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ACTION SS-25

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TO SECSTATE WASHDC IMMEDIATE 8664

S E C R E T SECTION 1 OF 2 JAKARTA 6076

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EXDIS  
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E.O. 11652: GDS  
TAGS: OVIP (MONDALE, WALTER F.), ID  
SUBJECT: SUMMARY OF VICE PRESIDENT'S MEETING WITH SUHARTO

1. OFFICIAL REPORTING ON THE VICE PRESIDENT'S VISIT TO  
JAKARTA WILL BE REPORTED DIRECTLY BY THE VICE PRESIDENT'S PARTY.  
THE FOLLOWING (STRICTLY FYI AND UNCLEARED) IS AN EMBASSY SUMMARY  
OF THOSE MAJOR ISSUES DISCUSSED BETWEEN THE VICE PRESIDENT AND  
SUHARTO WHICH MAY REQUIRE FOLLOW-UP ACTIONS.

2. ADDITIONAL PL-480 RICE. THE VICE PRESIDENT TODL SUHARTO THAT  
WE WERE PREPARED NOW TO PROVIDE AN ADDITIONAL 50,000 TONS OF  
RICE UNDER PL-480 TITLE I. SUHARTO EXPRESSED HIS APPRECIATION  
AND ACCEPTED THIS OFFICER.

3. PL-480 TITLE III. THE VICE PRESIDENT SAID THAT IF THE GOI  
COULD MOVE TO TITLE III, AND TIE THE PROCEEDS FROM SALES OF  
FOODGRAINS TO RURAL DEVELOPMENT, INDONESIA WOULD "MOVE TO THE  
HEAD OF THE LINE". WE COULD BE EVEN MORE HELPFUL. SUHARTO  
NOTED THAT ALL RUPIAHS GENERATED BY GRANT OR LOAN ASSISTANCE  
ARE ALREADY INCLUDED IN THE STATE BUDGET AND GO TO  
ASSIST ECONOMIC DEVELOPMENT. WE EXPLAINED THAT UNDER  
TITLE III RUPIAHS GENERATED BY THE SALES OF U.S.

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REVIEW AUTHORITY: DONALD A JOHNSTON  
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FOODGRAINS MUST BE ALLOCATED AGAINST SPECIFIC DEVELOPMENT PROJECTS. SUHARTO AND THE VICE PRESIDENT AGREED TO SET UP A BILATERAL WORKING GROUP TO DISCUSS THIS MATTER FURTHER AND SEEK WAYS TO INITIATE A TITLE III PROGRAM.

4. IRS DECISION. THE VICE PRESIDENT TOLD SUHARTO THAT U.S. TAX OFFICIALS HAVE AGREED TO A FORMULA UNDER WHICH TAXES PAID BY U.S. OIL COMPANIES IN INDONESIA WILL BE CREDITABLE AGAINST U.S. TAXES. SUHARTO EXPRESSED DEEP APPRECIATION AND SAID THIS SHOULD ENCOURAGE THE OIL COMPANIES TO EXPAND EXPLORATION.

5. LNG. THE VICE PRESIDENT TOLD SUHARTO THAT THE DOE HAS APPROVED A PRICING FORMULA WHICH SHOULD PERMIT THE IMPORT OF LNG FROM INDONESIA TO THE WEST COAST. SOME ADDITIONAL PROCEDURES ARE STILL REQUIRED ON OUR PART, BUT WE BELIEVE THIS WILL WORK OUT. SITING FOR THE RECEIVING PLANT IN CALIFORNIA IS STILL A PROBLEM, BUT WE WILL DO OUR BEST TO EXPEDITE A DECISION ON THIS ASPECT OF THE PROBLEM ALSO. SUHARTO, OBVIOUSLY PLEASED WITH THIS INFORMATION, SAID HE VERY MUCH HOPED THAT THIS MATTER WOULD BE CONCLUDED SUCCESSFULLY. EXPORT OF LNG TO THE UNITED STATES WOULD MATERIALLY ASSIST INDONESIA'S FOREIGN EXCHANGE POSITION AND WOULD PROVIDE ADDITIONAL FUNDS FOR ECONOMIC DEVELOPMENT. TOWARD THE CLOSE OF THE CONVERSATION SUHARTO RETURNED TO THIS MATTER AGAIN AND SAID THAT INDONESIA COULD NOT GIVE THE U.S. BETTER TERMS FOR THE PURCHASE OF LNG THAN ARE GIVEN TO JAPAN.  
(COMMENT: AMBASSADOR ASHARI TOLD THE AMBASSADOR MAY 10 THAT, DESPITE PRESS REPORTS THAT THE PRICING PROBLEM HAS BEEN TOTALLY RESOLVED, BOTH SUHARTO AND WIDJOJO UNDERSTAND THAT SOME FURTHER STEPS ARE RE-

