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DEPARTMENT OF STATE

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Amembassy DJAKARTA

May 10, 1967

Visit of the Greater San Francisco Chamber of Commerce Pacific Trade Mission to Indonesia.

A. CERP, Section D

B. Department's CA-5230, January 16, 1967

C. Djakarta 3417, January 25, 1967

FOR COMMERCE

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SUMMARY

After brief visits to Hong Kong, Bangkok, Kuala Lumpur, and Singapore, the Greater San Francisco Chamber of Commerce Pacific Trade Mission arrived in Djakarta on April 18, 1967, for a week's stay. Most of the members departed on April 25 to return to San Francisco. The coordinator of the Mission was Mr. Thomas O. CAYLOR, Manager, World Trade Department, Greater San Francisco Chamber of Commerce. The twelve other members were executives of as many American companies, whose activities included: (a) trade in agricultural commodities, capital and consumer goods, and lumber; (b) manufacture and export of prefabricated buildings, food machinery, electronic and telecommunications equipment, chemicals, dredging equipment, and aluminum; (c) banking; and (d) accounting and auditing services.

The official program of the Mission included: (a) briefings by the Ambassador and key members of the Embassy; (b) four general meetings attended by over 100 people each; (c) individual meetings between each Mission member and appropriate Indonesian businessmen, executives of state corporations, and officials; (d) calls on Presidium Minister Adam MALIK and the Minister of Trade, General ASHARI Damudirjo; (e) four official receptions (two hosted by the US side and two by the Indonesian side); and (f) a press conference.

This first US Trade Mission since the policy change of Indonesia received a red carpet treatment from the GOI and the business leaders here. It also

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enjoyed good press coverage, considering that the newspapers had to devote considerable space in their four pages to the Chinese-Indonesian riots and demonstrations which, coincidentally, occurred during the Mission's visit. The members of the Mission told the Embassy that they had been satisfied with the results of the visit here and that they had accomplished their various purposes. Practically all intend to follow-up on the discussions they have had with business counterparts, and they expect to develop tangible business with Indonesia.

Within the limitations inherent in an Industry-Organized Government-Approved Mission, the diverse interests of the members, and the relatively short period of the visit, the San Francisco group's stay in Indonesia was instrumental in promoting US exports.

The Mission was generally successful and had a favorable short-term impact here. Its long-term impact is less certain, however. The visit was certainly timely and the group proved to be a favorable factor for more cordial relations between Indonesia and the United States.

The 13-member Greater San Francisco Chamber of Commerce Pacific Trade Mission arrived in Djakarta on April 18, 1967, and officially departed on the 25th.

1. ADVANCE PROGRAMMING TEAM

The Advance Programming Team: Mr. Richard EISENMANN, Trade Missions Division, Department of Commerce, and Mr. Marcel VAN ESSEN, Assistant Manager, World Trade Department, Greater San Francisco Chamber of Commerce, spent the period of March 26 -30, 1967, in Djakarta. They were briefed by the Embassy and participated actively in two special meetings with the Indonesian group responsible for the arrangements of the Mission's visit. During their stay here, a schedule of the Mission's activities in Indonesia was prepared and approved by all concerned. The GOI and Indonesian business leaders were cooperative and forthcoming. However, not surprisingly, the program had to be altered in subsequent weeks, prior and during the Mission's visit. It should be noted, however, that this did not affect the success of the Mission.

2. INDONESIAN ARRANGEMENTS

A "Coordinating Body" made-up of three Directors General (foreign trade, domestic trade, and trade promotion) and the Director of Foreign Trade Relations of the Department of Trade, and a representative of the Department of Foreign Affairs, was appointed to coordinate the various activities connected with the visit of the Mission.

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An 18-member "Indonesian Counterpart Team" with representatives of the various Indonesian trade and economic associations had responsibility for the more detailed discussions with the Mission. It was backed by over a hundred Indonesian officials and businessmen, referred to as "Assistants to the Indonesian Counterpart Team."

A special kit, containing very useful information, was provided for each member of the Mission (enclosure 7).

The air-conditioned auditorium of the CTC Building in Djakarta, with a sitting capacity of about 300, was set aside for the general meetings. Microphones were provided.

A motorcycle escort was provided for the movements of the Mission in Djakarta.

3. MEMBERS OF THE TRADE MISSION

Besides Mr. Thomas O. Caylor, Manager, World Trade Department, Greater San Francisco Chamber of Commerce, the twelve other members were executives of as many American companies, whose activities included: (a) trade in agricultural commodities, capital and consumer goods, and lumber; (b) manufacture and export of prefabricated buildings, food machinery, electronic and telecommunications equipment, chemicals, dredging equipment, and aluminum; (c) banking; and (d) accounting and auditing services. A complete list of the members, their positions and company affiliations is attached as enclosure 1.

