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JAPANESE REPARATIONS - Indonesia

Outline of Reparations claim of Indonesia Against Japan

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For an earlier solution of the reparations problem  
toward Indonesia

January 24, 1955

It has long been heard that the reparations problem should be solved quickly. It is already 1955, the 13th year since the end of war. With the problem unsolved yet, the normalization of the diplomatic relation has not recovered, trade activities not smooth and economic and cultural cooperations are "rice cakes in a painting," so to speak.

Even the Yoshida government has not necessarily neglected the solution of the problem. Rather it has endeavored for it by dispatching foreign minister Okazaki to Indonesia after the dispatches of Ogata and Hashimoto as special mission of the prime minister and also by stationing minister Wajima in Indonesia to negotiate. It seems because the necessity of the solution has been well understood outside the government as well that they have shown such positive moves in order to break the deadlock as to unite various existing groups related to Asian affairs into the Asian Association and to dispatch a friendship mission headed by Yoshio Iwata.

In spite of all such efforts, a sign of solution has not been seen yet. On the contrary, the relation of the two countries has undoubtedly been cooled off for this half a year due to the issue of payment of Indonesian debts according to the Japanese-Indonesian trade agreement. Such a situation is unbearably regrettable not only for

*in memo -*

*Tai Indonesia Baiko Mondai  
Kaihetan Pokushin no Tama  
ni*



those, so called Japanese Indonesians, who have long been keeping their families in the second home country since before the war but also for those who have been well acquainted with the native people since they went across during the war. Certainly the time will solve the problem. However, for those who believe that the mistake committed by our generation should be cleared by us and not sent down to the next generation, just waiting for 'the time' is too insincere to bear. It is such impatience that let us do this writing to circulate among our seniors in the hope that it might possibly be a help in the solution of the problem. We would like to have comments from our seniors and at the same time, we wish the reparations problem to be solved and the diplomatic relations to be normalized as quickly as possible.

1. Whether to have an obligation to make reparations toward Indonesia

It is heard that some intellectuals still hold an idea latently that Japan has no such obligation in itself since "Indonesian independence was achieved at the cost and sincerity of Japan." The fact that the reparations tend to be looked at and discussed on, more or less openly, from the point of view of Japanese economic development in the future instead of the moral viewpoint seems to be a notion how strongly the above thinking means to them. If Indonesian independence had been achieved "at the cost and sincerity of Japan," we should frankly point out this fact to Indonesians and deny to pay any reparations definitely.



Because we, Japanese, would be unable to act in the world as a purely independent nation, without "righteous conscience of admitting right things as right and wrong things as wrong." In fact, the independence was fought for by Indonesians national force ~~against~~ <sup>in spite of</sup> a number of Japanese betrayals and necessary evils in the pursuit of war. We should take ourselves back and think it over from the beginning of this problem with a close look at the historical truth and sincere reflections on what we committed during the war.

We used the term 'betrayals'. This will hardly be understood by those who simply believe that the Pacific War was a sacred war fought for the liberation of Asian nations. We regret that we are able to present some objective facts of betrayals against Indonesian people, keeping our individual hospitality and sincerity aside at this moment.

As the first betrayal, the ban of hoisting the independent flag and of singing the independent song by the early military government can be raised. No sooner had Japan landed Indonesia, than these repressive measures against the nationalist movement were taken in spite of the fact that at the beginning of war Japan had much propagandized Indonesian independence by means of mutual cooperation through the overseas broadcasting toward the country or through dispersion of propaganda papers at the air raids before the landing. Those who were in Indonesia at the beginning of the war clearly noticed that the enthusiastic welcome of Japanese forces by the Indonesian people which was not experienced anywhere else during the war was quickly cooled off and that the difference of positions concerning 'independence' between



the military government and nationalist leaders gradually came out openly.

The second betrayal was committed by the Tojo's statement which permit Indonesia merely to take part in politics while promising both Burma and the Philippines their independence. It is known only to a few concerned that then vice president Hatta directly told minister of great Asian affairs, Kazuo Aoki, staying at Java on his way of an inspection tour, "This information without permission of Indonesian independence should not be disclosed in our country." This is an evidence how much disappointment and anger the Tojo statement gave to nationalist leaders of the time.

The third betrayal was committed when the war was over. For their own survival, Japanese forces just scrapped what they had sworned to Indonesians, and with the Allied Forces they stood against the independence movements. Was this not true?

Where can we see Japanese positive sincerity and devotion in these attitudes and policies? Objectively speaking, of course, there is no room for doubt about the fact that Indonesian independence was much accelerated by the outbreak of the war. However, if the independence is said to have achieved at the Japanese cost, it is, not, at least, telling the truth, if not overstating.

Although we pointed out some facts above, they are not at all the bases why Indonesia is demanding the reparations. On the contrary, Indonesia seems to appreciate whatever Japanese did for them during the war. The reason why we brought up those betrayals into light, knowing Indonesian innocent feelings, is to make it well recognized that the key to the solution of



the reparations problem exists in a severe self-reflection, that is to say, to look closely at the fact that Japanese selfish, double-faced attitudes and various factors derived from them persistently remain untill today and have made the problem more difficult and complicated.

