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FROM

(b)(3):10 USC 424

CONTROLS

~~CONFIDENTIAL~~ SECTION 01 OF 05

(b)(3):10 USC 424

(b)(3):10 USC 424,(b)(3):50 USC 403-1(i),(b)(6)

/***** THIS IS A COMBINED MESSAGE *****/

BODY

1. (U) THIS IS AN UPDATED VERSION OF THE MATERIAL PROVIDED TO (b)(3):50 USC 403-1(i) RECENTLY VISITS.

- ~~CONFIDENTIAL~~
- TEAR LINE

- CONFIDENTIAL (b)(3):50 USC 403-1(i)
SUBJECT: SCENE SETTER FOR (b)(3):10 USC 424 VISIT TO INDONESIA (U)

1. (U) (b)(3):10 USC 424 WELCOMES THE VISIT OF (b)(6) (b)(6) TO INDONESIA AND PROVIDES THE FOLLOWING INFORMATION AS A SCENE SETTER AND OVERVIEW AS WE SEE IT FROM JAKARTA.
2. ~~(C)~~ INDONESIA IS A REPUBLIC WITH A STRONG CENTRAL GOVERNMENT. THE NATION HAS KNOWN ONLY TWO PRESIDENTS IN ITS FIFTY YEARS OF INDEPENDENCE, SUKARNO (1945-1967) AND SOEHARTO (1967-PRESENT).
3. ~~(C)~~ POLITICAL SUCCESSION. PRESIDENT SOEHARTO IS NOW 74 YEARS OLD AND WILL HAVE BEEN THE DEFACTO HEAD OF STATE FOR 30 YEARS WHEN HIS CURRENT TERM EXPIRES IN 1998. WHILE HE HAS SERIOUS MEDICAL CONDITIONS, HE APPARENTLY REMAINS SUFFICIENTLY ROBUST TO PLAY GOLF FREQUENTLY, GIVE LENGTHY SPEECHES IN SWELTERING OPEN AIR CONDITIONS, AND TAKE STATE TRIPS AROUND THE GLOBE. HE APPEARS VIGOROUS ON THE OCCASIONS WE HAVE SEEN HIM AND WE SEE NO REASON HE WILL NOT BE ABLE TO FINISH HIS TERM. IT IS NOW WIDELY ASSUMED HE INTENDS TO RUN AGAIN; OUR VIEW IS THAT HE WILL UNLESS

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HIS HEALTH DETERIORATES DRAMATICALLY.

4. (U) NATIONAL DEVELOPMENT. THE DEVELOPMENT OF THE COUNTRY'S ECONOMY AND POPULATION IN A STABLE, ORDERLY AND RATIONAL WAY IS THE PARAMOUNT GOAL OF THE GOVERNMENT AND THE MILITARY/POLICE. KEEPING HUNDREDS OF DIVERSE ETHNIC, RELIGIOUS AND LINGUISTIC GROUPS UNIFIED WHILST MOVING TOWARDS A MORE DECENTRALIZED POLITY IS A MAJOR CHALLENGE FOR INDONESIAN DECISION-MAKERS. IN ECONOMIC TERMS, **INDONESIA** HAS ACHIEVED AN UNPARALLELED 28 YEARS OF GNP GROWTH AT 6-8 PER CENT PER ANNUM. THE GOI REALIZES THAT ECONOMIC PROGRESS REQUIRES BETTER AND MORE COMPREHENSIVE EDUCATION, AND HAVE INCREASED GOVERNMENT FUNDED UNIVERSAL EDUCATION FROM 6 TO 9 YEARS. BETTER EDUCATION, HOWEVER, HAS INCREASED THE DEMAND FOR GREATER PARTICIPATION IN GOVERNMENT AND DECENTRALIZATION OF DECISION MAKING, ESPECIALLY TO THE OUTER ISLANDS. A PILOT PROGRAM TO DECENTRALIZE DEVELOPMENTAL DECISIONS TO THE KABUPATEN (COUNTY EQUIVALENT) LEVEL, WITH BLOCK GRANT FUNDING FOR PROGRAMS HAS BEGUN IN 26 TEST SITES.

