proper, not Okinawa. In addition, he said our policies toward the
PAC 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
Hochter 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 its development, both in economic and political terms, 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
case, ASEAN has been able to develop its regional groupings
both in and out of Asia. The ASEAN-Japan relations 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 find 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 past events of anti-Chinese
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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mentioned that United States-Indonesian trade was encouraging and had reached $54 million in 1961 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 to ban all nuclear weapons in the world. The answer for development does not lie in access to right 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, a key strategy policy and the preservation of international institutions to prevent the whole system from crumbling down. The United States places emphasis on country development and, like ASEAN, the economic assistance should not be looked upon like a military alliance. Each country should look to their own resources as Indonesia is doing while taking advantage of all 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. cocoa 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 Reagan 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 rumour of possible release has greatly affected tin producing countries. He said he draws attention to these divestiture efforts in order to minimize the effects as much as possible.

The meeting was adjourned.