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QUIRED ON OUR SIDE. THEY ARE, HOWEVER, VERY OPTIMISTIC THAT THE PROBLEM WILL BE SETTLED QUICKLY, GIVEN THE VICE PRESIDENT'S REASSURANCES.)

6. GSP. IN RESPONSE TO A REQUEST BY SUHARTO THAT IMPEDIMENTS TO INDONESIA'S ACCESS TO THE U.S. MARKET BE ELIMINATED, THE VICE PRESIDENT SAID HE REALIZED THAT THE AMENDMENT EXCLUDING OPEC NATIONS FROM GSP

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BENEFITS WAS NOT REALLY RELEVANT TO INDONESIA WHICH HAD NOT PARTICIPATED IN THE BOYCOTT. THE VICE PRESIDENT SAID WE ARE TRYING TO FIND A WAY TO CHANGE THIS SITUATION. WE HAVE NOT YET BEEN SUCCESSFUL, BUT WILL CONTINUE TO TRY.

7. MTN. THE VICE PRESIDENT TOLD SUHARTO THAT WE HAVE TABLED A SET OF PROPOSALS WHICH WE BELIEVE WILL BE HELPFUL. SUHARTO EXPRESSED HIS APPRECIATION FOR THIS AND OTHER STEPS TO INCREASE INDONESIA'S EXPORTS TO THE UNITED STATES. HE MADE NO SPECIFIC COMMENTS ON MTN. THE VICE PRESIDENT NOTED THAT WE WELCOMED A THOROUGH DISCUSSION OF WAYS OUR MARKET WOULD BE OPENED. WE WANT TO BE HELPFUL IN WAYS WHICH MEET INDONESIA'S NEEDS.

8. GENERAL ECONOMIC ASSISTANCE. SUHARTO EXPLAINED INDONESIA'S ECONOMIC DEVELOPMENT PROGRAMS, STRESSING THAT INDONESIA WILL DO ALL IT CAN TO STAND ON ITS OWN FEET BUT STILL NEEDS HELP FROM ITS FRIENDS. DURING THIS DISCUSSION SUHARTO IDENTIFIED THE FOLLOWING, IN ADDITION TO THE BROAD AGRICULTURAL SECTOR, AS AREAS REQUIRING ASSISTANCE: COMPLETION OF TERTIARY IRRIGATION NETWORKS, STRENGTHENING OF LOCAL COOPERATIVES, TRANSIRRIGATION, CONSTRUCTION OF ADDITIONAL SCHOOLS AND PROVISION OF EQUIPMENT FOR LOCAL PUBLIC HEALTH CENTERS.

9. ASSISTANCE FOR RURAL DEVELOPMENT. AFTER PAYING TRIBUTE TO THE PROGRESS MADE IN ECONOMIC DEVELOPMENT

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UNDER SUHARTO'S LEADERSHIP, THE VICE PRESIDENT SAID HE HOPED HIS VISIT WOULD INCREASE OUR ABILITY TO HELP INDONESIA FURTHER. WE WANT TO BE HELPFUL IN WAYS WHICH ARE ACCEPTABLE TO INDONESIA. THE VICE PRESIDENT SAID HE WAS AWARE OF THE WORLD BANK STUDY OF INDONESIAN AGRICULTURE. ON COMPLETION OF THAT STUDY, AND ASSUMING IT IS ACCEPTABLE TO THE GOI, WE ARE PREPARED TO MAKE A SIGNIFICANT CONTRIBUTION TO INDONESIA'S RURAL DEVELOPMENT. HE HAD ALSO DISCUSSED THIS MATTER WITH WORLD BANK PRESIDENT MCNAMARA WHO ASSURED HIM THAT THE WORLD BANK WOULD ALSO DO ALL THAT IT COULD TO HELP WITH RURAL DEVELOPMENT.

