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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE		DATE	RESTRICTION
#4d memo	for Administrator of AID Conf. <i>open 5-30-95 NLJ 93-320</i>	1 p	n.d.	A
#4e memo	David Bell for the President Conf. <i>open 9-21-93 NLJ 93-316</i>	3 p	12/21/63	A
#4f report	Background Statement " Conf.	3 p	n.d.	A

FILE LOCATION

National Security File, NSAM File, NSAM 278

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February 3, 1964

NATIONAL SECURITY ACTION MEMORANDUM NO. 278

FOR: The Secretary of State
 The Secretary of Defense
 The Administrator, Agency for International
 Development

SUBJECT: Presidential Determination re Aid to Indonesia

The President has decided that no determination with respect to aid to Indonesia should be made pending the outcome of the tripartite ministerial conference in Bangkok and the summit conference of the three Asian leaders, which is expected to follow. In the meantime, existing programs of economic and MAP assistance are to continue, subject to continuing review by the Secretaries of State and Defense.

McGeorge Bundy

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Authority NSC memo 5/23/78
By MJE, NARS, Date 6/6/78

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McGeorge Bundy
McGeorge Bundy

cc:

Mr. Bundy
Mr. Forrestal
Mr. Johnson
NSC Files

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Dispatched 2/4/64

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Authority NSC memo 5/23/78
By MD, NARS, Date 6/6/78

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McGeorge Bundy

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Authority NSC memo 5/23/78
By NDE, NARS, Date 6/6/78

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Feb. 3

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~~January 28, 1964~~

NSA M

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE ADMINISTRATOR, AGENCY FOR
INTERNATIONAL DEVELOPMENT

SUBJECT: Presidential Determination re Aid to Indonesia

~~The President, the Chairman of the House and Senate
Armed Services and Foreign Relations Committees, and other
Congressional leaders heard a report from the Attorney General on
his mission to Southeast Asia at 9:30 a.m. today.~~

~~Upon the recommendation of the Attorney General, the
President and the others present at the meeting agreed that no
Presidential Determination with respect to aid to Indonesia should
be made pending the outcome of the tripartite ministerial conference
in Bangkok and the summit conference of the three Asian leaders, which
is expected to follow. In the meantime, existing programs of economic
and MAP assistance will continue, subject to continuing review by the
Secretaries of State and Defense.~~

~~Michael V. Forrestal~~

mc B

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Authority NSC 5/23/77

By OCB, NARA, Date 2-21-90

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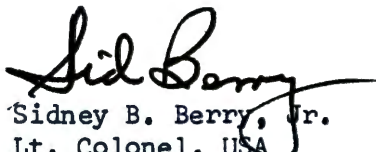
OFFICE OF THE SECRETARY OF DEFENSE

2 January 1964

MEMO FOR General Clifton

4

Mr. Forrestal has requested
that you give this to Mr. Valenti
for delivery to the President.


Sidney B. Berry, Jr.
Lt. Colonel, USA
Military Assistant

2 January 1964

4a

Memo for Mr. Valenti

To remind you that Messrs. Rusk,
McNamara, Gordon and Bell will have
discuss these papers at 5 p.m. today.

Mike Forrestal

96
12/27

Pres:
Deter.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

4b

OFFICE OF
THE ADMINISTRATOR

December 27, 1963

MEMORANDUM FOR: The Honorable Kermit Gordon
 The Director, Bureau of the Budget

With respect to the proposed Presidential Determination regarding Indonesia, this memorandum will confirm that I have discussed the matter fully with the Secretary and he concurs in the recommendation that the President sign the Determination.

David E. Bell
David E. Bell

SUMMARY OF INDONESIA DETERMINATION

4c

PROBLEM

This year's Foreign Assistance authorization act added a new section to the Foreign Assistance Act of 1961 prohibiting assistance to Indonesia "unless the President determines that the furnishing of such assistance is essential to the national interest of the United States." This determination is necessary to continue and/or to initiate new programs of economic and military assistance under the Foreign Assistance Act, but is not required for P.L. 480 programs, Peace Corps programs, nor Export-Import Bank operations.

