



Economic Cold War

The Case of the United States in Indonesia

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Abstract: While scholarly attention on Cold War operations in Southeast Asia has traditionally focused on overt military interventions in Vietnam and Cambodia, the United States' multifaceted intervention in Indonesia highlights the lesser studied U.S. approach wherein economic policy and ideology served as critical battlefields in Cold War geopolitics. The U.S. successfully curbed communism's spread in Indonesia through three interconnected approaches: supporting the military coup of 1965, providing intelligence and aid to manipulate public sentiment against the Communist Party of Indonesia (PKI), and actively guiding Indonesia's subsequent economic restructuring. Drawing on historical analysis of Indonesia's colonial past, post-independence political landscape, and the rise of the PKI under President Soekarno's protection, the United States' intervention transcended mere political maneuvering to include economic reorientation through the "Berkeley Mafia" – American-educated Indonesian economists who implemented free-market policies aligned with U.S. ideological interests and later replicated in Latin America.

Keywords: *Economic Cold War, economic ideology, Indonesia, United States intervention, anti-communism, Berkeley Mafia, disaster capitalism*

Introduction

The United States' increasing involvement in Southeast Asia during the Cold War was aimed at its concern in curbing the spread of communism. Although the United States had direct military involvement in states such as Vietnam and Cambodia, it also operated on a quieter battlefield, where the fight ranged from shaping ideological sentiment to guiding economic recovery. This 'quieter battlefield' refers to the United States' successful intervention in Indonesia's political transition. This included an attempted U.S.-backed military coup in 1965, provision of intelligence and aid to fuel public unrest against the increasingly influential Communist Party of Indonesia (PKI), and active role in Indonesia's post-coup economic restructuring.

The end of the Second World War and the subsequent beginning of the Cold War brought an ideology race center stage, particularly in Southeast Asia, where many states were newly independent. Indonesia's non-alignment served as its primary foreign policy throughout the Cold War, however, as the 1960s developed, Indonesia's domestic politics shifted with the growth and protection of the PKI under President Soekarno. Concerned about an imminent military coup to overthrow his rule, he edged Indonesia closer to becoming an ally with the communist-led bloc. The result: a United States-sponsored coup that, although failed, paved the way for a military overthrow of President Soekarno's rule and subsequent military and public scapegoat of Indonesia's Communist Party. Under the guidance of U.S. aid and intelligence, this intervention not only curbed the spread of Communism in Southeast Asia, but also paved the way for Indonesia's economic restructuring through the 'Berkley Mafia', which ultimately aligned the country with U.S. strategic interests.

Cold War in Southeast Asia

Following the end of World War 2, Southeast Asia saw a period of nationalistic and decolonization movements across the region. During the Cold War, a large proportion of these nationalistic movements were intertwined with communist or socialist ideology. Although Myanmar remained officially neutral during the Cold War, segments of its population—particularly among the ethnic Chinese minority—expressed support for Maoism and related communist ideologies during the 1960s. This, in turn, contributed to rising anti-Chinese sentiment, traces of which persist in Myanmar today. In Malaysia, an ongoing insurgency led by the Malayan Communist Party and its armed wing fought for independence and a socialist economy with first the British Empire between 1948 and 1960 known as the Malayan Emergency. The conflict subsequently developed with the later-established and newly independent Malaysia that continued until 1989.

In Cambodia, following a period of governance first under the monarchy of Kampuchea and then the Khmer Republic, a civil war occurred with the rise of the Communist Party of Kampuchea or Khmer

Rouge, which ruled between 1975 and 1979. In Vietnam, an insurgency led by communist Viet Minh marked the First Indochina War and resulted in a partition of North and South Vietnam in 1954. The subsequent Second Indochina War between 1955 and 1975 resulted in a communist absorption of both states into the Socialist Republic of Vietnam that continues until today. In Laos, a civil war in 1959 saw the establishment of a one-party socialist republic under the People's Revolutionary Party that continues until the present day. In Thailand, a communist insurgency and guerilla war led by the Communist Party of Thailand lasted from 1965 until 1983.^①

All in all, these events collectively highlight the degree to which these domestic ideological, nationalistic movements created concern for the United States and its allies during the Cold War. Multilateral efforts such as the establishment of the Southeast Asia Treaty Organization (SEATO) in 1954 included a defensive alliance between the United States, United Kingdom, Thailand, the Philippines, Pakistan, New Zealand, Australia, and France to prevent the spread of communism in the region, were limited in their effectiveness in curbing the ideological spread domestically and thus, creating an incentive for major powers to either directly or indirectly involve themselves in the domestic affairs of the region.^② These involvements would subsequently be known as the proxy wars of the Cold Wars.

