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SERVICE SET

THE WHITE HOUSE

WASHINGTON

Wednesday, August 9, 1967

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MEMORANDUM FOR THE RECORD

SUBJECT: Meeting of National Security Council (Subject: Indonesia)

The meeting was held in the Cabinet Room. It began at 12:15 p. m. and ended at 1:10 p. m. Those present were:

The President	The Vice President
Secretary McNamara	Secretary Fowler
Secretary Freeman	Under Secretary Katzenbach
General Wheeler	Administrator Gaud
Director Helms	Mr. Rostow
Director Marks	Mr. Christian
Mr. Bundy	Mr. Smith
Mr. Jorden	Mr. Johnson

Mr. Hamilton

The President opened the meeting by noting the great importance of Indonesia and by recalling the meeting on this country one year ago in the same room. He asked Under Secretary Katzenbach for a review of developments over the past year.

Katzenbach summarized the State paper which had been prepared for the meeting. He said that our problems were those of progress. He forecast a need for perhaps \$100 million as the U.S. share of Indonesia's requirements in 1968.

Mr. Bundy noted that Indonesia had just joined with neighboring states in the Association of Southeast Asian Nations which met in Bangkok. Regarding the \$100 million, he said that at present \$20 million might come from AID, \$20 million in rice, \$20 million in cotton. This left a shortfall of \$40 million.

FRUS, Vol. XXVI, #244

cbm

8-23-02

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Gaud spoke on the need for priorities in Jakarta. He said they should focus on: (1) Exports (especially oil and rubber), (2) agriculture (rice production, transport, price supports), (3) a broader tax base, and (4) technical training (business administration, etc.).

The President asked why only \$20 million was programmed for 1968 aid to Indonesia. Gaud said it was the general judgment that more was not possible from Congress, and that the additional should be requested in a supplemental request after January 1.

Helms spoke admiringly of the quality of the U.S. team in Jakarta.

Marks said USIA was carrying out a low-key operation and that it might expand a little, but not dramatically.

Freeman said that present estimates indicated that an additional 50-80,000 tons of rice might become available in this year's crop. He thought Indonesia could do a great deal more in agricultural production and said it should be a rice exporter.

The President said he would like to see Indonesia become a "showcase." It has great potential. It is one of the few places in the world that has moved in our direction. He asked if we were doing all we could to boost oil production. Gaud and others assured him that the American companies (Caltex and Stanvac) were moving ahead and production was up.

The Vice President said Japan could buy more oil, with minor changes in its refineries. The Japanese were worried about over-dependence on Middle East supplies. He recalled his long acquaintance with Foreign Minister Malik. He said military rule continued and was likely to for some time. He said that additional resources after January 1 might have to be drained off from other sources rather than our looking to new funds.

Fowler said he disagreed with one sentence in the State report, which was the suggestion that we might have to do more than one-third in the year ahead if Japan and Western Europe didn't come through. He urged that we stand fast on the one-third share formulation.

Rostow spoke of the importance of textiles and the need to rehabilitate the Indonesian textile industry. This would provide a large market for our cotton.

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General Wheeler spoke of the Indonesian military forces. He said the Army was U.S. -oriented; the Navy and Air Force were Soviet-oriented. The military is capable of maintaining internal security. He saw no need for "fancy" military equipment. The main need was for civic action support and training equipment.

McNamara said Indonesia was getting about \$6 million in equipment and training. The country should have high priority. He questioned whether any supplemental would be possible after January 1, that the needed re-sources would have to come from other programs. He said he thought the Philippines and Thailand should have lower priority than Indonesia. The priorities should be determined in Washington, not the field.

The President asked for the total AID outlays last year and this.

Gaud said the figures were about as follows:

	<u>This year</u>	<u>Next year</u>
India	\$385 million	\$400 million
Pakistan	150-160 "	165 "
Turkey	125 "	100 "
Korea	75 "	60 "
Africa	98 "	90 "
Indonesia	30 "	20 "

There was a brief discussion of Turkey and its agricultural development.

The Vice President noted his talks with Murtopo and Sudjono, two of Suharto's leading advisers. Both stressed the vital importance of internal transport and need for spare parts. Italy and other suppliers should be pressed to make parts available.

There was a short discussion of the Congo situation.

The President adjourned the meeting.

W.J. Jordan
William J. Jordan

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LIST OF ATTENDEES, NSC MEETING, AUGUST 9, 1967

Wednesday, 12:00 noon

Vice President Humphrey

Secretary of Defense McNamara

Under Secretary Katzenbach
Assistant Secretary Bundy

CIA Director Helms

JCS Chairman Wheeler

AID Administrator Gaud

Secretary of the Treasury Fowler

USIA Director Marks

Agriculture Secretary Freeman

Walt Rostow
George Christian
Tom Johnson
Bromley Smith
William Jordan
Edward Hamilton