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B1, 1.4(B), 1.4(D)

THE WHITE HOUSE  
WASHINGTON

(SJB)

MEMORANDUM OF TELEPHONE CONVERSATION

**SUBJECT:** Telephone Conversation with Soeharto,  
President of the Republic of Indonesia

**PARTICIPANTS:** Soeharto, President of the Republic of  
Indonesia

Interpreter: Larry Fisher  
Notetakers: Sean Rice, Larry Wright,  
Jim Smith, Joel Schrader and Cindy Lawrence

**DATE, TIME** January 8, 1998, 9:42 - 10:08 p.m. EST  
**AND PLACE:** Air Force One, JFK International Airport,  
New York

The President: Hello? (U)

President Soeharto: Hello. (U)

The President: Mr. President, thank you for taking my call at  
such an early hour. (C)

President Soeharto: Thank you, Mr. President, for your kind  
attention to the monetary turmoil not only in Indonesia but also  
in other South East Asian countries, as well. (C)

The President: I have long valued our friendship, and I just  
wanted to talk to you personally. (C)

President Soeharto: Well indeed, your Excellency. (U)

The President: I have been following closely the financial  
situation in Indonesia. I know how painful the current problems  
must be for you and all Indonesians. America values the  
critical and constructive role Indonesia plays in the region.  
It is because we appreciate Indonesia's importance that the  
United States has been supportive of your reform program with  
the IMF. Initially there was a positive reaction by markets to  
your commitment to reform, but not anymore because of a

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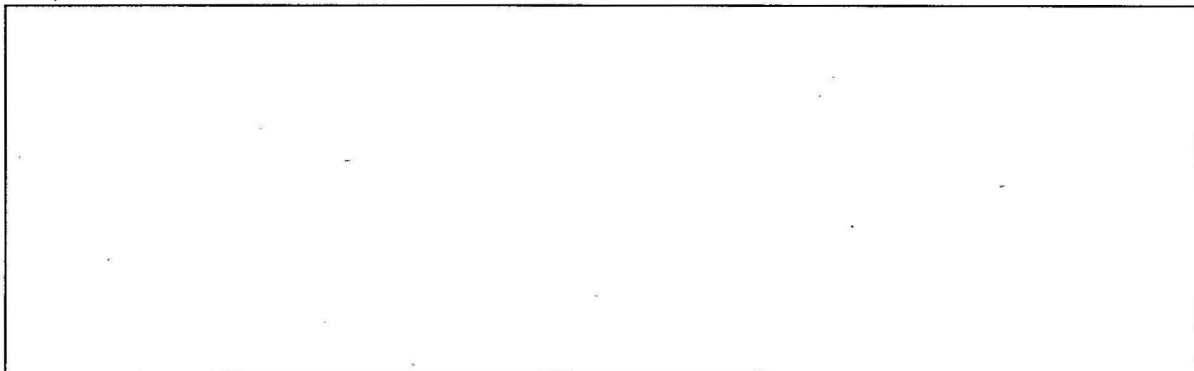
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perception these commitments are not going to be implemented. You have always shown great courage and leadership. I think it is vital now that you use those powers to provide this support for economic reform. I believe this is the best way to preserve your impressive economic legacy in Indonesia and to get out of this difficult situation. (C)

I know it is difficult to do, but among other things, interest rates should be kept high until the rupiah stabilizes. The situation is, I think, very similar to the situation faced by Korea and President Kim before the presidential election there. I understand IMF Managing Director Camdessus will be in Jakarta shortly, and I urge you and your economic team to work closely with him. We are in close contact with your team. I know you have very capable advisors, and we want to be in touch with them. I would like to send Deputy Secretary of the Treasury Larry Summers to consult with your economic team. He has worked closely with me on the Korean and Mexican situations. He is prepared to travel to the region immediately, and I would like you to spend some time with him to discuss the current economic situation. He will be able to tell you first hand how I view it. (C)

I also intend to release a statement in the next few minutes reiterating the importance of the relationship between our countries and to make it absolutely clear that we support you and that we will stand with you throughout these difficult times. (C)

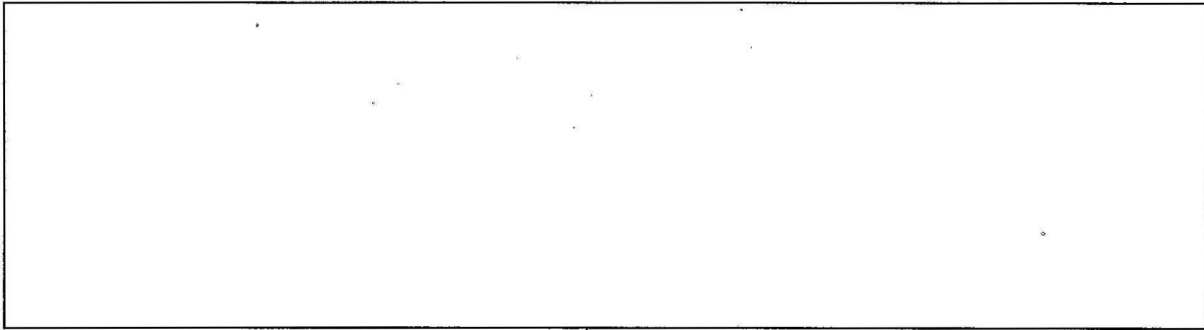
President Soeharto: Thank you very much for your views. These are very important not only to me, but to the Indonesian people. Indeed in a short time, January 15th, the managing director of the IMF is going to meet with me, Mr. President. I would also like to express my appreciation for sending your mission and your efforts for resolving the present economic crisis and your support of the Indonesian economy in general. (C)