In Indonesia, the PKI rose to become the fourth largest political party in the nation's first legislative election in 1955 and from domestic and international forces fearing its ever-increasing influence in public affairs, intervened and had its members purged and the party banned by 1966.^③ Indonesia marks a unique Southeast Asia case as its unique period of undisputed imperial rule for over three centuries created a nationalistic sentiment that paved the way for the PKI which was conversely under the protection of President Soekarno continuously rose and became a foundational pillar of Indonesia's governmental structure in the 1960s. With this ever-increasing domestic influence, the United States indirectly intervened through a Central Intelligence Agency (CIA)-backed military coup that failed but paved the subsequent domestic turmoil and the opportunity to manipulate public sentiment towards the purging of the PKI and similar leftist organizations and movements.

Indonesia's 300+ Years of Imperial Rule

Although Sultanates and various kingdoms such as the Majapahit, Demak, and Kediri have painted a unified Indonesia under various historical, geographic, and religious backgrounds ranging from Buddhism

^① Hansson, Eva, Kevin Hewison, and Jim Glassman. 2020. "Legacies of the Cold War in East and Southeast Asia: An Introduction." *Journal of Contemporary Asia* 50 (4): 493–510. <https://doi.org/10.1080/00472336.2020.1758955>.

^② Fenton, Damien. 2012. *To Cage the Red Dragon: SEATO and the Defence of Southeast Asia, 1955-1965*. JSTOR. NUS Press. <https://www.jstor.org/stable/j.ctv1qv2pf>.

^③ "SEJARAH DAN HASIL PEMILIHAN UMUM 1955." 2023. BADAN KESATUAN BANGSA DAN POLITIK. July 6, 2023. <https://kesbangpol.kapuashulukab.go.id/sejarah-dan-hasil-pemilihan-umum-1955/>.

to Hinduism to Christian missionaries to Islam, Indonesia's vast, diverse, yet united identity throughout the peninsula started with its relations with its Western colonial powers. With the conquest of the Portuguese, Spanish, and British Empires in the 16th century over spice and cash crop trade in Indonesia, the eventual dominance over the peninsula by the Dutch would lead Indonesia to a period of over three centuries of imperial rule. First, under the monopoly of the Dutch East India Company or *Verenigde Oostindische Compagnie* and after 1800 as the Dutch East Indies, a formal colony of the Dutch Empire.

Various systems were put in place during this period to ensure the continuous dominance of Dutch rule. Events such as the Batavia massacre of 1740 ensured the alienation and economic divide between the ethnic Chinese minority and the local indigenous population also known as *pribumi*. By doing so, populations were not able to unify. This strategy also fed into the Dutch slavery model that focused on the exploitation and compliance of populations through ethnic division and encouragement of debt-ridden behaviour through the endorsement of gambling dens and red-light districts near areas of settlements.^①

This all would change following the breakout of World War 2 when the Japanese Empire occupied Indonesia and endorsed its movement towards self-governance and the formation of an Indonesian state under the condition that it remain an ally of the Japanese Empire. Key figures would emerge to lead this independence movement, notably Soekarno, who at that time was not only chosen as an official spokesperson for the Japanese Empire in various remote provinces but also was given the chairmanship of the Central Advisory Council that led this independence movement. As Japan's imminent surrender in the Second World War was apparent, President Soekarno took the opportunity to declare Indonesia's independence on August 17, 1945.^②

Fight for Indonesian Independence

With the Proclamation of Independence on August 17, 1945, also came the official establishment of Indonesia's founding state philosophy of *Pancasila*. Its five principles integrated into the state's constitution are as follows: (1) Belief in the one and only God, (2) Just and civilized humanity, (3) The unity of Indonesia, (4) Democracy guided by the inner wisdom in the unanimity arising out of deliberations among representatives, (5) Social justice for all the people of Indonesia.^③ President Soekarno served as the first president of Indonesia during this period known as the Indonesian National Revolution. Adamant about

^① Hakim, Lukmanul. 2018. "HISTORIOGRAFI MODERN INDONESIA: Dari Sejarah Lama Menuju Sejarah Baru." *Khazanah : Jurnal Sejarah Dan Kebudayaan Islam*, December. <https://doi.org/10.15548/khazanah.v0i0.75>.

