

EXDIS EXDIS EXDIS EXDIS EXDIS



FN 1-1 Indon  
Department of State TELEGRAM

Xr Aid 9 Indon

CONFIDENTIAL 948

PAGE 01 JAKART 17914 01 OF 03 1402497

72  
ACTION 55-25

INFO OCT-01 2426 W

016105

R 141104Z DEC 72  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC 4715

C O N F I D E N T I A L SECTION 1 OF 3 JAKARTA 12910

EXDIS

SUBJECT: INDONESIAN MIRACLE BECLOUDED; PROPOSAL FOR  
ACTION AT IGGI

SUMMARY: RICE AND ELECTRICITY PROBLEMS WHICH DEVELOPED IN INDONESIA OVER LAST FEW MONTHS, ALTHOUGH CAUSED IN LARGE PART BY SEVERE DROUGHT, HAVE ALSO SERVED TO UNDERLINE OUR CONCERN THAT INDONESIA'S EARLY SUCCESSSES ARE TO SOME EXTENT BEING DISSIPATED BY INCAPACITIES AND FAILURES TO CONSOLIDATE AND MANAGE ECONOMIC GAINS, AND THAT EROSION OF SPREADING CORRUPTION FURTHER THREATENS WHAT HAS, PERHAPS UNFORTUNATELY IN VIEW OF PROBLEMS STILL FACING INDONESIA, BEEN DUBBED "THE INDONESIAN MIRACLE." SOME OTHER DONOR REPRESENTATIVES HERE ARE ALSO CONCERNED AND SOME INDONESIANS, INCLUDING WIDJOGO AND OTHER TECHNOCRATS, ARE PROBABLY AS CONCERNED, IF NOT MORE SO, THAN WE ARE. WE BELIEVE WE MIGHT STRENGTHEN HANDS OF WIDJOGO AND ASSOCIATES IF WE CAN AT NEXT IGGI MEETING COORDINATE AN ARTICULATION OF OUR CONCERNS AND GET INSERTED IN IGGI REPORTS THAT WIDJOGO CAN CARRY BACK TO G71 SOME CAUTIONARY LANGUAGE ABOUT OUR CONCERNS. WE ALSO SUGGEST FOLLOWUP ACTION THROUGH WORLD BANK PRESIDENT HONAHARI.

1. ON EVE OF NEXT IGGI MEETING, I BELIEVE IT BEHOOVES US TO LOOK BROADLY AT INDONESIA'S DEVELOPMENT SUCCESSSES AND FAILURES AND TO ASK OURSELVES WHETHER SOME DEPARTURE FROM GENERAL EUPHROIC ATMOSPHERE OF THESE IGGI MEETINGS IN PAST (IN WHICH PRAISE HAS PERHAPS BEEN TOO FULSOME AND ANY CRITICISM SO LOW KEYED AS TO BE ALMOST INAUDIBLE) IS DESIRABLE AND WHETHER SOME COMPLAINTS IN FACT SHOULD BE ATRD.