In his recent letter to the writer, ex-foreign minister mentions about the reparations. It reads: "The normal relation between our countries has not recovered yet. That is because the reparations problem is not solved. I hold an opinion that the problem is a psychological one. What our people consider the most important is not money but reasons behind money. Even today most of our people still remember (Japanese) contempt of our labor and intellectual classes and their families, loss of lives, violence to women, and so on. Of course, these conducts ordinarily happen anywhere during a war. Australian or Dutch forces were no less cruel than Japanese military people. And I understand that American forces are as well now in Japan. At any rate, objectively speaking, we face this psychological problem and the problem of how to solve it."

That 'the reparations problem is a psychological one,' as read in the letter, has often been claimed by Indonesia and troubled the Japanese concerned up to today. Being psychological, it is difficult to be handled. Is not the phrase "reasons behind money" a sharp criticism to the attitude of Japan which seems to deal with the issue only from the selfish viewpoint of the future development of its own economy?

We must know that although it seems as if a roundabout way in a first sight, it is the shortest cut to the solution for us to start again from admitting a number of faults and



crimes frankly which we committed and feeling acutely the responsibility and obligation to the reparations. Looking back over our conducts during the war with an unselfish, humble eye, we will not fail to find many a fault and crime committed because our good will or power was not strong enough, or because we were charmed by the crazy evil of war. We contend that we should make an effort to seek a clue of the solution by admitting frankly these incomplete conducts, that is, by throwing away the attitude of criticizing that of the other party.

#### 11. Indonesia today

Almost all of those who have closely inspected present Indonesian situations are concerned for corruptions in the government and bureaucracy. Overexaggerated in some instances, the impression is, by and large, close to the truth. How about Japan, then? Are we not blamed for the same reason?

Moreover, they contend that Indonesia is unable to negotiate the reparations claims due to the unstable government while political parties are split into many. We see a model of the multi-party system in present France. But could we find a country which does nothing but disregard unstable France because of its instability? The present Indonesian government has stayed in power for one and a half years with a strong support from president Sukarno. Also, we should not forget the fact that even the governments in the past could not act free from restraint of the committee of foreign affairs in congress which had kept the foreign policy of independent neutrality as principle. We should not forget that the



committee has more influence over the governmental foreign policy making than that in Japan.

Some insist that the time is not ripe yet and to wait for the outcome of the coming general election. However, to what extent do they have confidence and prospect for organizing a new firm government after the election, uniting a majority of various bases and characters different from those in the present government? Examining the present situation of Indonesia which lacks intellectual resources, we should not expect a number of new persons to be elected.

We must stress, at this moment, the fact that the recent conclusion of the reparations problem with Burma and the future development of the negotiation which has been reported to be opened soon have thrown a delicate reflection upon Indonesia. That is, to its eye, is Japan not taken as assuming a silent policy toward Indonesia intentionally, or at least, taken as intending to negotiate with it in the last? If so, we are afraid that with all the solution, much would not be expected from the reparations which are messed with mi

We believe to seek an effective and adequate solution by taking a positive action to break the present deadlock instead of waiting for a move from the other party.

Incidentally, Japan has already received a formal invitation ~~from~~<sup>to</sup> the Asian-African conference to be held in next April in Indonesia. Although we are not informed of whether or not Japan will be able to participate the conference formally, the member nations seem to take it a favorable turn of Indonesian atmosphere for Japan that Japan has been invited



to it and to welcome Japanese participation earnestly. We believe that Japan should attend it by all means.

Expectations for normalization of the relation between Japan and Indonesia at this occasion are clearly represented in the following letter addressed to the writer from Mr. Dia, president of 'Gedong Pustaka', the largest paper in Indonesia: "The five-nation conference having been held, it is clear that the united Asia has stepped out a foot forward. Now I must express my pleasure for Japanese being invited to the Asian-African conference in coming April. This is because Japan and Indonesia have to confer each other within a short while in order to solve various problems. Although I do not know precisely what Hatoyama's policy really is, the policy seems to be more progressive for the advancement of Asia and to be aware of Japan itself as an Asian nation."

Since we can frankly see the sincerity and expectation in the above letter, we insist that it is now the time for us to take a positive move to solve the problem.

Even those who point out corruptions in the government and bureaucracy in Indonesia are all agreed that they received quite intimate welcome from individual Indonesians and returned home with a number of pleasant impressions. We are not so foolish as to erase it with faults and crimes by Japanese military government that with all Japanese faults and crimes sincerity and good will of a number of individual Japanese has still survived in the hearts of people of this country. Do the following concluding sentences of the review, titled as "the August 17 of 1945 affair and its atmosphere" in the newspaper 'Penerang' of August 16, last year, on an affairs



concerning the draft of the declaration of independence symbolized their thanks for the above mentioned hidden good will and sincerity of many Japanese? It reads: "Mr. Sukarjio (present head of Asian Bureau of Indonesian foreign office) said, 'Our capital for independence was only a microphone. We still have a close contact with Mr. Maeda, then Japanese high ranking officer.' President told us, 'I have been always sending gifts to Mr. Maeda. With the blessing of the God, I would like to invite Mr. Maeda to this place, whenever the circumstances permit us to do so. He is aged by now.'" The review on the draft of the declaration of independence is concluded like above.

