

PTQ8221

RELEASED IN PART  
B1, 1.4(B), 1.4(D)

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ACTION EAP-01

INFO	LOG-00	ACDA-08	ACDE-00	AID-00	CEA-01	CIAE-00	CTME-00
	OASY-00	DODE-00	SRPP-00	EB-00	EXIM-01	E-00	FRB-00
	H-01	TEDE-00	INR-00	IO-00	ITC-01	LAB-01	L-01
	ADS-00	NSAE-00	NSCE-00	OIC-02	OMB-01	OPIC-01	CIO-00
	SP-00	SSO-00	SS-00	STR-00	USIE-00	DRL-04	G-00
	SSAS-00	SWCI-00	/023W				

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O 091132Z OCT 97  
 FM AMEMBASSY JAKARTA  
 TO SECSTATE WASHDC IMMEDIATE 7747  
 DEPTTREAS WASHDC IMMEDIATE  
 INFO AMEMBASSY CANBERRA  
 AMEMBASSY TOKYO  
 ASSOCIATION OF SOUTHEAST ASIAN NATIONS  
 USDOC WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 JAKARTA 005975

TREASURY FOR OASIA/VELTHAUS AND FIN. SERV./KAPLAN

TREASURY PLS PASS TO FED RESERVE WASHDC AND FED RESERVE  
SAN FRANCISCO - T. CURRAN

STATE FOR EAP/PIMBS AND EB/OMA

COMMERCE FOR 4430/MIKALIS

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PASS EXIM FOR AL-ASKARI AND AMAM

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PASS OPIC

E.O. 12958: 10/9/07

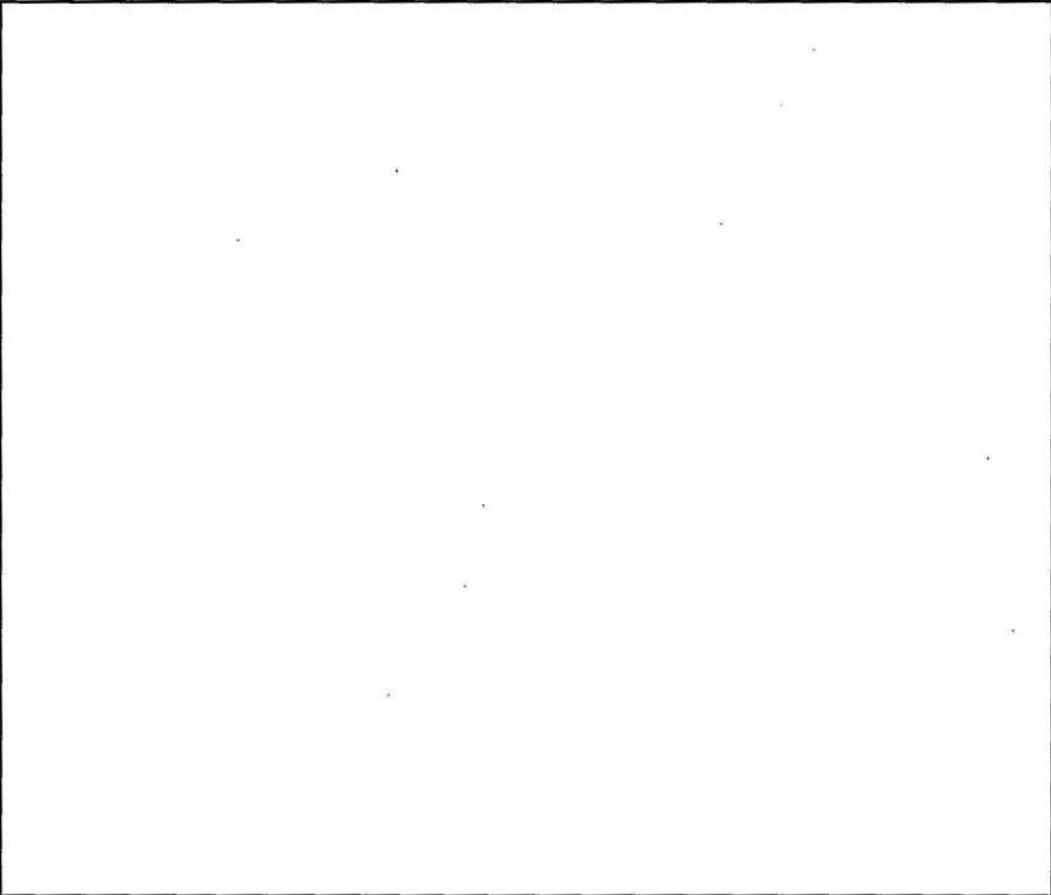
TAGS: EFIN, ECON, ID

SUBJECT: EARLY READOUT ON INDONESIA'S APPROACH TO IMF

REF: JAKARTA 5938

1. (U) CLASSIFIED BY AMB. J. STAPLETON ROY. REASON  
1.5(D)