1  
25  
Jakarta 12910  
12/14/72

7

CONFIDENTIAL

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY

EXDIS EXDIS EXDIS EXDIS EXDIS



FN 1-1 Indon  
Department of State  
**TELEGRAM**

Xr Aid 9 Indon

CONFIDENTIAL 948

PAGE 01 JAKARTA 12910 01 OF 03 142249Z

72  
ACTION 33-25

INFO OCT-31 1925 W

R 141144Z DEC 72  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC 4715

016105

C O N F I D E N T I A L SECTION 1 OF 3 JAKARTA 12910

EXDIS

SUBJECT: INDOONESIAN MIRACLE BECLOUDED; PROPOSAL FOR  
ACTION AT IGGI

SUMMARY: RICE AND ELECTRICITY PROBLEMS WHICH DEVELOPED  
IN INDONESIA OVER LAST FEW MONTHS, ALTHOUGH CAUSED IN  
LARGE PART BY SEVERE DROUGHT, HAVE ALSO SERVED TO UNDER-  
LINE OUR CONCERN THAT INDONESIA'S EARLY SUCCESSSES ARE TO  
SOME EXTENT BEING DISSIPATED BY INCAPACITIES AND FAILURES  
TO CONSOLIDATE AND MANAGE ECONOMIC GAINS, AND THAT EROSION  
OF SPREADING CORRUPTION FURTHER THREATENS WHAT HAS, PERHAPS  
UNFORTUNATELY IN VIEW OF PROBLEMS STILL FACING INDONESIA,  
BEEN DUBBED "THE INDOONESIAN MIRACLE." SOME OTHER HONOR  
REPRESENTATIVES HERE ARE ALSO CONCERNED AND SOME INDOONESIANS,  
INCLUDING WIDJODO AND OTHER TECHNOCRATS, ARE PROBABLY AS  
CONCERNED, IF NOT MORE SO, THAN WE ARE. WE BELIEVE WE  
MIGHT STRENGTHEN HANDS OF WIDJODO AND ASSOCIATES IF WE CAN  
AT NEXT IGGI MEETING COORDINATE AN ARTICULATION OF OUR  
CONCERNS AND GET INSERTED IN IGGI REPORTS THAT WIDJODO CAN  
CARRY BACK TO GOI SOME CAUTIONARY LANGUAGE ABOUT OUR CONCERNS.  
WE ALSO SUGGEST FOLLOWUP ACTION THROUGH WORLD BANK PRESIDENT  
MOMAMARA.

IN AN EYE OF NEXT IGGI MEETING, I BELIEVE IT REHOOVES US  
TO LOOK BROADLY AT INDOONESIA'S DEVELOPMENT SUCCESSSES AND  
FAILURES AND TO ASK OURSELVES WHETHER SOME DEPARTURE FROM  
GENERAL EUPHORIC ATMOSPHERE OF THESE IGGI MEETINGS IN PAST  
(IN WHICH PRAISE HAS PERHAPS BEEN TOO FULSOME AND ANY CRITI-  
CISM SO LOW KEYED AS TO BE ALMOST INAUDIBLE) IS DESIRABLE  
AND WHETHER SOME COMPLAINTS IN FACT SHOULD BE AIRED.

1  
25  
Jakarta 12910  
12/14/72

7

CONFIDENTIAL  
NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY





Department of State

TELEGRAM

CONFIDENTIAL

PAGE 02 JAKARTA 12910 01 OF 03 1422497

2. UNQUESTIONABLY SUHARTO GOVERNMENT HAS ENJOYED CONSIDERABLE DEGREE SUCCESS IN TERMS OF WHERE INDONESIA WAS UNDER SUKARNO. SOME BENEFITS FROM ECONOMIC PROGRESS MADE HAVE FILTERED DOWN TO GENERAL POPULATION AND WON PASSIVE, IF NOT ACTIVE, SUPPORT FOR SUHARTO REGIME. THERE IS DEGREE OF TRANQUILITY, SECURITY AND POLITICAL STABILITY NOT PREVIOUSLY SEEN IN INDONESIA SINCE BEFORE WORLD WAR II. GIVEN INDONESIA'S NATURAL RESOURCES, THE SIZE, TRAINABILITY, NEED AND EAGERNESS TO WORK OF ITS LABOR FORCE, INDONESIA AS POTENTIAL INVESTMENT ENVIRONMENT AND MARKET, AND PROSPECTS FOR CONTINUED POLITICAL STABILITY, AID DONORS AND PRIVATE INVESTORS HAVE SEEN OPPORTUNITIES HERE FOR CONSTRUCTIVE ACTIVITIES AND THEIR RESPONSES TO INDONESIA'S POLICIES WELCOMING AID AND PRIVATE INVESTMENT HAVE BEEN IMPRESSIVE.

