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THE WHITE HOUSE

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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Soeharto of Indonesia

PARTICIPANTS: The President
The Vice President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Ambassador John Monjo
Robert M. Gates, Deputy Assistant to the
President for National Security Affairs
Karl D. Jackson, Senior Director for Asian
Affairs (Notetaker)
Miss Barbara Harvey (Interpreter)

President Soeharto
Ali Alatas, Minister of Foreign Affairs
Moerdiono, Secretary of State
Abdul Rachman Ramly, Ambassador to the U.S.
Mr. Widodo (Interpreter)

DATE, TIME June 9, 1989, 4:05 - 4:30 pm
AND PLACE: Cabinet Room

President Bush: Welcome, anxious to have your views on Cambodia or any other subjects you would like to bring up.

President Soeharto: Express my appreciation for opportunity to meet, especially after visit to UN headquarters where I received an award that recognized Indonesia's success in its endeavors, especially our population program. Of course our success cannot be separated from the support of the donor countries, including the U.S. and the IGGI. For this support I want to express thanks on behalf of the Indonesian government and people. Our population program is still, however, far from what we hope to achieve.

President Bush: Is your population growth rate around 2 percent?

President Soeharto: It has declined from 2.3 to 1.9 percent. Our infant mortality rate has declined from 142 per 1000 (live births) to 58 per 1000. We hope to further reduce it to 50. Also our life expectancy has grown from only 58 to 63. (No years cited.)

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Our further efforts in health and development are not just in population programs, but we want to improve living standards and the well-being of our people. All this depends on the success of our national development; only then will we have the economic growth to permit improvement in living standards. However, the acceleration of development faces difficulties from within and without. Internally, there has been a decline in the price of oil in international markets.

President Bush: What are you getting at the loading point?

President Soeharto: Now, \$18 per barrel, but there is no guaranteed price. Therefore we have intensified our non-oil exports; there is no other way. In this connection, we hope other countries, including the U.S., could open their markets to our products.

There is one problem that Indonesia can't overcome by itself -- servicing on our debt. The problem has arisen because of changes in the exchange rate vis-a-vis the U.S. dollar, particularly the yen and the deutchmark. If there had been no change in the exchange rate, our debt servicing obligations this year would have been U.S. \$5.2 billion; but with the yen and mark appreciation, they are \$7.1 billion. This trend will continue for years. This means Indonesia's earnings will be absorbed in servicing our debts, and we will not have the ability to continue our development.

Therefore, I hope that money could be reloaned on softer terms. We have explained this to the World Bank, IMF, ADB, and they have begun to provide special loans. But apparently among American officials there is a lack of understanding of this matter, and we have to continue to supply information to them so they will understand. We also hope that American officials will establish a study group to examine this matter.

There are no problems with our dollar loans. We are fully determined to honor our obligations, but because of this we should find new ways of enabling us to do so.

President Soeharto: I would like to bring you up-to-date on the latest developments in Cambodia.

President Bush: We appreciate your leadership on this.

President Soeharto: From the first to the second Jakarta Informal Meeting there was a breakthrough -- a change in Vietnam's inflexible attitude. Previously they had refused to negotiate. Originally Vietnam was confident that it could solve the Cambodian problem on its own terms. After eight to nine

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years in which they have failed to achieve any encouraging results, their economy has suffered, and they have had massive military losses. Only as a result have they sought outside help in solving the problem.

The Jakarta Informal Meetings provide an opportunity for discussions among those concerned -- the four Cambodian factions, Laos and ASEAN. At the second JIM there was no conclusive agreement, but there was a meeting of minds to solve the issue peacefully, to achieve a political solution. The basis for the solution is a Cambodia that is independent, sovereign, peaceful, neutral and non-aligned, through a process of self-determination supported by the whole population. We have reached a consensus for the complete withdrawal of Vietnamese troops; this is part of the integral overall solution. It is separate from the prevention of interference from other external powers or the supply of arms to the four contending parties. There is also a consensus on preventing the return of the Pol Pot regime.