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10. U.S.-ASEAN DIALOGUE. THE VICE PRESIDENT SAID THAT WE ARE LOOKING FORWARD TO THE JOINT U.S.-ASEAN MEETING IN WASHINGTON THIS SUMMER AT THE MINISTERIAL LEVEL. PRESIDENT CARTER WILL PARTICIPATE IN THIS MEETING IN SOME WAY. WE HOPED AT THIS MEETING TO GO INTO TAX AND TRADE POLICIES AND OTHER MATTERS IN AN EFFORT TO TRY TO IMPROVE THE "RULES OF THE GAME" FOR THE ASEAN NATIONS.

11. NPT. THE VICE PRESIDENT EXPLAINED THE IMPORTANCE WE ATTACH TO THE BROADEST POSSIBLE ADHERENCE TO THE NPT, AND ASKED WHEN INDONESIA MIGHT COMPLETE THE RATIFICATION PROCESS. SUHARTO SAID THE INDONESIAN PARLIAMENT HAD RECONVENED ON MAY 1, AND THAT HE EXPECTED RATIFICATION WITHIN THE NEAR FUTURE.

12. TIN DISPOSAL. PRESIDENT SUHARTO SAID HE DID NOT WISH TO INTERFERE IN OUR INTERNAL AFFAIRS, BUT FELT HE MUST MENTION THE DAMAGE BEING DONE TO TIN PRODUCING NATIONS BY OUR RELEASE PROGRAM. HE REALIZED THIS WAS NOT THE U.S. INTENTIN, BUT THE ANNOUNCEMENT OF OUR  
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RELEASES WAS HAVING THIS EFFECT. HE HOPED THE U.S. WOULD RECONSIDER THIS MATTER. THE VICE PRESIDENT SAID OUR POLICY IS TO AVOID ANY ADVERSE IMPACT ON THE

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TIN MARKET. HE SAID WE ARE MINDFUL OF THE CONCERNS WHICH SUHARTO HAD EXPRESSED AND APPRECIATED THE CONSULTATIONS THAT WE HAVE HAD AND WILL CONTINUE TO HAVE WITH INDONESIA AND OTHERS ON THE BEST WAY TO HANDLE THESE DISPOSALS.

13. MILITARY ASSISTANCE. SUHARTO DESCRIBED IN SOME DETAIL THE OBSOLETE AND INADEQUATE EQUIPMENT OF THE INDONESIAN ARMED FORCES AND SAID THE GOI NEEDS HELP FROM FRIENDLY COUNTRIES, ESPECIALLY THE UNITED STATES. HE VERY MUCH APPRECIATED OUR APPROVAL OF THE F-5 SALE. INDONESIA HOPES EVENTUALLY TO ACQUIRE ANOTHER SQUADRON OF F-5S, BUT OF MORE IMMEDIATE IMPORTANCE, IT NEEDS A SQUADRON OF A-4S AND A LIGHT ARMS FACTORY. (HE LATER IDENTIFIED THIS SPECIFICALLY AS AN M-16 PLANT.) SUHARTO SAID THAT CURRENTLY AVAILABLE AND PROJECTED FMS CREDITS WOULD COVER ONLY THE FIRST SQUADRON OF F-5S. ADDITIONAL CREDITS WERE NEEDED OVER THE NEXT SEVERAL YEARS TO ENABLE INDONESIA TO PROCURE THE A-4S AND THE M-16 PLANT. HE ESTIMATED THE TOTAL ADD-ON TO PROJECTED FMS CREDITS AT \$45 MILLION SPREAD OVER SEVERAL YEARS.