We are not saying that the problem is so easy as to be solved only with president's good will and sincerity. We are saying that drawing encouragement and self-confidence from the fact that there was a good will of many Japanese as well as a number of faults and that it has still survived, we have to face the deadlock by all means.

### III. Practical policies to seek an earlier solution

While Mr. Heitaro Inagaki and Mr. Mamoru Nagano have been devoted in reparations problem to Burma and the Philippines, respectively, we can find no one <sup>who</sup> ~~he~~ is engaged in the Indonesian case with such positive devotion. This has not only been ~~only~~ delaying the solution of the reparations problem but also Indonesia is inclined to take it as Japanese illegitimately low appreciation of the Indonesian problem.

We first of all advocate to dispatch a mission group composed, at least, of persons of minister class.



The mission group is to be appointed by the government with one or two advisors who will be welcome by Indonesia and is to express frankly Japanese position and good will to the country. The mission group is to be dispatched at the same time as the present minister at Indonesia, Wazima, is replaced and before the Asian-African conference is held. The reason why the writer dares to advocate the replacement of minister Wazima at this moment is not his inability but that it is necessary to renew the air of the negotiations now in deadlock. As mentioned earlier, the mission group should not carry a draft written only with Japanese interests. Because various kinds of plans drafted from an viewpoint of the Japanese future economic development, however practically instrumental in Indonesian development, are often looked at by Indonesia with an eye of defiance and taken as selfish and written from the leader's position.

The mission group should make it the first step of its role to solve the reparations problem politically. At this moment, a quotation of the following suggestive part of Mr. ~~Wazima~~ 's letter to the writer will fully supplement what the writer wants to say. It reads: "I personally think that the demanded amount of reparations which was downed from \$1.75 billion at the beginning to \$ 750 million will be a symbolic demand measuring Japanese conducts with money. In my opinion, if Japan takes the amount as 'cost of the crimes', it will possibly be decided at a smaller amount based on such various projects as the ~~project~~ project, cement project, salvaging, etc."



Unable to cover the loss of human lives with money, it is impossible to measure reparations with money in itself. However, without making this impossible thing possible, there are no reparations. Thus, as long as we consider the problem in terms of its logics and calculation of money, an endless discussion will follow in any case of Indonesian so-called 1,75 billion dollar plan, its 750 million dollar plan or Japanese 150 million dollar plan. This is the reason why the writer insists the political solution to be the role of the mission group.

With all that has been said here, the total amount of reparations should be decided first of all. Fortunately, the decision was finally made as for the Burmese reparations by which the yearly payable amount seems to be fixed.

In this case, \$20 million and \$5 million as reparations and loans, respectively. In the negotiations to be opened with the Philippines within a short while, whatever the Japanese proposal may be, it will be perhaps effected by the above figure. Then, an agreement will be reached numerically with Indonesia. Because I believe that even Indonesia is not too idealistic to be blind at the living politics. Those who consider diplomacy as a rude skill of deal will see it as 'wise' to wait for the Indonesian move until the solutions are made with both Burma and the Philippines. But to repeat, once the time is failed in expression our sincerity in the form of the payment of reparations, its effects and influences are not always the same. For this reason, we definitely advocate to throw away the silent policy



and to face the difficulties courageously and positively.

In addition to the dispatch of a mission group, it should be necessary to examine the real picture of various misunderstandings and emotional conflicts and to promote a good relation to Indonesia. We should like to end the writing by expressing our willingness to offer as reference to our seniors whatever we could do for these activities.

Taro Ishii, full-time executive of  
Japanese-Indonesian Association

Giyo Nishijima, executive of Sanmei Trading Co.

Nobuhide Sato, full-time executive of  
Japanese-Indonesian Association

Yaichiro Shibata, ex-chief commandor of the  
second South Pacific Fleet



For an earlier solution of Indonesian reparations problems  
 Presented to: Prime minister, chairman of the House of  
 Representatives, chairman of the House of  
 Councillors, ministers of foreign affairs,  
 finance and commerce and industry, head of  
 board of economic planning, councillors of  
 foreign ministry and head of the Asian  
 bureau of foreign ministry.  
 by: President of the Japanese Indonesian Assc.  
 March, 1955

It is no denying that in order to develop our industry  
 and flourish our national economy it is an immediate task  
 for Japan to promote trade with Asian countries on the  
 basis of the friendly, coexistent and mutually beneficiary  
 relation and at the same time, to participate and cooperate  
 positively in wide fields of their economic and industrial  
 development. No one would disagree with the fact that  
 countries in Asia which have a decisive importance to  
 develop our industrial economy are those in Southeast Asia  
 which achieved independence after the World War II.

