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CONFIDENTIAL PTQ3238

PAGE 01 JAKART 00757 01 OF 02 301004Z
ACTION EAP-01

INFO	LOG-00	ACDA-12	ACDE-00	AID-00	CIAE-00	OASY-00	DOEE-00
	SRPP-00	EB-01	FBIE-00	H-01	TEDE-00	INR-00	L-01
	ADS-00	M-00	NSAE-00	OMB-01	PA-00	PM-00	PRS-00
	P-00	SP-00	SSO-00	SS-00	TRSE-00	T-00	USIE-00
	DTC-01	PMB-00	DRL-09	G-00	/027W		

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 FM AMEMBASSY JAKARTA
 TO SECSTATE WASHDC IMMEDIATE 0035
 INFO OSAF WASHDC//IA//
 USCINCPAC HONOLULU HI//J4/J5//
 NSC WASHDC
 OSD WASHDC//DSAA/ISA//

C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 000757

USCINCPAC ALSO FOR POLAD AMB SALMON

E.O. 12958: DECL: 1/30/06
 TAGS: MASS, MARR, PREL, US, ID
 SUBJECT: PROPOSED PRESIDENTIAL LETTER TO PRESIDENT SOEHARTO ON
 PEACE GATE F-16'S

1. CLASSIFIED BY AMBASSADOR J.S.ROY; REASON: 1.5(D).
2. (C) SUMMARY AND ACTION REQUEST: EMBASSY PROPOSES A LETTER FROM
 PRESIDENT CLINTON TO PRESIDENT SOEHARTO ADVOCATING INDONESIA'S
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PAGE 02 JAKART 00757 01 OF 02 301004Z
 PURCHASE OF PEACE GATE (PAKISTANI) F-16'S. THE DECISION TO BUY

UNITED STATES DEPARTMENT OF STATE
 REVIEW AUTHORITY: CHARLES E LAHIGUERA
 DATE/CASE ID: 09 AUG 2011 200704817

(AND HOW MANY TO BUY) IS NOW ON PRESIDENT SOEHARTO'S DESK, BUT THE SALE IS NOT A FOREGONE CONCLUSION. A PROPOSED LETTER TEXT IS AT PARA 7. END SUMMARY AND ACTION REQUEST.

3. (C) THE INDONESIAN GOVERNMENT'S CONSIDERATION OF THE PEACE GATE F-16 PURCHASE HAS REACHED A CRITICAL JUNCTURE. WE UNDERSTAND THE NATIONAL PLANNING BOARD (BAPPENAS) HAS SENT THE EQUIVALENT OF A DECISION MEMO TO PRESIDENT SOEHARTO. WE HAVE INDICATIONS THAT THE INDONESIANS WILL BUY AT LEAST 9 AIRCRAFT (WE HAVE NOT, HOWEVER, BEEN TOLD THIS FORMALLY). PRESIDENT SOEHARTO WILL RATIFY THE PURCHASE, AND WILL DECIDE WHETHER TO REQUEST 9 AIRCRAFT OR ALL 28. THIS HAS BEEN A HIGH PROFILE ISSUE, AND THE MATTER WILL PROBABLY GET SOEHARTO'S ATTENTION WITHIN THE NEXT WEEK.

4. (C) FOR THE INDONESIANS, THE BIGGEST UNCERTAINTY IN THIS POTENTIAL PURCHASE HAS BEEN THE FINANCING PACKAGE. WE HAVE BEEN ASKED REPEATEDLY TO PROVIDE SOFT FINANCING; WE HAVE ANSWERED REGULARLY THAT WHILE THE USG CANNOT PROVIDE A SOFT LOAN, WE CAN HELP FIND COMMERCIAL FINANCING AT ATTRACTIVE RATES. WE HAVE DONE SO, AND WE UNDERSTAND THAT THE BANK OF INDONESIA HAS RESPONDED TO THIS BY PROPOSING ITS OWN FINANCING PACKAGE, ALSO AT COMPETITIVE RATES. INCREASINGLY, IT APPEARS THAT THE LACK OF GOVERNMENT-TO-GOVERNMENT CONCESSIONAL FINANCE IS NOT AN OBSTACLE TO THE SALE.

5. (C) FOREIGN COMPETITION REMAINS STRONG, HOWEVER. THE BRITISH RECENTLY COMPLETED THE SALE OF A SQUADRON OF HAWK FIGHTERS AND A SECOND SALE IS UNDER CONSIDERATION (IT IS OUR UNDERSTANDING THAT THIS SALE IS NOT COMPETITIVE WITH THE F-16 SALE). THE FRENCH HAVE BEEN ACTIVE, AND THE RUSSIANS WILL AGGRESSIVELY PUSH THEIR FIGHTERS IN THIS YEAR'S (JUNE-JULY) JAKARTA AIR SHOW. OUR FOREIGN

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PAGE 03 JAKART 00757 01 OF 02 301004Z

COMPETITORS ALL WORK THROUGH AGENTS AND MIDDLEMEN, WHO ARE ABLE TO CHANNEL FEES AND COMMISSIONS TO KEY PLAYERS IN THE DECISION-MAKING PROCESS. THE F-16 IS BY FAR INDONESIA'S BEST BUY ON THE BASIS OF MERIT, BUT THERE ARE MANY OTHER CONSIDERATIONS THAT MUST BE FACTORED IN.

