

PTQ1966

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	DRL-04	G-00	/019W				

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O 231041Z OCT 97
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC IMMEDIATE 7984
INFO AMEMBASSY TOKYO
AMEMBASSY CANBERRA
ASSOCIATION OF SOUTHEAST ASIAN NATIONS
AMEMBASSY WELLINGTON
AMEMBASSY BEIJING

C O N F I D E N T I A L SECTION 01 OF 03 JAKARTA 006237

FOR D, EAP, AND EAP/PIMBS

E.O. 12958: DECL: 10/21/16
TAGS: PREL, ECON, OTRA, ID
SUBJECT: SCENESETTER FOR THE DEPUTY SECRETARY'S VISIT
- TO INDONESIA

REF: STATE 185770.

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

1.5(D)

INTRODUCTION

2. (C) ON THE EVE OF YOUR VISIT, INDONESIA TOGETHER WITH ITS ASEAN NEIGHBORS IS FACING A TIME OF TROUBLES MORE SEVERE THAN ANY IN SOEHARTO'S LONG PERIOD OF RULE. YOUR VISIT IS WELL TIMED TO CONVEY A CLEAR SIGNAL THAT THE U.S. REMAINS COMMITTED TO A STRONG BILATERAL RELATIONSHIP, TO UNDERScore OUR ENGAGEMENT IN THIS REGION, TO PAVE THE WAY FOR THE APEC MEETING IN VANCOUVER AND THE BILATERAL MEETING BETWEEN OUR TWO PRESIDENTS THERE, AND TO PROVIDE AUTHORITATIVE WASHINGTON VIEWS ON A RANGE OF KEY ISSUES AFFECTING OUR MUTUAL INTERESTS. SENIOR OFFICIALS WILL WELCOME THE OPPORTUNITY YOUR VISIT AFFORDS TO GET A FIRST HAND READOUT ON THE JIANG ZEMIN VISIT. NONETHELESS, YOU WILL FIND YOUR HOSTS MORE INTROSPECTIVE THAN USUAL, GIVEN THE FORMIDABLE ARRAY OF PROBLEMS LOOMING AHEAD. YET THEY REMAIN ACTIVELY ENGAGED ON CAMBODIA AND ARE LIKELY TO ADDRESS THEIR ECONOMIC TRIBULATIONS THROUGH REFORM AND DEREGULATION RATHER THAN RECRIMINATIONS AND BACKSLIDING. RECENT U.S. INITIATIVES HAVE RESTORED CONFIDENCE THAT OUR RELATIONSHIP IS SOUND, BUT THE ATMOSPHERE FOR YOUR DISCUSSIONS WILL BE SHAPED BY THE PERCEPTION OF OUR ROLE IN THE IMF ASSISTANCE PACKAGE THAT MAY BE ANNOUNCED JUST PRIOR TO YOUR ARRIVAL.

BILATERAL RELATIONS

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3. (C) THE U.S.-INDONESIAN RELATIONSHIP HAS TURNED A CORNER SINCE MID-SUMMER. THE ASSUMPTIONS, REAL AND IMAGINED, UNDERLYING PRESIDENT SOEHARTO'S DECISION TO WITHDRAW FROM THE F-16 SALE AND IMET TRAINING, AND THE SUBSEQUENT GOI DECISION TO PURCHASE MILITARY EQUIPMENT FROM RUSSIA, ARE GIVING WAY TO BETTER UNDERSTANDING ON THE PART OF BOTH GOVERNMENTS OF THE STRATEGIC IMPORTANCE OF SOUND, LONG-TERM RELATIONS. PRESIDENT CLINTON'S

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SEPTEMBER 30 LETTER TO PRESIDENT SOEHARTO CONVEYED AN AUTHORITATIVE MESSAGE THAT THE UNITED STATES VALUES ITS TIES WITH INDONESIA AND WILL HANDLE CONTENTIOUS AREAS WITHIN THE CONTEXT OF A FULL-BODIED, FRIENDLY RELATIONSHIP. THROUGH MEETINGS IN KUALA LUMPUR AND NEW YORK, THE SECRETARY HAS FORGED A CLOSE, PRODUCTIVE WORKING RELATIONSHIP WITH FOREIGN MINISTER ALATAS, AND THESE CONTACTS HAVE TANGIBLY DEMONSTRATED THE VALUE WE PLACE ON INDONESIA'S CONSTRUCTIVE ROLE IN THE REGION AND IN THE WIDER WORLD.