We look for establishing a stable and peaceful region. We look for solving the Cambodian problem through an international conference, internal elections and an international control mechanism. We believe the four Cambodian factions should be allowed to solve their internal problems.

The atmosphere of the May meeting in Jakarta between Hun Sen, Prince Sihanouk and Son Sann led to concessions conducive to further flexibility. Sihanouk originally insisted that the Phnom Penh government be dissolved; then he altered his demand and proposed a temporary government composed of the four factions. Also, originally Prince Sihanouk did not accept peacekeeping forces, but now he has accepted an international control mechanism.

Hun Sen also made concessions: altering the constitution, changing the name to "Negara Kampuchea" (State of Cambodia), leaving out mention of "Democratic" or "People's Republic." He accepted Buddhism as the state religion, and accepted Sihanouk as Head of the State of Cambodia.

Sihanouk looked favorably on the proposals and suggested in turn the possibility of a multi-party system and a private economy.

Consensus was also reached on the participants in the international conference: attendees of the Jakarta Informal Meetings, neighboring countries (Japan, India, Australia, Canada), the five permanent members of the UN Security Council, and the Secretary-General of the UN. Prince Sihanouk proposed Paris as the site, Hun Sen proposed Jakarta; they accommodated both by agreeing to hold meetings alternately in Paris and

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Jakarta.

The round table conference of the four factions is proposed for the end of July, and the international conference itself the first week of August.

These are the latest developments and I would like to have Foreign Minister Alatas brief you further on his recent visits to Moscow and Paris.

Foreign Minister Alatas: In my meeting with Shevardnadze, he said there was not much forward movement in the Deng-Gorbachev meeting. They agreed it was important to prevent at all costs civil war breaking out after the withdrawal of Vietnamese troops, and ensure that the Khmer Rouge are not able to return to the jungle and fight. China was fully supportive of an international conference.

With French Foreign Minister Dumas, we exchanged views on how to structure the international conference, and agreed that the preceding round table conference was crucial. The internal settlement cannot be achieved at an international conference. The French are trying to persuade Sihanouk to have the round table meeting earlier, to give enough lead time going into the August international conference.

President Bush: Interesting. The U.S. admires the way ASEAN has stayed together. We also have an abhorrence of the Khmer Rouge, and support Sihanouk. We are glad that the lead on this is coming from ASEAN. We are not too optimistic, but have reason to be more optimistic than before. I was a little worried -- for a while it looked as though Thailand was on a little different track; it looks less so now. Does that concern you?

President Soeharto: Thailand wanted to take positive steps. The Thai Prime Minister visited Indonesia before adopting these steps; he agreed to take them without abandoning previously agreed upon policies. This is the reason the ASEAN foreign ministers hold frequent meetings -- so if any doubts or hesitations occur, they can be resolved.

President Bush: Do you feel you are together with Thailand?

Foreign Minister Alatas: Yes.

Secretary Baker: Where will the round table meeting be held?

Foreign Minister Alatas: Paris.

President Soeharto: Apart from the agreements between the four

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factions, there are still crucial differences between Hun Sen and Sihanouk on the nature of the transitional government. Sihanouk believes the Khmer Rouge have to be included ("terikat"), binding them into finding a peaceful solution. Hun Sen categorically refuses to have Khmer Rouge elements in a provisional government. Concerning the disbanding (Soeharto said "dibubarkan," Alatas said "integration") of the armed forces, it has been agreed that this would occur only after the election. Sihanouk's demand is that all forces of the four factions should be integrated and kept in place until after the election.

President Bush: There is a danger of hard fighting; the Khmer Rouge are well-armed. I am worried whether China can play a useful role because of the current turmoil there. Our relationship is strained, but we are determined to keep it in a constructive shape. This is hard to do. The brutality in China has enraged the world.

On the economy I want to salute what you have done. Secretary Baker is our expert on this. On your success in family planning, I congratulate you. We would like to be actively involved in international family planning. We salute what you have done, and the UN for recognizing you. Thank you for coming by.

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