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MEMORANDUM OF CONVERSATION

SUBJECT:

Summary of the President's Plenary Session
 with President Soeharto of the Republic of
 Indonesia

PARTICIPANTS:

President Ronald Reagan
 Vice President George Bush
 Secretary of State George Shultz
 Secretary of Defense Caspar Weinberger
 Secretary of the Treasury Donald Regan
 Counsellor to the President Edwin Meese III
 Assistant to the President for National Security
 Affairs William P. Clark
 Charge d'affaires John C. Monjo
 Assistant Secretary of State John Holdridge
 Gaston Sigur, Director of Asian Affairs, NSC
 Richard Childress, NSC
 Paul Gardner (Interpreter/Monitor)

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 with additional access
 5/13/88 S/S/S
 Nicholas P. Fogarty
 Director, S/S
 State Security
 10/12/88

President SOEHARTO

WIDJOJO Nitisastro, Coordinating Minister for
 Economics, Finance and Industry
 MOCHTAR Rusmantadja, Minister of Foreign Affairs
 Mr. SUDHARNO, Minister/State Secretary
 Ambassador Adhik HANAN HARIS
 Mr. MOERDIONO, Cabinet Secretary
 MUHAMMIZ Sjadjali, Director General for Political
 Affairs of the Department of Foreign Affairs
 I. ROESLI MOOR, Director General for Foreign
 Economic, Social and Cultural Relations of the
 Department of Foreign Affairs
 Mr. WIDODO (Interpreter)

**DATE, TIME
 AND PLACE:**

October 12, 1982
 11:10 a.m.-12:10 p.m., Cabinet Room

President Reagan opened the plenary session by saying that he and President Soeharto had just concluded a productive private meeting. The President reassured the Indonesians that our support of ASEAN is unshakable and we would not pursue policies toward Japan or China that would be at the expense of ASEAN. He mentioned that President Marcos raised concerns about Japan's defense capabilities and our desire to have Japan be able to defend its sea lanes to a distance of 1,000 miles. President Reagan said this is measured from Japan

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proper, not Okinawa. In addition, he said our policies toward the PRC would also not be at the expense of Taiwan. He then called on Secretary Shultz to review our bilateral relationship.

Secretary Shultz said that in his discussions with Foreign Minister Mochtar in New York it was clear that our bilateral relations are excellent. We are close friends, working effectively together. On the economic front, he said there was a considerable amount of investment by United States firms and much of our trade is a two-way street and the benefits have worked well for both of us. In the security field, Secretary Shultz said that we recognized Indonesian leadership in the non-aligned movement and in this framework we have effective security relations. In addition, we are always conscious of the importance of this dimension in our relationship. In other areas, he reiterated what the President had said--that we appreciate ASEAN, we were interested in Indonesia's ideas on China-Taiwan relations; and we need to have an understanding so we can pursue policies in these areas together. In the Middle East, Secretary Shultz said that we have a strong set of relationships which we value highly and we also have the ability to look at the problems there and develop solutions.

President Soeharto thanked the President and Secretary Shultz for their comments, especially regarding cooperation among the ASEAN states. He said that ASEAN fully supports the concept of freedom, peace and neutrality and ASEAN is determined to strengthen their cooperation. The weakest element among the ASEAN states is economic. Therefore, emphasis is placed by Indonesia on the development of economic resilience. In this context, ASEAN has been making approaches to other regional groupings both in and out of Asia. The ASEAN-Japan relationship in the economic field has been beneficial and he hopes for increased ASEAN-United States cooperation. He said he was highly appreciative of the United States views and support to finding a peaceful solution to Kampuchea. He said that ASEAN believes this can be achieved through withdrawal of foreign forces and self-determination of the Kampuchean people. While anticipating the consolidation of Kampuchean leadership, ASEAN has accepted a coalition government. ASEAN is also hoping for United States support for the coalition government in order to find a speedy solution. In regards to China and ASEAN, President Soeharto said some countries in ASEAN do not have good relations with China. This is mainly due to PRC support to the Communist elements in Southeast Asian countries. Therefore, the modernization of China has caused some concern. Indonesia does not consider the danger to be military or physical strength but infiltration, subversion and ideology. Therefore, he said that in the efforts to modernize China consideration should be given to assisting

