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Record of a Meeting between the Prime Minister and  
President Soeharto of Indonesia at the Istana Merdeka in  
Jakarta on Wednesday, 10 April, at 0930

Present:

Prime Minister  
Mr. C. D. Powell

President Soeharto  
State Secretary Sudharmono

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President Soeharto extended a warm welcome to the Prime Minister and expressed his high appreciation of her acceptance of his invitation. He attached the greatest importance to the visit as the first to Indonesia by a British Prime Minister. Two factors gave it additional importance. 1985 marked the 40th anniversary of Indonesia's independence. It was also the beginning of the fourth 5-year plan which would be vital to the success of Indonesia's long term development strategy.

President Soeharto continued that the aim of this strategy was to provide Indonesia with both a dependable agricultural base and a strong industry. He had given priority to the development of agriculture and agriculture-related industries and considerable results had already been achieved, particularly in increasing food production: for instance, rice production had gone up from 10.5 million tons to 25.5 million tons and Indonesia was now self-sufficient in staple foods. The main remaining problem in this area was the need to develop technology to prevent post-harvest waste. At present some 10/15 per cent of production was lost. The aim was to reduce waste well below the 10 per cent level. Indonesia wanted to learn from the experience of other countries, particularly in storage and food processing. It was not his Government's intention to mechanise production: this would only reduce the labour force. In any case the small size of agricultural plots made it unnecessary.

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President Soeharto continued that Indonesia had also achieved some success in agriculture-related industries and the transformation of raw materials, in particular, tin, steel, nickel, copper and aluminium. Advances had also been made in timber processing. In the next 5-year plan, Indonesia's priority would be to obtain machinery to process raw materials into manufactured goods. It was crucial for Indonesia to master basic transformation technologies, both for home consumption and for export. Indonesia would like to learn from the United Kingdom in modernising its industry. In particular, he would like to see co-operation in the area of the strategic defence industries. He hoped that the Prime Minister would discuss this with Dr. Habibie who was in charge of defence industries. Indonesia was already manufacturing aircraft and ships and in these areas was co-operating with the United States and West Germany. His Government was interested in purchasing more air defence missiles from the United Kingdom and in developing armoured vehicle production. He mentioned, in particular, the Alvis/Scorpion project.

Moving on to international matters, President Soeharto noted that 1985 was also the 30th anniversary of the Asia-Africa Bandung Conference. There would be a further conference in Bandung later in April. His intention was that the participants should remind themselves of the basic principles of the original Bandung Conference and see how far they were applying them consistently. The principles which he had in mind were mutual respect for sovereignty, non-interference in the affairs of other states and mutually beneficial co-operation. For Indonesia, these principles found practical expression in ASEAN. There was a consensus in ASEAN that independence and sovereignty had to be assured by each nation itself on the basis of national resilience. Such resilience would guarantee national  
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stability and enable individual countries to face any threat to their integrity, whether internal or external. This concept was behind the South East Asian countries' wish to establish a Zone of Peace, Freedom and Neutrality. ZOPFN would not be based on any formal pact but would result from the behaviour of the countries themselves. He believed that it could contribute to regional stability, as well as give to South East Asian countries a growing international influence.

President Soeharto said that he also wished to raise the situation in Cambodia. Cambodia's sovereignty and independence had been violated by Vietnam's intervention. The rights of the Cambodian people must be restored and all foreign troops withdrawn. ASEAN was working for such a solution, although this did not mean that it wished to be directly implicated in the conflict. However, it seemed that Vietnam was unable to accept such a solution. Vietnam claimed that its troops were in Cambodia at the request of the majority of the Cambodian people. They were determined to annihilate Pol Pot and the Khmer Rouge which they saw as instruments of China. They had already devoted six years to this and were predicting that they would finally succeed by 1986. But based on his own experience of guerrilla activities in Indonesia, he was very doubtful whether this estimate would be realised. It might well take between five and ten years. Indonesia had tried to establish some contact with the Vietnamese regime to draw their attention to the longer term threat from China. While Vietnam was bogged

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bogged down in guerrilla warfare in Cambodia, China was modernising and reforming its economy which would greatly strengthen its longer term political influence in the area. Indonesia had therefore urged the Vietnamese to find a political solution to the Cambodia problem and concentrate on economic reconstruction.

President Soeharto invited the Prime Minister to react to these points. He would also be grateful if she would give her views on East/West relations. He was well aware of the extent of her contacts at the highest level with the American, Soviet and Chinese leaders and would be very interested to hear something of them.