PROPOSAL

AID proposes that the President make a general determination that furnishing assistance to Indonesia is essential to the national interest, and that he authorize the AID Administrator to keep the Speaker of the House and the Senate Foreign Relations and Appropriations Committees fully informed of actions pursuant to this determination, as required by the statute.

AID estimates that military and economic assistance furnished in 1964 (assuming the determination is signed) will total \$20-\$25 million. Economic aid will consist of development grants and supporting assistance, the former primarily for technical assistance, malaria eradication, participant training (training of Indonesians in the U.S.), and Civic Action equipment (equipment for public works and welfare programs carried on through local armed forces). Supporting assistance will be supplied in the form of police training and equipment (other than weapons and ammunition). No loans are contemplated except where a new or existing grant obligation can be shifted to a loan.

MAP will continue to be in the form of Civic Action support, training, and light equipment (other than weapons and ammunition). Another determination would be required in order to grant other defense articles, and it is not requested here.

This determination is also necessary to complete disbursements of prior year assistance obligations.

JUSTIFICATION

The discussion is very general, and makes the following principal points:

1. By any measure, Indonesia is a critical factor in her region, in U.S. foreign policy, and in the East-West struggle.
2. We must use "all appropriate means to maintain communications with Indonesia and influence the course of her policies in order to prevent further drift toward the Bloc, and to forestall developments which could mean war in Southeast Asia."
3. "Our assistance is directed to restraining the present regime and supporting the basis of a non-Communist alternative in Indonesia."
4. Our ability to restrain the regime, and particularly to maintain the delicate balance between the large Communist Party and the Army, is partly determined by our ability to furnish or withhold aid.
5. That ability is dependent upon a Presidential determination such as this.

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THE WHITE HOUSE
WASHINGTON

42

Presidential Determination
No. 64-5

MEMORANDUM FOR THE ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

SUBJECT: Determination under section 620(j) of the Foreign Assistance Act of 1961, as amended, permitting the furnishing of assistance to the Republic of Indonesia

In accordance with your memorandum of December , 1963, I hereby determine, pursuant to section 620(j) of the Foreign Assistance Act of 1961, as amended (hereinafter referred to as "the Act"), that the furnishing of assistance under the Act to Indonesia is essential to the national interest of the United States.

You are authorized, pursuant to section 620(j) of the Act, to keep the Committee on Foreign Relations and Appropriations of the Senate and the Speaker of the House of Representatives fully and currently informed of any assistance furnished pursuant to this determination.

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E.O. 12356, Sec. 3.4
NLJ 93-320
By CL, NARA, Date 5-22-95

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON 25, D. C.

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OFFICE OF
THE ADMINISTRATOR

December 21, 1963

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Determination under section 620(j) of the Foreign Assistance Act of 1961, as amended, permitting the furnishing of assistance to the Republic of Indonesia.

The purpose of this memorandum is to recommend that you determine that it is essential to the national interest of the United States to furnish assistance to the Republic of Indonesia, pursuant to section 620(j) of the Foreign Assistance Act of 1961, as amended (hereinafter referred to as "the Act"), which provides, in pertinent part, as follows:

No assistance under this Act shall be furnished to Indonesia unless the President determines that the furnishing of such assistance is essential to the national interest of the United States.

The Foreign Relations and Appropriations Committees of the Senate and the Speaker of the House of Representatives will be informed of your determination and, as required by section 620(j) of the Act, of U.S. assistance furnished pursuant to your determination.

Assistance for Indonesia:

The program proposed for Indonesia in FY 1964 would approximate \$20 - 25 million of new obligations for both economic and military assistance programs. We also propose to complete disbursements under existing obligations, and your determination will relate to both new and extant obligations.

(1) Economic Assistance. The economic assistance program will involve new obligations for continuing development grants and supporting assistance programs. The development grants are primarily for training Indonesian specialists and government officials in the United States, for malaria eradication, for equipment for the Civic Action program of the Indonesian armed forces, and for technical assistance to educational and governmental institutions, including the National Police.

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E.O. 12356, Sec. 3.4

NEJ 93-316

By 108, NARA, Date 8-20-93

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- 2 -

The supporting assistance is for training and equipment (other than weapons and ammunition) for the Mobile Brigade (police). We would also wish to respond to any requests for assistance in connection with humanitarian programs, e.g., disaster relief, which may arise. We do not contemplate new obligations for balance of payments loans by AID or for development loans, except to the extent that programs now being funded on a grant basis can be shifted to a loan basis. Should changed circumstances in Indonesia call for such programs, approval thereof would be requested.