4. (C) AGAINST THIS BACKDROP, THE RELATIONSHIP STILL NEEDS MUCH WORK. VISITS BY SENIOR U.S. MILITARY LEADERS, SUCH AS ADMIRAL PREUHER, THE MARINE COMMANDANT, AND SECRETARY COHEN, HAVE SHORED UP OUR SECURITY TIES, BUT THE PROLONGED ABSENCE OF IMET TRAINING OR MILITARY SALES IS WEAKENING THE LINKS BETWEEN OUR TWO MILITARY ESTABLISHMENTS AND PROGRESSIVELY ERODING THE NUMBER OF SENIOR INDONESIAN MILITARY OFFICERS WITH EXTENDED EXPOSURE TO OUR SOCIETY AND VALUES. MOREOVER, AS MENTIONED ABOVE, OUR RESPONSIVENESS TO THE REGION'S

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FINANCIAL TROUBLES WILL HAVE AN ENORMOUS IMPACT ON OUR CREDIBILITY AS A FRIEND ON WHOM INDONESIA CAN COUNT IN THE CRUNCH.

INTERNATIONAL/REGIONAL ACTOR

5. (C) IN ITS QUIET, LOW-KEY WAY, INDONESIA IS AN INFLUENTIAL PLAYER IN THE REGION. IN THE FOREIGN MINISTRY AND PARTS OF THE MILITARY ONE CAN STILL STUMBLE ACROSS POCKETS OF TRADITIONAL NON-ALIGNED THINKING, BUT PRESIDENT SOEHARTO CLEARLY SEES INDONESIA'S MOST IMPORTANT RELATIONSHIPS AS BEING IN THE ASEAN REGION, WITH THE MEMBERS OF THE ASEAN REGIONAL FORUM AND APEC, AND WITH ITS MAJOR TRADING PARTNERS. HE IS ALSO PREPARED CAUTIOUSLY TO EXPLORE NEW SECURITY RELATIONSHIPS, AS IN THE 1995 SECURITY AGREEMENT WITH AUSTRALIA. IN INDONESIAN EYES, OUR REGIONAL PRESENCE IS A DESIRABLE COUNTERBALANCE TO A RISING CHINA, BUT THEY

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WILL EXPLORE OTHER OPTIONS IF WE PROJECT A CONFUSED
IMAGE OF OUR GOALS IN ASIA. PRESIDENT SOEHARTO
PERSONALLY DIRECTED THE SWITCH FROM F-16S TO SUKHOI 30S
WHEN HE FELT CONGRESSIONAL CRITICS WERE HAVING TOO
STRONG AN INFLUENCE OVER OUR APPROACH TO INDONESIA.

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FOR D, EAP, AND EAP/PIMBS

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6. (C) INDONESIA HAS BEEN A CONSISTENT PARTNER WITH THE
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UNITED STATES ON MANY ISSUES. FROM 1975 TO 1996,
INDONESIA PROVIDED SAFE HAVEN TO THOUSANDS OF VIETNAMESE
FLEEING THEIR HOMELAND. IT IS THE ONLY SOUTHEAST ASIAN
MEMBER OF KEDO, AND IT HAS TWICE SENT MILITARY PERSONNEL
TO BOSNIA AS WELL AS TO SOMALIA. IT WAS CO-CHAIR OF THE
NEGOTIATIONS THAT BROKERED THE CAMBODIAN PEACE PROCESS,
AND IT IS PLAYING A LEADING ROLE IN THE ASEAN TROIKA
EFFORT TO RESTORE LEGITIMATE GOVERNMENT IN CAMBODIA. IT
SUPPORTED THE 1995 EXTENSION OF THE NON-PROLIFERATION
TREATY AND IN 1996 BACKED U.S. EFFORTS TO NEGOTIATE A
COMPREHENSIVE NUCLEAR TEST BAN TREATY. CONVERSELY, AT
THE UNITED NATIONS, WHERE IT PLAYS TO THE NON-ALIGNED
AND ISLAMIC GALLERIES, IT VIES FOR THE WORST VOTING
RECORD IN THE REGION IN TERMS OF CONSISTENCY WITH U.S.
VOTES.