4. SCHEDULE OF THE MISSION'S ACTIVITIES

The official program of the Mission's visit (enclosure 2) included: (a) briefings by the Ambassador and key members of the Embassy; (b) four general meetings attended by over a hundred people each; (c) individual meetings between members of the Missions and appropriate Indonesian businessmen, executives of State corporations, and officials; (d) calls on Presidium Minister Adam Malik and the Minister of Trade, General Ashari Daudirjo; (e) four official receptions (two hosted by the US side and two by the Indonesian side); and (f) a press conference.

a. Embassy Briefings. The Ambassador discussed with the Mission for an hour the overall political, sociological and economic situation in Indonesia. This was followed by briefings by the Representative of AID, the Counselor for Political Affairs, and officers of the Economic Section.

b. General Meetings. The first general meeting was held on April 19. Its main purpose was to introduce the members of the Trade Mission, to cover its general purposes and to acquaint more fully the Indonesian side with the interests of each individual member of the Mission.

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The three subsequent general meetings were chaired by three of Indonesia's top economists, all educated in the United States, two of whom are members of the Group of Economic Advisers to Acting President Suharto and the Presidium and the third, Dr. SOEBROTO, Director General of Marketing and Trade Promotion, Department of Trade. Dr. Soebroto is influential in Indonesian economic and trade matters and is considered as a member of the "inner group" here. The striking note of these meetings was the candid way in which the economists and other Indonesian officials covered past mistakes of the GOI, the ready admission of Indonesia's current economic shortcomings, and the need and sincere willingness of Indonesia to receive and accept foreign bilateral and international aid, particularly capital and technical assistance from foreign private companies, as well as the GOI's desire to improve conditions of foreign trade and investment in this country. They answered all questions frankly and competently.

The second meeting, held on April 21, was chaired by Dr. Ali WARDEANA and was devoted to a historical and current survey of Indonesia's economy. He covered in detail the deteriorating trend of the economy from 1960 to 1966. He stated that this had been caused by government interference and control of the country's economic activities through direct management of corporations (State enterprises), allocation of resources and commodities, and the increasing government subsidies, which rose from less than 1 percent in 1960 to 15 percent in 1966 of total government expenditures. He then explained the Government's current policy of combating inflation (which has been reduced from a monthly rate of 60 percent prior to October 1966 to an estimated 3.8 percent in March 1967), of rehabilitating the existing production facilities, and of expanding the economic base towards increased output and exports -- all, hopefully, leading to a higher standard of living which, he stated, had actually declined in the last few years from its already extremely low level.

Professor Mohammad SADLI (the author of the initial text of Indonesia's Foreign Investment Law) chaired the third meeting on April 22. He explained the various provisions of the Foreign Investment Law, the administrative mechanism regarding foreign investments in Indonesia, and the Government policy for such investments. He said that he was aware that the law was not perfect and stressed the Government's willingness to amend it in the future after it has had the opportunity to acquire more experience with it and to identify the areas of needed change. "We are in the process of educating ourselves.... We are pragmatic... We recognize that we have shortcomings," he declared.

He stressed that foreign capital alone was not enough, and that foreign management skills and technology were just as important. That is why foreign loans did not completely suffice to satisfy Indonesia's need to improve and expand its economy. Saldi stated more than once that the GOI would examine each foreign investment proposal with an open mind and would endeavor to introduce as much flexibility as possible to meet the desiderata of sound investors. In conclusion, he said that the economic policy of the GOI was in a state of continuing evolution. A pragmatic approach was being followed.

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As problems or weaknesses are identified, he felt certain that corrective measures would be taken.

The fourth meeting, held on April 24, was chaired by Professor SOEBROTO, with the assistance of other senior officials of the Department of Trade. It dealt with trade. He stressed the importance of foreign trade to Indonesia. Two thirds of the government revenue was derived from trade. Nine items (rubber, petroleum, coffee, tea, palm oil, mineral ores, etc.) represented 90 percent of total exports. Indonesia's present export pattern was divided as follows: 67 percent to Western countries, 21 percent to Eastern countries, 11 percent to other Asian countries, and 1 percent elsewhere. He gave a brief survey of the country's international trade in recent years. He said that besides rice, of which \$70 million worth was to be imported this year, Indonesia's import priorities were raw materials for the export industries, spare parts for existing equipment, and machinery for the rehabilitation of the textile industry.