It can not be too much, in our belief, to emphasize that  
 it is Indonesia that has the most promising potentiality  
 of Southeast Asian countries to the development of trade  
 activities and economic cooperation of Japan, matching  
 the total of the Philippines, Indochina, Thailand and  
 Burma in territory and population, and being abundant of  
 many kinds of natural resources which are hardly developed  
 and yet valuable to our economic development.

Since the reparations problem has not been solved,  
 not only the peaceful relation has not been recovered yet  
 and it is unable to expect to open a normal and smooth  
 trade intercourse but also it is impossible to practice  
 economic cooperation.

*Indonesian Ni Jaisuru Baishō mondai no  
 Kaikaku Soekeningata ni Kansuru  
 Shingensho Tenshokun no ken.*



It is our belief that there is no way out to break the present deadlock but one -- an earlier solution of the reparations problem.

Although the solution seems very difficult, judging from the course of negotiations, we consider that Japan can not but admit frankly that Japanese forces gave considerably heavy damages and pains materially and mentally to Indonesians during the war. Thus, we whole-heartedly wish the day of the solution of the problem be as soon as possible with sincere reflection and apology for the past conducts and harder efforts of the government in the negotiation.

As well known already, international political situations of Southeast Asia have <sup>been</sup> rapidly changing day by day and the development in scale and depth has drawn much attention of the world. It is the countries of the Colombo group which are playing a leading role in it. Especially, the world-wide attention is being paid to the fact that Indonesia has been rapidly establishing the influential position, next to India, of them, as well as the fact that it was chosen to be a host country of the coming Asian African conference. We believe that to Japan which is still much relied upon and expected by Asian countries as the most developed nation in Asia, it is not only destined but also indispensable in order to achieve its independent economy and to develop as a peaceful welfare state to



establish the stable friendly relation to these countries.

In case Japan takes part in the coming Asian African conference, it will be natural whether it likes or not that the reparations problem, being the most important one pending between Japan and Indonesia, should be discussed at least between the two. We, therefore, consider that the government should be ready to establish the basic policy to solve the issue with close examinations beforehand.

Wishing for an earlier solution of the problem and establishment of the normal relation, our association the objective of which is to promote the friendly, cooperative relation of the two has incorporated knowledge of our members who are much experienced and interested in various problems between the two countries, examined it closely with reference to other general informations, and drawn a draft of the steps to solve the problem.

Our association would like to present it to the government as a reference in policy making.



Report of Indonesian reparations problems -- The first  
trial draft by the Indonesian subcommittee in the research  
committee for Asian problems

August 7, 1957

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*Indonesia Shōkai*  
*Asia Mondai Chōsa Kai*  
*planned -*  
*"Secret"*



(1) History of the reparations negotiations

(1) It was in the talk between foreign minister, and Japanese chief delegate minister of national affairs, Takasaki, at the Bandon conference in April, 1955 when the Indonesian government indicated "a reasonable amount" of the reparations for the first time. Before then, Indonesia expressed no practical intention but demanding 20 and some billion dollars.

(2) Although the Indonesian claim of one billion dollars was withdrawn through the negotiations between minister, Wazima and the other party, Indonesia has been insisting until present time to receive the same amount as the Philippines is to receive on the ground that this claim is the national sentiment. The point of discussions has, however, moved to decide the amount of the pure reparations, granted for 300 million dollars as the total reparations.

(3) In September, 1956, minister, Wazima, under the direction of the ministry at home proposed 250 million dollars for the pure reparations on condition to include repayment of debts in the trade balance. Since the Indonesian government was very dissatisfied with this proposal, no development was made in the negotiations.

(4) In the end of several private talks with prime minister Ali and minister of national affairs, Juanda, in February, 1957, Wazima showed his private proposal consisting of 200 million dollars for the pure reparations, 110 million dollars for cancelling debts in trade, and 500 million dollars for economic cooperation in the ~~Philippine~~ **Philippino** method.



Against this proposal, prime minister, Ali, first insisted \$300 million, \$110 million and \$400 million in the same order. At the final part of the negotiations, however, he counter-proposed as its final position \$250million, \$110 million (out of \$170 million debts in trade) and \$450 million in the same order and asked Japan whether or not to accept.

(5) Soon after it, the Ali cabinet fell due to the domestic political instability. Wazima returned to the home country for a short time to report the development.

(6) The Juanda cabinet formed during Wazima's return home was waiting for the Japanese answer to the Indonesian proposal. But the minister carried no answer from the home government to Indonesia on his return back to the country. Disappointed with it, the Indonesian government made it clear that the Ali proposal was the final one and that the Juanda cabinet, being of an administrative nature, had no intention of its revision.

(7) The new proposal is said to consist of \$400 million for each of the pure reparations and economic cooperation. Considering the facts formerly mentioned, the nature of this proposal should be understood as that the Juanda cabinet has been no more a mere administrative one but the new cabinet which is established on a new political basis and that it, therefore, intends to reopen the negotiations from a new standpoint.