^② Kusuma, A. B. 2004. "Lahirnya UUD 1945 : Memuat Salinan Dokumen Otentik Badan Oentoek Menyelidiki Oesaha-Oesaha Persiapan Kemerdekaan / RM. A.B. Kusuma | Perpustakaan Mahkamah Konstitusi." Badan Penerbit Fakultas Hukum Universitas Indonesia. 2004. <https://simpus.mkri.id/opac/detail-opac?id=9546>.

^③ Santoso, M. Agus. 2013. "PERKEMBANGAN KONSTITUSI DI INDONESIA." *Yustisia Jurnal Hukum* 2 (3). <https://doi.org/10.20961/yustisia.v2i3.10168>.

leading the revolution for independence following the redeployment of Dutch and Allied troops from 1945-1949, President Soekarno was also insistent on being a key figure in the formation of Indonesia as a state due to his role in not only drafting the philosophy of *Pancasila* but also his pivotal role in announcing the proclamation of independence.^①

By 1949, Indonesia reestablished its independence, and by 1950 it became a unitary republic. However, in 1959, President Soekarno established the autocratic system of “Guided Democracy,” allowing him to lead across all branches of government. Through this framework, President Soekarno positioned Indonesia as a leader of the Non-Aligned Movement, seeking to avoid entanglement with either the Western or Communist blocs. His advocacy for non-alignment was shaped in part by Indonesia’s recent struggle against Dutch attempts to reassert colonial control, which had fueled various domestic movements during the Indonesian National Revolution—including the rise of the PKI, the Communist Party of Indonesia. These developments placed Indonesia at the intersection of Cold War dynamics, drawing the attention of both the Western and Communist blocs. Although Soekarno sought to project neutrality abroad, Indonesia’s internal landscape was increasingly polarized. The growing influence of the PKI after the revolution heightened Cold War anxieties among the United States and its allies, who feared a leftward shift. At home, Soekarno navigated a delicate balance between the PKI and the Armed Forces, a strategy that, while aimed at maintaining domestic stability, only deepened external concerns about Indonesia’s political trajectory. His efforts to uphold neutrality culminated in the 1955 Bandung Conference, which solidified Indonesia’s symbolic leadership among postcolonial Asian and African states.^②

Rise of the Communist Party of Indonesia

Tracing the speedy rise of the PKI, not only in its rise in parliamentary affairs but also in its integration into President Soekarno’s pillars of support that advised his leadership, are crucial in understanding the continuous concern from the United States and its allies in Indonesia’s domestic affairs with the PKI. The PKI marked its inception in 1914 when it started as the Indies Social Democratic Association or *Indische Sociaal-Democratische Vereeniging*. Although initially led by Dutch members through their initiatives of incorporating communist ideals such as opposing colonial rule under a nationalist-religious lens, efforts would attract local populations and eventually enter into Islamic organizations, notably Sarekat Islam, the largest Islamic organization in Indonesia. Initially a group

^① Wandani, Amalia Rizki, and Dinie Anggraeni Dewi. 2021. “Penerapan Pancasila Sebagai Dasar Kehidupan Bermasyarakat.” *De Cive : Jurnal Penelitian Pendidikan Pancasila Dan Kewarganegaraan* 1 (2): 34–39. <https://doi.org/10.56393/decive.v1i2.225>.