The Prime Minister said that she had found President Soeharto's account of Indonesia's development and his analysis of regional problems fascinating. Indonesia's record in agricultural production was outstanding and should be a model for other developing countries. Too many of them had made the mistake of trying to create industry before building up a strong agricultural base. The more others followed Indonesia's example the less opportunity there would be for communism to extend its influence. She hoped that President Soeharto would make this point at the Bandung Conference. It came much better from a successful developing country such as Indonesia than from the industrialised countries.

Picking up the points which President Soeharto had made about how Britain could contribute to Indonesia's economic development, the Prime Minister said that the United Kingdom had a good record in food technology, particularly in food processing. We would be very glad to offer technical cooperation in this field. She thought

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President Soeharto's decision not to go for mechanisation of agricultural production for its own sake a wise one. Agriculture would continue to offer a safety valve of employment. Leaving people on the land was a stabilising factor. We fully understood Indonesia's desire for transfer of technology. Indeed, we sometimes faced the same dilemma, for instance when the Japanese wanted to establish assembly plants in the United Kingdom rather than real manufacturing facilities. She thought that Britain had a particular contribution to make in the defence industries and aerospace; in communications, particularly in Indonesia's case with railways; with information technology; and with oil technology. The Prime Minister also made a specific reference to our interest in refurbishing the Balikpapan Refinery. Detailed discussion of these points should be left to Ministers and officials whom she understood were meeting in parallel.

The Prime Minister then referred to President Soeharto's remarks in his speech at the Banquet the preceding evening about the growing interdependence between the economies of the industrialised and developing countries. The industrialised countries had made a sustained effort to bring down inflation in their economies and she was confident that this objective would be sustained at the Bonn Economic Summit. She admired the way in which Indonesia was also trying to keep down inflation and was running its economy in the interests of long-term stability. The Prime Minister continued that the strength of the US dollar caused problems. It drew in capital from the rest of the world. It also led to demands for protectionism. It would be fatal if these were allowed to succeed. The world economy would be lifted out of recession only if we were able to keep the world trading system open. That was why Britain and the United States were keen to see a new GATT round. In her view, trade was even more important than aid for developing countries.

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President Soeharto agreed.

Moving on to political questions, the Prime Minister said that she agreed with President Soeharto's emphasis on the goals of stability and national resilience. The main threat to these came from the Soviet Union which still had the aim of extending the Communist system by force, subversion or proxy. She thought that Mr. Gorbachev recognised the basic problems caused by the rigidity of the Communist system. He wanted it to work more efficiently but would not be willing to deviate from it. Soviet Communism was the only system which had not built into itself any capacity to adapt. The East Europeans were trying to secure some freedom of manoeuvre but even so had to move slowly and carefully. But the Soviet Union would not dare follow suit because once total control from the centre was relaxed there would be no way to control the pace of change. The Prime Minister continued that she expected the foreign policy objectives of the Soviet Union to remain unchanged under Mr. Gorbachev. They were trying all possible devices to divide the West and exploit our open societies. Their activities in Afghanistan and Vietnam were being stepped up. Britain was particularly concerned about the situation in Cambodia and had cut off all bilateral aid to Vietnam. We held no brief for Pol Pot but Vietnam latest successes were worrying. In Vietnam had its way in Cambodia it would only be a prelude to further steps to extend its influence.

The Prime Minister said that China, on the other hand, was seeing signs of change. The present Chinese leaders recognised the damaging influence of Mao and the damage done by the cultural revolution and would not wish to go through such a trauma<sup>again</sup>. They were also more open-minded about their

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economic system. Britain had a particular interest in China's future development because of the agreement dealing with Hong Kong. She believed that China would keep the agreement, if only because it would be so bad for China's international reputation if it did not. Of course, the risk of some dramatic internal change remained. There were those in China who were opposed to the reforms introduced by Deng. One could not be sure what implications growing economic strength would have on China's international role but her own feeling was that the result of greater trade and economic contacts with other countries would be to give China a strong interest in stability, to allow it to concentrate on achieving higher living standards for its people. The Prime Minister mentioned Zhao Ziyang as the most likely successor to Deng. His main concern appeared to be with strengthening China's economy.

The Prime Minister referred briefly to the arms control negotiations between the United States and the Soviet Union in Geneva and summarised the British Government's approach to the Strategic Defence Initiative.

The Prime Minister said that she had great respect for the achievements of ASEAN, particularly in the growing economic cooperation between its members. This was a factor for stability. It was for a similar reason that the European Community had decided to bring in Spain and Portugal. We shared the aim of enlarging areas of stability. The Prime Minister Minister concluded that she would be interested to hear how President Soeharto saw Indonesia's relations with China and the Soviet Union.