2. (C) SUMMARY. IN CONVERSATIONS ON OCTOBER 9, THE  
JAKARTA-BASED REPRESENTATIVES OF BOTH THE WORLD BANK AND  
IMF TOLD THE AMBASSADOR THAT THE INTENT WAS TO PROVIDE  
INDONESIA AN IMF ASSISTANCE PACKAGE LARGE ENOUGH TO  
RESTORE MARKET CONFIDENCE WITHOUT, IDEALLY, HAVING TO BE  
USED. AN IMF TEAM WILL BE IN PLACE HERE BY THE WEEKEND.



B1

"PREEMPTIVE RATHER THAN CURATIVE"

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3. (SBU) ON OCTOBER 9, THE AMBASSADOR DISCUSSED THE  
ANNOUNCEMENT THAT INDONESIA WOULD SEEK IMF ASSISTANCE

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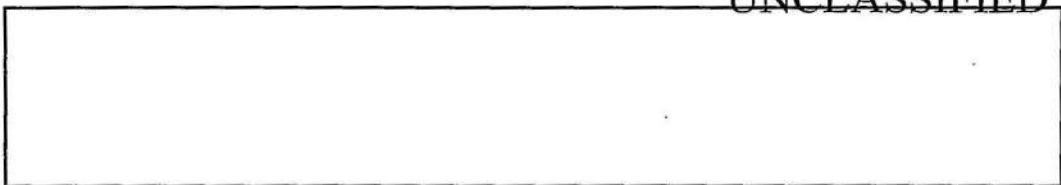
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(REFTEL) WITH WORLD BANK REPRESENTATIVE DENNIS DE TRAY; MET WITH IMF SENIOR RESIDENT REPRESENTATIVE KADHIM AL-EYD; AND SPOKE WITH AUSTRALIAN AMBASSADOR MCCARTHY AND NEWLY ARRIVED JAPANESE AMBASSADOR TAKAO KAWAKAMI.

4. (C) BOTH THE IMF AND WORLD BANK REPRESENTATIVES CHARACTERIZED INDONESIA'S MOVE AS AN EFFORT TO RESTORE BATTERED MARKET CONFIDENCE. THEY SAID INDONESIA WAS SEEKING HELP NOT BECAUSE IT WAS IN IMMINENT DANGER OF DEPLETING ITS FOREIGN EXCHANGE RESERVES (INDONESIA'S PUBLICLY ACKNOWLEDGED NET FOREIGN EXCHANGE RESERVES CURRENTLY STAND AT AROUND US\$ 20 BILLION, WITH AN ADDITIONAL US\$ 2 BILLION AVAILABLE UNDER THE STAND-BY ARRANGEMENTS IT HAS HAD FOR SEVERAL YEARS WITH COMMERCIAL BANKS), BUT TO REASSURE BOTH DOMESTIC AND FOREIGN PLAYERS THAT IT HAD ENOUGH FOREIGN EXCHANGE ON HAND TO MEET ANY CONTINGENCY. THAT REASSURANCE SHOULD IN TURN CONVINCE MARKET PLAYERS NOT TO STAMPEDE TO SELL RUPIAH AND BUY DOLLARS, ALLOWING THE EXCHANGE RATE TO STABILIZE.

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 INFO AMEMBASSY CANBERRA  
 AMEMBASSY TOKYO  
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 USDOC WASHDC

