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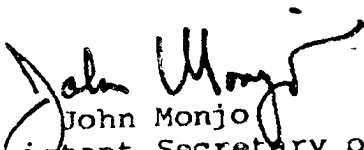
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SUBJECT President's Trip to East Asia: Sub-IG Meeting on
Indonesia/ASEAN, August 11, 3:00 PM

Enclosed are the trip-oriented issue papers that I would like
to discuss at the meeting on Thursday.


John Monjo
Deputy Assistant Secretary of State
East Asian and Pacific Affairs

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ISSUE

ASEAN support for our MIA efforts.

Where we stand:

We have sought ASEAN's understanding and support for our efforts to obtain the fullest possible accounting for Americans missing in Southeast Asia. Secretary Shultz impressed on ASEAN foreign ministers in June the high priority given by the USG to this issue. The ASEAN ministers responded favorably to the Secretary's request for help with Vietnam, and several are following up in contacts with the Vietnamese. The Malaysian foreign minister has already been briefed on MIA information and other briefings have been offered.

Where we want to end up:

With the ASEAN governments convinced of U.S. interest in resolving the MIA issue as a humanitarian matter separate from our political concerns, including U.S. support for ASEAN's efforts to find a solution in Kampuchea.

Steps to take:

Quietly reaffirm Secretary Shultz's June message to ASEAN foreign ministers.

Presidential Involvement:

In prepared remarks to the ASEAN foreign ministers the President could affirm the high priority given by the USG to a resolution of the MIA problem and thank the ASEAN governments for their cooperation. Alternatively, he could raise these points in the course of a meeting.

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EXPORT-IMPORT BANK LENDING TO ASEAN COUNTRIES

ISSUE

Continued funding of U.S. exports to ASEAN countries by the Export-Import Bank.

Where do we stand:

Ex-Im lending is open to all five ASEAN countries and Ex-Im is actively soliciting new business. Current exposure (as of 6/30/83, in US\$ millions) is:

Philippines	1,254.7
Indonesia	814.3
Singapore	226.6
Thailand	204.3
Malaysia	92.4
<u>TOTAL</u>	<u>2,592.3</u>

Ex-Im has preliminary commitments on a wide variety of projects in all five countries. These range in size from a \$30 million vocational training project (Indonesia) to a \$2.5 billion subway project (Singapore). Ex-Im also has advance notice of other projects significant to American firms (e.g. a \$2 billion telecommunications project in the Philippines). All Ex-Im programs are now in line with OECD minimums.

Where we want to be:

With increased sales for American firms.

Steps to take:

List Ex-Im preliminary commitments, with a "best guess" estimate of the chances for American firms. Further review Ex-Im successes with regard to estimates made in the US-ASEAN Dialogue and estimate Ex-Im lending over the next five years. Flag those projects with special problems and ascertain if movement can be stimulated by the President's visit.

Presidential Involvement:

The President should make a strong statement that American firms are interested in business in ASEAN countries, and the Export-Import Bank will strongly support their efforts to be competitive. This is not only to strengthen economic ties but to encourage the American private sector to participate in the development of ASEAN countries.

The President can announce the level of loans Ex-Im hopes to make to ASEAN countries over the next 3-5 years.

Where sufficient progress has been made on specific projects, the President may wish to announce new Ex-Im financing.

PRIVATE AMERICAN INVESTMENT IN ASEAN COUNTRIES

ISSUE

Encourage increased investment by American firms in ASEAN countries.

Where do we stand:

We see private sector investments in these countries as the most significant source of development capital for the ASEAN region and the best means of transferring needed American technology. American firms continue to invest substantially in ASEAN countries, for a total estimated to be in the neighborhood of \$10 billion. The investment climate remains good enough to attract the interest of American firms, but we continue to seek improvement. An OPIC investment mission will be visiting Indonesia later this year and other investment missions are contemplated.

Where do we want to end up:

With improved investment climates. This might be achieved by encouraging more liberal investment laws and/or by concluding tax and/or investment treaties with individual countries.

Steps to take:

Proceed with initiatives begun on tax treaties with Indonesia and Thailand. Identify outstanding investment issues in the ASEAN countries, seeking any that can be resolved prior to or during the President's visit. We should also encourage additional investment missions and explore the idea of a US-ASEAN investment forum.