^② Fitriani, Evi. 2015. “ASIAN Countries’ Strategies towards the European Union in an Inter-Regionalist Context.” Google Books. 2015. <https://books.google.com/books?hl=en&lr=&id=T3arBwAAQBAJ&oi=fnd&pg=PA127&dq=non-alignment+indonesia&ots=D5fEVwhNzX&sig=-Ny-39LGeu1pU8X7YxMcZSGZ58c>.

focused on organizing labor unions, and anti-colonial, nationalist sentiment, the party would soon become the largest communist party in the world following the Soviet and Chinese communist parties.^①

In the wake of the Indonesian National Revolution, the PKI and its grassroots efforts were crucial in military offensives as the party's military units would hold fronts against the return of Dutch troops on the peninsula. Although a failed uprising occurred from August to September of 1948, where party leaders had attempted to declare a Soviet Republic of Indonesia, the party was allowed to continue to exist.^② By the first legislative elections held in 1955, the PKI became the fourth-largest party in the nation, amounting to 16% of the national vote. By 1959, support from the PKI with Sukarno's rule became institutionalized and integrated into a united yet governing autonomy front with the concept of *Nasakom*, a tripartite ideological abbreviation for nationalism, religion, and communism under the guidance of *Pancasila*.^③

By 1962, party leaders were made advisors in Sukarno's cabinet. As Sukarno attempted to balance the rise of the PKI with the interests of the military, nationalist, and Islamic coalitions, concern for Indonesia's domestic affairs became ever-increasing from the United States as Southeast Asia became a more apparent region for proxy wars in the Cold War. By April 1965, President Soekarno endorsed a PKI proposal to establish another branch of the Armed Forces consisting of peasants and workers. Although rejected by the Armed Forces, this marked a high point of Sukarno's growing fear that a military coup would overthrow his rule due to his repeated protection of the PKI's rapid growth. By May 1965, the "Gilchrist Document," a memorandum from the British ambassador to Jakarta, Andrew Gilchrist, addressed to the British Foreign Office, was leaked and hinted at Western collusion, mainly a United States-United Kingdom operation, in Indonesia to overthrow President Soekarno.

As the United States officially labeled the letter as a forged document, the CIA were, in fact, funding and arming movements across the peninsula with the plan to assassinate President Soekarno and other key members of his cabinet.^④ All in all, this justified President Soekarno's public fear of an imminent coup and further shed light on Indonesia's growing role as a place of intervention by the United States and its allies in the Cold War. In his public appearances and speeches following the release of the

^①Fitriana Rahayu, Nur Siswo Dipurnomo, and Novi Diah Haryanti. 2020. "PERJALANAN PARTAI KOMUNIS INDONESIA (PKI) DALAM NOVELET SRI SUMARAH DAN BAWUK KARYA UMAR KAYAM (KAJIAN SOSIOLOGI SASTRA)." Seminar Internasional Riksa Bahasa, 640–50.

<http://proceedings.upi.edu/index.php/riksabahasa/article/view/1404>.

^② Van, Maria. 1977. *The Indonesian Maoists*. University of Maryland School of Law.

^③ Mustapa, Hasan, and Ihsan Hamid. 2024. "NASAKOM DILEMMA and the POLITICS of ISLAMIC ORGANIZATIONS." *Politea : Jurnal Politik Islam* 7 (1): 1–33. <https://doi.org/10.20414/politea.v7i1.9780>.

^④ "RESEARCH STUDY -- INDONESIA-1965: THE COUP THAT BACKFIRED | CIA FOIA (Foia.cia.gov)." 2023. [CIA.gov](https://www.cia.gov/readingroom/document/00186624). 2023. <https://www.cia.gov/readingroom/document/00186624>.

letter, President Soekarno would continuously warn of a military plot to overthrow him and subsequently declared his intention to commit Indonesia to an anti-imperialist alliance with China and other communist states on the 20th anniversary of Indonesia's independence day.^①

30 September Movement

A Western intervention eventually occurred as feared by President Soekarno as it became drastically urgent to decouple Indonesia from not only other communist states but also destroy the alliance between the PKI and President Soekarno's pillars of support. Despite the United States' active role in lobbying for Indonesian independence, with the backdrop of the Cold War, ensuring Indonesia's order and compliance was to be done so at any costs over allowing the state to become communist-aligned. Between September 30 and October 1st 1965, six of Indonesia's top army generals were killed in a failed, attempted coup to overthrow President Soekarno. The collective seized and announced on the Republic of Indonesia's public radio a new Revolutionary Council and that the "30th September Movement" had seized key parts of Jakarta and other cities, various military infrastructures, and the Republic of Indonesia's radio network.