(11) Background of the negotiations

In looking back over the course of the negotiations between the two countries, Indonesia has after all been demanding \$800 million in total equal to the ~~Philippino~~ reparations (In the latter case, \$550 million as the pure reparations and \$250 million as economic cooperation, while in the Indonesian case \$400 million for each item), while Japan has been making efforts to settle the problem with a reasonable balance to Burma (\$200 million and \$50 million, respectively) at the ratio of 4 to 2 to 1.

Difficulties in the negotiations lie in the fact that Japan has to avoid to give any possible disadvantageous effect on the "reexamination clause" in the agreement with Burma by the outcome of these negotiations, while balancing a possible burden upon the Japanese with Indonesian demands. But there are special relations between Japan and Indonesia as mentioned below and also the debts in the trade balance have come to 170 million dollars. Handled with these things in mind, it will be possible to conclude the negotiations on a new basis without conflict with the Burmese reexamination clause.

(1) Both nations have been very friendly with each other.

If Japan can cooperate to achieve Indonesian independent economy through the reparations, relations between the two countries will become closer. Indonesia being the most reliable nation in Asia politically and economically, Japan will in the end be able to contribute to a great extent to the peace and development of Asia.



Striving for the self-determination and positive neutralism internationally and for political stability domestically, Indonesia has been expecting the reparations to be instrumental in the execution of the five-year economic plan and thus, in achieving economic stability and development.

(2) In examining the trade between the two countries and their own industrial resources, Japan depends on Indonesia in resources and purchasing power whereas the latter largely depends on the Japanese technology and products. It will be possible to develop trades and industries of the two countries with a closer cooperation. It is desirable for this purpose that both governments agree to give positive cooperations each other through the execution of the reparations.

(3) Because the EEC was established, Japan has to cooperate more closely with more Asian countries. With difficulties in immediate increase in trade with communist countries, it is necessary to normalize and enlarge the trade with Indonesia. Since the open account system was abolished last September with Indonesia incidentally, the normalization of trade is especially desirable.

(4) Under the direction of president, Sukarno, the present Juanda cabinet has been making efforts to reformation of the domestic politics since independence, especially, to the improvement of the parliamentary system, rectification of corruptions in politics and bureaucracy, attainment of the local self-governing system, etc.



As it has also been pressed by the five-year economic plan on one hand, while<sup>by</sup> solution of worsening public finance in addition to stabilization of people's living on the other, it has been much interested in the settlement of the reparations with Japan.

It has to be well kept in mind that prime minister, Juanda, visited Japan as the leader of the investigation group of the reparations and was in charge of drafting the five-year plan as chief director of the planning office and that he appointed the first ambassador to Japan, , who has deep knowledge about Japan, to the head of the Pacific Asian Bureau in Foreign Ministry. in order to let him negotiate with Japan. Although power of communists has been increasing recently in Indonesia, the cooperation with the country through the reparations will much contribute not only to the peace in Indonesia but also to the Japanese positions in Asia in the future. For this purpose, Japan has to seek an earlier solution of the reparations before communists openly begin interfering the closer relations of the two countries.

(111) Facts which must be kept in mind concerning the reparations

As mentioned in the previous chapter, some special considerations should be given to the reparations to Indonesia separately from those to Burma and the Philippines. Thus, the following matters should be kept in mind:



(1) Fundamental policy

Considering the lessons from the execution of the Burmese and Philippino reparations, Japan should sincerely negotiate over the reparations with Indonesia in order not only to pay the pure reparations but to realize both true friendly relations and economic cooperation between the two countries through the transaction of the trade debts, economic cooperation, and other means available at this occasion. At the same time, this intention should be well understood by Indonesia.

(2) Under this basic policy, the kinds of enterprises which are to be planned through the reparations and economic cooperation are named below. Since the final decision is partly in the hand of Indonesia, Japan has to seek the Indonesian understanding of this plan.

1. Enterprises which are planned in the five-year economic plan will be the nucleus in the development of the Indonesian economy and at the same time, will increase Japanese export directly or indirectly. For example, following enterprises should be developed one by one with a balance of preferences of the two countries. If these are to be carried out either by the reparations or the economic cooperation or by both, both enthusiasm and cooperations of the two governments are at least necessary, although it depends on other conditions in Indonesia, too.

A. Inland and coastal water transportation, ship building, port facilities, and inland transportation; B. Enterprises for resource development, such as petroleum, iron, tin, bauxite, nickel steel, coal, asbestos, manganese, agriculture, forestry and fishing industry; C. Government-own estate enterprises, such



as sugar, rubber, palm oil, coffee, etc.; D. Various industrial plants (mainly constructed by non-governmental economic cooperation).

2. Various kinds of public facilities: A. Both heat and hydraulic-power stations; B. Water conservation and water ways; C. Roads and bridges; D. Hospitals; E. Various research institutions; F. Cultural scholarships to study abroad; G. Others.

3. Such decisions about locations and scales of the enterprises above mentioned or whether these are to be carried out either by the reparations or by the economic cooperation are to be made with an agreement of the other part (possibly through a joint committee composed of authorities of both countries). An approximate expense in total should be estimated separately as reference.