Presidential Involvement:

The President should make a strong statement supporting increased investment in ASEAN countries by American firms, seen to reinforce our commitment to the region and meet the development needs of the countries themselves.

The President should reaffirm our policy on foreign investment (The USG investment policy statement should be released soon.)

The President may be able to announce a US-ASEAN investment forum (possibly a symposium in the U.S. sponsored jointly by the governments and ASEAN-US Business Council) encouraging U.S. investment in the region.

The President may be able to announce progress toward tax treaties with Indonesia and/or Thailand.

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TEXTILES

ISSUE

ASEAN desires to maintain access to the U.S. textile market in accordance with MFA.

Where Do We Stand:

The U.S. has a bilateral textile agreement with each of the five ASEAN countries. A new agreement with the Thais has just been negotiated and is not yet in force. Our agreement with Malaysia will expire next year; Malaysia will want to ensure that a new agreement provides access to the U.S. market equal to that afforded other small suppliers. ASEAN countries are also concerned that U.S. domestic textile industry pressures will force the U.S. to implement existing textile agreements in a manner which is inconsistent with our MFA commitments. Finally, at the ASEAN Post-Ministerial and in other fora, the ASEAN countries have protested the exclusion of textiles from our GSP program.

Where Do We Want To End Up:

In a position to provide credible assurances to the ASEAN governments that they will have continued fair access to the U.S. textile market.

Steps To Take:

Implement our existing textile agreements in a manner consistent with our MFA obligations.

Ensure that in negotiating new textile agreements the important concerns of our domestic textile industry are balanced by adequate consideration of U.S. economic and foreign policy objectives.

Include in the briefings for the President material on the political and economic importance of textiles to the ASEAN countries and other EA supplier countries in the region.

Presidential Involvement:

The President should be prepared to offer credible assurance to the ASEAN countries that they will have equitable access to the U.S. textile market in accordance with the MFA.

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GSP

ISSUE

ASEAN concern about U.S. Generalized System of Preferences (GSP) renewal legislation. (Note that the issue is also important to the Koreans.)

Where Do We Stand:

The Administration's proposal for GSP renewal has been introduced in Congress. It recommends extension of current benefits to most beneficiaries, but proposes reduction of competitive need limits on products from advanced developing beneficiaries and introduces the concept of U.S. access to beneficiary developing country markets as a consideration in determining competitive need limits. Initial hearings in the House and Senate took place last week and more are tentatively scheduled when Congress comes back into session. At the ASEAN Post-Ministerial Dialogue, in a formal memorandum, and on numerous other occasions, the ASEAN countries have requested that the U.S. expand coverage of its GSP program and have expressed concern that the Administration's legislative proposal may disadvantage Singapore.

Where Do We Want To End Up:

With legislation which renews GSP for ten years with as few changes from the Administration's proposal as possible and which does not identify Singapore as one of the advanced beneficiaries to whom benefits would be reduced.

Steps To Take:

Continue to lobby hard for Congress to pass the proposed legislation as expeditiously as possible.

Encourage companies and other private organizations who support GSP to make their views known to Congress.

Keep the ASEAN governments fully informed of the progress of GSP renewal process and continuing Administration efforts to secure passage of the legislation.

Presidential Involvement:

In the unlikely event that new GSP legislation has been passed, the President should announce this to his ASEAN hosts and could take credit for the active Administration effort in securing passage.

Since legislation will probably not yet have been passed, the President should repeat the Administration's commitment to renewal and be prepared to respond to ASEAN questions on the status of the legislation.

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MANAGEMENT DEVELOPMENT PROGRAMS

ISSUE

To develop a US/ASEAN Program which accelerates the cooperation in the field of transfer of technology and American management technical skills in support of the private sectors in these five nations.

Where do we stand:

An AID Mission will go out to ASEAN in September to make final preparation for a new \$2.7 million project in support of Small and Medium Business Improvement (SMBI) in the region. The project is in response to an ASEAN proposal for assistance in small and medium scale industry presented to the USG during 4th ASEAN/US Economic Dialogue.

A comprehensive new US/ASEAN Technology and Management Foundation (TMF) is now under active consideration in the USG and the U.S. private sector. A Steering Committee made up of U.S. business and academic leaders is being formed under the initiative of the ASEAN/US Business Council (and the Chamber of Commerce of the USA).

Where do we want to end up:

Ideally, we would like to be able to announce ASEAN and AID approval of the Small and Medium Business Improvement Project, as well as to note advance preparation for the new Foundation.

