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WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with ASEAN Leaders (U)

PARTICIPANTS: United States
The President
Madeleine Albright, Secretary of State
Charlene Barshefsky, U.S. Trade Representative
Samuel R. Berger, Assistant to the President
for National Security Affairs
Sylvia Matthews, Assistant to the President
and Deputy Chief of Staff
Daniel Tarullo, Assistant to the President
for International Economic Affairs
Gene Sperling, Assistant to the President
for Economic Affairs
James Steinberg, Deputy Assistant to the
President for National Security Affairs
Larry Summers, Deputy Secretary of Treasury
Stanley Roth, Assistant Secretary of State for
East Asia and the Pacific
Stapleton Roy, U.S. Ambassador to Indonesia
James Gagnon, NSC Director for Asian Affairs
(Notetaker)

Indonesia
Soeharto, President
Hartarto Sastrosoenarto, Coordinating Minister
for Production and Distribution
Ali Alatas, Minister of Foreign Affairs
Moerdiono, Minister of State Secretary
Nana Suyresna, Ambassador-at-Large
Benjamin Parwoto, Indonesia Ambassador
to Canada
Bintoro Tjokroamidjojo, Ambassador
for APEC Affairs
Widjojo Nitisastro, Advisor to the President
for Economic Affairs
Dadang Sukandar, Head of State Protocol
Widod Sutyo, Assistant Minister for Foreign
Affairs, Minister of State/State Secretary
Nazaruddin Nasution, Director for American
Affairs, Department of Foreign Affairs

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Classified by: Glyn T. Davies

Reason: 1.5 (b,d)

Declassify On: 11/25/07

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: CHARLES E LAHIGUERA
DATE/CASE ID: 30 APR 2008 200502960

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DATE, TIME November 24, 1997, 9:40 - 10:40 a.m. PST
AND PLACE: Vancouver, Canada

The President: When did you arrive in Vancouver? (U)

President Soeharto: I arrived last night at 11:00 p.m. The flight from South Africa took almost twenty-two hours. There is progress in South Africa but it still needs assistance from other countries. (C)

Let me thank you for the great opportunity to meet with you here at APEC. On behalf of the people of Indonesia, I would like to thank you for the assistance with the fires. We are suffering from the fires and the unusually long dry season. One third of our forests are supposed to remain untouched; one third are industrial forests with selective cutting to ensure continuing development; and one third are being converted to palm oil rubber and being used for slash and burn agriculture. (S)

Most of the converted land has deep peat soil. So if we try to extinguish the fire it causes a great deal of smoke and smoldering. The effects of the smoke have been felt in Malaysia, Singapore and Brunei. We are expecting rain but there has been a delay. (S)

I want to thank the United States for the three Hercules aircraft. They have been very helpful in extinguishing the fires on the island of Java. Rains came two days ago so I hope the fires will be extinguished. (S)

I also want to thank you for helping Indonesia in the monetary crisis that has hit not only Southeast Asia but has spread to other parts of Asia such as Korea. (S)

If you look at the economic fundamentals, the Indonesian economy is relatively strong. But the effect of the speculators was too difficult to overcome. You will recall the financial crisis started in Thailand. In Indonesia, the situation worsened when loans came to maturity and had to be repaid. Government loans were under control but the private sector had to buy dollars to repay loans. While the private sector tried to buy dollars, the people also rushed to purchase dollars, weakening the rupiah. The Indonesian public has lost confidence in the rupiah and it has been difficult to restore confidence. In order to overcome this problem, we have tightened the monetary supply; rescheduled huge projects; and taken other measures to strengthen the

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rupiah. Also included in our plan submitted to the IMF for evaluation was reforming the banking system. The IMF has approved a \$10 billion loan; the World Bank, \$4.5 billion and the Asian Development Bank (ADB) \$3.5 billion for a total of \$18 billion. Other Asian countries also have demonstrated solidarity by providing contributions -- Singapore, Malaysia, Brunei and Japan. (S)

Of course, I understand you yourself played a personal role in making possible a positive evaluation by the IMF. The Indonesian economy will require consolidation; economic growth this year will decline to 6 percent. With IMF lending and standby loans we will be able to import materials that will enable us to experience relatively high economic growth. The question remains how to find ways to identify the causes of financial disruption to guarantee that it does not happen again. (S)

We need to think about an emergency fund that would overcome financial turmoil before IMF help comes forward. If we rely on the IMF alone, we prolong the suffering. The fund would serve as a complement to the IMF. I hope the fund will supply the capital needed to prevent layoffs or unemployment. In export industries, the fund would help maintain continued export earnings. There will be a process of consolidation, because the won crisis has caused the rupiah to weaken after it had strengthened. (S)