REPORT
AND I
REPORT
SUPPORT
TREATY
COMPRE

7. (C) IN ITS RELATIONS WITH RUSSIA AND CHINA,
INDONESIA IS PLAYING A COMPLEX HAND. IT REMAINS WARY OF
CHINA'S REGIONAL INTENTIONS, BUT MILITARY TIES ARE
EXPANDING THROUGH EXCHANGES OF VISITS, AND WE
OCCASIONALLY STUMBLE ACROSS EYE-BROW RAISING ANGLES,
E.G. THE DEPUTY HEAD OF THE CHINESE COMMUNIST PARTY
SCHOOL IS JUST WINDING UP A WEEK-LONG VISIT HERE FOR
CONSULTATIONS WITH GOLKAR ON A NEW TRAINING INSTITUTE
GOLKAR PLANS TO OPEN NEXT YEAR. THE RUSSIANS HAVE ALSO
BEEN COMING IN DROVES, TOUTING THEIR DEMOCRATIC
CREDENTIALS, OFFERING DAZZLING DEALS FOR SOPHISTICATED
WEAPONRY, AND EXPLOITING THE INDONESIAN PERCEPTION THAT
WE ARE AN UNRELIABLE SOURCE OF MILITARY EQUIPMENT.

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8. (C) IN SHORT, WE SHOULD CONSTANTLY KEEP IN MIND THAT
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THE FACE OF SOUTHEAST ASIA CHANGED FOR THE BETTER WHEN
INDONESIA ABANDONED IDEOLOGICAL POSTURING, MADE PEACE
WITH ITS NEIGHBORS, AND ADOPTED A MODERATE AND
CONSTRUCTIVE APPROACH TO REGIONAL PROBLEMS. ASIDE FROM
ITS LEADING ROLE ON CAMBODIA, IT QUIETLY SPONSORED
REGIONAL WORKSHOPS TO EASE TENSIONS OVER THE SPRATLYS,
BROKERED A PEACE AGREEMENT BETWEEN THE PHILIPPINE
GOVERNMENT AND THE MORO NATIONAL LIBERATION FRONT, AND
SUBMITTED A TERRITORIAL DISPUTE WITH MALAYSIA TO THE
INTERNATIONAL COURT OF JUSTICE FOR RESOLUTION.

INDONESIA TODAY

9. (C) NEVERTHELESS, MORE SO THAN AT ANY TIME IN RECENT
MEMORY, INDONESIA IS FOCUSED ON ITS INTERNAL PROBLEMS --
THE SLUMPING ECONOMY, THE DROUGHT/FOREST FIRES, LATENT
INSTABILITY FACTORS, THE MARCH 1998 PRESIDENTIAL/VICE
PRESIDENTIAL/CABINET SELECTIONS, AND AN EVENTUAL
LEADERSHIP TRANSITION. THESE ISSUES ARE PREOCCUPYING
INDONESIANS, AND ABSORB A GREAT DEAL OF INTELLECTUAL AND
EMOTIONAL ENERGY.

0 THE ECONOMY IS FACING ITS MOST SERIOUS DIFFICULTIES
EVER UNDER PRESIDENT SOEHARTO'S NEW ORDER
GOVERNMENT. ALTHOUGH THE GOVERNMENT HAS RECEIVED
GENERALLY GOOD MARKS FOR ITS INITIAL RESPONSE, THE
HARDEST KNOCKS LIE AHEAD. COMING WEEKS COULD SEE A
RASH OF BUSINESS FAILURES AND GROWING UNEMPLOYMENT.
THE FINANCIAL CRISIS COMPOUNDED BY THE DROUGHT
THREATENS HARDSHIP FOR BOTH URBAN AND RURAL

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INDONESIANS, THE MAJORITY OF WHOM REMAIN POOR
DESPITE THE REGIME'S REMARKABLE SUCCESS IN RAISING
PER CAPITA INCOME.

- O SOCIAL STABILITY CONCERNS AND THE PROSPECT OF THE
EVENTUAL, INEVITABLE LEADERSHIP TRANSITION
PREOCCUPY MANY INDONESIANS, BOTH WITHIN AND OUTSIDE
OF GOVERNMENT.
- O THE FOREST FIRES, AND THEIR HAZE, HAVE RAISED THE
PROFILE OF ENVIRONMENTAL ISSUES, WHICH HAVE ALSO
BECOME AN ELEMENT IN THE NATIONAL DEBATE ON
CORRUPTION AND FAVORITISM.