Steps to take:

To accelerate the AID preparation process for the SMBI project; to refine the proposal and identify funding for a US/ASEAN Technology and Management Foundation in close cooperation with the U.S. Steering Committee and with ASEAN. Although significant U.S. private sector contributions are anticipated, USG funding will be required to get the Foundation off the ground.

Presidential Involvement:

One or both of the listed proposals would possibly be appropriate for mention in the President's speeches in ASEAN, particularly the appearance before the U.S. business community in Jakarta. A signing ceremony for the SMBI project might be an adjunct to the "ASEAN day" in Jakarta.

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OTHER COOPERATIVE PROJECTS

ISSUE

To enhance existing exchange and support programs between the U.S. and ASEAN countries as a symbol of the increasing importance of that region to the U.S.

Where do we stand:

The U.S. has a modest level of exchange, cultural and other similar programs with the ASEAN countries under USIA, Fulbright Program, and activities of other agencies, public and private. The U.S. is also the chosen place for advanced academic and technical education by most ASEAN countries.

Where do we want to end up:

To be able to announce a substantial list of activities in these areas.

Steps to take:

To accelerate consideration of activities already in the pipeline and to review additional projects such as:

- participation in 1984 ASEAN Science and Technology Week in Singapore (OES);
- regional narcotics projects (State/DEA);
- support for the Southeast Asian Tin Research and Development Center (SEATRAD) (USGS);
- economic journalists program (USIA sponsorship of a second U.S. visit of ASEAN economic editors);
- visits and training of museum curators (USIA and Smithsonian);
- increased sports exchanges (coaches and teams) (USIA); and
- increased USG support of American scholars for study in the ASEAN region (USIA).

Presidential Involvement:

These activities are indicative of the growing community of interest between the U.S. and the ASEAN countries. Presidential emphasis should be given to the importance of forstering increased exchange between all elements of our societies and the maintaining of high levels of participation of advanced training of ASEAN students, officials and professionals in the U.S.

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COMMON FUND

ISSUE

How to respond to ASEAN criticisms of our position on ratification of the Common Fund.

Where do we stand:

The U.S. signed the agreement in November 1980, but has not yet submitted it for Senate ratification. Our stated position is that we will consider submitting the treaty only after a sufficient number of international commodity agreements (ICAs) are committed to association with the Fund. Thus far the International Natural Rubber Agreement and the International Tin Agreement have indicated that they are taking steps that may lead to association.

Members of Group B, led by Japan and the UK, have actively urged us to reconsider our position. All of the ASEAN members have signed; Indonesia and the Philippines have ratified, and Malaysia has announced its intention to ratify. As of June, 108 countries have signed, and 53 (including 10 OECD members) have ratified.

The only remaining condition to be met before the Common Fund enters into force is that countries whose combined contributions represent two-thirds of the required level of \$470 million ratify. As the CF is near this goal, the U.S. is increasingly cast as the main, or only, obstacle to the CF.

Where do we want to end up:

With a position on Common Fund ratification that takes into account the concerns of ASEAN, Group B and other dialogue partners as well as our own views on commodity policy.

Steps to take:

In order to reduce the possibility that the President is overly criticized on his trip, and in view of the concerns of our friends and allies, there should be a reexamination of our position on CF ratification.

Presidential Involvement:

The President can expect questions on this issue during his visits to Jakarta, Manila and possibly Japan as well. He should be prepared to respond appropriately.

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CARIBBEAN BASIN INITIATIVE (CBI)

ISSUE

The Caribbean Basin Initiative (CBI) legislation has now become law and the ASEAN governments remain concerned that it will adversely affect trade and investment with the U.S.

Where Do We Stand:

The "one-way free trade zone" element of the CBI is expected to come into effect late in 1983, offering Caribbean nations duty free entry into the U.S. for most products. The ASEAN nations have frequently been reassured that the small and weak economies in the Caribbean are unlikely to pose any serious competition in either trade or investment with the dynamic ASEAN nations during the 10 year life of CBI. Special concern has been expressed by the Philippines and Thailand over CBI preferences on sugar.

Where Do We Want To End Up:

To continue reassurances that CBI is not a significant threat to ASEAN economic interests.

Steps To Take:

To identify more precisely to the extent possible by November what are the likely effects of the CBI preference system on trade and investment patterns in the region.