President Soeharto said that he was grateful for the Prime Minister's full analysis of the international scene. Because of the abortive coup in 1965 Indonesia had banned Communism, and It was forbidden to propagate Communist ideas. This did not necessarily mean that Indonesia was hostile to other Communist countries. She was ready to co-exist with them peacefully so long as they did not try to interfere in Indonesia's affairs. The fact was, however, that hitherto Communism had not  
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been able to spread itself as an example of economic development and progress but only by military intervention and subversion. Indonesia was therefore wary of Communism and saw it as a latent danger. It was on this basis that Indonesia judged China. He believed that the Chinese were still supporting Communist elements in Indonesia. They could look at 3.5 million overseas Chinese for this. The Chinese Government claimed that it had no desire to interfere but the Chinese Communist Party seemed interested in keeping open links to its former cadres. His priority was the development of Indonesia's economy and national strength and he was not prepared to put that at risk just for the sake of restoring relations with China. However, he was following the modernisation process in China carefully and approaching the Chinese Government to discuss the establishment of trade relations, with a view to the eventual establishment of diplomatic relations. There were two basic conditions for the re-establishment of diplomatic relations: China must openly state that it would not support subversion in Indonesia or elsewhere in the region: and Indonesia itself needed to build up its resilience to the point where it could resist any threat.

The Prime Minister said that the situation in the Philippines was a matter of some concern. She assumed that China was giving some support to opponents of President Marcos. President Soeharto agreed. His worry was that in-fighting between rivals for the succession to Marcos would give the Communists a chance to intervene. The classic Communist tactic was to take advantage of rivalry and disorder. He thought that President Marcos still had the support of the armed forces. But he was disturbed by the role of the Roman Catholic Church which had failed to support national unity. He had encouraged the United States to do everything possible to keep the Philippines a stable country. The Prime Minister commented that matters might have gone too far. But she shared the aim of preserving the stability of the Philippines.

/The Prime Minister



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The Prime Minister said that she wished to mention the subject of East Timor in a spirit of wanting to be helpful. As President Soeharto would know, the United Kingdom abstained on this matter at the United Nations and regarded it as an issue to be dealt with between Indonesia, Portugal and the United Nations Secretary-General. She was aware from various correspondence she received that the role of the Catholic Church was not very helpful and that groups in London were receiving information about conditions in East Timor through the Church which was often not at all up to date. She was concerned that only one side of the story was getting across and she wanted to be able to put all the facts. Was it the case, for instance, that the International Committee of the Red Cross was present in East Timor and able to move freely there? She was likely to be asked by the press whether the principle of self-determination applied to East Timor. Her information was that if a referendum were to be held in East Timor there would be a clear majority in favour of Indonesia. The Prime Minister emphasised again that her concern was to get a fairer picture of the situation over to public opinion in the United Kingdom.

President Soeharto said that self-determination had already taken place with the statement by the inhabitants of East Timor of their wish to integrate with Indonesia. There were still some small groups left who wanted an independent state and continue guerrilla activities which were hard to eradicate entirely. But the Indonesian Government's approach was to develop East Timor in just the same way as it developed other parts of Indonesia. They openly welcomed the ICRC to East Timor though it must of course convey its desire to be active there through the Indonesian Government. The ICRC would be welcome to provide assistance, again in consultation with the Indonesian Government. He agreed with the Prime Minister that Church sources had been used to spread distorted views. An Indonesian Council of Churches had now been established and he hoped that the Vatican would agree

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that the Church in East Timor should join it. This should help get a fairer picture. - The Indonesian Government was doing what it could to help the Church in East Timor and had recently donated funds to repair a church which had been destroyed. He wanted to stress that Indonesia fully protected religious freedom.

The Prime Minister said that she and the President ought to have a brief word about oil prices. President Soeharto agreed. Indonesia's budget depended on oil revenues and her interest lay in stable prices. The Prime Minister explained the British Government's recent decisions about the future of BNO. The United Kingdom shared an interest in price stability and did not wish to see the price go down.

The Prime Minister proposed that the press should be told only the headings which they had discussed without any details. President Soeharto agreed. The meeting ended at 1120.

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10 DOWNING STREET

*From the Private Secretary*

10 April 1985

*Dear Av.*

PRIME MINISTER'S MEETING WITH PRESIDENT SOEHARTO OF INDONESIA

I enclose a record of the Prime Minister's meeting with President Soeharto in Djakarta on Wednesday, 10 April.

I am copying this letter to John Mogg (Department of Trade and Industry), Richard Mottram (Ministry of Defence), Rachel Lomax (HM Treasury) and Michael McCulloch (ODA). The Prime Minister gave an undertaking to President Soeharto that the confidentiality of their discussion would be very strictly protected. I should be grateful therefore if the record could be shown only to those with a direct need to know.

*Yours sincerely*  
*C.D. Powell*

(C.D. POWELL)

L.V. Appleyard, Esq.,  
Foreign and Commonwealth Office.