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VICE PRESIDENT MONDALE REITERATED THAT THE F-5 SALE HAD BEEN APPROVED, AS HAD IN PRINCIPLE A COPRODUCTION PLANT TO PRODUCE THE M-16, SUBJECT TO INDONESIA WORKING OUT A DETAILED PROPOSAL WITH COLT. HE TOLD SUHARTO ALSO THAT THE FAVORABLE FMS CREDIT TERMS WE OFFERED INDONESIA LAST YEAR WILL BE EXTENDED TO COVER FMS TRANSACTIONS THIS YEAR AS WELL. THE VICE PRESIDENT SAID HE WAS AUTHORIZED TO TELL PRESIDENT SUHARTO THAT WE HAVE JUST APPROVED IN PRINCIPLE THE SALE OF A-4S TO INDONESIA. THERE ARE SOME TECHNICAL PROBLEMS STILL TO BE WORKED OUT BUT THESE WILL BE HANDLED AT OTHER LEVELS WITH THE GOI. REGARDING THE FMS LEVEL, THE VICE PRESIDENT SAID THERE ARE REAL PROBLEMS ON OUR SIDE. FUNDS ARE EXTREMELY TIGHT, BUT HE SAID HE

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WOULD REPORT BACK TO PRESIDENT CARTER WHAT PRESIDENT SUHARTO HAD SAID ABOUT HIS NEED FOR ADDITIONAL CREDITS UNDER FMS.

14. RELEASE OF DETAINEES. THE VICE PRESIDENT NOTED THAT RELEASE OF 10,000 PKI/GESTAPU DETAINEES IN DECEMBER 1977 HAD BEEN EXTREMELY WELL RECEIVED IN THE U.S. THIS HELPED CREATE A FAVORABLE CLIMATE OF OPINION IN THE CONGRESS UNDER WHICH THE F-5 SALE WAS APPROVED. THE VICE PRESIDENT ASKED WHETHER RELEASE OF THE 10,000 THIS YEAR COULD NOT BE ACCELERATED AND HANDLED IN SMALLER GROUPS RATHER THAN RELEASING ALL OF THEM IN DECEMBER. THIS WOULD BE WELL RECEIVED BY PUBLIC OPINION IN THE UNITED STATES AND WOULD SHOW THAT THERE WAS A STEADY PROCESS OF RELEASING DETAINEES. THE VICE PRESIDENT NOTED THAT IT WOULD PROBABLY BE EASIER TO REHABILITATE THEM IN SMALL GROUPS. "A SPRINKLE IS BETTER THAN A CLOUDBURST." IN REPLY, SUHARTO DISCUSSED THE PROBLEM OF REABSORBING THE DETAINEES BACK INTO SOCIETY

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AND FINDING EMPLOYMENT FOR THEM. HE REITERATED THAT 10,000 WOULD DEFINITELY BE RELEASED DURING 1978, AND SAID HE WAS WELL AWARE THAT FOR HUMANITARIAN REASONS THESE RELEASES MUST CONTINUE. HE MADE NO COMMITMENT, HOWEVER, TO HANDLE THE RELEASES THIS YEAR IN A PHASED MANNER. (COMMENT: AS REPORTED SEPARATELY, THE GOI HAS DECIDED TO HANDLE THE RELEASES THIS YEAR IN SMALLER GROUPS AND THIS DECISION HAS ALREADY BEEN LEAKED BY SOMEONE IN THE GOI TO THE AUSTRALIAN PRESS.)