3. WE CAN ALSO TAKE PLEASURE IN RESPONSIBLE WAY INDONESIA HAS APPROACHED REGIONAL ASSOCIATION AND COOPERATION WITH ITS NEIGHBORS AND ITS READINESS TO ASSUME SUCH REGIONAL TASKS AND RESPONSIBILITIES AS THEIR PROPOSED PARTICIPATION IN ICCS VIETNAM. FINALLY, IN IMPLEMENTATION OF ITS TRADITIONAL "INDEPENDENT AN ACTIVE," NON-ALIGNED FOREIGN POLICY, SUHARTO GOVERNMENT HAS SHOWN THAT IN MOST CASES IT CONSULTS ITS OWN NATIONAL INTERESTS IN TAKING POSITIONS ON WORLD ISSUES AND THAT, WHERE THESE ARE INVOLVED, ITS POSITION IS MORE PRAGMATIC THAN IDEOLOGICAL. WHILE INDONESIA TENDS TO ABSTAIN AND ACT OTHERWISE NON-ALIGNED ON ISSUES OF LESS IMMEDIATE IMPORTANCE TO IT, INDONESIAN NON-ALIGNMENT HAS CERTAINLY BEEN MORE HELPFUL TO US IN LASTS FEW YEARS THAN EVER BEFORE.

4. WE HAVE QUITE JUSTIFIABLY, THEREFORE, COUNTED OUR BLESSINGS IN INDONESIA'S RECOVERY FROM RALLIING COMMUNISM AND ECONOMIC DETERIORATION ENEMIC UNDER SUKARNO, AND WE HAVE APPLAUDED GENERALLY, AND PARTICULARLY AT 1961, THE SUCCESSES OF THE SUHARTO GOVERNMENT IN STABILIZING THEIR ECONOMY, ATTRACTING FOREIGN INVESTMENT, LAUNCHING DEVELOPMENT PROJECTS AND RESTORING OR ADDING TO ITS ECONOMIC INFRASTRUCTURE, WHILE ACHIEVING REASONABLY GOOD RECORD OF ECONOMIC GROWTH. SUHARTO GOVERNMENT HAS EARNED PLAUDITS AND ENJOYED IMAGE ARRABD IN WEST OF ALMOST TOTAL APPROVAL.

CONFIDENTIAL

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY

EX-103-114103-EX-103-114103-EX-103-114103

DECLASSIFIED  
 AUTHORITY NND 90 9015  
 BY SP4 ULS/8-6-07

CONFIDENTIAL

PAGE 03 JAKARTA 12910 01 OF 03 1422497

5. IT WAS PERHAPS INEVITABLE THAT INDONESIAN SUCCESSES OF PAST FEW YEARS UNDER "NEW ORDER" OF SOHARTO GOVERNMENT WOULD BRING NEW PROBLEMS IN THEIR WAKE. IN ANY CASE, THIS SEEMS TO HAVE HAPPENED. THERE ARE MULTIPLYING EXAMPLES OF MISMANAGEMENT AND SPREADING CORRUPTION WHICH CONCERN ME DEEPLY. FOR EXAMPLE, MISMANAGEMENT AS WELL AS SEVERE DROUGHT ARE BEHIND CURRENT RICE SHORTAGE AND SOME OF THESE FAILURES APPEAR TO US TO BE LIKELY TO BECOME CHRONIC. THERE IS EVIDENCE THAT FARMERS ARE TURNING FROM GOVERNMENT SPONSORED PROGRAMS FOR INCREASED RICE PRODUCTION TO THEIR TIME-HONORED SUBSISTANCE APPROACH. COUPLED WITH GROWING RICE PSYCHOLOGY WHICH EQUATES PROGRESS WITH AVAILABILITY INCREASED AMOUNTS OF REASONABLY PRICED RICE IN URBAN CENTERS, MILITARY ESTABLISHMENT, ETC., THIS DOES NOT BODE WELL FOR FUTURE PRICE (NOR PERHAPS EVEN POLITICAL) STABILITY, NOR FOR REAL PROGRESS TOWARD INDONESIAN SELF-SUFFICIENCY IN BASIC FOOD. ABSENCE OF EVEN RUDIMENTARILY EFFECTIVE REPORTING SYSTEM ON PLANTING, PRODUCTION OR MOVEMENT OF RICE, WHICH HAS SHOWED UP STARKLY IN THIS CRISIS PERIOD, ALSO UNDERLINES CONTINUED SHAKINESS OF INDONESIAN ABILITY TO MANAGE OR TO CONSOLIDATE ECONOMIC DEVELOPMENT.