5. (U) INTERNATIONAL RELATIONS. **INDONESIA** HAS BECOME A MAJOR FORCE IN A NUMBER OF INTERNATIONAL FORA INCLUDING THE U.N. SECURITY COUNCIL, OPEC, THE NON-ALIGNED MOVEMENT, ASEAN, APEC, AND OTHERS. AS THE DOMINANT PLAYER IN SOUTH EAST ASIA, **INDONESIA** SUPPORTS ASEAN AND HAS TAKEN A LEADING ROLE IN TRYING TO PEACEFULLY RESOLVE THE SPRATLYS DISPUTE. **INDONESIA** MAINTAINS GOOD RELATIONS WITH VIETNAM, THE ONLY OTHER ASIAN NATION TO WIN INDEPENDENCE THROUGH ARMED REVOLUTION. **INDONESIA** HELPED BROKER THE CAMBODIAN PEACE ACCORDS AND SENT THE LARGEST CONTINGENT OF PEACEKEEPERS TO CAMBODIA, WHERE THEY PERFORMED COMMENDABLY. MORE RECENTLY THE INDONESIANS HAVE BEEN HELPFUL IN BUILDING SUPPORT FOR CTBT.

6. ~~(C)~~ SECURITY CONSIDERATIONS. INDONESIAN STRATEGIC THINKERS OFFICIALLY DO NOT SEE AN IMMEDIATE EXTERNAL MILITARY THREAT. ALL CLOSE NEIGHBORS ARE BOTH FRIENDLY AND MILITARILY WEAK. THE INDONESIANS ARE WARY OF THE PRC AND ITS PERCEIVED EXPANSIONIST AIMS. THESE CONCERNS WERE HEIGHTENED BY THE MISCHIEF REEF EPISODE, CHINESE VAGUENESS IN DEFINING TERRITORIAL WATERS THAT MAY OVERLAP INDONESIAN CLAIMS, AND RECENT CHINESE MILITARY MANEUVERS NEAR TAIWAN. THE INDONESIAN ARMED FORCES HAVE GOOD MILITARY-TO-MILITARY RELATIONS WITH ALL ITS NEIGHBORS. IN DECEMBER **INDONESIA** SIGNED ITS FIRST EVER, FORMAL BILATERAL DEFENSE ARRANGEMENT

WITH AUSTRALIA. THE AGREEMENT'S MAIN ACCOMPLISHMENT SEEMS TO BE SIMPLY ITS EXISTENCE. NEITHER SIDE HAS INDICATED ANY SUBSTANTIAL FRUIT OF THE AGREEMENT, BUT IT DOES SYMBOLICALLY RECOGNIZE AUSTRALIA AS **INDONESIA'S** 'MOST FAVORED NEIGHBOR'. AUSTRALIAN SOURCES DO NOT SEE MUCH CAPACITY TO SIGNIFICANTLY EXPAND THEIR CURRENT ROBUST MILITARY-TO-MILITARY RELATIONSHIP WITH **INDONESIA**. AUSTRALIA AND **INDONESIA** CURRENTLY CONDUCT NAVAL AND AIR EXERCISES, BOTH IN **INDONESIA** AND AUSTRALIA. IN 1995 THE **INDONESIAN** ARMY PARTICIPATED IN KANGAROO 95 WITH AN AIRBORNE INFANTRY COMPANY, THEIR LARGEST OVERSEAS TRAINING DEPLOYMENT EVER.

7. ~~(C)~~ MARITIME ISSUES. BECAUSE IT IS SUCH A SPRAWLING ARCHIPELAGO, **INDONESIA** HAS FOUND IT DIFFICULT TO PROTECT HER TERRITORIAL WATERS. PREVENTING FISH POACHING FROM NEIGHBORING NATIONS, ROUTINE PATROLLING OF INTERNATIONAL STRAITS, AND CONTROLLING REFUGEES AND ILLEGAL ALIENS HAVE
/***** BEGINNING OF SECTION 002 *****/

ALL STRAINED THE PATROL CAPABILITY OF THE **INDONESIAN** NAVY. TO HELP ALLEVIATE THESE BURDENS, THE GOI IS PUSHING TO LIMIT THE NUMBER OF ARCHIPELAGIC SEA LANES THROUGH THEIR COUNTRY TO JUST THREE NORTH-SOUTH LANES. THE **UNITED STATES**, AUSTRALIA AND OTHERS OPPOSE THIS INITIATIVE.