15. EAST TIMOR. THE VICE PRESIDENT REAFFIRMED THAT THE CARTER ADMINISTRATION ACCEPTED THE POSITION OF ITS PREDECESSOR AND THAT IT DOES NOT QUESTION THE INCORPORATION OF EAST TIMOR INTO INDONESIA. HE NOTED, HOWEVER, THAT THERE ARE PROBLEMS ON HOW TO DEAL WITH OUR MUTUAL CONCERNS REGARDING EAST TIMOR AND HOW TO HANDLE PUBLIC RELATIONS ASPECTS OF THIS PROBLEM. THE VICE PRESIDENT ASKED IF IT WOULD NOT BE POSSIBLE FOR THE CRS OR SOME SIMILAR PRIVATE VOLUNTARY ORGANIZATION TO BE PERMITTED TO SEND PEOPLE INTO EAST TIMOR. THIS WOULD NOT ONLY HELP THE REFUGEES AND OTHERS IN THE AREA, BUT WOULD SHOW THAT EAST TIMOR IS NOT A CLOSED AREA. THIS WOULD

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HAVE A BENEFICIAL EFFECT ON U.S. PUBLIC OPINION. IN HIS REPLY, SUHARTO INITIALLY CONCENTRATED ON THE ICRC AND THE CONTINUING NEGATIVE ATTITUDE TOWARD THAT ORGANIZATION IN EAST TIMOR. WHEN THE VICE PRESIDENT REITERATED SEVERAL TIMES THAT HE WAS REFERRING PRIMARILY TO THE CRS OR SOME SIMILAR WELFARE ORGANIZATIONS, SUHARTO TOOK A MORE POSITIVE POSITION BUT DID NOT GIVE UNQUALIFIED APPROVAL. AT THE END HE SEEMED TO BE SAYING THAT IF AN ORGANIZATION HAD THE APPROVAL OF ITS INDONESIAN COUNTERPART AND OF THE GOI, IT COULD SEND REPRESENTATIVES TO VISIT EAST TIMOR. (COMMENT: INDONESIAN AMBASSADOR TO THE U.S. ASHARI TOLD THE AMBASSADOR MAY 10 THAT SUHARTO TOLD HIM HE WOULD HAVE NO OBJECTION TO SUCH VISITS IF THE VISITORS CLEARLY UNDERSTAND THAT EAST

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TIMOR IS AN INTEGRAL PART OF INDONESIA. THE AMBASSADOR PLANS TO FOLLOW UP ON THIS WITH THE APPROPRIATE INDONESIAN OFFICIALS.)

16 SOVIET-CUBAN INTERVENTION. REFERRING TO INDONESIA'S CONSTRUCTIVE ROLE IN THE NORTH-SOUTH DIALOGUE AND THE NONALIGNED MOVEMENT, THE VICE PRESIDENT SIAD HE WANTED TO TELL PRESIDENT SUHARTO THAT WE WERE EXTREMELY IRRITATED BY SOVIET AND CUBAN ACTIVITIES IN AFRICA. FOR A SMALL ISLAND, CUBA SEEMED TO HAVE MORE AGGRESSIVE INSTINCTS PER CAPITA THAN ANY OTHER AREA. THE VICE PRESIDENT NOTED THAT WE HAVE ABSOLUTELY NO DESIGNS ON AFRICA; WE WANT ONLY THAT THE PEOPLE THERE SHOULD LIVE IN PEACE AND RECOGNIZE LEGITIMATE BORDERS. SUHARTO SAID INDONESIA ALSO DEEPLY REGRETS SOVIET AND CUBAN INVOLVEMENT IN AFRICA. HE BELIEVES THE NEXT MEETING OF THE NAM WILL CRITICIZE BOTH SINCE THIS KIND OF AGGRESSIVE ACTION CASTS A REFLECTION ON THENONALIGNED CREDENTIALS OF THE ORGANIZATION. HE BELIEVES THIS WILL BE DISCUSSED AT THE MEETING OF THE NAM COORDINATING BUREAU BUT EXPRESSED THE VIEW THAT CRITICISM WILL PROBABLY BE SOMEWHAT MUTED NOW THAT THE MEETING IS TO BE HELD IN CUBA RATHER THAN IN AFGHANISTAN.

17. THINGS NOT RAISED. THE SALE OF LOCKHEED L-100S, GOI PURCHASE OF ITT RADARS AND THE POSSIBLE RE-ENTRY OF THE PEACE CORPS INTO INDONESIA WERE NOT RAISED

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DURING THE MEETING. AMASTERS

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