4. Outline of management of enterprises operated through the economic cooperation

Enterprises, either public or private, through the economic cooperation must be operated under the full understanding and cooperation of the Indonesian government. Since it seems difficult under the present circumstances of the Indonesian economy to establish a joint enterprise with Indonesian private capital, the following steps should be taken for the time being: 1. Any enterprise through the reparations or the economic cooperation should be owned by the government or some special governmental legal person. Japanese private persons should be commissioned to or directly employed to its management. Its main capital



should be supplied in the forms of both service and capital goods as objects of the reparations and the rest should be supplied through the economic cooperation of the Japanese private business with the Indonesian government; 2. A contract of the management commission should be concluded when any joint enterprise is established through the credit export; 3. When the Indonesian economy is stabilized with a foreign capital law and others in effect, ordinarily private economic cooperation should start; 4. The payment of Indonesian debts by either the economic cooperation or loans should in principle be secured by a supply of a certain amount of products by the established enterprise or Indonesian products in general to Japan; 5. Japan should secure the supervising right of management until the principal and interest of the economic cooperation is cleared.

In order to carry out the effective economic cooperation, the following points should be taken into consideration:

1. Participation of Japanese supervisors and specialists to the execution of the five-year plan and the investigation of Indonesian public finance and resources; 2. Full understanding and preparations between the two countries to carry out the enterprises established through the reparations and economic cooperation. (agreements for such primary matters before an ordinary trade affairs as immigration, foreign capital investment and transfer of profits abroad, foreign exchange rate, etc.); 3. The Japanese government should take an



action on the following matters in order to practice the private economic cooperation effectively: A. Decrease in the interest rate (by the Bank of Export and import and the Bank of Economic Development), extension of the term and increase in amount of loans; B. Complete compensation for the loss caused not by faults of enterprisers but by something else; C. Establishment of some special corporations for development.

#### (4) Domestic capital

It is necessary to the execution of the reparations and economic cooperation to supply a fairly large amount of capital from Indonesian government and private business. For this purpose the following steps can be considered: 1. lending of credits in the trade balance; 2. loans to the Indonesian government; 3. lending of Indonesian domestic capital collected in the private economic cooperation; 4. capitalizing consumptive goods in Indonesia.

#### (5) Consumptive goods

The following kinds of consumptive goods should be added to an object of the reparations: 1. items which are not traded from Japan to Indonesia (which will enlarge Japanese export in the future), such as medical instruments and medicines, electric fans and refrigerators, air conditioners, electric products such as radios, military capital materials, cans, sewing machines, bikes, automobiles, etc.; 2. materials for emergency



public welfare; 3. items especially admitted to collect domestic capital; 4. excessive products for export.

(6) Debts in the trade balance

Although the debts should be in principle paid, it ~~is~~ possible for Japan to extend the term of payment for a certain period or to be paid in the form of profits or products after utilizing a part of the debts in the development of resources and industries in Indonesia. It is possible to use them to get some specially beneficial rights in the country. If the Indonesian government desires, they can be cancelled out with a part of the pure reparations.

(IV) Positions to solve the reparations problems

(1) Reparations in total (economic cooperation included)

Through the several negotiations, Indonesia has been demanding \$800 million as the total amount of the reparations equal to that to the Philippines due to her high national sentiment. Japan has so far agreed to pay \$800 million in total including the economic cooperation and debts in trade although the amount of the pure reparations has not been decided yet. As \$400 million are demanded for each item in the recent Juanda proposal, it is reasonable to continue negotiations with \$800 million in total as the basis.

(2) Pure reparations

Although Indonesia had desired a considerable amount of the pure reparations before, it has come to concede at \$250 million with a condition to cancel the debts in trade.



Japan has been insisting to pay \$200 million considering its effects to Burma. Thus, the difference between the two has come closer to \$50 million. It is not wise in relation to Burma for Japan to pay more than \$200 million to Indonesia, because its position would be subject to Burmese enforcement of the reexamination clause and to the revision of the Burmese reparations agreement in its favor. However, if the reparations are carried out with an agreement on the fundamental position, it must be recognized that there will be a wide difference between its effects and those in case with either Burma or the Philippines. Considering this special advantage, Japan has to seek an agreement either by increasing the amount of the pure reparations or by offering government loans to Indonesia if it positively desires to cooperate with Japan economically.

Japan will be able to get rid of the possible effects of the reexamination clause with Burma, if the difference between Burma or the Philippines and Indonesia in relation to Japan is clearly made known by recognizing mutual obligations and responsibility between the two concerning the reparations.

### (3) Debts in the trade balance

They are \$170 million in total. In the informal negotiations cancellation of \$110 million was proposed. This was, however, withdrawn and it has been discussed that they are left for a certain period or that a part of them are utilized in the practice of Indonesia industrial plan so as to enable the payment out of its profits.

Although since the cancellation of the debts with the reparations is not adequate in principle, Japan favors its



withdrawal, it is likely for Indonesia to propose the cancellation again if Japan demands too strict forms of the methods of payment. Since Japan once agreed to cancel a part of them, both should agree under some comparable substitutive condition. It is an idea to guarantee the payment in return for some loans. The debts are not necessarily paid with cash or products but can be paid in the form of rental rights of various kinds of facilities, mines and others in the economic cooperation.