8. ~~(C)~~ THE "DUAL FUNCTION." ABRI HAS ALWAYS PLAYED A DOMINANT ROLE IN THE "NEW ORDER" INSTITUTED BY SOEHARTO. OVER TIME, HOWEVER, THIS ROLE HAS GRADUALLY BUT STEADILY DECLINED. FROM A HIGH POINT IN THE 1970'S MILITARY OFFICERS APPOINTED TO GOVERNMENT MINISTRIES, REGIONAL AND LOCAL GOVERNMENT, AND INDUSTRY POSITIONS HAVE DECLINED TO THEIR LOWEST POINT SINCE 1967. LAST YEAR GOVERNMENT ANNOUNCED THE NUMBER OF APPOINTED MILITARY POSITIONS IN THE NATIONAL PARLIAMENT WILL BE CUT BY 25 PERCENT AFTER THE NEXT ELECTION (ACTIVE DUTY MILITARY MEMBERS CANNOT VOTE IN ELECTIONS).

(U) ORGANIZATION OF THE MINISTRY OF DEFENSE AND SECURITY AND THE ARMED FORCES (HANKAM)

9. (U) THE MINISTRY OF DEFENSE AND SECURITY (HANKAM) SUPERVISES ALL THREE ARMED SERVICES AS WELL AS THE POLICE. THE CURRENT MINISTER OF HANKAM IS RETIRED ARMY GENERAL EDI SUDRAJAT. HANKAM FUNCTIONS PRIMARILY AS A MANAGER OF RESOURCES (PLANS, BUDGET, PERSONNEL, AND MATERIAL). HANKAM ALSO INCLUDES INDUSTRIAL AND TECHNICAL RESEARCH COMPONENTS.

10. (U) THE ARMED FORCES COMMANDER-IN-CHIEF (PANGAB) IS COMMANDED BY AN ARMY GENERAL, CURRENTLY GENERAL FEISAL TANJUNG. HIS POSITION IS A CABINET POST IN ITS OWN RIGHT. EACH SERVICE HAS A CHIEF OF STAFF AND SEVERAL OPERATIONAL COMMANDS. THE MAJOR OPERATIONAL COMMANDS FOR THE ARMY ARE TEN (10) MILITARY AREA COMMANDS (KODAMS), A STRATEGIC RESERVE COMMAND, AND THE SPECIAL FORCES. A KODAM IS RESPONSIBLE FOR ALL ARMY ACTIVITIES IN A SPECIFIC GEOGRAPHICAL AREA AND IS COMMANDED BY AN ARMY MAJOR GENERAL. IN TIMES OF NATIONAL EMERGENCY, OR WHEN DIRECTED BY HEADQUARTERS ABRI, THE KODAM COMMANDER BECOMES THE JOINT FORCE COMMANDER FOR HIS AREA. THE NAVY'S OPERATIONAL COMMANDS ARE THE EASTERN AND WESTERN FLEETS, LOCATED IN SURABAYA AND JAKARTA RESPECTIVELY, PLUS FIVE MAJOR SHORE BASES. THE AIR FORCE HAS TWO OPERATIONAL COMMANDS LOCATED IN JAKARTA AND UJUNG PANDANG, SOUTH SULAWESI RESPECTIVELY. ADDITIONALLY, EACH SERVICE HAS TRAINING AND EDUCATION COMMANDS INCLUDING SERVICE SPECIFIC ACADEMIES AND STAFF COLLEGES.