THEMES FOR YOUR VISIT

10. (C) THREE CENTRAL THEMES FOR YOUR VISIT NATURALLY
EMERGE FROM PRESIDENT CLINTON'S SEPTEMBER 30 LETTER AND
INDONESIA'S CURRENT SITUATION:

-- BILATERAL RELATIONSHIP: INDONESIA AND THE UNITED
STATES HAVE BOTH BENEFITED FROM A STRONG RELATIONSHIP
BUILT OVER THE DECADES. THE UNITED STATES INTENDS TO BE

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RESPONSIVE TO INDONESIA'S SERIOUS ECONOMIC DIFFICULTIES
AND SEVERE ENVIRONMENTAL CHALLENGES. WITHIN THE CONTEXT
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OF A HEALTHY BILATERAL RELATIONSHIP, WE WOULD LIKE TO
CONTINUE WORKING WITH THE GOI TO PROMOTE HUMAN AND
WORKER RIGHTS. WE ARE ALSO PREPARED TO BE HELPFUL ON
THE EAST TIMOR PROBLEM, IF THE PARTIES DIRECTLY INVOLVED
BELIEVE THIS WOULD BE USEFUL.

-- MULTILATERAL COOPERATION: YOUR VISIT WILL BE
FOLLOWED CLOSELY BY THE APEC LEADERS MEETING IN
VANCOUVER. THE UNITED STATES ANTICIPATES CONTINUED

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PROGRESS ON ECONOMIC AND ENVIRONMENTAL ISSUES AT THAT MEETING. WE WOULD LIKE TO BE ABLE TO COUNT ON PRESIDENT SOEHARTO'S LEADERSHIP TO CARRY ON THE PRO-MARKET MOMENTUM EMBODIED IN THE 1994 BOGOR DECLARATION, WHICH SOEHARTO SPONSORED DURING INDONESIA'S APEC CHAIRMANSHIP.

-- ENVIRONMENTAL AND SCIENTIFIC COOPERATION: THE FOREST FIRES AND THEIR RESULTANT POLLUTION HAVE BROUGHT HOME TO THE GLOBAL COMMUNITY THE IMPORTANCE OF INTERNATIONAL COOPERATION ON TRANSNATIONAL ISSUES SUCH AS THE ENVIRONMENT. THE UNITED STATES LOOKS FORWARD TO WORKING WITH INDONESIA IN THE RUN-UP TO THE DECEMBER GLOBAL CLIMATE CHANGE CONFERENCE IN KYOTO. MOREOVER, WE ARE COMMITTED TO COOPERATING WITH INDONESIA AND OTHER GOVERNMENTS IN THE REGION TO ENLARGE OUR MUTUAL ABILITIES TO PREDICT AND DEAL WITH FUTURE EL NINOS AND THEIR IMPACT ON THE ENVIRONMENT.

SPECIFIC ISSUES

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11. (C) BEYOND THESE CENTRAL THEMES, YOUR INTERLOCUTORS WILL BE INTERESTED IN EXCHANGING VIEWS ON SEVERAL SPECIFIC ISSUES:

-- CAMBODIA, WHERE FOREIGN MINISTER ALATAS HAS TAKEN A PROMINENT ROLE IN ASEAN TROIKA EFFORTS TO DEAL WITH HUN SEN'S POWER GRAB.

-- CHINA, WHOSE CONTINUED EMERGENCE AS A MAJOR REGIONAL POWER PRODUCES DECIDEDLY MIXED EMOTIONS AMONG INDONESIAN LEADERS, WHO WILL PARTICULARLY WELCOME YOUR THOUGHTS ON THE CHINESE PRESIDENT'S OCTOBER VISIT TO WASHINGTON.

-- UN REFORM, PARTICULARLY THE STATE OF PLAY ON SECURITY COUNCIL EXPANSION, SINCE INDONESIA DESIRES A PERMANENT SEAT FOR ITSELF ON THAT BODY.

-- NORTH KOREA AND KEDO, GIVEN INDONESIA'S STATUS AS THE

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SOLE ASEAN MEMBER OF THAT ORGANIZATION.

-- APEC, WHERE PRESIDENT SOEHARTO IS LOOKING FORWARD TO
A BILATERAL MEETING WITH PRESIDENT CLINTON. IT WOULD BE
USEFUL FOR YOU TO ARRIVE HERE WITH THE LATEST READING ON
PLANS FOR VANCOUVER. ROY

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