To encourage exports further, the GOI was now considering an increase in the part of foreign exchange kept by exporters. A new tariff policy was under active study. He implied that it will be protectionist in order to assist domestic production, including that of the cottage industry. However, he tempered the above with the statement that Indonesia intended to concentrate on domestic production only as long as such production was economically sound. It would rely on imports for other goods. Dr. Soebroto's presentation stressed the export side more than other facets of foreign trade. He admitted that the trade mechanism was still cumbersome and needed simplification. The GOI was working on this question.

c. Individual Meetings. With the assistance of the GOI and the Embassy, each member of the Mission had the opportunity to discuss specific matters of interest to his firm with several businessmen and officials. The Mission members told the Embassy that they had been satisfied and felt that they had accomplished the main purposes of their visit.

d. Calls on Indonesian Officials. The Embassy arranged a call on Foreign Minister Malik. This proved to be much more than a courtesy visit. The meeting lasted an hour. Malik stressed the changed policy outlook of Indonesia, its desire to expand economic and cultural relations with other countries, and its awareness of the importance of foreign trade and private investments (Prof. Sadli sat next to him). He candidly admitted that there were still many deficiencies hampering trade and investment here, that Indonesia did not yet possess adequate knowledge and experience to implement its liberal economic policies, referred to the shortage of trained personnel, and begged for patience and understanding. He added that the GOI was anxious to correct these deficiencies and was making efforts towards that end. He expressed the wish and hope for expanded economic relations between Indonesia and the United States. He gave frank answers to several questions and made an excellent impression on the group.

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INDONESIAN OFFICIALS

In the absence of Minister of Trade Ashari, who was attending a Presidential meeting which, incidentally, lasted from 10 a. m. until 3 in the morning of the next day, the Mission members were received by the Department's Secretary General, Arifin KAPLAN, who was assisted by several senior officials. He apologized for the Minister's absence and discussed the government measures of the last six months to encourage the expansion of Indonesia's foreign trade. In response to questions, he explained the various facets of the trade mechanism in Indonesia and offered the "wholehearted" assistance of the Department of Trade to insure the success of the Mission.

e. Official Receptions. Ambassador and Mrs. Green gave a reception on April 19 (guest list attached as enclosure 3), which was attended by a large number of senior Indonesian officials, businessmen and other persons who could be useful to the Mission members.

Minister of Trade Ashari gave a reception in honor of the Mission on April 21, at which eight Ministers were present, including President Minister for the Economic and Financial Sector Sultan Hamengkumuwono II.

The reception of the Indonesian Counterpart Team was held on April 22 and it too included many senior officials and business leaders, but to a lesser extent than the other three, Saturday evening being an unfavorable time for receptions.

The Mission itself was the host at a reception held in the residence of the Embassy's Economic Counselor, Mr. Paul D. McCusker, on April 24 (guest list attached as enclosure 4). Minister Ashari and many prominent officials and business personalities were present.

Ambassador Green attended General Ashari's and the Mission's receptions.

On April 23, the reporting officer gave an informal reception in his residence, which was limited to the members of the Mission and key officers of the Embassy, including the Embassy's Deputy Chief of Mission, for unhampered discussion of matters of interest to the San Francisco group.

f. Press Conference. Thanks to the efforts of the Embassy's Information Officer/Press Attache, Miss Dairdre M. Lyon, about 40 Indonesian newspapermen and foreign correspondents attended a press conference given by Mr. Caylor and the members of the Mission on April 24. It served to clarify many points of interest and produced satisfactory results. A press release (enclosure 6) was distributed at the end of the conference.

5. PRESENTATION OF PRESENTS.

Mr. Caylor presented, on behalf of the Greater San Francisco Chamber of Commerce, elaborate plaques of honorary membership in the Chamber to Ministers Malik and Ashari, as well as the Chairman of the Indonesian Counterpart Team, Colonel Usman Yassin. They were received with pleasant surprise and appreciation.

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The Mission had also brought a beautiful case containing a gilded reproduction of a San Francisco cable car and an engraved plaque expressing its "respectful appreciation" to General Suharto. It was not possible to present it directly to the Acting President. The Minister of Trade, General Achari, agreed to pass it on to General Suharto after the departure of the Mission. The reporting officer delivered it to the Department of Trade for the above purpose, and we are hopeful that General Suharto will sign a letter of acknowledgement, which we will transmit directly to Mr. Caylor in San Francisco.

6. EFFECTIVENESS OF THE MISSION IN PROMOTING US EXPORTS.

Within the limitations inherent in an Industry-Organized Government-Approved Mission, the diverse interests of its members, and the relatively short period of its visit, the San Francisco group's stay in Indonesia was instrumental in promoting US exports. It should be noted that some members were interested in imports from Indonesia, others in investments, one in banking services, and another in accounting and auditing services. However, those interested in exports specifically told the Embassy that they expected their visit to lead to business transactions.