(U) SIGNIFICANT CONSIDERATIONS FOR ABRI

11. (U) THE INDONESIAN ARMY IS NO STRANGER TO ARMED CONFLICT. EVERY DAY SINCE INDEPENDENCE, FOR OVER FIFTY YEARS NOW, INDONESIAN SOLDIERS HAVE BEEN ENGAGED IN ACTIVE COMBAT OPERATIONS AGAINST ARMED OPPONENTS. AT VARIOUS TIMES OVER THE PAST FIFTY YEARS, THE INDONESIANS HAVE FOUGHT THE BRITISH (TWICE), DUTCH (TWICE), AUSTRALIANS, MALAYSIANS, AND NEW ZEALANDERS. INDONESIAN SOLDIERS ALSO CONDUCTED MAJOR CAMPAIGNS ON EVERY SIGNIFICANT ISLAND IN THE ARCHIPELAGO AGAINST SEPARATISTS, RELIGIOUS FANATICS, AND COMMUNISTS. THE INDONESIANS BELIEVE TIME IS THEIR BEST ALLY. THREE AREAS HAVE PARTICULARLY TROUBLESOME LOW LEVEL INSURGENCIES. NONE OF THE REBEL GROUPS ARE CURRENTLY RECEIVING EQUIPMENT OR TRAINING FROM EXTERNAL STATE SPONSORS, BUT ALL HAVE SOME FINANCIAL SUPPORT FROM OVERSEAS GROUPS.

12. (C) EAST TIMOR. EAST TIMOR IS THE SMALLEST, POOREST, NEWEST, AND LEAST POPULATED PROVINCE OF **INDONESIA**. IT IS ALSO A PROMINENT SOURCE OF FRICTION BETWEEN **INDONESIA** AND THE WORLD, AND HAS AFFECTED **US-INDONESIAN** RELATIONS. BECAUSE OF THIS NOTORIETY, IT IS EASY TO EXAGGERATE THE CENTRALITY OF THE PROVINCE. WHILE FLARE-UPS IN EAST TIMOR ARE LIKELY, THESE DO NOT YET HAVE A SIGNIFICANT IMPACT ON DOMESTIC POLITICAL

CONDITIONS OR NATIONAL STABILITY.

A. EAST TIMOR WAS FORCIBLY INCORPORATED INTO **INDONESIA** IN 1975, AND HAS BEEN A SOURCE OF TROUBLE EVER SINCE. FOR MANY YEARS THE ARMY OPERATED UNCHECKED IN EAST TIMOR, COMMITTING WHAT EVEN SENIOR OFFICERS NOW ADMIT WERE "MAJOR MISTAKES". THE PROVINCE WAS "OPENED" IN 1989.

B. THE DILI INCIDENT. TWO YEARS LATER (1991), THE ARMY

/***** BEGINNING OF SECTION 003 *****/

OPENED FIRE ON DEMONSTRATORS IN DILI KILLING AT LEAST 50 AND MORE LIKELY OVER 100. THE MISSING HAVE NEVER BEEN SATISFACTORILY ACCOUNTED FOR AND REMAIN AN ISSUE. THIS INCIDENT WAS THE CATALYST FOR CONGRESSIONAL ACTION ENDING FUNDING FOR IMET. THE SUBSEQUENT HIGHLY PUBLICIZED U.S. REFUSAL TO PERMIT THE TRANSFER OF FOUR AGED F-5 FIGHTERS FROM JORDAN TO **INDONESIA** IN 1993 DROVE RELATIONS TO THEIR LOWEST POINT SINCE 1965. THE INCIDENT WAS ALSO A WATERSHED FOR **INDONESIA** AND ABRI. A NATIONAL HONOR COUNCIL FORMED AT THE DIRECTION OF THE PRESIDENT TOOK FIRM, VISIBLE DISCIPLINARY ACTION AGAINST THE ENTIRE CHAIN OF COMMAND AND THE SOLDIERS RESPONSIBLE. IN ADDITION, A NATIONAL HUMAN RIGHTS COMMITTEE WAS APPOINTED BY THE PRESIDENT THAT HAS PROVEN TO BE MORE INDEPENDENT AND EFFECTIVE IN PURSUING HUMAN RIGHTS ALLEGATIONS THAN MOST EARLY CRITICS WOULD HAVE BELIEVED. THE COMMITTEE HAS ACTIVELY FOLLOWED UP ON ALLEGED HUMAN RIGHTS SINCE.