With a majority of the army's leadership absent, Special Forces General Soeharto mobilized his forces and with permission from President Soekarno to restore order and security, seized back control of key areas in the city including the Republic of Indonesia radio station where the G30S had previously announced their revolution. By October 2, 1965, General Soeharto had secured control over the army and its key bases with most mutinied battalions having surrendered or been defeated.^② By October 14, General Soeharto officially became the army's commander and in conjunction with the military's propaganda and religious groups began spreading the narrative that the PKI orchestrated the attempted coup. Although unconfirmed until this day whether this coup was orchestrated by the CIA or an internal conflict within the military, the aftermath resulted in a military and civilian purge of PKI leaders, members, left-leaning organizations, and its sympathizers that continued throughout 1966 all supported by aid and intelligence by the United States and its allies.^③

^① Soekarno. 1965. "Tjapailah Bintang-Bintang Di Langit / (Tahun Berdikari) : Pidato Presiden Sukarno Pada Hari Ulang Tahun Ke 20 Republik Indonesia 17 Agustus 1965 / Indonesia. Departemen Koperasi. Inspektorat Jenderal | Dinas Perpustakaan Dan Arsip Daerah DIY." Dinas Perpustakaan Dan Arsip Daerah DIY. 1965. <https://balaiyanpus.jogjaprovo.go.id/opac/detail-opac?id=139307>.

^② "The United States President's Commission on CIA Activities within the United States (Rockefeller Commission), 'Summary of Facts: Investigation of CIA Involvement in Plans to Assassinate Foreign Leaders,' June 5, 1975. | National Security Archive." 1975. Nsarchive.gwu.edu. 1975. <https://nsarchive.gwu.edu/document/21512-document-19>.

^③ Feyandi, Alvindi Mochammad Raka, Fahmi Rizqi Fauzi, and Noufal Muhamad Nugraha. 2024. "Politik Indonesia Masa Kepemimpinan Soekarno." *Gudang Jurnal Multidisiplin Ilmu* 2 (5): 272–76. <https://doi.org/10.59435/gjmi.v2i5.477>.

By March 11, 1966, the Order of Eleventh March, abbreviated as *supersemar*, was signed by President Soekarno to continuously take whatever measures were deemed necessary to restore order to the chaotic turmoil Indonesia was in, and by the next day, General Soeharto had officially declared the banning of the PKI.^① As a result of the purge, President Soekarno's hesitancy to decrease his *Nasakom* pillars of support would be overrun by General Soeharto and the military's momentum over driving civilian and religious sentiment against leftist movements. Through *Supersemar*, President Soekarno officially lost the influence of the PKI. With dwindling domestic influence, by March 1967, General Soeharto had maneuvered the People's Consultative Assembly to vote President Soekarno out of power and place General Soeharto as acting president, a position he would then officially hold for over three decades until 1998.^②

Jakarta Method

Vincent Bevins, author of *The Jakarta Method: Washington's Anticommunist Crusade and the Mass Murder Program that Shaped Our World*, models the events that occurred throughout the 30th September Movement to be a brutal covert operation conducted to eliminate members of the PKI and their sympathizers. As victims were tortured, raped, and executed without trial, the Jakarta Method served as a model for other anti-communist campaigns in Southeast Asia and Latin America, for state-sponsored violence and human rights abuses in the mass murder of civilians in the pursuit of the United States's and its allies' geopolitical interests during the Cold War. Overall, Bevins' model highlights the degree to which the United States and its allies were willing to destroy the political left and communist movements in Indonesia and how it was further replicated in other genocidal plans implemented by other authoritarian capitalist regimes under the guidance of aid and intelligence from the United States and its allies.

Take for example Operation Condor and its campaign of political repression and state terror that led to the assassination and disappearance of tens of thousands of political opponents. Operation Menu and Freedom were just two of many carpet bomb attempts to prevent North Vietnamese forces from operating in eastern Cambodia while also displacing over a hundred million Cambodian civilians and homes. The Philippine's declaration of martial law under President Ferdinand Marcos against the response of the

^① Roosa, John. 2006. "Pretext for Mass Murder: The September 30th Movement and Suharto's Coup d'Etat in Indonesia." The University of Wisconsin Press. 2006. <https://dewey.petra.ac.id/catalog/view/97283>.

