revenue base, increasing their political power, and bringing them into direct conflict with organized plantation and oil field workers.⁵⁷ The United States, which pledged neutrality and abstained on U.N. resolutions concerning West New Guinea, incurred the wrath of Indonesian nationalists. Not so the Soviets, who, like the PKI, emerged after 1957 as a loud and persistent defender of Indonesia's position.⁵⁸

Perhaps more important than their anticolonial rhetoric, Soviet officials pointed to their country's experience with rapid industrialization as a model for developing nations to follow. This appeal only grew as the leaders of almost

all newly independent nations faced enormous pressure to rapidly increase the standard of living of their populations and enormous obstacles in achieving these goals, because their position in the world economy, rapid demographic changes, and colonial developmental schemes oriented them toward export-oriented growth on the basis of raw materials production for the West rather than industrialization. U.S. officials and modernization theorists performed impressive acts of intellectual gymnastics trying to criticize the legacy of European colonialism while advocating development plans that continued colonial trade structures. Max Millikan wrote to the Ford Foundation that "in view of the great importance to the United States and the Western World of adequate supplies of relatively inexpensive raw materials, ways must be found to make continued high-level raw material output consistent with the economic development of the producing countries."⁵⁹ By the early 1950s, however, the rising expectations for economic growth in the developing world were being dashed by the failure of foreign investment to materialize and by declining terms of trade in these same raw materials, increasing the appeal of statist solutions.⁶⁰

Indonesia's experience highlights the challenge that many other nations faced in squaring this circle. Before World War II Dutch colonial policy accelerated Indonesia's integration with world markets but retarded the creation of an integrated national economy and failed to lay the foundation for industrialization. At independence Indonesia depended for foreign exchange on exports of oil, rubber, palm oil, tin, copra, and other commodities largely produced on Dutch-, British-, and American-owned estates, which had "few linkages with the surrounding economies." For government revenue Indonesia relied not on a base of taxpayers but on royalties and import duties. The new nation chafed under the burden of a heavy debt and suffered from severe shortages of capital, technology, managers, economists, skilled labor, and industrial production for local use. Beginning in the 1950s Indonesia also faced declining prices for tin (in part the result of U.S. strategic stockpiling policies) and rubber (because of the increasing market share of synthetics and poor replanting practices), leading to chronic foreign exchange shortfalls and balance of payments deficits, which exacerbated the difficulties of capital accumulation and increased tensions with the Eisenhower administration.⁶¹

Many Indonesians viewed this colonial legacy as an indictment of Western-style capitalism and as an argument for relying on the state, rather than pri-

vate capital, as the engine of economic development. Indonesia's first prime minister, Sutan Sjahrir, expressed beliefs held throughout much of the developing world when he wrote in 1956 that "nationalism in Indonesia is anti-capitalist—largely because capitalism here is Western, and, specifically, Dutch."⁶² Although in agreement on basic principles, Indonesian elites shared no consensus on whether to pursue an independent developmental path or seek integration with the world economy, "whether or to what extent . . . to rely on foreign experts, foreign aid, and foreign investment," and how to square demands for social justice and national development with the economic realities of its peripheral status in the world system.⁶³

Little wonder, then, that like many developing nations Indonesia looked with interest to the Soviet Union as a possible model for economic development.⁶⁴ Even Western observers admired the Soviet Union's economic achievements, rationalizing the unimaginable human cost of its rapid development model with the same tropes of Russian backwardness and passivity that marked postwar discussion of the obstacles to modernization in Asia.⁶⁵ The Soviet Union's achievement of rapid industrialization in a single generation, its emphasis on heavy industrialization, the prominence of state planning—all carried great appeal to nationalist leaders who sought to rapidly cast off the burdens of colonialism and modernize economy and society. Soviet technological advances in the 1950s—in particular the explosion of a hydrogen bomb in August 1953 and the launching of Sputnik in 1957—suggested that the socialist state was rapidly catching up to the capitalist West. Upon his return from a March 1960 visit to India, Burma, Indonesia, and Afghanistan, Nikita S. Khrushchev remarked approvingly to a crowd in Moscow:

The American Senators say with alarm that the strengthening of the Soviet Union's economic strength will permit it to expand aid on easy terms to the underdeveloped countries. Noting that the Soviet Union is an example of rapid industrialization for these underdeveloped countries, the Senators write that the exchange of technical specialists, economic aid, trade opportunities, the growing prestige and strength of the Soviet Union, the Sputnik and Lunik—all these factors strengthen the impression that the Soviets represent the future. Again, not badly put.⁶⁶