C. THE **INDONESIAN** BODY POLITIC IS THOROUGHLY FED UP WITH AND WORN OUT BY THE PROBLEM OF EAST TIMOR. EVERY INTERNATIONAL MEETING INEVITABLY INVOLVES QUESTIONS ABOUT EAST TIMOR. THOSE DIRECTLY INVOLVED IN THE PROVINCE FEEL THEIR EVERY MOVE IS SCRUTINIZED BY DOMESTIC AND FOREIGN OBSERVERS EAGER TO POUNCE ON ANY MISCUE. IN JANUARY 1995, A NEW INCIDENT AT LIQUISA EVENTUALLY FORCED THE GOVERNMENT TO OPEN BOTH MILITARY INSPECTOR GENERAL AND NATIONAL HUMAN RIGHTS COMMISSION INVESTIGATIONS. THE CULPRITS, A LIEUTENANT AND A PRIVATE, WERE CONVICTED OF HUMAN RIGHTS ABUSES AND SENTENCED TO PRISON AND DISHONORABLE DISCHARGE.

D. EAST TIMOR REMAINS VOLATILE, DESPITE REPEATED GOVERNMENT ASSURANCES THAT EVERYTHING IS CALM. THE RESISTANCE HAS CHANGED ITS STRATEGY FROM ARMED CONFRONTATION TO POLITICAL AGITATION IN THE PROVINCE AND PUBLIC PRESSURE IN INTERNATIONAL FORA. THE MILITARY CAPABILITIES OF THE RESISTANCE ARE LIMITED (ABOUT 200

COMBATANTS WITH ABOUT 100 WEAPONS) AND FOCUSED ON SURVIVAL. THEY REMAIN A FORCE IN BEING AND CONTINUE TO INFLICT A STEADY TRICKLE OF CASUALTIES ON THE INDONESIAN ARMY. THE GUERRILLAS HAVE APPARENTLY BEGUN TO ASSASSINATE GOVERNMENT COLLABORATORS AND INFORMANTS AND TO TERRORIZE NON-ETHNIC TIMORESE MIGRANTS, ANOTHER TACTICAL CHANGE. WHILE THE INDONESIAN MILITARY CASUALTY RATE IS BEARABLE, EAST TIMOR IS NO LONGER SEEN AS A CAREER ENHANCING ASSIGNMENT, AS IT ONCE WAS. MANY MID-LEVEL MILITARY OFFICERS, BOTH IN TIMOR AND IN JAKARTA, ARE AMONG THE STRONGEST ADVOCATES OF A POLITICAL SOLUTION TO THE CONFLICT. E. WE SEE NO EARLY END TO THE TENSION IN THE PROVINCE, ABSENT A SIGNIFICANT POLICY CHANGE FROM THE CENTER. RIOTS IN THE PROVINCE CAPITOL AND SEVERAL OUTLYING TOWNS IN 1995 CONFIRM THE EXPLOSIVE NATURE OF THE PROBLEM. THE CURRENT STRATEGY OF POURING IN "DEVELOPMENT" TO WIN THE HEARTS AND MINDS OF THE PEOPLE AND CONVINCE THEM TO ENJOY THEIR PROGRESS AND PROSPERITY IS FAILING JUST AS THE PREVIOUS "SHOOT 'EM AND SORT 'EM" POLICIES FAILED. WE BELIEVE, HOWEVER, THAT MANY IN GOVERNMENT ARE TRYING TO EFFECT A DEFACTO POLICY CHANGE TO PERMIT MORE LOCAL AUTONOMY. IT IS UNLIKELY THAT THE HALF MEASURES PROPOSED WILL SUBSTANTIALLY CHANGE THE EQUATION.

