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cc. Master Set
. PM Tours Abroad
(Apr 79) 'Possible
Visits by P.M.'
. Kampuchea (Oct 79)
'Situation'

RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF THE REPUBLIC OF INDONESIA AT NO. 10 DOWNING STREET
AT 12 NOON ON WEDNESDAY 14 NOVEMBER 1979

Present:

The Prime Minister	President Soeharto
The Rt. Hon. J. Nott, MP	Professor Mochtar
The Rt. Hon. W.J. Biffen, MP	Dr. Widjojo
The Lord Strathcona and Mount Royal	HE Mr. Saleh Basarah
Mr. P.A.R. Blaker, MP	Mr. Joop Ave
Sir M. Palliser, GCMG	Mr. Nana Sutresna
Mr. H.A.H. Cortazzi, CMG	
Mr. T.J. O'Brien, CMG, MC	
Mr. M.O'D.B. Alexander	
Mr. C. Anson	
Mr. R.P. Flower	

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The Prime Minister introduced her colleagues and explained that Lord Carrington had unfortunately had to attend the Conference on Rhodesia at Lancaster House and could not be present. She said that during their tête-à-tête discussion which had just finished, she and the President had discussed trade matters. The President had thought that the terms of credit offered by Britain were not as generous as those of some of her competitors. They had agreed that bilateral trade should be expanded, and the President had outlined his plans to develop the Indonesian economy.

The Prime Minister said that she and the President had also discussed the situation in Cambodia, which would become critical during the present dry season. The Pol Pot forces were still quite strong and would fight it out with the Vietnamese during the coming 5 months. The Prime Minister had emphasised that

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practically no one could support the Pol Pot regime and that the British Government was under strong pressure not to continue to recognise it. President Soeharto had told her that the Vietnamese Prime Minister had assured ASEAN countries in 1978 that Vietnam would not cause them any trouble, and that Indonesia had been surprised when Vietnam invaded Cambodia. The problem was now to find a leader strong enough to take the country over. The refugee problem would destabilise the area and was intended to do so, especially by upsetting the delicate racial balance in such countries as Malaysia. The Prime Minister had explained to the President that that was one of the reasons why Britain had agreed to accept refugees for resettlement.

The Prime Minister said that she had also assured the President of UK support for ASEAN. Britain had strong historical links with South East Asia, and we wished to retain our influence in that area as much as possible.

President Soeharto said that ASEAN countries were developing co-operation between themselves in order to increase national resilience because only by developing co-operation in the economic, social and even military fields could they face up to their common problems successfully. The main need was to develop economic self-reliance. To this end, they were seeking co-operation on a bilateral and regional basis with the developed countries. Indonesia was aware that the European Community and particularly Britain also had an interest in enhancing economic co-operation.

Dr. Widjojo added that ASEAN countries were developing a system of trade preferences amongst themselves and had also embarked on a number of joint ventures. An ASEAN telecommunications network was in operation, using an Indonesian satellite. It was important for ASEAN to maintain a dialogue with the European Community, Japan, the USA, Canada, Australia and New Zealand. He hoped that rapid progress would be made with the proposed Co-operation Agreement between ASEAN and the EEC and that a draft would be agreed this month. Indonesia wished to export more to the EEC and to diversify her trade. Particularly important areas were textiles and plywood.

/The Prime Minister

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The Prime Minister said that the textiles industry was also important for the UK. We had 900,000 people working in the industry, more than in the coal and steel industries put together. As patterns of world trade changed, new skills must be learned, but an economy could not be transformed overnight. Britain needed to negotiate arrangements which would be satisfactory both to her and to others.

Mr. Nott said that Indonesia was party to the Multi Fibre Agreement within which the UK was trying to be as liberal as possible. Our textile industry had shrunk by some 200,000 employees during the last few years, and was still a sensitive area. Negotiations with Indonesia were being conducted by the European Community. Imported textiles often represented very good value, but it was necessary to consider both the producer and the consumer.

Concerning plywood, Mr. Nott said that Britain was encouraging the EEC to be more forthcoming. Some members (Belgium, Italy and West Germany) had plywood industries of their own and were therefore less sympathetic.

President Soeharto referred to efforts by South East Asian countries to co-operate in reinforcing their political stability. The problems of Indo-China increased the need for this. Professor Mochtar emphasised the importance of recent events especially in Thailand. The Thai Government had taken a major decision to reverse their previous policy of sending refugees back into Cambodia. Now they were accepting as many as they could, and there were already 300,000 refugees in Thailand. The problem was to move the refugees inland from the border areas, but some were not willing to be moved as they were fighting troops who had merely come into Thailand to collect food. The situation was potentially very dangerous. The presence of international relief organisations in the border areas was a further complication. The Vietnamese were intent on using the dry season to defeat the Khmer Rouge decisively, but only 3 weeks ago he had been told by Ieng Sary of his confidence that the Khmer Rouge would not be

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extinguished. Effective resistance was continued in the north-east and centre of Cambodia as well as in the west and in the mountains.