C O N F I D E N T I A L SECTION 02 OF 03 JAKARTA 005975

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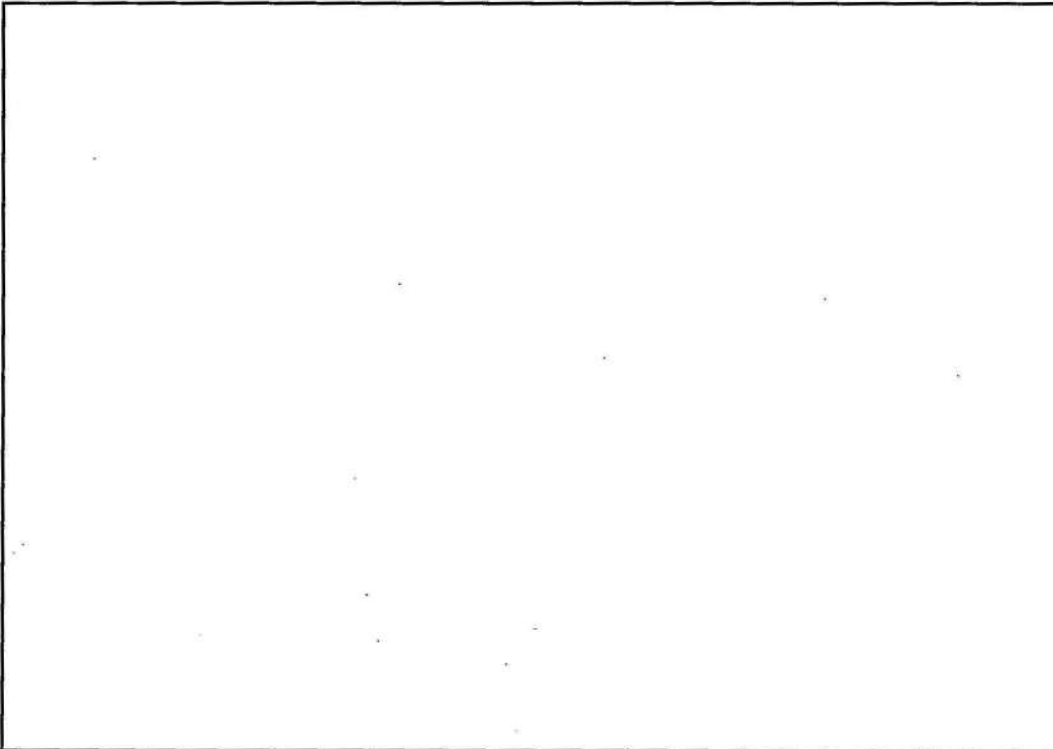
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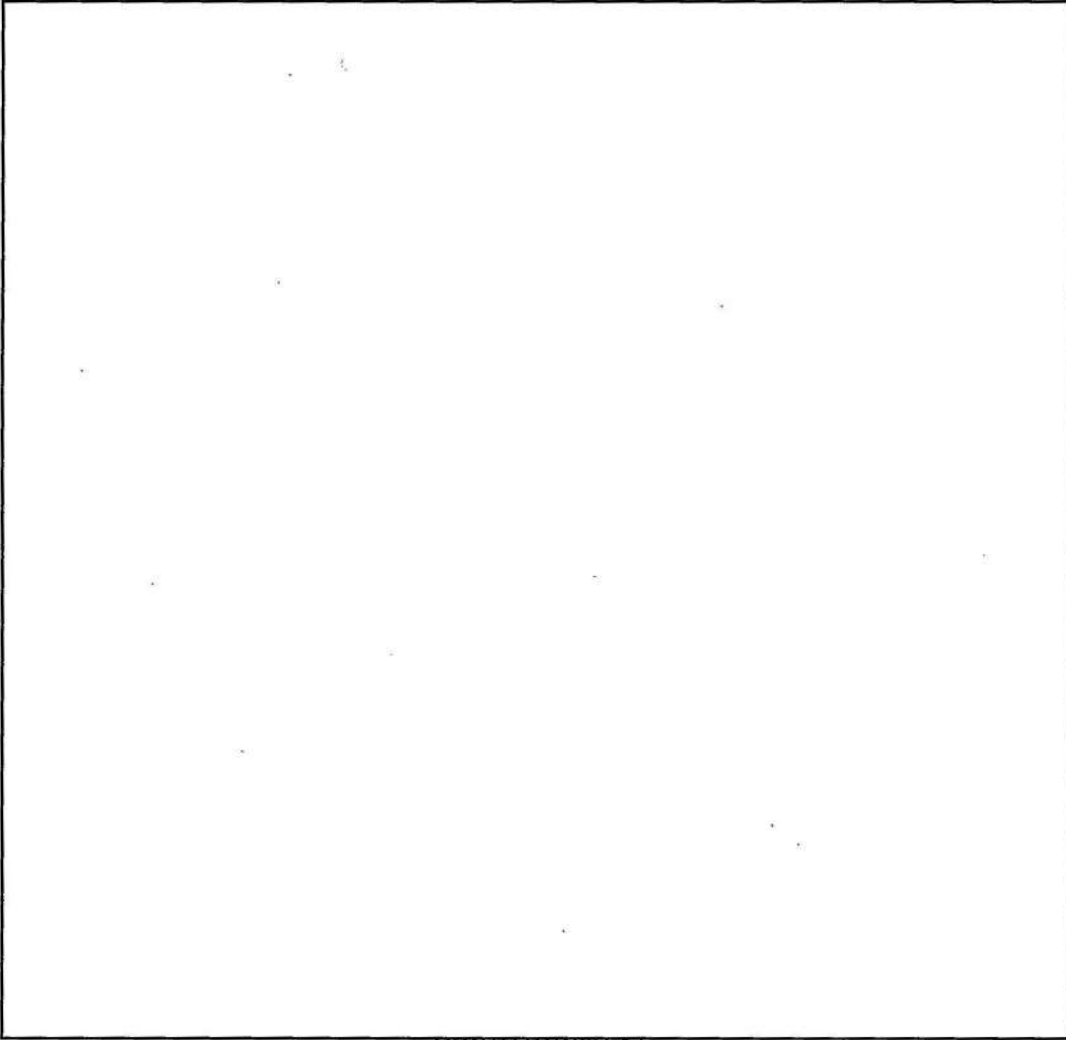
NEED TO BE DONE." HE SAID THE FINANCE MINISTER AND  
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B1