Besides the USSR's actual achievements, Soviet officials' confidence raised concerns among U.S. policymakers about the vitality and relevance of the U.S. model of development for the third world and for Indonesia in particular. As

Max Millikan ruefully noted, "The only prophet without a significant Indonesian following is probably Adam Smith."⁶⁷

China's adoption of a rapid industrialization model potentially posed even greater challenges, given the similarities it shared with other newly independent Asian nations seeking accelerated economic growth.⁶⁸ Western officials and scholars in the 1950s paid insufficient attention to Indonesian perceptions of China as a possible development model, although many Indonesians viewed China's experience with foreign domination and revolution and its rapid industrialization as an inspiration—even if many rejected its Communist form.⁶⁹ Following his 1956 trips to Moscow and Beijing, Sukarno expressed "ready acceptance" of the "apparent achievements, especially material, under Communist rule," as did a wide range of Indonesian observers. Vice President Hatta remarked after a three-week visit to China in 1957, "What we have seen in the past ten days is very amazing and exciting. Amazing, because everywhere we saw people were energetically working for development. New factories, which had not existed before and had not even been thought about by the old government, were emerging all over the place."⁷⁰ In February 1959 the PKI held a major economic seminar which concluded that "the state sector should be given the prime role in transforming the country from a backward, agricultural, export-oriented economy into an advanced, industrialized, balanced economy." Like nationalists in India, many Indonesians viewed the lessons that the United States, the USSR, or China might offer in economic terms—shearing modernization of its political content in ways that baffled officials in Washington.⁷¹ Western-trained Indonesian technocrats and economists readily accepted Soviet technical assistance, adopted a Soviet-style five-year development plan in 1957, written with the help of Canadian development economist Ben Higgins—who from 1955 to 1957 headed CENIS's Indonesia Project—and incorporated large-scale industrial projects into national development schemes.⁷²

Mirroring their U.S. counterparts, Soviet social scientists paved the way in advocating comprehensive development and technical assistance programs to the third world, believing that ascendant elite groups, such as students, technocrats, and the armed forces, would be open to Communist ideas.⁷³ As Michael Adas has demonstrated, both the United States and the USSR, despite their many differences, "tended to favor development assistance that promoted industrialization and large scale infrastructural projects,

including hydroelectric dams and transportation systems.”⁷⁴ Between 1956 and 1964 Soviet and Eastern European development assistance to Indonesia averaged more than \$120 million per year; heavy industrialization and infrastructure development were emphasized: chemical, cement, and textile plants; iron, steel, and nonferrous metal factories such as the Cilegon steelwork; road building, mechanized agriculture, and atomic power; and massive irrigation projects such as the Asahan Hydroelectric project. During the same period thousands of Indonesians received technical training in the USSR and Eastern Europe, and more than 2,000 Soviet and East European technical and agricultural advisers served in Indonesia.⁷⁵ Yet even as Indonesian technicians and economists welcomed Soviet bloc assistance, they rejected Soviet advice that conflicted with the government’s need to mobilize mass political support for development goals.⁷⁶ Sukarno viewed China’s achievements primarily in ideological terms, concluding that Mao’s success stemmed not so much from long-range industrial planning as from mass mobilization and a relentless emphasis on national unity, and he specifically rejected Chinese political doctrine as inappropriate to Indonesia’s situation. Economist Sarbini Sumawinata, although a proponent of what would later be called the developmental state model of Asian industrialization, likewise criticized development plans from the Soviet Union that called for austerity in basic consumption at the expense of mass support (just as many Indonesians would in 1963 reject similar calls for austerity by the IMF). He argued that “the implementation of the socialist system such as being held in the Soviet Union and China does not present an improvement to the capitalist system.”⁷⁷

The Eisenhower administration attempted to counter the Soviet Union’s appeal in Indonesia not just through technical and economic assistance but also through a massive cultural diplomacy initiative by the U.S. Information Agency (USIA) and, covertly, through the CIA-funded Congress for Cultural Freedom. Utilizing the Voice of America, pamphlets, books, newspapers, movies and magazines, the USIA campaign stressed the superiority of American-style liberal capitalism and democracy and U.S. goals for the region of liberal modernization and anti-Communism. In 1953 alone, U.S. embassy officials estimated that 10 million Indonesians saw American films screened from the back of USIA trucks traveling around the country. The Congress for Cultural Freedom published and distributed Indonesian translations of