6. IN CASE OF THE RECENT ELECTRICITY SHORTAGE IN MAJOR POPULATION CENTERS LIKE JAKARTA, ALTHOUGH PARTIALLY CAUSED BY DROUGHT, THERE IS ALSO EVIDENCE OF LACK OF ANTICIPATION AND PLANNING BY PLANNERS AND MANAGERS TO MEET INCREASED DEMANDS FOR ELECTRIC POWER MADE INEVITABLE BY EARLIER SUCCESSES IN ATTRACTING INVESTMENT AND STIMULATING BUSINESS. WE BELIEVE ELECTRIC POWER SHORTAGES WILL BE WITH US IN INDONESIA FOR SOME TIME AND WILL INEVITABLY IMPEDE DEVELOPMENT OF AN INDUSTRIAL BASE. THIS IS BUT ONE OF THE MANY SERIOUS FAILURES BY GOI TO ANTICIPATE AND PLAN ADEQUATELY ON SOME OF BASIC INGREDIENTS FOR SOLID ECONOMIC DEVELOPMENT.

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY

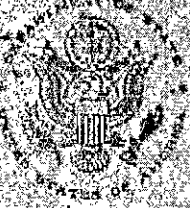
DECLASSIFIED  
 AUTHORITY: NND 90 9015  
 BY: GARA Date: 4/07



*FWI-1 Indonesia*

Department of State

TELEGRAM



CONFIDENTIAL 950

PAGE 01 JAKART 12910 02 OF 03 141311Z

*1/25*

ACTION SS-25

INFO OCT-01 7026 W

1011692

R 141124Z DEC 72  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC 4716

CONFIDENTIAL SECTION 2 OF 3 JAKARTA 12910

EXDIS

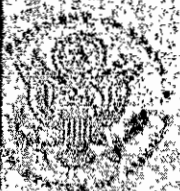
7. AND WHILE INDONESIA HAS BEEN QUITE SUCCESSFUL IN ATTRACTING AND SERVICING FOREIGN INVESTORS IN OIL AND OTHER EXTRACTIVE INDUSTRIES, IT HAS FAILED MARKEDLY IN SOME OTHER AREAS OF INVESTMENT. FOR EXAMPLE, IT HAS DONE VERY LITTLE IN FIELD OF TOURISM AND MANY OF ITS POLICIES SEEM DESIGNED TO DISCOURAGE RATHER THAN DEVELOP THIS POTENTIALLY LUCRATIVE INDUSTRY. IN THE TIMBER FIELD, WHICH HAS A VERY BIG POTENTIAL, AND WHICH STARTED OFF PROMISINGLY, FOREIGN INVESTORS ARE BEING SQUEEZED OUT BY RAMPANT AND APPARENTLY UNCONTROLLABLE LOCAL TAXATION AND OTHER FORMS OF SQUEEZE. POLICIES ADOPTED WITH RESPECT TO INVESTMENT PROPOSALS BY AMERICAN AUTOMOTIVE FIRMS, FOR EXAMPLE, HAVE ALSO BEEN SHORTSIGHTED AND APPARENTLY MOTIVATED BY PERSONAL OPPORTUNITIES FOR RAKEOFFS RATHER THAN BY PROSPECTS FOR INDUSTRIAL DEVELOPMENT. THERE HAS ALSO BEEN AN ALMOST TOTAL FAILURE THUS FAR TO ATTRACT EXPORT INDUSTRIES ALTHOUGH GOI OFFICIALS PAY LIP SERVICE TO THEIR DESIRE FOR JOB PRODUCING INDUSTRIES.