The government of Indonesia did intervene some to defend the rupiah, but unlike Thailand we did not exhaust our reserves. We instead allowed the rupiah to float. (S)

Coming back to natural disasters, we can't totally prevent El Nino, but we need to focus on how to overcome it and to better identify this phenomenon. Indonesia is an ideal place to monitor climatic changes like El Nino but we don't have the resources or technology to do it. If chosen as a site for this research, Indonesia would cooperate in enhancing monitoring. (S)

I am reminded that you not only played a role with the IMF but provided assistance that helped Indonesia face its financial crisis as well. (S)

The President: I believe I have a strong bilateral and personal relationship with you. We were pleased to help with the financial crisis and the fires. We also have a deep strategic

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role and interest in Indonesia and the whole region. I agree the underlying fundamentals of Indonesia are impressive. We need to build on them through the trade opening APEC provides. (S)

Your leadership in Bogor led to the International Telecommunications Agreement (ITA). This year we will be opening nine different sectors which will give a lot of growth to the region. (S)

As to the financial crisis, the Manila framework established a three step strategy -- each country is to implement responsible macroeconomic policies; the IMF is to be supportive, recognizing the nature of the economies may not require the same measures as twenty years ago; and back-up support by the United States and other countries. I have a slightly different view on what we need to do next. I think we should wait until Finance Ministers meet before deciding. I understand meetings are planned in Kuala Lumpur and Japan. However, I think the solution agreed to in Manila will work. (S)

With regard to the fires, I took great personal interest in the hurt and suffering experienced by the Indonesian people. I am pleased that you are interested in joint planning for natural disasters. If the scientists are right, there will be more natural disasters, because there is more global warming occurring now than in the last 1,000 years. In the United States, severe weather events have increased significantly. It seems a lot of this is due to climate change. This makes the climate change conference in Kyoto important. The United States is the largest cause of global warming because with Europe and Japan we produce the most greenhouse gases. For this reason, we have committed to accept specific targets for reducing emissions to 1990 levels by 2010. (S)

Big questions remain on whether there should be participation by developing economies. Those against developing country participation claim implementation would hurt economic growth and opportunities. Those in favor point out that if developing countries do not participate, emission savings by developed countries will be offset by increased emissions by developing countries in thirty years. The increase in greenhouse gases has been dramatic. Therefore, we have sought to involve developing countries in a way that doesn't require them to sacrifice growth. We know a lot more about energy than we did twenty years ago and can be more efficient now than the United States

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has been in the last fifty years. It is far cheaper for a country to build energy efficient plants in the first place than to convert inefficient ones. We have developed a partial credit plan that gives developing countries access to technology and companies. Many people in Latin America are working with us on this, but in Asia not many are interested because of concerns about the effect on growth. We have sought to redesign the program so that it doesn't affect growth. I would ask you to reconsider and support this program. (S)

We very much value the security arrangement with Indonesia and want to support you with military equipment and training, with the understanding that it will not be used to put down unrest or destabilize the region. I think we have had that understanding. (S)

We have some differences on human rights, East Timor and Mr. Pakpahan. I understand from a discussion between our respective foreign ministers that you are going to permit foreign doctors to visit the imprisoned labor leader Pakpahan. (S)

I would like to take a moment to discuss this cluster of issues. For thirty years you have overseen development in Indonesia and have guided your country as it has made astonishing gains. The size and diversity of Indonesia and its accomplishments will make it one of the world's most important countries in the next century. (S)

But I also believe that the nature of a modern society requires accommodations for order and stability versus individual liberty and national versus individual identity. Failure to have the right balance can lead to tensions within a country's society and problems with its neighbors. Most disruptions stemming from expressions of free speech are only minor matters with which we have to deal. I say not only as the President of the United States but as a friend that I think you will have an incredible legacy when you complete your work. But in this world of universal literacy, provision for local concerns as opposed to national concerns is important and the political and economic costs significantly less than those incurred in maintaining rigid controls. For example, there has been an enormous positive response when you said you intended to investigate the shooting of the university students in East Timor. (S)

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President Soeharto: In 1945, a conference adopted the Indonesian constitution that stipulates how Indonesia behaves with other countries in the world in order to have peace with social justice. Of course, not all citizens in Indonesia favor the government. Those who commit offenses or defy the people entrusted to uphold the constitution and those who violate the constitution will be brought to court to face the rule of law. This is what Indonesia has been doing for years and outsiders do not understand. Thank you. (S)

--End of Conversation--

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