7. TIMELINESS AND APPROPRIATENESS OF THE MISSION.

The visit of the San Francisco Mission was certainly timely. It was the first US trade mission to come to Indonesia since the abortive coup of September 30, 1965, and the subsequent change in policy and attitude of the Indonesian leaders. It arrived at a time when the effects of the severe government measures taken to improve the general health of the economy had already shown tangible favorable results. Its visit also coincided with the developing trend of less direct involvement by the Government in day-to-day operations of business and in more scope being offered to the private sector.

While the Mission, because of the heterogeneous interests of its individual members, could not have a unified concentrated thrust with regard to a particular business sector, its appropriateness, if the desire of the American private business community to expand economic relations with Indonesia is an important criterion, can also be considered satisfactory. The only question we have concerns the addition of a representative of a CPA firm. The likelihood of its being active in a country where the great majority of businessmen do not stick to exhaustive and accurate bookkeeping, for tax and other reasons, appears somewhat remote. However, we wish to make it clear that Mr. Kathen J. Friedman, of Touche, Ross, Bailey and Smart, did participate actively in the work of the Mission and was generally helpful to its overall success. He told the Embassy that the few contacts we were able to arrange for him may prove of value to his firm.

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8. SHORT AND LONG TERM IMPACT.

The short-term impact of the San Francisco group's visit was substantial and favorable. Practically all important segments of the Indonesian business community and the government agencies were exposed to it. It served to focus the attention of these people on the possibilities of trade with the United States and investments by American companies. Scores of GBI senior officials and business leaders were given the opportunity not only to get a clearer view of the ways of doing mutually profitable business with the United States, but, somewhat more important in the Indonesian context, the visit of the Mission forced them to take a fresh look at the economic problems facing this country and the need to take appropriate actions to solve them or at least to make them more amenable to solution in the future.

The Mission had a fairly good and copious press coverage. Undoubtedly much more space would have been devoted to its activities in the newspapers, which are limited to four pages, were it not for the Chinese-Indonesian violent demonstrations in Djakarta, which occurred during the time it was here. However, these demonstrations, which were in no way connected with the Mission or the United States for that matter, did not interfere with the elaborate program set for the San Francisco group.

The long-term impact is less certain, again because of the inherent limitations of a Mission of this type. However, some optimism that actual foreign trade transactions will take place and, possibly investments will materialize, appears justified. The effect of the visit of the Mission as a catalyst to expedite consideration by the Indonesians of trade and investment impediments, was valuable at a time when the Indonesian leaders are sincerely trying to tackle these problems.

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9. COMMENTS AND RECOMMENDATIONS FOR FUTURE MISSIONS.

The visit to Indonesia of the Greater San Francisco Chamber of Commerce Pacific Trade Mission was generally successful. Mr. Caylor proved to be an able leader. He was tactful and articulate with the Indonesians. All the members of the Mission willingly followed the suggestions of the Embassy, and each, individually, contributed to the useful purposes of generating added interest in expanded trade and economic relations between the United States and Indonesia. They all made a good impression on the Indonesians and generally enhanced the image of the American businessman here.

The Mission arrived here during a period of change with regard to Indonesian private business organizations. The Consultative Body of National Private

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Enterprises (BAMKINAS), which had replaced private trade organizations since 1964 and which, notwithstanding its name, was actually an instrument of the Government, had been gradually discredited after the change of Indonesian policy resulting from the abortive Communist coup of 1965, and was on the way of being abolished. In its place, two "strictly private" organizations were being established, and are still at the stage of formative committee meetings and maneuvering by many individuals and groups for control.

There was much controversy on the Indonesian side as to who would be the official host of the San Francisco Mission, as well as to the membership of the host group. In view of the lack of consensus, the Department of Trade had no choice but to take the leadership and do the best it could. But even after this point had been settled, disagreement continued on the proposed program and individual facets of the arrangements. Indicative of the above is the fact that the final decisions regarding the definite program of activities of the Mission and the roles of the various Indonesian participants were hammered down in a tense atmosphere at 7:00 p.m. on April 18, 1967, just a few hours before the arrival of the Mission, according to reliable Indonesian sources who were present.

As a result of the above, complete coordination between the Indonesians and the Embassy and final approval of the program could not be completed before the arrival of the Mission. We found it necessary, after consultation with the Mission members following their arrival at the hotel at midnight, to suggest changes in the schedule as well as the so-called private meetings set by the Indonesians. It should be noted that the latter accepted our suggestions with very good grace and without difficulty or any kind of argument.