^② Defa Akhdan Naufal. 2024. "Supersemar Dan Stabilitas Politik: Analisis Transformasi Kekuasaan Dari Soekarno Ke Soeharto Berdasarkan Perspektif Samuel P. Huntington." *Socius: Jurnal Penelitian Ilmu-Ilmu Sosial* 2 (5). <https://doi.org/10.5281/zenodo.14327837>.

communist threat posed by the newly founded Communist Party of the Philippines is another example of this style of intervention.^①

Ultimately, Bevin's model, while comprehensive in emphasizing the pattern and nature to which the United States and its allies were willing to perpetrate its exercise of human rights through anti-communist violence and political repression in the pursuit of ideological and geopolitical influence during the Cold War, failed to highlight the degree of intervention from the United States and its allies involvement in rebuilding these states, contributing to its phase in the "economic Cold War".

Economic Cold War

The term "Economic Cold War" aims to address that the Cold War was beyond a political, diplomatic, and military conflict between the two superpowers but also an economic and ideological battle. The economic nature of the Cold War differed from other aspects of the Cold War in that it was an ongoing intervention by forces to shape the economic policies and theories of nations beyond the immediate conflict zone and after armed conflicts. Daniel R. Fusfeld author of *Economics and the Cold War: An Inquiry into the Relationship between Ideology and Theory*, highlighted how both the United States and Soviet Union used economic theory as a form of ideological propaganda in that economic success emphasized the superiority of one system over the other and create another battlefield post-armed intervention.^②

For the United States, in 1949, Harry S. Truman's inaugural speech called for four points that ranged from unflinching support to the United Nations, encouraging the world's economic recovery, strengthening freedom in nations to its fourth point to "embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas."^③ Thus, the Point Four program was founded as a technical assistance program that did not serve as a colonial venture for the developing world, but instead an opportunity to win over public sentiment among the Middle East, Latin America, Asia, and Africa through economic growth and success. The program itself contributed to the education of both the Berkeley Mafia in Indonesia and the Chicago Mafia in Chile, both of which were crucial in rebuilding their economies following the deposition of previous governing leaders. Meanwhile, for the Soviet Union, the Council for Mutual Economic Assistance (COMECON) was created in 1949 to cooperate and strengthen the economic relations of states that were increasingly being cut off from markets and suppliers. Beyond becoming a platform to provide aid, this economic alliance of socialist

^① Bevin, Vincent. 2020. *The Jakarta Method : Washington's Anticommunist Crusade and the Mass Murder Program That Shaped Our World*. Editorial: New York, Ny: Publicaffairs, Hatchette Book Group.

^② Fusfeld, Daniel R. 1998. "Economics and the Cold War: An Inquiry into the Relationship between Ideology and Theory." *Journal of Economic Issues* 32 (2): 505–11. <https://www.jstor.org/stable/4227328>.

^③ Truman, Harry S. 1949. "The Challenge of International Aid." Truman Library. 1949. <https://www.trumanlibrary.gov/education/presidential-inquiries/challenge-international-aid>.

countries ultimately became a model for planning “international division of labor” among the Soviet bloc countries.^①

The United States and the Soviet Union throughout the Cold War ensured not only the economic integration and support of its allies and states of influence in their respective economic models but also played a large role in ensuring the economic education and thought of its states of influence were guided and exposed to either pro-capitalist or pro-socialist viewpoints that fundamentally shaped their understanding, research and economic agendas in the power’s respective favors. In other words, economic success ensured loyalty and order to their respective blocs.

Berkely Mafia

With Indonesia as the case example, President Soeharto’s authoritarian rule called for a *Orde Baru* or “New Order” for Indonesia. Following tension between Indonesia and the Dutch government following the Indonesian National Revolution, foreign lecturers from the Netherlands that were relied on to teach and lead Indonesian universities would leave Indonesia. By the mid-1950s, only Sumitro Djojohadikusumo remained who had been the Minister of Trade and Industry as well as the Minister of Finance at the University of Indonesia’s Faculty of Economics. As such, selected students within the faculty were chosen to partake in overseas studies at the University of California, Berkeley through the Point Four program.