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ASEAN in combating subversion at the same time. In terms of Japan, there are apprehensions that unlimited strength in the defense field would threaten Southeast Asia as in World War II, but as long as efforts are directed to simply enhancing the defense capability for Japan to defend their islands, there was no concern. Excessive defense efforts by Japan could be used to threaten lifelines and raise apprehensions in Southeast Asia. In efforts to assist Japan, it would be more appropriate to take into consideration the self-defense capabilities of ASEAN as they could assist in maintaining peace and the security of sea lines of communication. Nevertheless, whatever help is given, Indonesia would not join a defense alliance but would use national resilience to protect their independence. On the Middle East, Indonesia is highly appreciative of the United States' Middle East initiatives, particularly its reinstating the rights of the Palestinians in Gaza and the West Bank. He expressed the hope that such efforts would be followed up by others to allow the Palestinians to live peacefully with the Israelis there and other Arab neighbors. In the North-South dialogue, President Soeharto said that they had not been progressing satisfactorily. In the context of global negotiations, the basic principles are related to justice and humanitarianism. It is hoped that global negotiations would allow the advanced nations to help the lesser developed nations and close the rich/poor gap. Indonesia has tried to avoid actions that would put the developed and the developing nations against each other. Countries in Southeast Asia hope for more positive United States action in global negotiations and hope that any failures would not be blamed on the United States by developing nations. President Soeharto said that assistance from IDA was very beneficial to them and others. At present Indonesia does not receive support from IDA but from the World Bank. IDA and the World Bank both depend on contributions.

President Soeharto then turned to United States/Indonesian bilateral relations. He said our relations are excellent. United States assistance is used to the maximum for development; that the purpose of this national development is to improve the standard of living of the Indonesian people. Indonesia is striving to abolish poverty and disease left over from the long colonial period. President Soeharto said the vast majority of the 150 million Indonesians are farmers, many of whom have insufficient land as a source of income. The government is expanding ownership of land through transmigration and increasing production through an intensification program. He cited statistics which supported Indonesian progress. He said further increases in agricultural production alone would not be a solution if they didn't have market access. For this reason they are emphasizing domestic consumption and international markets. President Soeharto

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mentioned that United States-Indonesian trade was encouraging and had reached \$4.1 billion in 1981 but there was a certain imbalance because most of Indonesia's exports were oil related. Therefore, Indonesia was doing its best to increase export earnings that benefit the farmers. President Soeharto directed attention to three limitations that affected trade. They were the quality of production, quotas and high tariffs. He said the Indonesian coffee case to Turkey was an example of the importance of quality control. He said plywood was an example of the negative effects of high tariffs. He hoped for United States technical assistance to aid in quality control, development of entrepreneurial skills and basic research and technology. In addition, they needed help in polytechnics, mining and resource development.

President Reagan reassured President Soeharto of our full cooperation to maintain stability in Southeast Asia and not disturb it through our policies towards China. On the subject of global negotiations, the President mentioned his proposal at Cancun that the answer for development does not lie, as some suggest, in outright grants which produced dependence but in the direction of real development of individual economies. Examples of how we help are technical assistance in agriculture and other areas to make economies self-sustaining and independent.

Secretary Shultz then said that we have a real choice here. He posed the question of a lot of discussion on economic development versus concentrate on the reality of development and programs that addressed that reality. He said the President has been very strong on trade, aid and monetary policy and the preservation of international institutions to prevent the whole system from tumbling down. The United States places emphasis on country development and, like ASEAN, the economic importance should not be looked upon like a military alliance. Rather each must look to their own resources as Indonesia is doing while taking advantage of all of the room for cooperation. He said we are very supportive of technical assistance and favor global negotiations. A specific example raised in this regard was rapidly changing commodity prices, e.g. Saire and copper. He assured President Soeharto that President Reagan has taken a big interest in economic development based upon realistic approaches that will work and not empty talk.

Secretary Regan then said that we can talk more specifics in subsequent meetings.

President Soeharto raised one final question about United States policy that is damaging to Indonesia's economy. He said that the United States' release of the tin stockpile, which is

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approximately \$400 million worth, is not a lot to the United States, but just the rumor of possible release has greatly affected tin producing countries. He said he draws attention to these divesting efforts in order to minimize the effects as such as possible.

The meeting was adjourned.

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