8. MOST WORRISOME OF ALL IS INCREASED, THOUGH FRAGMENTARY EVIDENCE OF WIDESPREAD AND GROWING CORRUPTION. DESPITE LACK OF RELIABLE INDICATORS THAT WOULD PROVIDE PRECISE KNOWLEDGE OF CORRUPTION, IT IS CONSENSUS OF ALL INFORMED OBSERVERS THAT SCALE IS LARGE AND GROWING, THAT IT INVOLVES HIGHEST ECHELONS IN GOVERNMENT, AND THAT THIS IN TURN IS CAUSING IT TO SPREAD AND DEEPEN IN ALL BRANCHES OF SOCIAL AND ECONOMIC LIFE. WE ARE PREPARING WHAT I HOPE WILL BE A BALANCED REPORT AND ASSESSMENT ON SUBJECT CORRUPTION IN INDONESIA. WE COULD CITE MANY EXAMPLES, LARGE AND SMALL.

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY

EXDIS

DECLASSIFIED  
AUTHORITY NND 909015  
BY CIA/AMA/DC/1407



Department of State

TELEGRAM

CONFIDENTIAL

PAGE 02 JANART 1970 02 OF 03 141311Z

BUT THE FOLLOWING WILL SERVE TO ILLUSTRATE:

(1) IBU TIEN SUHARTO, WIFE OF PRESIDENT SUHARTO, AND SEVERAL OF THE GENERALS IN THE PRESIDENT'S RETINUE, ARE ENGAGED IN A VARIETY OF BUSINESS VENTURES, AND DO NOT HESITATE TO MANIPULATE PUBLIC POLICIES FOR THEIR OWN BENEFIT. THE EXTRADORDINARY CONSIDERATION SHOWN FOR THE BOGASARI FLOUR MILLS, IN WHICH MADAM SUHARTO HAS A FINANCIAL INTEREST, IS BUT ONE EXAMPLE.

(2) PERTAMINA IS WIDELY REPORTED TO BE CORRUPT. IT IS SAID TO PAY LARGE PREMIUMS ON ALL ITS PROCUREMENT, PROBABLY FOR PURPOSES OF PERSONAL RAKEOFF. PERTAMINA SETS A STANDARD OF CONSPICUOUS CONSUMPTION WHICH ITS LEADERS DEFEND ON THE GROUNDS THAT IT BUILDS NATIONAL PRIDE AND PROVIDES AN EXAMPLE FOR OTHERS TO STRIVE TO EMULATE. WHILE THIS IS SOMEWHAT UNDERSTANDABLE IN TERMS OF NATIONAL PRIDE, IT IS PROBABLY MORE LIKELY THAT IT SERVES TO BREED RESENTMENT AND DISTRUST AMONG THOSE NOT IN A POSITION TO ENJOY SUCH BENEFITS. IN ANY CASE, IT IS WASTEFUL AND I WOULD THINK UNACCEPTABLY SO IN AN COUNTRY GENERALLY SO POOR.

(3) MINISTER OF TRADE SUMITRO IS REPORTED TO BE INCREASINGLY CORRUPT. WE HAVE EVIDENCE, FOR EXAMPLE, THAT HE ATTEMPTED TO GET A KICKBACK OF \$10.00 PER TON ON A RECENT PROCUREMENT OF 50,000 MT OF FERTILIZER FROM JAPAN.

(4) GENERAL ACHMAD TIRTOSUDIRO, HEAD OF BULOG, AND SOME OF THOSE UNDER HIM ARE ALSO REPORTED TO BE CORRUPT. WE HAVE REPORTS OF PROFITEERING BY BULOG OFFICIALS ON RECENT RICE MARKET SALES, SELLING AT A FIGURE CLOSE TO THE MARKET, ENTERING MUCH LOWER FIGURE ON THE BOOKS, AND POCKETING THE DIFFERENCE. ON A RECENT SALE OF 300 MT OF RICE, THE PERSONAL PROFIT TO THE BULOG OFFICIAL IS REPORTED TO HAVE BEEN \$15,700 OR ROUGHLY \$50.00 A TON. THIS IS IN ADDITION TO THE REPORTED GOING RATE OF KICKBACK TO BULOG ON COMMERCIAL RICE IMPORTS OF \$2.75 PER TON.