To consider the question of offering similar preferences to ASEAN since this question might be raised during the President's trip.

Presidential Involvement:

As there is some likelihood that ASEAN leaders may bring up their concerns about the CBI, the President should be prepared to stress the strategic importance of stability in the Caribbean region, emphasizing the limited economic impact on the rest of the world including ASEAN.

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ASEAN: REFUGEES

ISSUE

The concern of the ASEAN countries over being left with a residue of refugees as the major resettlement countries appear to be reducing their annual offtake.

Where do we stand:

The US continues to support an international effort to relieve the ASEAN first-asylum countries of their refugee populations. The US has already borne the major share of this effort -- having settled some 640,000 Indochinese refugees since 1975.

Where do we want to end up:

We want to leave ASEAN assured: (1) that we appreciate their great humanitarian contribution in providing first asylum to thousands of Vietnamese; (2) that the US intends to do its fair share, together with the other major resettlement countries, to reduce the populations of the refugee camps.

Steps to take:

After receiving the expected ASEAN presentation, present the US position outlined above. New INS guidelines have just been issued which should result in faster, more consistent processing of refugees. We should be able to point to this improvement by the time of the President's visit.

Presidential Involvement:

The President's assurances in this sensitive area would greatly assist in setting the scene for the Department as it prepares to discuss with the ASEAN countries the planned US refugee operations for East Asia in FY 84. A public event involving refugees would be most helpful in this regard, for example, in Thailand or the Philippines.

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ASEAN ECONOMIC PROJECTS

ISSUE

To re-emphasize to the ASEAN countries that the U.S. understands the regions increasing requirement for new U.S. technology and techniques to accelerate economic, agricultural and scientific development as these nations seek rapidly to modernize.

Where do we stand:

The USG through USAID, Department of Commerce, USGS and other agencies already have a number of useful cooperative activities with ASEAN countries in these fields. Underway are excellent programs in alternative sources of energy, plant quarantine training, agricultural research, watershed management, remote sensing, etc. New activities in ASEAN are in various stages of consideration within the USG. These are:

- tax administration (Treasury);
- marine science and remote sensing (Commerce/NOAA);
- quality control for food and natural commodity exports, such as fish, shrimp, spices, coffee, rice, etc. (FDA);
- food storage and processing technology (AID/USDA);
- toxic waste disposal (EPA);
- pollution control technology (EPA, NAS); and
- use of video techniques in health education (USIA, HHS).

Where do we want to end up:

- (A) To accelerate planning for a number of new programs and activities so that some are ready for announcement during the visit to Jakarta.
- (B) To consider a new US/ASEAN Cooperation Council (a la Canada) better to focus U.S. attention on the potential for increased technical assistance and exchange programs.
- (C) To prepare a compendium of existing cooperative US agency programs with one or more of the five ASEAN nations.

Steps to take:

To accelerate investigation and where feasible active preparation for the above-listed activities.

Presidential Involvement:

The visit to ASEAN should offer the occasion for the President to re-emphasize our strong commitment to increasing cooperation with ASEAN in a wide variety of technical, scientific and other economic fields. The several addresses by the President should include both general and some specific commitments to new cooperative activities. The announcement of a new US/ASEAN cooperation Council might also be on his agenda.

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MESSAGE NO. 918 CLASSIFICATION SECRET No. Pages 1R

FROM: MIKE MICHALAK EA 632-2146 6205
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION Materials for Sub-IG meeting on Indonesia/ASEAN,

August 11, 3:00 p.m.

<u>TO: (Agency)</u>	<u>DELIVER TO:</u>	<u>Extension</u>	<u>Room No.</u>
<u>OVP -</u>	<u>Mr. Donald P. Gregg</u>		
<u>NSC</u>	<u>Mr. Robert Kimmitt</u>		
<u>CEA</u>	<u>Mr. William Niskanen</u>	<u>517 5-46</u>	
<u>25X1 CIA</u>			
<u>Commerce</u>	<u>Mrs. Helen Robbins</u>		
<u>Defense</u>	<u>Col. John Stanford</u>		

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Indonesia/ASEAN August 11, 3:00 p.m.

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OPD	Mr. <u>Danny Boygs</u> Edwin Harper	<u>456-6252</u>	
OSTP	<u>MR Michael Strosio</u> Dr. George Keyworth	<u>395-5860</u>	
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