George Orwell's *Animal Farm*, Miliovan Djilas's *New Class*, and the famous collection of anti-Communist essays *The God That Failed*. The Congress even helped fund the publication of Indonesian writer Mochtar Lubis's novel *Senja di Jakarta* (Twilight in Jakarta), which it viewed as antitotalitarian in tone.⁷⁸ The USIA and the Ford and Rockefeller Foundations provided tens of thousands of fiction and nonfiction books, especially foundational texts in social science and comparative politics, to reading rooms, libraries, and universities around the country. Between 1951 and 1955 nearly 900 Indonesians in all fields of study traveled to the United States on publicly and privately funded grant initiatives for technical training.⁷⁹ In addition, the U.S. government, the Ford Foundation, and the AFL-CIO devoted substantial resources to funding and training rivals to Communist-affiliated labor federations, promoting depoliticized bread-and-butter trade unionism and seeking to split the labor movement off from Sukarno.⁸⁰

Indonesians viewed the U.S. culture to which they were exposed with a mixture of wonder at the country's seemingly inexhaustible material wealth and resentment of its power and seeming spiritual shallowness. British and Dutch officials criticized the U.S. campaign as insulting and counterproductive, and Indonesian officials feared that U.S. propaganda would create unreasonable expectations for the possibilities of mass consumption in one of Asia's poorest nations. Fascinated Indonesians, meanwhile, paid up to \$20 on the black market—an extraordinary sum in 1955—for Sears catalogs with their cornucopia of consumer goods on display. Yet among Indonesian nationalists in 1955 the U.S. image in Indonesia was "hardly a positive one: an economic and military superpower eager to lure Indonesia into the camp of the 'free world,' . . . a culture symbolized by big black cars, Western movies, and greediness, and a society characterized by segregation and racism."⁸¹ Moreover, President Eisenhower himself recognized the inapplicability of the U.S. development model to Indonesia, telling the NSC that he was unperturbed by the thought of Indonesia taking a socialist road, declaring that "there was obviously no basis in Indonesia . . . for a free enterprise economy such as that of the United States."⁸²

Toward the PRRI Revolts

Indonesia's long authoritarian period—which began in the late 1950s with the inauguration of Sukarno's Guided Democracy and lasted through Suharto's New Order regime until his ouster in 1998—has tended to obscure in both national memory and historiography a simple fact. From 1949 until 1957 Indonesia was a thriving parliamentary democracy, the collapse of which was hardly an inevitable tale of declension, as later observers seem to suggest.⁸³ Through the mid-1950s the public and official discourse in the United States on Indonesian development reflected this fact and operated within an ideological framework that stressed optimism about the prospects for modernization along parliamentary, democratic, and technocratic lines, as did analyses of development in postcolonial states more generally. Many scholars have argued that modernization theorists “always subordinated” democracy to concerns about stability, even during the 1950s.⁸⁴ Yet the U.S. and Indonesian commitment to military modernization did not emerge until late in the decade, and the evidence is persuasive that belief in the possibilities for democratic development was genuine. In its 1953 grant proposal to the Ford Foundation for an Indonesia field project, CENIS officials identified as their chief objective determining which “programs and policies in the United States . . . will do most to encourage economic growth on the basis of expanding, rather than contracting, democratic foundations.”⁸⁵ Benedict Anderson argues that in the years following Indonesia's independence, Western scholars—most funded by the Ford Foundation—generally hewed to a perspective popularized by George McT. Kahin that suggested that “Indonesian nationalism was a historically determined and progressive force moving Indonesia away from colonial authoritarianism and exploitation and toward a liberal constitutional order.”⁸⁶ As late as August 1956 the Eisenhower administration's National Intelligence Estimate for Indonesia concluded that “the prospects appear moderately favorable that Indonesia will continue to advance slowly in the direction of a modern democratic state over the next few years.”⁸⁷

U.S. optimism, however, was tenuous. The rising power of the PKI convinced many officials that democracy was incompatible with Indonesian political realities, a conclusion that many Indonesians—led by Sukarno and the

armed forces—were coming to at the same time, although often for different reasons. Indonesia's landmark 1955 parliamentary elections, in which the PKI emerged as the nation's fourth largest party with 16.4 percent of the vote, raised red flags in Washington, which had attempted to ensure the victory of the moderate Masjumi Party with an infusion of up to \$1 million. When the PKI improved its position further in local elections in 1957—taking nearly 30 percent of the vote in Java and displacing the Indonesian Nationalist Party (PNI) as the largest party in Yogyakarta—Secretary of State John Foster Dulles, CIA Director Allen Dulles, and U.S. Ambassador Hugh Cumming began waving those red flags.⁸⁸ Between 1954 and 1959 party membership grew from less than 200,000 to more than 1.5 million, with attendant gains in youth, women's, labor, and other affiliated organizations. Vice President Richard Nixon echoed the sentiment of many Eisenhower administration officials in late 1956 when he opined that "Sukarno was probably right in believing that a democratic government was not the best kind for Indonesia" because "the Communists could probably not be beaten in election campaigns because they were so well organized."⁸⁹ The United States would support democracy in Indonesia only if it resulted in the election of non- or anti-Communist forces.

