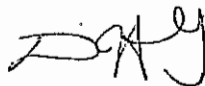


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Authority E.O. 12958  
By ON NARA Date 7/9/02THE WHITE HOUSE  
WASHINGTON

December 5, 1972

MEMORANDUM FOR: PETER M. FLANIGAN

FROM: DAVID H. GUNNING 

SUBJECT: Weyerhaeuser Company - Indonesia  
Problems

Larry Rosen and I met today with the following representatives of the Weyerhaeuser Company:

Charles Bingham - Sr. Vice President  
Jed King - Associate General Counsel  
Dick Steincipher - Director of Administration  
Foreign Timberlands  
Art Smyth - Vice President, Washington, D. C. Office

The purpose of this meeting was to discuss a series of administrative (basically tax) actions taken against the Weyerhaeuser timber concession on Indonesian Borneo by various officials of the Indonesian government. The costs of these actions have reached the point that the Borneo operations are not covering costs and depreciation much less interest on loans made to finance the project. A summary of the actions in question is included in the attached letter.

This problem is unlike others we have handled because the evidence indicates that there probably is no concerted campaign against Weyerhaeuser. Rather, a series of disconnected actions by disparate army officials and civil servants have had a cumulative disastrous affect. Weyerhaeuser has in recent weeks stopped all new capital inflows to the project and has initiated rigid cost controls. If no relief can be obtained

they may ultimately be forced to abandon the project.

Although we did not discuss the issue of de facto expropriation, it is not premature to think in terms of the serious policy ramifications if Weyerhaeuser is forced out of Borneo.

We asked about the role of Weyerhaeuser's Indonesian partner (which is owned by the Indonesian Army). The answer was somewhat vague and there appears to be a communications problem between the U.S. and Indonesian partners. As I see it Weyerhaeuser offered the Army, a 35% interest in the concession at no cost in order to assure government cooperation. For reasons which the Weyerhaeuser people don't understand, this arrangement has not provided the protection which was expected.

There was also discussed the role of the U.S. Ambassador to Indonesia. The people at today's meeting seemed to feel that the Ambassador has been timid about persuing these problems with Indonesian officials. The purpose of the visit today with us seemed to be to stimulate a request to the Ambassador to find out what is going on and to be more helpful than he has been in the past.

After our meeting, the Weyerhaeuser group was to see Asst. Sec. Marshall Green at State. I indicated that we were sure that Secretary Green would follow-up on this matter with the Ambassador, but that we would track this problem and get into it further if that were necessary.

Attachment

Letter to David Gunning from  
Charles W. Bingham, Weyerhaeuser Co.,  
11/29/72