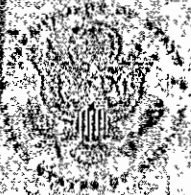
(5) ACCESS TO THE MEDIUM-TERM CREDIT PROGRAM, ADMINISTERED BY THE STATE BANKS, OFFERING CONCESSIONAL INTEREST RATES FOR APPROVED INVESTMENT PROJECTS, IS WIDELY REPORTED TO REQUIRE PAYMENT TO BANK OFFICIALS.

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY  
CONFIDENTIAL

SECRET

DECLASSIFIED  
AUTHORITY: NND 96 9015  
DATE: 11/11/01





Department of State

TELEGRAM

CONFIDENTIAL

PAGE 03 JAKARTA 12910 08 OF 03 141311Z

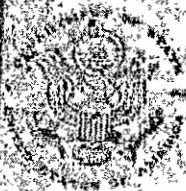
16) THE CUSTOMS SERVICE, DESPITE THE GOOD REPUTATION OF ITS NEW HEAD, GENERAL SLAMET, IS SAID TO BE STILL A NEST OF CORRUPTION. THE LATEST SCANDAL IS A RACKET IN THE IMPORTATION OF LUXURY CARS, FOR WHICH A CHINESE BUSINESSMAN, WHILE DOUBTLESS NOT BLAMELESS, IS BEING USED AS THE SCAPEGOAT AND HIGH MILITARY PERSONAGES INVOLVED ARE UNTOUCHED.

9. WE COULD PROLONG THE LIST, BUT THE IMPORTANT FACT IS THAT CORRUPTION EXISTS, IS KNOWN TO EXIST, BENEFITS MAINLY THOSE CLOSEST TO THE SOURCES OF POWER, DETRACTS FROM DEVELOPMENT PROGRESS AND FROM THE INVESTMENT CLIMATE, AND AGGRAVATES THE GAP BETWEEN RICH AND POOR. AND LITTLE OR NOTHING IS BEING DONE ABOUT IT DESPITE PRESIDENT SUHARTO'S PUBLIC PLEDGE IN HIS INDEPENDENCE DAY SPEECH TWO YEARS AGO TO LEAD THE FIGHT AGAINST CORRUPTION. ONE CAN ARGUE THAT MUCH OF THE CORRUPTION HAS BEEN NECESSITATED BY INADEQUATE BUDGETARY PROVISION FOR VARIOUS ESSENTIAL PUBLIC PURPOSES AND FOR PERSONAL SURVIVAL OF UNDERPAID BUREAUCRATS. THERE IS SOME VALIDITY TO THIS, BUT SURELY THE ANSWER LIES IN IMPROVING THE BUDGETARY SYSTEM RATHER THAN TOLERANCE OF INCREASINGLY BLATANT EXTRA-LEGAL MEASURES SO ERODING OF PUBLIC CONFIDENCE, SO DESTRUCTIVE OF LEADERSHIP AND SO POTENTIALLY DAMAGING TO US ALL.

10. MANY INDONESIANS ARE SHOWING INCREASED CONCERN ABOUT CORRUPTION. BOTH DUTCH AMBASSADOR AND I HAVE RECENTLY BEEN APPROACHED BY AIDE COM CONFIDANT OF FORMER VICE PRESIDENT HATTA, ASSERTEDLY AT INSTANCE OF LATTER, ON GENERAL SUBJECT OF GROWTH OF CORRUPTION AMONG HIGH-LEVEL GOI PERSONNEL (INCLUDING BUT NOT LIMITED TO MILITARY) AND SERIOUS IMPLICATIONS THIS HAS FOR: (A) GOI'S IMAGE AT HOME AND ABROAD; (B) SCARC FINANCIAL RESOURCES BEING DEDICATED TO DEVELOPMENT CHANNELS; AND (C) CONTINUED CONFIDENCE IN PRESENT LEADERSHIP. APPROACH WAS COUPLED WITH EXPRESSION OF STRONG VIEW THAT UNLESS MAIN, PERHAPS ALL, IGGI DONORS - AS GOVERNMENTS WITH LEGITIMATE INTEREST IN HOW GOI HANDLES RESOURCES AVAILABLE TO IT - MAKE THEIR CONCERNS KNOWN STRONGLY AND IN TIMELY FASHION, CHANCES OF RESOLUTE COUNTER-ACTION BEING TAKEN BY GOI ARE UNLIKELY. THEY ALSO MADE THE SUGGESTION THAT MCNAMARA SHOULD MAKE CASE, ON BEHALF IGGI, DIRECTLY TO PRESIDENT SUHARTO.