13. ~~(C)~~ ACEH. THE ACEH MERDEKA MOVEMENT IS BUILT AROUND A CORE OF RADICAL ISLAMIC MILITANTS. IN THE EARLY DAYS OF THE MOVEMENT, THE LIBYANS ARE ALLEGED TO HAVE SUPPORTED THE FUNDAMENTALISTS WITH ARMS, TRAINING AND MONEY. FINANCIAL SUPPORT NOW IS DERIVED FROM MARIJUANA PRODUCTION AND SMUGGLING. WHILE THE LEVEL OF COMBAT ACTIVITY IS DOWN FROM THE HIGH POINT OF 1989-90, ACTIVE PATROLLING CONTINUES. CLASHES CONTINUED THROUGH 1995; SEVERAL REBELS WERE KILLED IN 1995 BY SECURITY FORCES AND, THOUGH THEY DO NOT PUBLICALLY ADMIT IT, SOME SOLDIERS WERE ALSO KILLED IN COMBAT THERE. WE EXPECT A DIMINISHING LEVEL OF COMBAT ACTIVITY IN 1996, BUT RELIGIOUS UNREST TO CONTINUE AMONG A SMALL MINORITY. ACEH WAS NEVER "PACIFIED" BY THE DUTCH AND REMAINS A SORE.

14. ~~(C)~~ IRIAN JAYA. A SMALL SEPARATIST MOVEMENT, THE ORGANIZATION FOR A FREE PAPUA (OPM), OPERATES AMONG THE INDIGENOUS PEOPLES OF THE PROVINCE. PREVIOUSLY THEY LIMITED THEIR ACTIVITIES TO SMALL RAIDS, AMBUSHES, OR SPORADIC VIOLENCE AGAINST THE GOVERNMENT. IN 1995 THEY BECAME MORE AGGRESSIVE, SACKING AN INDONESIAN CONSULATE IN

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/***** BEGINNING OF SECTION 004 *****/

PAPUA-NEW GUINEA AND KIDNAPPING INDONESIANS AND FOREIGNERS IN IRIAN. ELEVEN HOSTAGES, SIX WESTERN AND FIVE INDONESIANS, ARE CURRENTLY BEING HELD BY OPM INSURGENTS IN WEST CENTRAL IRIAN. THE OPM HAS LIMITED LOCAL SUPPORT AND GETS SOME UNAUTHORIZED FINANCIAL SUPPORT FROM ABROAD, USUALLY FUNNELED THROUGH NEIGHBORING PAPUA-NEW GUINEA. TOTAL ARMED MEMBERSHIP IS PROBABLY BELOW 300. OVER THE PAST YEAR THE LEVEL OF ACTIVITY HAS INCREASED, ESPECIALLY IN THE AREA OF TIMIKA, SITE OF THE WORLD'S LARGEST OPERATIONAL COPPER AND GOLD MINE. TWO MILITARY INVESTIGATION TEAMS AND THE NATIONAL HUMAN RIGHTS COMMISSION HAVE INVESTIGATED ABRI ABUSES. THREE SOLDIERS ARE NOW ON TRIAL FOR KILLING INNOCENT IRIANESE; OTHER OFFICERS AND ENLISTED SOLDIERS ARE UNDER ARREST AWAITING TRIAL FOR A DIFFERENT INCIDENT. RECENTLY, RIOTING BROKE OUT AT THE FREEPORT SITE AND ADJOINING TOWN OF TIMIKA. DAMAGE WAS EXTENSIVE AND COSTLY, BUT DID NOT SERIOUSLY INTERFERE WITH MINE OPERATIONS. ABRI WAS ABLE TO CONTAIN THIS OUTBREAK, AND ONE IN THE CAPITAL OF JAYAPURA, WITHOUT EXCESSIVE VIOLENCE AND REPRESSION. THIS WILL BE THE NEXT PROBLEM AREA FOR ABRI.

15. (U) VERY RESPECTFULLY, [REDACTED]

(b)(3): 10 USC 424

CL BY: [REDACTED]

CL REASON: ~~1.5 (A) (B)~~

DECL: ~~X51~~

- ~~CONFIDENTIAL~~
- TEAR LINE

- ~~CONFIDENTIAL~~
- TALKING PAPER

SUBJECT: (b)(3):50 USC 403-1(i) [REDACTED] VISIT TO INDONESIA, 7-11 AUG 1996

PURPOSE: TO PROVIDE (b)(3):50 USC 403-1(i) [REDACTED] WITH KEY ISSUES AND POSSIBLE TALKING POINTS CONCERNING THE POTENTIAL SALE OF THE [REDACTED]

(b)(1), 1.4 (c) [REDACTED] TO INDONESIA.