The latter will be favorable to Japan, since it helps Japan establish the rights of special benefits. The problem of these debts should be solved politically so that it may become a ground to get rid of the effective enforcement of the Burmese reexamination clause.

#### (4) Economic Cooperation

This was used rather nominally in the Philippines reparations in order to raise the total amount to \$800 million, the pure reparations being \$550 million. In addition, since the ~~Philippino~~ **Philippino** economy has not been ready to look for private economic cooperation positively, little has been carried out until today. In the case of Burma, in addition to \$200 million as the reparations, \$50 million of economic cooperation were agreed of which Japanese government guaranteed \$20 million. Since it has hardly been practiced as in the Philippines, a new method has been agreed by the both governments and is ready to put into effect. Uninterested in such nominal economic cooperation as in the former countries, the Indonesian government stuck to increasing the pure reparations. However, it has recently turned to expect something from the economic cooperation.



If Indonesia positively cooperates and guarantees the execution of the economic cooperation, Japanese applicants will be many since the country is much favorable compared to the other two countries. The mutual economic cooperation of the two countries will be possible by the effective operation of the enterprises, as formerly mentioned, with a cooperative agreement of both governments and basis arrangement of some domestic laws. If these conditions are fulfilled, therefore, it will be agreeable and possible to increase the amount of payment for this item. Thus, the economic cooperation which raises the total amount of the reparations to \$800 million can be agreed.

The following matters should be taken into consideration:

1. Enterprises through the economic cooperation should cope with the reparations.
2. The cooperation should be operated in such various forms as ones to which the Japanese government takes positive responsibilities and others on the commercial base.

The governmental operations can be: 1. Government loans; 2. Loans of the Bank of Import and Export and the Bank of Industrial Development to which the government gives special conditions; 3. "The Filipino method", --pure commercial loans.

3. In order to give a ground to reject a demand of the economic cooperation in the same method by a different country, the agreement should spell out the mutuality of the two countries.

#### (5) Government loans

Since there is a gap between positions of the two countries on the pure reparations and at the same time there is a change



in solving the debt problem, some governmental loans may have to be provided with regard to the economic cooperation. The loans will be very effective in the execution of the reparations in the country where domestic capital is in short. By providing an adequate amount of governmental loans, the whole reparations problems should satisfactorily be concluded.

#### (V) Conclusions

(1) It is desirable under the present international as well as national conditions to conclude the reparations negotiations quickly and to come into a close cooperation economically and politically through the reparations so as to complete the independence of economy of each country.

(2) With enough mutual understanding of the above points and sincerity, the pure reparations, economic cooperation, trade debts and if necessary governmental loans should be counted in the negotiations.

Japan should try to get Indonesian understanding before the former dispatches a formal delegate to the latter.

(3) In order to protect from the Burmese reexamination clause and to achieve the maximum benefits of the war reparations through the pure reparations and economic cooperation, the total reparations should be about \$800 million, the pure reparations being \$200. Japan should completely wipe out doubts of Indonesians about the economic cooperation and let them cooperate positively with the mutual obligation and responsibility. In return, Japan should take such necessary



steps as loans. Presupposing some Indonesian demands in return for lessening the pure reparations and rejecting the cancellation of the trade debts, the government should prepare to provide some governmental loans, etc.

(4) In order to collect domestic capital for the reparations and economic cooperation, Japan should examine to provide loans or consumptive goods..

(5) The reparations and economic cooperation should be well balanced in enterprising and at the same time, it should be decided after a close examination of sources of materials necessary to Japan in the future as well as Indonesian interests.

Over



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OUTLINE OF REPARATIONS CLAIM OF INDONESIA AGAINST JAPAN

The following is an outline of the reparations claim of Indonesia against Japan, showing the damage suffered by Indonesia during the last World War.

This claim is made up in accordance with the form prepared by the Ad Hoc Subcommittee on reparations claims of the Far Eastern Commission (Document No. CI-008 of July 12, 1946) with alterations and additions in accordance with the contemporary status of Indonesia as a sovereign State.

The data submitted are related to the period from 10 December 1941 through 2 September 1945. Further, a supplementary claim is presented showing the damage sustained during the period 2 September 1945 until the end of 1946, but which is attributable to the Japanese occupation.

A. Material war damage (until 2 September 1945).

1. Direct war damage

- a. Gold and silver
- b. Ocean and coastal shipping, fishing crafts
- c. Industry, commerce, mining, power
- d. Harbor and port works
- e. Railways and communications
- f. Roads, highways, bridges
- g. Agriculture
- h. Public institutions

Reparations articles



- i. Jewelry and valuables
- ii. Houses and buildings
- iii. Other material damage
- II. Budgetary Expenditures
- III. Other Claims
  - a. Losses in income attributable to the wholesale expropriation of and damage to shipping, industry, etc.
  - b. Losses in income as the result of killed, missing and injured heads of families

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B. Supplementary claim

The damage done by Japan in Indonesia was not confined to the war period which ended on the second of September, 1945. Indonesia was under the control of Allied troops from September 2, 1945 until the end of 1946. During this period, reconstruction was not possible. Internees had to be cared for; the general undernourishment made the import of foodstuffs and clothing urgent. Medical care had to be provided and part of the internees had to be sent to a better climate for the restoration of their health.

