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MEMORANDUM

NATIONAL SECURITY COUNCIL

CONFIDENTIAL

ACTION
June 14, 1977

MEMORANDUM FOR: ZBIGNIEW BRZEZINSKI
FROM: MIKE ARMACOST *MA*
SUBJECT: Initiatives to Deepen Relations with Indonesia

I have attached a memorandum to the President suggesting steps designed to improve/expand our relations with Indonesia, as you requested.

RECOMMENDATION:

That you sign the memo at Tab A.

- * Reference to support in US Embassy, use of ... in development of Indonesia.
- * ... of ... of Indonesia ...
- * ... support ...
- * ...

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10BTHE WHITE HOUSE
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MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

SUBJECT: Initiatives to Deepen Relations with Indonesia

Our stake in close ties with Indonesia derives from its large size and population, strategic location, potential for leadership in Southeast Asia, moderation within OPEC and the Group of 77, and its abundant energy and other natural resources. Indonesia is becoming a major market for U. S. products; direct U. S. investment by U. S. firms in Indonesia now totals approximately \$4 billion.

Currently U. S. relations with Indonesia are in fair shape. But the Suharto Government is apprehensive that our interest in Southeast Asia is waning; there is some perplexity about the new emphasis given to human rights concerns; the prospective phasing out of the grant military assistance program FY-78 generates uncertainty about future cooperation in the security field.

An effective approach to Indonesia cannot be framed strictly in terms of our bilateral relationship. Rather, we must remain sensitive to Indonesia interests as we negotiate with Vietnam; we should devote more attention to ASEAN in which the government of Indonesia contemplates a major leadership role; we should keep the Indonesians informed of our proposals concerning arms control in the Indian Ocean; we should maintain a naval presence in Southeast Asia through retention of facilities in the Philippines.

In the months to come, however, we should also take the following steps to improve ties with the Indonesians:

(1) Schedule the second round of U. S. -Indonesian consultations in the latter half of 1977, with Secretary of State Vance or Deputy Secretary Christopher heading the U. S. delegation. (This consultative channel was established in 1976; Kissinger chaired the first round; the next session is to be held in Jakarta.)

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(2) Include Jakarta as one stop in a wider Southeast Asian trip by Vice President Mondale in the fall. Other stop-overs might include Manila, Bangkok, and New Delhi.)

(3) Expand U. S. economic assistance to Indonesia significantly in FY-78 and FY-79, including PL-480 agricultural assistance. (Indonesia should be a prime candidate for increased aid both because of its low per capita income and in view of its abundant resources.)

(4) Improve the terms of our FMS credits to Indonesia by extending the repayment period from 7 to 10 years. (This would help the Indonesians manage an increasingly troublesome debt service ratio.)

(5) Ease up on the human rights pressures directed at Indonesia. The GOI has announced a program for releasing 30,000 political prisoners over the next three years. We need to focus our efforts on encouraging implementation of this program. To date the Indonesians have seen mainly the punitive aspects of our policy; a variety of requests have been processed very slowly on account of concerns about human rights. We need to accentuate the positive. The Department of State should be instructed to expedite various Indonesian requests in view of recent evidence of its intent to move positively on the human rights question. In addition, we should seek to persuade Congressman Fraser to cease hearings on the Timor question. The Indonesian decision is irreversible. The USG has accepted it. Continued Congressional hearings are regarded as unwarranted and mischievous interference in their domestic affairs.

(6) Seek the removal of the OPEC exclusion from our legislation extending preferential trade treatment to LDCs. (This would have only marginal economic effects, but substantial symbolic value.)

(7) Seek to expedite a ruling by the Federal Power Commission permitting the Pacific Lighting Company to supply Indonesian LNG to the West Coast.

(8) Contribute a modest sum to the Technical Assistance Fund of the ADB. (This would permit us more actively to support feasibility studies of ASEAN complementarity projects as well as other projects of interest to Indonesia.)

(9) Develop a means of encouraging expanded U. S. private investment in Indonesia.

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3

(10) Continue to support Indonesia's eligibility for soft loan financing by the International Financial Institutions.

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