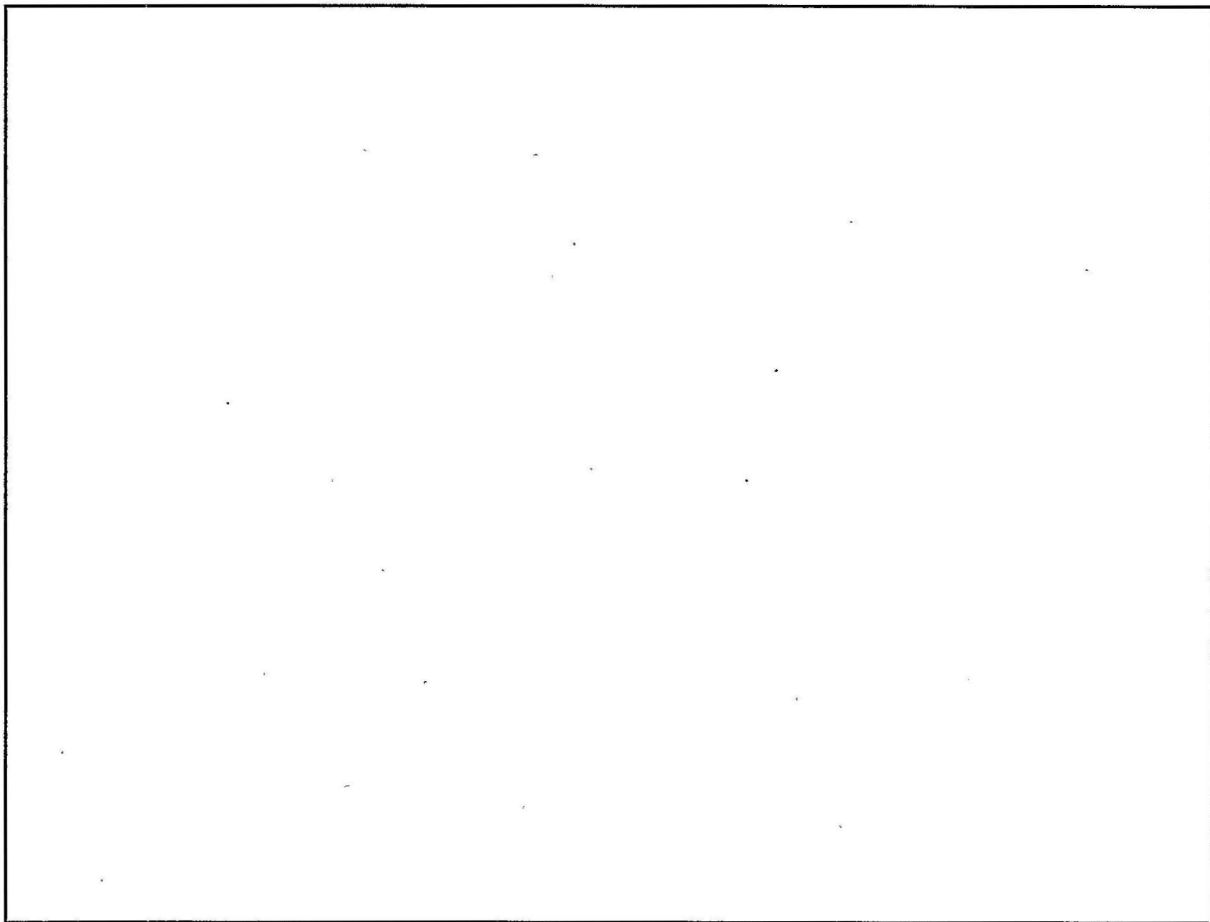
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The situation faced by Indonesia is difficult to overcome here, as well as in other countries of South East Asia. As far as implementation of the program is concerned, I can assure you there is no problem, as the Indonesian people are willing to sacrifice to ensure a beneficial result. Thank you very much Mr. President for allowing me to make these points. (C)

The President: Thank you, Mr. President. If I could say one or two words in response to the very helpful summary you've given me. First, I know how much an impact currency speculation can

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have; we saw this in Great Britain a couple of years ago. Once they get started in one direction, it's hard to stop it. But I think the whole question is one of changing the psychology of the situation to restore confidence in the currency. It's obvious that the people of Indonesia have an enormous productive capacity; one has only to look at the progress of the last few years to see that. (C)

So in response to your briefing, I have only two observations. First, I think what you are trying to do with private loans; to get as many as possible rolled over is a good thing. I've been talking to experts here, and they have told me several things. When the companies negotiate loans, they must make sure the records of the loans are accurate so the banks can get a true picture of the status of the company. I hope that when Mr. Camdessus and Mr. Summers come they can advise you on this. It is very important. The only other observation I have is that sometimes small things can make a big difference. For instance, when several banks were closed it made a big difference for the investors, but when some were reopened under new names it had a huge influence on the psychology of investors here. I think anyone can sympathize with not wanting to end subsidies for fuel oil that would hurt the people of Indonesia, but you need to see if there are some small steps that could help psychologically to deal with the situation and to restore confidence in the reform plan for the economy of Indonesia. Meanwhile, I will issue my statement and send Mr. Summers and we will work for the best and hope for the best. (C)

President Soeharto: Thank you very much Your Excellency for your interest. Your demarche will be very valuable.

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The President: Thank you very much, Mr. President. Goodbye.  
(U)

President Soeharto: Goodbye. (U)

-- End of Conversation --

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