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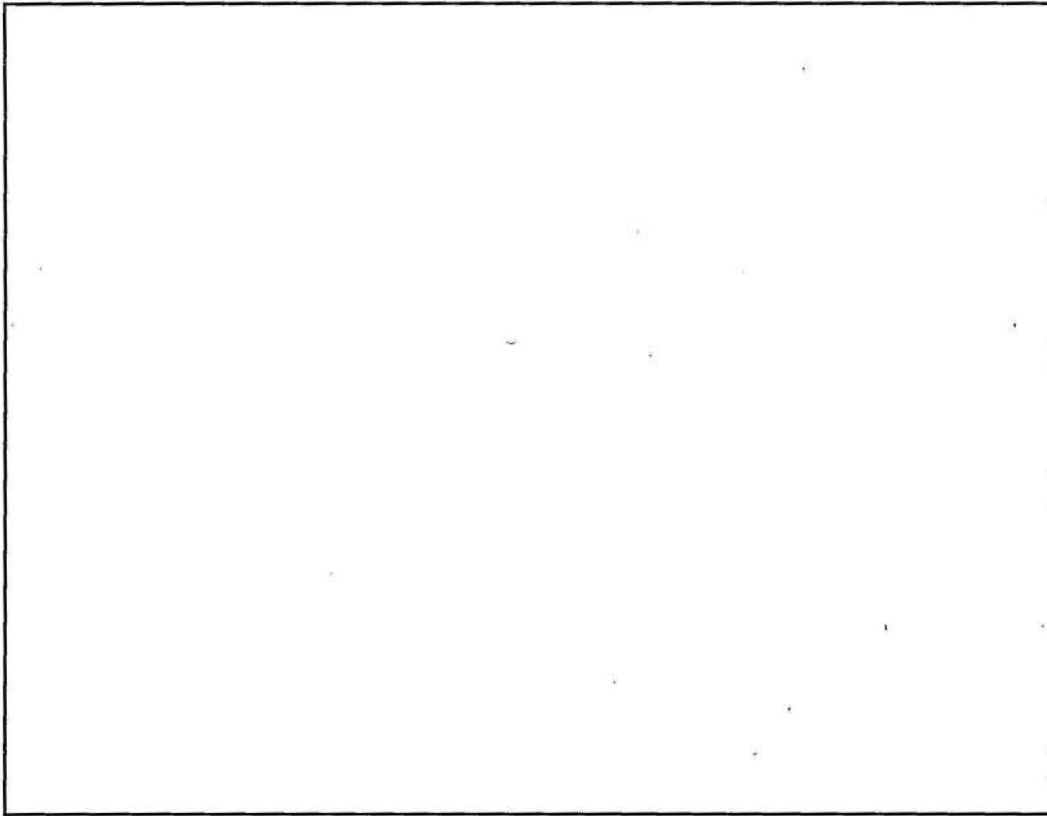
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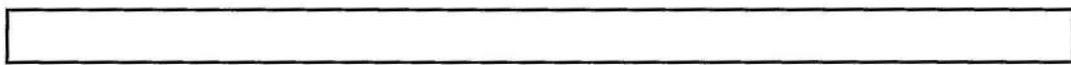
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COMMENT

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11. (C) THE INDONESIANS CLEARLY WANT THEIR SITUATION TO BE VIEWED AS DIFFERENT FROM THAT OF THAILAND AND WILL BE SENSITIVE TO THIS DISTINCTION. WHILE INDONESIA'S ECONOMIC TEAM WANTS TO USE THIS OPPORTUNITY TO PUT THE ECONOMY ON A SOUND TRACK FOR THE FUTURE, THERE IS LIKELY TO BE HARD BARGAINING AHEAD.

[REDACTED]

B1

ROY

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