The lack of experience on the part of the Indonesian organizers and their unwarranted optimism that their original program would be accepted at the Ministerial level (since the Department of Trade was acting as coordinator), also caused some difficulties -- this, despite their sincere goodwill and enthusiasm to do the best thing possible according to their own lights.

However, from the time of the arrival of the Mission, which was welcomed by the members of the Indonesian Counterpart Team and the reporting officer at the VIP room of the airport, until its departure on April 25, 1967, which was also at the same place and with an even greater number of Indonesians notwithstanding the early hours of 7 a.m., the cordial atmosphere and mutually respectful relations among all concerned prevailed.

In summary, the San Francisco Trade Mission proved to be a favorable factor for more friendly relations between Indonesia and the United States.

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In view of the special conditions in Indonesia, the question of recommendations for future Trade Missions will be the subject of a separate airgram.

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Enclosures:

1. List of Members of the Greater San Francisco Chamber of Commerce Pacific Trade Mission.
2. Program of the Mission's activities in Djakarta.
3. Guest List of the Ambassador's Reception (5 copies).
4. Guest List of the Mission's Reception (5 copies).
5. Sample Invitations to the Mission's Reception (5 copies).
6. Press Release, April 24, 1967 (5 copies).
7. Kit Distributed by the Indonesian Side to Each Mission Member (2 sets).

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**LIST OF MEMBERS OF THE GREATER SAN FRANCISCO
CHAMBER OF COMMERCE PACIFIC TRADE MISSION**

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1. Thomas O. Caylor, Manager, World Trade Department, Greater San Francisco Chamber of Commerce
 2. Howard Boone, Regional Manager, Congill Inc.
 3. William J. Elliott, Vice President, International Department, Crocker-Citizens Bank
 4. Coes Schouten, Director of Planning and Development, International Operations, BEM Industries
 5. William Grossman, Manager, Southeast Asia Sales, Food Machinery Corporation (FMC)
 6. Stephen Pearsall, Far East Manager, Gatz Brothers
 7. Michael J. Kricger, President, International Building Products
 8. Robert Roth, Director of Corporate Planning, Kaiser Aluminum International
 9. John Nauman, Manager, International Sales, Motorola Communications International, Inc.
 10. Harold Leeds, Export Manager, Pacific Coast Engineering Company (PAXECO)
 11. Barney Rocca, President, Pacific Vegetable Oil Company (PVO)
 12. F. E. Cook, Vice President, International Division, Stauffer Chemical Company
 13. Nathan J. Friedman, Partner, Touche, Ross, Bailey & Smart

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Indonesia Visit of
The Greater San Francisco Chamber of Commerce
Pacific Trade Mission

April 18 - 25, 1967

Tuesday, April 18

- 20:55 - Arrival of the Mission by THAI Airways (SI. 403) from Singapore.

Wednesday, April 19

- 08:00 - 09:30 - Briefing of the Mission at the U.S. Embassy.
- 10:00 - 10:30 - Courtesy call on H.E. the Minister of Trade Maj. Gen. D. Ashari.
- 11:00 - 13:00 - General Session (Briefing by U.S. Mission) at C.T.C. Building, 94-96 Kramat Raya.
- AFTERNOON
- 18:00 - 20:00 - Reception by H.E. the Ambassador of the United States of America and Mrs. Green at no. 3, Taman Suropati.

Thursday, April 20

- LEGAL HOLIDAY (individual meetings)

Friday, April 21

- 09:00 - Call on Presidium Minister Malik
- 10:00 - 12:00 - General briefing by Indonesian Experts at C.T.C. Building, 94-96 Kramat Raya.
- AFTERNOON
- 19:00 - Reception by H.E. the Minister of Trade and Mrs. D. Ashari at Wisma Warta, Djalan Thamrin.

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Saturday, April 22

09:00 - 11:00

- Meeting on Investment at C.T.C. Building, 94-96 Kramat Raya.

CONFERENCE

- Individual Meetings

19:00 -

- Reception by the Indonesian Counterpart Team at C.T.C. Building, 94-96 Kramat Raya.

Sunday, April 23

18:00

- Free Program / Sight Seeing.
- Informal Reception by Embassy Commercial Officer Joseph A. Harary.

Monday, April 24

09:00 - 11:00

- Meeting on Trade at C.T.C. Building 94-96 Kramat Raya.

16:00 - 17:30

- Press Conference.

18:30 - 20:00

- Reception by the Mission at No. 59, Djalan Teuku Umar and end of official activities.

Tuesday, April 25

07:00

- Departure of Mission from Djakarta.

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