NOT TO BE REPRODUCED WITHOUT CONFIDENTIALIZATION OF THE EXECUTIVE SECRETARY

DECLASSIFIED  
Auth: NAY 94 9015



Department of State

FN 1-1 In  
**TELEGRAM**

CONFIDENTIAL 961

PAGE 01 JAKART 12910 03 OF 03 141300Z

ACTION SS-25

INFO OCT-01 7026 W

R 141104Z DEC 72  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC 4717

011638

C O N F I D E N T I A L SECTION 3 OF 3 JAKARTA 12910

EXDIS

11. AT DECEMBER 3 LUNCHEON, DUTCH AMBASSADOR AND I AGREED  
TAL GROWTH OF CORRUPTION AND SERIOUS SHORTCOMINGS IN  
BUREAUCRATIC PERFORMANCE WHICH CONTRIBUTED TO CURRENT  
PRICE-RICE CRISIS (MISMANAGEMENT AND BOTH LACK OF RELI-  
ABLE INFORMATION RE PRODUCTION OR UNWILLINGNESS PASS UN-  
PALATABLE INFORMATION UP LINE) ARE INDEED ALARMING--MORE  
IN TERMS OF POTENTIAL FOR FUTURE TROUBLE THAN IN TERMS OF  
IMMEDIATE EFFECTS) AND (B) THAT MOST EFFECTIVE AND IMMEDI-  
ATE WAY TO ALERT GOI TO NEED FOR REMEDIAL ACTION WOULD BE  
THROUGH JOINT ACTION BY DONORS AT IGGI MEETING IN  
DECEMBER--PERHAPS WITH PERSONAL FOLLOW-UP TO SUHARTO BY  
MCNAMARA AT LATER STAGE.

12. SUBSEQUENT INFORMAL SOUNDINGS BY ME AND OTHER MEMBERS  
OF MISSION, INCLUDING FRANK TALK I HAD WITH FORMER AMBASSADOR  
SUDJATHOKO, HAVE REINFORCED MY FEELING THAT INDONESIAN  
TECHNOCRATS WHO WILL PRESENT INDONESIAN CASE TO IGGI WOULD  
NOT TAKE SUCH ACTION BY DONORS AS "CARPING" OR ADDING UNDUPLY  
TO PRESSURE ALREADY UPON THEM FROM PUBLIC AND PARLIAMENTARY  
CRITICISM STEMMING FROM RICE-PRICE SITUATION. ON CONTRARY,

THEY WOULD WELCOME SUCH ACTION AS BUTTRESSING THEIR OWN  
EFFORTS TO BRING SIMILAR CONCERNS TO ATTENTION OF TOP GOI  
LEADERS.

13. I FULLY REALIZE THERE ARE SPECIAL FACTORS WHICH MIGHT  
CAST DOUBTS ON WISDOM U.S. TAKING LEAD IN MAKING CONCERNS  
REFLECTING ON SUHARTO'S LEADERSHIP AS WELL AS ON SOME OF  
HIS CLOSEST ADVISERS (E.G. INDONESIAN ROLE IN ICCSI) KNOWN