As fears about the rising threat of the PKI increased, U.S. officials naturally looked to the armed forces as a counterweight. The Pentagon established links with the Indonesian military as early as 1948 and in August 1950 began training and assistance to Indonesia's fledgling police force. Training for Indonesian army officers, especially at U.S. service schools, assumed even greater importance as a means of transmitting ideas and influence. By January 1956 Hugh Cumming reported without exaggeration that "all lines of command in the Army now flowed through officers who had been trained in the United States."⁹⁰ A decade later approximately 2,800 members of Indonesia's officer corps had received training at U.S. service schools, many at the General Command and Staff College (GCSC), which imparted both modern operational doctrines and loyalty to the United States. General Yani, who attended the GCSC from 1955 to 1956, consciously patterned the Indonesian military academy at Magelang after the U.S. military academy at West Point. Army Chief of Staff General Nasution, who formulated Indonesia's doctrine of territorial management and warfare, told the U.S. embassy of his plans to use U.S. Army and West Point training manuals at the

national military academy.⁹¹ Former U.S. military attaché Willis Ethel recalled that the “Staff college in Bandung used our manuals. We sent people here to service schools . . . they’d go back loaded with all sorts of material and tried to run the staff college pretty much as they’d run Leavenworth.”⁹² U.S. military training and assistance also reinforced the proclivity of Indonesian armed forces officers to envision themselves as guardians of political order, an institutional identity dating back to Indonesia’s independence struggle and growing in rough proportion to their perceived declining power under parliamentary rule.

By the end of 1956 Secretary of State Dulles and his brother, CIA Director Allen Dulles, were convinced that Indonesia’s government and military were falling under the influence of the PKI. In the fall of 1957 rebel officers, backed by regional political parties and religious groups such as the Masjumi, began to set up local revolutionary councils. Administration officials—fueled by generally inaccurate intelligence reports from the CIA—decided to aid regional military officers alienated by the centralization of wealth and power in Java and the republic’s excessive bureaucracy, corruption, and economic neglect of the outer islands. In February 1958 these dissident officers formed the Revolutionary Government of the Republic of Indonesia (*Pemerintah Revolusioner Republik Indonesia*, or PRRI), igniting a brief but fierce civil war. In response, Sukarno proclaimed martial law with broad support from Javanese military officers and brought an end to Indonesia’s system of parliamentary democracy, centralizing power more firmly in Java and replacing it with a system he called Guided Democracy.⁹³ Indonesian troops, under the command of General Nasution and loyal to Sukarno, crushed the rebellion by June, although isolated rebel units continued to resist the central government in Jakarta for nearly two more years.

In the fall of 1957 the Eisenhower administration launched one of the largest and most disastrous covert operations of the Cold War, providing millions of dollars in covert funds and modern weapons to the dissident colonels leading the regional rebellions. In an operation hidden from the State Department’s own ambassador to Jakarta, the CIA sought to reverse Indonesia’s supposed leftward drift by either weakening or overthrowing Sukarno, checking the power of Java-based units of the military and the PKI, or even forcibly breaking up Indonesia to preserve Western access to resource-rich western Sumatra. In January 1958 the Eisenhower administration intervened directly

by providing air cover to rebel military units and positioning U.S. naval vessels for possible intervention in Sumatra. In addition, U.S. forces and PRRI rebels operated freely from the British base complex in Singapore and trained at U.S. facilities throughout the region, including Taiwan, Guam, and the Philippines.⁹⁴

