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E.O. 12958, as amended, Sect 3.5

NSC/Soubers to Smith 09/06/2002

By *GA* Date *02/06/07*

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

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July 20, 1974

National Security Study Memorandum 205

TO: The Secretary of the Treasury
 The Secretary of Defense
 The Deputy Secretary of State
 The Director of Central Intelligence
 The Assistant to the President for International
 Economic Policy

SUBJECT: U.S. Policy Toward Indonesia

The President has directed a review of U.S. policy toward Indonesia. The study should focus primarily on how the U.S. should continue to give support to Indonesia's evolving role as the major regional power in Southeast Asia, and on how to arrange a smooth transition away from Indonesia's dependence on large amounts of concessional aid in light of Indonesia's increasing oil revenues.

The study should identify and assess U.S. interests in and related objectives for Indonesia over the next five years. All relevant issues, including but not limited to the following, should be considered:

- Regional political, security and economic roles the U.S. would like Indonesia progressively to assume over the period;
- Indonesian domestic economic development goals which would be supportive of the desired regional roles;
- Measures which would contribute to internal stability;
- Improvements in Indonesian military capabilities to support desired regional goals, as well as Indonesia's internal stability; and

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- The relationship between U. S. trade and investment interests and objectives to achievement of the desired regional goals and Indonesian internal stability.

Based upon the foregoing assessment, the full range of options for U. S. policy over the next five years should be delineated and assessed. In formulating the policy options all principal relevant issues should be identified and considered, including the following:

- The use of U. S. military and economic assistance to encourage Indonesia's movement toward agreed objectives.
- Alternative rates by which the U. S. might harden the terms of economic and technical assistance to Indonesia.
- Alternative roles for the IGGI, levels and type of continuing IGGI assistance, and levels of U. S. participation.
- Alternative levels and program composition of U. S. military assistance to Indonesia.
- The relationship between U. S. assistance to Indonesia and Indonesia's interest in increasing aid from the Soviet Union and Eastern Europe.

The study should be prepared by the NSC Interdepartmental Group for East Asia and should be submitted no later than August 30, 1974, for consideration by the Senior Review Group.


Henry A. Kissinger

cc: Director, Office of Management and Budget
Chairman, Joint Chiefs of Staff
Counsellor to the President
for Economic Policy