The ASEAN countries had received considerable support for their initiative in proposing a resolution which would be voted on in the UN General Assembly this week; they already had 22 co-sponsors from a wide spectrum of countries including Algeria. This would strengthen the hand of ASEAN and of the Cambodian people in increasing diplomatic pressure for a settlement of the problem. ASEAN had already contributed to preventing the Vietnamese from turning their control of the battlefield to political advantage. The Vietnamese saw Cambodia as an internal matter. This was a clear violation of the normal principles governing inter-state relations but comprehensible historically. The Khmer Rouge were an offshoot of the Vietnamese Communist Party and so the struggle was seen in Vietnam as being one between two factions of the same party. It was a family quarrel intensified by ideological fanaticism. Outsiders could do little, and the Thai Government's policy was designed to save as many Cambodians as possible. There ^{was a} real danger of the extinction of the Khmer people. In opposing the claims of Heng Samrin there was a danger of becoming identified with Pol Pot. Indonesian spokesmen had made it clear that they did not support Pol Pot but had to maintain the principles of non-intervention and of the non-use of force against independent states.

Mr. Blaker said that Britain was backing the ASEAN resolution and had spoken in support of it. We had indeed been ready to co-sponsor it but the ASEAN countries had understandably said that they preferred sponsorship from non-Western countries. Pol Pot was a "rude word" in Britain and faced us with difficult problems. But we agreed that Heng Samrin had been brought to power by the Vietnamese army and so could not be supported. Did the Indonesians have any views on a possible new regime such as one under Prince Sihanouk? The Prime Minister said that she had tackled Premier Hua Guofeng about this but he had not held out much hope for Sihanouk.

/Professor Mochtar

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Professor Mochtar said that this was a very important question. The Cambodian President, Khieu Samphan, had said in Havana that he was really desperate - he realised that he could no longer insist on preserving the Pol Pot regime, and was trying to get the views of all Cambodians (including Lon Nol, Son Sann and the Khmer Serei) and was even willing, if a Front for National Unity materialised, to offer Prince Sihanouk the leadership. Khieu Samphan had also said that for some months now Pol Pot cadres had been undergoing re-education to stop them killing Cambodian people - whatever their affiliations. A week after the Havana Conference, Prince Sihanouk had rejected Khieu Samphan's ideas. Given that he had lost four of his five children at the hands of Pol Pot this was hardly surprising. Sihanouk was now concentrating on becoming the leader of Cambodians in exile and in providing humanitarian assistance; he was playing for time. The dry season offensive would be decisive. The Vietnamese must understand that they could not get away with their aggression and must be forced to negotiate. It was important to know Soviet and Chinese views and intentions. He, Dr. Mochtar, had been very frank with the Vietnamese and had told them that by their actions they were inviting intervention by these powers in the affairs of South East Asia. The Vietnamese had said that they could not withdraw from Cambodia because then Pol Pot would reassume power. Professor Mochtar had asked them how they reconciled this position with their argument that Heng Samrin was in charge, but they had not been able to answer.

Professor Mochtar had tried to persuade the United States Government to use their leverage on the Chinese not to do anything rash. The USA should enter into diplomatic relations with Hanoi since otherwise they would have no influence there. If they did so, they would obtain leverage not only in Hanoi but also with China, which was inclined to take American support for granted. But the Americans were not prepared to do so. Sir M. Palliser said that they could hardly be expected to do so in an election year.

The Prime Minister said that there appeared to be little hope for the people of Cambodia in this battle to the death. She had obtained little comfort from Hua Guofeng. Professor Mochtar

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said that the Chinese, Vietnamese and Cambodians were all very cynical about human life. Sir M. Palliser said that during the Prime Minister's talks in Bonn last week, the Germans had emphasised the need to support Thailand in order to save life. The Prime Minister said that the Chinese had evidently calculated very carefully that there would be no Russian intervention when they had invaded Vietnam, but that the invasion had caused them more difficulties than they had anticipated and that it was unlikely to be repeated. Mr. Blaker said that there must be concerted pressure on the Vietnamese to recognise that the present situation was not supportable. If the war were not too savage the situation might gradually improve because of the relief which was now being supplied. President Soeharto said that the distribution of this was difficult to control and supervise, but that although a lot of pilfering was bound to take place, the bulk of the aid seemed to be reaching the people. Aid delivered to Thailand certainly would reach those in need.

Dr. Widjojo said that Indonesia was concerned about developments in the world economy, and in North/South relations. He recognised the United Kingdom's generosity in waiving repayment of past aid loans and hoped that other countries would do likewise. The next round of negotiations on the Common Fund would be particularly important to ASEAN, whose countries were mostly exporters of commodities. Some progress had been made on individual commodity agreements, but more work was needed. He referred to the proposal that negotiations should be held between energy exporting and importing countries, but said that Indonesia would not support this unless it was linked to other aspects of development co-operation. He hoped for a positive response to the call from the Group of 77 for global negotiations on economic matters. The Paris Conference had not been very fruitful but a new effort should be made within the framework of the United Nations; many countries had not attended the Paris Conference and so had not felt committed to its results.

/Mr. Nott

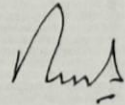
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Mr. Nott said that Britain strongly encouraged trade and supported an open market, with only a few exceptions (including textiles). We encouraged investment in foreign countries and had recently removed controls on such investment. We supported the proposal for a Common Fund (and would welcome having its headquarters established in London) but would look at individual proposals for commodity agreements on their merits - more progress would be made that way than by a global approach. We did not want existing institutions such as the GATT or the IMF to be undermined by the creation of new bodies whose effectiveness was uncertain. However, we understood the need for safeguards to protect developing countries.

The Prime Minister thanked the President for coming and for the frank exchange of views. President Soeharto expressed his own thanks and invited the Prime Minister to visit Indonesia. The Prime Minister replied that this was a tempting invitation. The meeting concluded at 1300.



15 November 1979

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