(2) Military Assistance. New obligations for military assistance will be for the Civic Action program of the Indonesian armed forces, for training, and for light equipment (other than weapons and ammunition). As has been the case in prior fiscal years, a determination by the President under section 614(a) of the Act will be necessary to authorize grants of defense articles to Indonesia without regard to certain eligibility requirements of the Act. Thus only military sales and services, including training, would be possible under this determination without further reference to you.

(3) Extant Obligations. Disbursements pursuant to extant obligations under development grant, supporting assistance and military assistance programs, for the same purpose as the programs described above, will continue.

Finally, it is pointed out that no determination is required under the Foreign Assistance Act regarding assistance to Indonesia under other legislation, e.g., PL 480 agricultural surplus commodities, Peace Corps activities, and Export-Import Bank loans.

Discussion:

Indonesia is the fifth most populous nation in the world with its 100 million people. It occupies a strategic area of the western Pacific and possesses important resources of tin, petroleum, and rubber. It is a prime target of Bloc activity in Southeast Asia and receives large scale military and economic aid from the Bloc. The Indonesian political structure is fragile, depending upon an unstable balance, presided over by Sukarno, between the strong Communist Party and the Army. It is of great importance to the security of the United States and of the free countries of the Western Pacific that the human and material resources, and the strategic geographic area of Indonesia be denied to the Communist Bloc and brought into as close and sympathetic association as feasible with the free world.

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To this end, the United States wishes through aid and other means to prevent a drift of Indonesia into the Communist Bloc, to strengthen Indonesia's economic and political relations with the United States and friendly free world countries, and to maintain peace in the area. The continuance of selective aid to Indonesia is designed to support this foreign policy objective.

The influence of aid, while limited, is not insignificant. It strengthens prominent groups and individuals within Indonesia who are sympathetic to our objectives, who are in a position to provide a counterpoise to rash or irresponsible action by the Government of President Sukarno, and who depend upon United States aid. It helps to maintain a state of effective communication between Indonesia and the United States and enables the Government of Indonesia to maintain an international posture of neutrality. (See also attached Background Statement.)

Recommendation:

Therefore, I consider that the furnishing of the economic and military assistance described above is in furtherance of the purposes of the Act and is essential to the national interest of the United States.

Since it is intended that substantially all of the articles and services to be provided by the program are of United States origin, there will be no adverse effects on our balance of payments.

It is, accordingly, recommended that you sign the attached memorandum containing the determination required by section 620(j) of the Act that assistance under the Act to Indonesia is essential to the national interest of the United States.

The Department of Defense concurs in the recommendation.

David E. Bell

David E. Bell

Attachments as stated.

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48

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E.O. 12356, Sec. 3.4

NEJ 93-316

BACKGROUND STATEMENT

By WJ, NARA, Date 8-20-93

In both area and population Indonesia is one of the world's major countries. Abundant resources make it a potentially great power. To these facts are added Indonesia's position astride the main north-south and east-west communications lines in Asia. The strategic implications of these natural assets are emphasized by the growth of Indonesia into the most powerful military state in Southeast Asia. The Communist Bloc has made Indonesia its number one recipient of military and economic aid in the past three years--about \$1.7 billion in cumulative commitments of which three-quarters were made in the past three years. With Bloc assistance, Indonesia has built a military force that includes a fleet of over 90 jet aircraft, an arsenal of more than 50 missiles, and a navy that includes 29 ships in the cruiser, submarine, destroyer escort and mine layer classes.

Indonesia is not a Communist country, and to treat it as one would be likely to drive it in that direction. Its closer collaboration with the Communist Bloc in international affairs or its entry into the Bloc would threaten the entire Southeast Asian mainland. So far, notwithstanding that fact that the Indonesian Communist Party is the largest outside the Bloc itself, Sukarno, with the prodding of the Army, has resisted pressure to give Communists key positions in government.