NOT TO BE REPRODUCED WITHOUT CONFIDENTIALIZATION OF THE EXECUTIVE SECRETARY

DECLASSIFIED  
AUTHORITY: NND 96 9015  
BY: CIA/AMA/DAW/1-6-91



Department of State

TELEGRAM

CONFIDENTIAL

PAGE 02 JAKARTA 12914 03 OF 03 141300Z

AT IGGI. NEVERTHELESS, I BELIEVE THERE IS SERIOUS NEED FOR REMEDIAL ACTIONS BY GOI AND THAT THERE IS REAL OPPORTUNITY FOR US, IN CONCERT WITH OTHER IGGI DONORS, TO HELP GOI MOVE TOWARD SLOWING AND HOPEFULLY REVERSING WHAT I FEAR IS HEADLONG GROWTH OF CORRUPTION AND INADEQUATE EFFORTS TO CORRECT MISMANAGEMENT. NEITHER DUTCH AMBASSADOR NOR I WOULD WANT OUR RESPECTIVE GOVERNMENTS TO CONSIDER ACTING ALONG AT THIS STAGE. HE HAS, THEREFORE, UNDERTAKEN TO SEE WHETHER JAKARTA REPRESENTATIVES OF IGGI DONORS FROM EEC COUNTRIES SHARE OUR CONCERNS AND VIEWS, AND I HAVE UNDERTAKEN TO DO SAME WITH JAPANESE, CANADIANS AND AUSTRALIANS HERE.

14. IF THERE ARE NO DISSIDENTING VOICES, WE WOULD ENVISAGE FOLLOWING TYPES OF ACTION AT IGGI MEETING--CAUTIONING THAT THERE IS GREAT IMPORTANCE OF TAILORING ACTIONS SO AS NOT TO DISHEARTEN INDONESIA'S ABLE TECHNOCRATS OR PROVIDE AMMUNITION TO THEIR MANY CRITICS BACK HOME. (A) REPRESENTATIVES OF DONOR COUNTRIES--PLUS HOPEFULLY REPRESENTATIVES OF INTERNATIONAL ORGANIZATIONS--WOULD CONSCIOUSLY REFRAIN FROM OVERLY EUPHORIC COMMENTS OR CONGRATULATORY SPEECHES ON GOI PERFORMANCE DURING PAST YEAR. (B) SAME REPRESENTATIVES WOULD, IN PRIVATE MEETINGS AND CORRIDOR TALKS, MAKE COMMENTS POINTING TO AREAS (INCLUDING CORRUPTION) WHERE GOI PERFORMANCE NEEDS REVIEW AND UPGRADING, COMMENTS WHICH WOULD BE REFLECTED IN CHAIRMAN'S PRIVATE REPORT SUBSEQUENTLY CIRCULATED TO GOI AND OTHER PARTICIPANTS (BUT NOT MADE PUBLIC); AND (C) EFFORT WOULD BE MADE TO AGREE UPON STEPS TO ENLIST MCNAMARA IN FOLLOW-UP ACTION DESIGNED TO REINFORCE QUESTIONING REPORT WHICH TECHNOCRATS WOULD PRESUMABLY BRING BACK TO INDONESIA (AND PRESIDENT SUHARTO) FROM IGGI. SUCH ACTION BY MCNAMARA WOULD, IN OUR VIEW, CARRY CONSIDERABLY MORE WEIGHT THAN IGGI CHAIRMAN'S REPORT.

15. WOULD APPRECIATE YOUR COMMENTS AND REACTIONS TO ABOVE SUGGESTIONS, PROVIDED GENERAL APPROACH WE HAVE OUTLINED IS ACCEPTABLE. IT SEEMS TO US THAT SCRIPT AND DIRECTION FOR ACTIONS AT IGGI WOULD HAVE TO BE PUT TOGETHER IN AMSTERDAM WITH ACTORS WHO WILL BE THERE TO PERFORM IT--THOUGH WE, OF COURSE, COULD ATTEMPT TO PLANT BROAD IDEAS IN MINDS OF SOME OF IGGI REPRESENTATIVES HERE.

GDS

CALBRAITH

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY

CONFIDENTIAL

DECLASSIFIED

ANNEX 9015  
JAN 10 1985