ISSUES:

CURRENT STATUS:

INDONESIA'S STATE MINISTER FOR NATIONAL DEVELOPMENT PLANNING (BAPPENAS) GINANDJAR TOLD THE AMBASSADOR ON 17 APR 96 A FIRM DECISION HAS BEEN MADE TO PURCHASE 9 OF THE AIRCRAFT. THIS HAS NOT BEEN ANNOUNCED FORMALLY.

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FINANCING IS NO LONGER AN ISSUE. GINANDJAR STATED **INDONESIA** HAS BUDGETED \$110M FOR THE AIRCRAFT AND INTENDS TO PAY CASH. INCLUDED IN THIS BUDGET IS PROVISIONS FOR SOME INITIAL AND FOLLOW-ON SUPPORT AND SPARE PARTS. GOI SUBMITTED AN OFFER OF \$8MILLION PER AIRCRAFT ON 16 NOV 95. ALTHOUGH (b)(1), 1.4 (c) DETERMINED THAT THIS IS A REASONABLE OFFER IN LIGHT OF CFE PRICING; THERE HAS BEEN NO RESPONSE TO THE **INDONESIAN** OFFER.

CONCERNS:

INDONESIA WOULD LIKE TO PERFORM REQUIRED MODIFICATIONS TO THE AIRCRAFT IN-COUNTRY. (b)(1), 1.4 (c) REPRESENTATIVES ARE WORKING THE ANSWER TO THIS.

A SECOND CONCERN IS AVAILABILITY OF MUNITIONS FOR THE AIRCRAFT. THE IDAF IS INTERESTED IN PURCHASING ADDITIONAL WEAPONS FOR THE AIRCRAFT, I.E. AGM-65, AIM-9, AND 20MM AMMUNITION AND HAS REQUESTED INFORMATION ON REDUCED PRICES FOR THESE MUNITIONS. WE ARE CHECKING THE STATUS WITH (b)(1), 1.4. FURTHER PROGRESS ON THIS SALE IS DEPENDENT ON A PRICE DETERMINATION. THIS HAS BEEN IDENTIFIED BY THE COM AS A MAJOR ISSUE REQUIRING RESOLUTION. GOI VIEWS THIS AS A U.S. TO **INDONESIA** SALE AND DOES NOT WANT TO BECOME INVOLVED IN ANY U.S./GOP CONCERNS.

TALKING POINTS:

DOD FULLY SUPPORTS THIS SALE AND IS PREPARED TO ASSIST THE GOI IN ANY WAY POSSIBLE. THIS SALE STRENGTHENS THE POLITICAL AND MILITARY OBJECTIVES OF OUR TWO COUNTRIES. I HAVE HEARD ABOUT THE OUTSTANDING PERFORMANCE OF THE (b)(1), 1.4 (c)

/***** BEGINNING OF SECTION 005 *****/

(b)(1), 1.4 (c) THEIR

SUCCESS IS PROOF OF YOUR PILOTS' TECHNICAL SKILL..

PREPARED BY: (b)(3):10 USC 424

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LATEST UPDATE 18JUN96: THE AMERICAN LAWYERS AND THE PAKISTANI LAWYERS HAVE COME TO AN AGREEMENT THAT THE AIRCRAFT CAN BE **SOLD**. NOW **INDONESIAN** AND AMERICAN LAWYERS ARE IN THE PROCESS OF CONSUMATING A SALE OF NINE AIRCRAFT AT EIGHT MILLION PER PLANE. WE EXPECT IT WILL STILL BE MONTHS BEFORE THINGS ARE FINAL.

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SUBJECT: POTENTIAL (b)(1) SALE TO INDONESIA (U)

REFERENCE: SECSTATE QUESTIONS CONCERNING THIS ISSUE (U)

1. ~~(C)~~ CLASSIFIED BY (b)(3):10 USC 424 REASON: 1.5(D).