United States economic and military assistance to Indonesia has been very small in relation to the country's size and needs, and the critical challenge we face there. Of the \$804 million in United States economic aid to Indonesia from 1946 through 1963, only \$179 million was in appropriated economic aid (i.e., under the Foreign Assistance Act or Mutual Security Aid), or an average of about \$14 million a year; \$169 million was given during the Dutch administration before Indonesia's independence; \$293 million was in PL 480 surpluses; and \$164 million was in Export-Import Bank loans on which Indonesia has made \$72 million in payments.

The urgency of the challenge we face in Indonesia is recognized in Congress. It was set forth in the November 7, 1963, report of the Special Study Mission to Southeast Asia of the House Committee on Foreign Affairs (page 21):

The present conflict between Malaysia and Indonesia is, in some respects, potentially as dangerous to world peace as the war in Vietnam. The crisis raises some serious problems for the United States.

If Indonesia should take military action against Malaysia, the British almost certainly would enter the conflict. This could, in turn, involve Australia, New Zealand, and the Philippines, countries which have mutual security

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- 2 -

alliances with the United States. Any armed conflict in this area, therefore, could escalate into a major war, one ultimately involving American forces.

United States efforts should be directed toward easing the "confrontation" that now exists between the countries in this area. Emphasis should be put on the ancient cultural ties which bind the two countries, the need for economic cooperation between them, and the importance of peace in the development of their resource-rich section of the world.

United States anxieties about Indonesia's attitude toward Malaysia have been brought to the attention of President Sukarno, his cabinet ministers, and the Indonesian Army leadership. The most explicit warnings have been given that continued opposition to Malaysia will reduce or even end the prospect of sympathetic consideration of Indonesia's needs by the United States. The Indonesians are fully aware that overt military activity against Malaysia would entirely foreclose all United States aid.

Over the past three or four years there have been periods when Indonesian actions made it extremely difficult for us to preserve a useful presence in Djakarta, much less bend the Indonesians to a Western orientation. Throughout this period our combination of military assistance (about \$31 million in FY 1961-1963), grant economic aid (about \$55 million), AID loans (about \$20 million), and PL 480 deliveries (over \$150 million) has placed us in a situation where Indonesia has become accustomed to significant economic assistance from the United States and where our aid has affected the orientation of many individual Indonesians.

It is essential to the national interest of the United States that all appropriate means be used to maintain communications with Indonesia and to the greatest extent possible influence the course of its policies in order to prevent further Indonesian drift toward the Communist Bloc and forestall developments which could mean war in Southeast Asia. Our technical and training assistance contributes to improvement of the management of Indonesia's affairs, to strengthening its institutions, and to the exposure of key Indonesians to American concepts and achievements. Our sales of U.S. surpluses under PL 480 Title I (\$60 million committed in FY 1963) represent a critical margin of balance of payments support for Indonesia. Government employees depend on the rice so received and distributed at fixed prices.

Our assistance is directed to restraining the present regime and supporting the basis of a non-Communist alternative in Indonesia. Our leverage to restrain depends partly upon the value to Indonesia of our aid,

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- 3 -

upon our power to withhold it in whole or part. In the suspension of our plans for stabilization aid, the Government of Indonesia has already experienced our determination to exercise this power. Indonesia is feeling the loss of export earnings and the unrealized U.S. balance of payments support, both forfeited by the flare up in Indonesia's "confrontation" with Malaysia this last September. It is clearly on notice that further recklessness may lead to an entire cessation of aid.

We are the primary Western nation in a position to wield such influence in Indonesia. The impact value of our aid is spread through all levels and branches of government and the military and throughout the country.

Specifically our aid is not only a deterrent to rash action, but is a positive force among large sections of Indonesians. Non-Communist groups, such as the officers of the Armed Forces and police, and a growing corps of economic and political leaders look to United States assistance and depend upon it. The continuation of assistance to support the position of these people is essential to our interests.

Over 4,000 Indonesian participants have been brought to the United States for training since the inception of our program. Malaria eradication has touched over two-thirds of the people of Indonesia. American and American-trained professors teach in Indonesian faculties, and American textbooks are used in Indonesian schools. Our economic and engineering consultant services enable us to place American citizens in key and influential spots within Indonesian Government departments. Our aid to the military enables us to touch upon and direct the attitudes of this most important power source in Indonesia.

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