6. (C) THE DECISION IS NOW PRESIDENT SOEHARTO'S, AND THE TIME IS OPPORTUNE FOR HIGH LEVEL ADVOCACY. A LETTER FROM PRESIDENT CLINTON TO PRESIDENT SOEHARTO (SUGGESTED TEXT IN PARA 7) MAY PROVIDE THE IMPETUS FOR A POSITIVE DECISION.

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7. (C) BEGIN TEXT:

DEAR MR. PRESIDENT:

I WOULD LIKE TO EXPRESS AGAIN MY SATISFACTION THAT YOU WERE ABLE TO ATTEND THE 50TH ANNIVERSARY OF THE UNITED NATIONS AND ADD INDONESIA'S VOICE IN SUPPORT OF THIS VITAL GLOBAL INSTITUTION. I WAS ALSO PLEASED THAT WE WERE ABLE TO HAVE A USEFUL AND PRODUCTIVE MEETING IN WASHINGTON FOLLOWING YOUR UNITED NATIONS APPEARANCE. I NOW HAVE THE PLEASURE OF FOLLOWING UP ON ONE OF THE IMPORTANT DEFENSE-RELATED TOPICS WHICH WE DISCUSSED AT THAT TIME.

I AM WRITING YOU CONCERNING OUR OFFER TO SELL TO INDONESIA SOME OR ALL OF THE 28 PEACE GATE F-16 FIGHTER AIRCRAFT FORMERLY BELONGING TO PAKISTAN. RECENTLY, AFTER EXTENSIVE CONSULTATIONS BETWEEN OUR GOVERNMENTS AND MILITARY EXPERTS, WE PROVIDED PRICE INFORMATION FOR THESE F-16 AIRCRAFT TO YOUR ARMED FORCES HEADQUARTERS.

INDONESIA IS WELL AWARE OF THE QUALITIES OF THE F-16 SINCE
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PAGE 04 JAKART 00757 01 OF 02 301004Z
YOUR INITIAL ACQUISITION OF 12 IN 1989. THROUGH YOUR HOSTING OF THE COPE WEST SERIES OF EXERCISES, BOTH OF OUR AIR FORCES HAVE BENEFITTED FROM THE USE OF INTEROPERABLE SYSTEMS. THESE EXERCISES, MADE POSSIBLE BY THE INDONESIAN AIR FORCE'S DEPLOYMENT OF F-16'S, HAVE CONTRIBUTED MATERIALLY TO CLOSER BILATERAL MILITARY COOPERATION.

THE TIMING IS NOW RIGHT FOR CONSIDERING EXPANDING INDONESIA'S FLEET OF FRONT-LINE FIGHTERS. THE 28 PEACE GATE AIRCRAFT ARE NEW AIRCRAFT AND ARE AVAILABLE AT A VERY REASONABLE PRICE. THEY ARE COMPATIBLE WITH YOUR CURRENT FLEET OF F-16'S, THEY CAN BE SUPPORTED BY YOUR PRESENT LOGISTICS SYSTEM, AND THEY ARE AVAILABLE FOR IMMEDIATE DELIVERY. WE ARE PREPARED TO WORK WITH THE GOVERNMENT OF INDONESIA TO ARRANGE LOW-COST COMMERCIAL FINANCING FOR THIS ACQUISITION.

OUR OFFER TO SELL THE PEACE GATE F-16'S TO INDONESIA IS ANOTHER DEMONSTRATION OF OUR COMMITMENT TO THE SECURITY OF THE REGION AND OF OUR RECOGNITION OF INDONESIA'S NEEDS IN DEFENDING ITS

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VAST TERRITORY. WE REMAIN COMMITTED BOTH TO THE SECURITY OF THE ASIA-PACIFIC REGION AND TO THE MANY ELEMENTS OF OUR IMPORTANT AND GROWING BILATERAL RELATIONSHIP, INCLUDING OUR MUTUALLY BENEFICIAL DEFENSE AND SECURITY TIES. I HOPE WE WILL HAVE YOUR SUPPORT FOR

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PAGE 01 JAKART 00757 02 OF 02 301004Z
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TO SECSTATE WASHDC IMMEDIATE 0036
INFO OSAF WASHDC//IA//
USCINCPAC HONOLULU HI//J4/J5//
NSC WASHDC
OSD WASHDC//DSAA/ISA//

C O N F I D E N T I A L SECTION 02 OF 02 JAKARTA 000757

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SUBJECT: PROPOSED PRESIDENTIAL LETTER TO PRESIDENT SOEHARTO ON
PEACE GATE F-16'S

THIS IMPORTANT PURCHASE.

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END TEXT

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PAGE 02

JAKART 00757 02 OF 02 301004Z

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