2. ~~(C)~~ WE UNDERSTAND QUESTIONS HAVE ARISEN ABOUT CONSUMMATION OF THE (b)(1) SALE. THE FOLLOWING PARAGRAPHS ADDRESS THE IMPORTANCE OF THIS SALE TO THE U.S. INDONESIAN RELATIONSHIP.

- A. IF WE RENEGE ON THIS DEAL, ESPECIALLY AFTER WE REFUSED TO ALLOW THE (b)(1) SALE, INDONESIAN COOPERATION WITH THE U.S. WILL BE SET BACK MANY YEARS. OUR REPUTATION AS AN UNRELIABLE AND CAPRICIOUS TRADING PARTNER WILL BE CAST IN CONCRETE.

- B. THE INDONESIANS IN GENERAL AND SPECIFICALLY THEIR MILITARY HAVE TAKEN SERIOUS AND SUCCESSFUL STEPS TO ADDRESS HUMAN RIGHTS CONCERNS (WHICH IS THE USUAL ISSUE IN WASHINGTON) AND TO INCREASE PROFESSIONALISM. THE MILITARY'S CAREFUL HANDLING OF TENSE SITUATIONS IN IRIAN JAYA AND EAST TIMOR RECENTLY HAS BEEN COMMENDED BY CHURCH, NGO, AND INDEPENDENT EXPATRIATE OBSERVERS.

C. OUR COOPERATIVE ENGAGEMENT PROGRAM WITH **INDONESIA** HAS BORN IMPORTANT FRUIT. THE INDONESIANS HAVE ACTED FAVORABLY ON A NUMBER OF SUGGESTIONS AND REQUESTS. IF OUR RELATIONSHIP SOURS AGAIN, MANY OF OUR ACTIVITIES IN THIS PART OF THE WORLD COULD BE JEOPARDIZED. SPECIFICALLY:

- (1) THEY RECENTLY OFFERED U.S. FORCES THE USE OF THE ONLY AIR-TO-AIR AND AIR-TO-GROUND TRAINING FACILITY IN THE COUNTRY; ONE OF THE BEST SUCH FACILITIES BETWEEN CONUS AND THE MIDDLE EAST. THIS IS AN ESPECIALLY IMPORTANT DEVELOPMENT AS OUR CURRENT AIR FORCE TRAINING ACTIVITY IN **INDONESIA** IS VERY LIMITED (ONLY ONE SMALL "COPE WEST" EXERCISE EVERY OTHER YEAR). USE OF THE FACILITY BY NAVAL AND MARINE AIR WOULD BE OF EVEN GREATER BENEFIT.

- (2) JOINT TRAINING BETWEEN OUR NAVY/MARINES AND THEIRS (THE "CAROT" SERIES OF EXERCISES AND ROUTINE SHIP VISITS) IS BECOMING MORE EXTENSIVE AND VALUABLE FOR ALL PARTIES. OUR AIR AND NAVAL OPERATIONS IN SOUTH EAST ASIA WILL BECOME VERY DIFFICULT WITHOUT THE COOPERATION OF **INDONESIA** BECAUSE OF THEIR STRATEGIC GEOGRAPHIC POSITION ASTRIDE ALL NORMAL LINES OF COMMUNICATION BETWEEN THE PACIFIC AND INDIAN OCEANS. THIS PROBLEM WILL BECOME CRITICAL AS WE DISCUSS THE ARCHIPELAGIC SEALANES ISSUE.

- (3) U.S. DEFENSE INDUSTRY SALES HERE HAVE

BEEN VIRTUALLY NEGLIGIBLE SINCE 1992. DURING THE SAME PERIOD, BRITISH SALES ALONE HAVE EXCEEDED 3 BILLION USD. THAT EQUATES TO SOME 45-60,000 JOBS IN THE HARD HIT DEFENSE INDUSTRIAL SECTOR. FRENCH, SOUTH KOREAN, AND GERMAN SALES HAVE BEEN EXTENSIVE AS WELL.

3. (U)

(b)(3):10 USC 424

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ADMIN

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