Administration officials publicly insisted that the PRRI rebels were operating on their own, a convenient fiction in Washington that no one in Indonesia took seriously. U.S. support could no longer be denied, however, after CIA pilot Allen Pope was shot down and captured in April 1958. It soon became clear that Washington's allies were heading toward disaster and that the United States had made a terrible miscalculation. The Soviet Union, which backed Sukarno and the central government throughout the civil war, launched a major program of military and economic assistance in its wake, totaling nearly \$750 million. Between 1956 and 1962, when deliveries peaked, Moscow provided Indonesia with hundreds of tanks, armored personnel carriers, artillery pieces and guided missiles, 170 jets and fighter-bombers, and most of the ships in the Indonesian navy. Soviet military aid significantly strengthened Moscow's position among the navy, air force, and Java-based army officers such as General Nasution, who long after remained suspicious of the United States for backing the PRRI.⁹⁵ Eisenhower administration officials were forced to admit what newly installed ambassador Howard Jones had been arguing all along, that the United States was fueling a civil war between two anti-Communist factions of the same military. In May 1958 the White House abruptly resumed military aid to the government it had been seeking to overthrow, as Secretary of State John Foster Dulles and others expressed dismay at the role Soviet weapons had played in the rebels' ignominious defeat.

Washington's involvement in Indonesia's civil war left deep scars on its relationship with Jakarta. But U.S. officials just a few years later could not imagine why Indonesians—after thousands of their countrymen had died in a U.S.-backed civil war—might still harbor anger or mistrust their intentions, a startling myopia. The U.S. embassy in Jakarta reported in late 1960 that Sukarno "is still suffering from the misapprehension [that the] U.S. is gunning for him." Paranoia, apparently, was the only possible explanation, a view shared by Lucian Pye, who viewed anti-Americanism in postcolonial states as a form of psychological pathology.⁹⁶ The episode, and Washington's unwillingness to acknowledge its lingering effects, offered stark confirma-

tion of Marilyn Young's observation that U.S. officials during the Cold War were often "able to operate without awareness of the way in which even minor exercises of U.S. power affect[ed] the lives of others; sometimes without even remembering that anything happened at all."⁹⁷

Unsurprisingly, the PKI emerged from the rebellions with its strength and nationalist credentials enhanced. The British Commissioner General's Office in Singapore observed in April 1958 that "if an election were held now the PKI would be returned as the largest single party."⁹⁸ Beginning in 1960 and periodically thereafter, Sukarno would call for a NASAKOM cabinet representing the central tendencies of Indonesian political culture—nationalism, religion, and Communism (*Nasionalis*, *Agama*, and *Komunis*). Anti-Communist parties, such as the Muslim Masjumi and the PNI, which supported the rebels, on the other hand, lost much of their power. The political fallout from the civil war left the country bereft of organizations that might stand as a counterweight to either the PKI or the military, laying the foundation for the terrible bloodletting of late 1965. The army also strengthened its political clout, using its powers under martial law to entrench itself in important ministries and to take over management of formerly Dutch-owned enterprises, a move with decisive implications for Indonesia's development strategy.⁹⁹

The year 1959 saw military takeovers in a number of nonaligned countries, including Indonesia's neighbors Thailand and Burma as well as Iraq, Pakistan, and Sudan. The trend toward political authoritarianism and economic statism suggested to U.S. officials that the postcolonial world was abandoning democracy—and if Indonesia was any guide, this might not be unwelcome. In response the State Department prepared a major study which observed that "political and economic authoritarianism prevails throughout the underdeveloped world" and argued that this offered "certain short-run advantages to the United States." The recent history of Latin America, the study claimed, "indicates that authoritarianism is required to lead backward societies through their socio-economic revolutions. . . . The trend toward military authoritarianism will accelerate as developmental problems become more acute and the facades of democracy left by the colonial powers prove inadequate to the immediate tasks."¹⁰⁰ On June 18 the National Security Council met to discuss the report, which President Eisenhower declared as "the finest . . . he had ever heard given before the National Security Council." Secretary of Defense Neil McElroy concurred, offering that "in these

backward societies, it was desirable to encourage the military to stabilize a conservative system” and pointing to General Nasution in Indonesia as an example of the sort of anti-Communist military leaders the United States ought to be backing.¹⁰¹

Defense Secretary McElroy’s support for military rule in Indonesia, coming just months after Washington’s disastrous intervention in the country’s civil war, was symptomatic of a broader shift by the Eisenhower administration in favor of military dictatorships in the third world. The decline of parliamentary democracy in Indonesia now made nationalism and democracy seem antagonistic. U.S. officials and social scientists writing about Indonesia correspondingly focused increased attention on the Indonesian military as a modernizing force and less attention on prospects for a return to democracy.¹⁰² Washington now began to view the armed forces as they viewed themselves: as a bulwark against the PKI’s rise to power that could play a leading role in laying the groundwork for economic and political modernization.