As their return coincided with President Soeharto’s rebuilding of Indonesia into a *Orde Baru*, these selected individuals were appointed technocratic positions in economics and finance within his cabinet who were: Widjojo Nitisastro, Mohammad Sadli, Emil Salim, J. B. Sumarlin, Ali Wardhana, and Dorodjatun Kuntjoro-Jakti. All these individuals were then collectively known as the Berkeley Mafia, a group of technocrats with a foundation of liberal economics able to serve American interests in Indonesia, such as establishing and further promoting free-market capitalism.^② Throughout President Soeharto’s *Orde Baru*, the Berkeley Mafia were center at advising economic policies and programs that would stabilize and rehabilitate Indonesia’s economy, where continuous efforts were made at deregulation and liberalization of the economy that supported not only President Soeharto’s continuous rule but also continuous economic, political and diplomatic alignment with the United States.

A framework that had previously not been introduced to Indonesia but highlights liberal economic policies that had been implemented globally, often in the aftermath of crises, was introduced in Naomi Klien’s *The Shock Doctrine: The Rise of Disaster Capitalism*. The term “disaster capitalism” coined by

^① TIME. 1960. “Foreign News: The Rise of COMECON.” TIME. July 4, 1960.
<https://time.com/archive/6807105/foreign-news-the-rise-of-comecon/>.

^② PinterPolitik TV. 2022. “Misteri Mafia Berkeley.” YouTube. June 10, 2022.
<https://www.youtube.com/watch?v=f6IQYKWNkpl>.

Klien highlights that shocks such as natural disasters, economic crises, civil unrest or wars served as opportunities to push through radical free-market capitalistic policies that would otherwise have been rejected by the public. Disaster shocks in this situation became a justification for not only foreign intervention but also multilateral institutions such as the International Monetary Fund and World Bank in drastically structurally altering economic policies and systems. Cases such as Chile following the military coup led by General Pinochet and the introduction of the Chicago Mafia (similarly a group of Chilean economists from the Point Four Program that were educated at the University of Chicago and were given technocratic positions in economics and finance upon their return) in 1973, as well as the United States and its allies' invasion of Iraq in 2003 are referenced. Notwithstanding, Klien's framework is applicable in Indonesia and the Berkeley mafia's case as well, which all the more highlights the pattern of Western intervention and the ever-increasing importance of economic success in cementing order and influence during the Cold War and even after its conclusion.^①

Current Reflection & Implications for Indonesia

Following the Asian Financial Crisis of 1997, Indonesia's eventual economic collapse and bailout by the IMF were further blamed on the Berkeley Mafia due to continuous unchecked capitalism. Yet despite this, both Widjojo Nitisastro and Emil Salim, members of the Berkeley Mafia group, continued to have significant influence, highlighting the foundational ideological and economic seed that the United States and Cold War had planted. Economic success was a crucial driving factor in ensuring the continuous ideological alignment of Indonesia during the Cold War and continues today in our multipolar world. The United States' intervention in Indonesia represents a departure from its direct military engagements elsewhere, revealing an alternative battlefield defined by covert influence and economic restructuring.

Although the strategy initially failed to achieve its desired outcomes, it ultimately provided a model for future U.S. interventions in Latin America and the Middle East and sheds light on the broader contours of the Economic Cold War. The United States' involvement in the military coup in 1965 also highlighted how disaster capitalism can be driven by the provision of intelligence, aid, and manipulation of public unrest at times of crisis. This case of intervention also highlighted that curbing the spread of communism came at no cost for the United States and its allies, with the purging of communist members, sympathizers, and affiliates in Indonesia being necessary in ensuring its active role in the economic restructuring of the state. As Indonesia's case addresses the relationship of economic success in containing alignment during the Cold War, the question now lies if economic success is still sufficient to drive alignment in this multipolar world.

^① Klein, Naomi. 2007. *The Shock Doctrine: The Rise of Disaster Capitalism*. London: Penguin Books Ltd.

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