Under these circumstances only a painfully slow social and economic rebuilding of the community was possible and no collection of taxes could be made. Japan is held responsible for all budgetary expenses during this postwar period which expenses are attributable to the Japanese occupation. The loss of income resulting from the impossibility of reconstructing all direct damage in a short period falls under this category. Especially severe were these losses in shipping, industries, mining and agriculture.



STRICTLY CONFIDENTIALBREAKDOWN RELATING TO OUTLINE OF REPARATIONS CLAIM OF INDONESIA  
AGAINST JAPANA. MATERIAL WAR DAMAGE (until 2 September 1945)1. Direct war damage

Gold and silver: coins and bars retained in banks —

	In millions of guilders (1938)
Gold	0.3
Silver coins of Javasche Bank	18.2
Coins and bars in other banks	1.5
Total	20.0

Ocean and coastal shipping,  
including fishing crafts

The following table shows a survey of the number of ships lost,  
their tonnage and their value as of 1938:

	Number of ships	Total Tonnage (B.R.T.)	Value in millions of guilders
Java China Japan Line	6	45,338	2,2
Royal Packet Nav. Co. (K.M.)	74	143,000	38,7
Tankers	19	49,867	25,2
Chinese Shipping Companies	5	3,415	1,3
Government cargo vessels	19	121,333	30,0
Government passenger vessels	20	20,000	30,6
Government-owned surveying vessels	60	5,000	1,2
			<u>Total vessels</u>



Coast vessels (Cakuy)	2	1,000	0,2
East Borneo Co.	1	1,000	0,4
	212	391,000	10,2
Fishing motorboats	21	8,000	2,0
Fishing prahu's	20,000	200,000	20,-
			100,0
Other material damage (ships inventories, re- serve parts)			10,-
Total direct damage			180,5

6. Industry and commerce, including mining and power.  
(structures, installations, equipment, stocks of raw  
materials and goods, including non-military cargoes and goods  
in process)

1. Industry

All industries suffered severely. The machine industry in its entirety was confiscated. Stocks were removed. The majority of other industries was brought under Japanese supervision and production was converted to war materials. Undermaintenance throughout the industry was serious. Direct damage amounts to 238 million guilders.

2. Commerce

In the two years between the outbreak of the war in Europe and the outbreak in Indonesia, imports of all kinds of goods were increased by the former Netherlands Indies Government. All these stocks were confiscated

by







stock was reduced to 50% or elsewhere. Lack of materials and the interruption of the majority of the oil and coal supply were totally insufficient. At the end of the war, less than ten percent of the motor cars remained, all of which were in a bad state of repair. Telephone and telegraph services continued to function, but inadequately. The direct damage in this respect is estimated at 400 million guilders.

#### 2. Roads and Railways, including Bridges

During the Japanese occupation, roads were neglected and superficially repaired. A tremendous amount of work was necessary and is yet to be done. The damage to roads, railways and bridges is evaluated at 82 million guilders.

#### 3. Agriculture

Damage to production facilities, equipment, live stock, grain stocks, plantations, arable lands and forests, etc., was extensive. Major damage, direct and indirect, during the occupation was done to agriculture, both Indonesian and Dutch. Plantation areas were destroyed and food crops were confiscated in large quantities. Cattle was slaughtered and other taken away. Forests were cut down for war production (military vehicles, trenches, etc.) The direct loss to agriculture is estimated at 684 million guilders.

Other agriculture likewise suffered severe losses. The greater part of the production was closed, machinery and equipment stocks and products confiscated, and a great part of the crops were lost. The total loss in estate agriculture is estimated at 250 million guilders.

The total loss in livestock, including fowl, is estimated at 140 million guilders. The total loss in forests is estimated at 120 million guilders.

The total loss in agriculture and forestry of the Dutch East Indies is estimated at 1,054 million guilders. Total loss, excluding Dutch, is 1,054 million guilders.



...suffered from ...  
...loss of 17 million ...

...agriculture amount to 1,238 million ...

2. Public Institutions and Municipal Buildings  
(Included elsewhere herein)

Most of the hospitals, medical services, ...  
...and libraries were ...  
...The total loss of ...  
...at 4 million ...

3. Household Goods and Personal Effects

Many people were interned, very few ...  
...household goods or clothing. The total loss ...  
...256 million ...

4. Jewelry and Valuables

Jewels (diamonds) and gold were bought by the Japanese ...  
...under duress, and brought to Japan. The loss of ...  
...gold and valuables belonging to individuals is estimated at ...  
...million ...

5. Houses and Buildings not otherwise included herein

In some cases in the Eastern part of Indonesia ...  
...only a few houses were lost ...  
...In general other towns, damage was ...  
...total loss of houses and buildings is estimated at ...  
...million ... of which 22 million ...  
...million ... to private ...

6. Other material losses and loss (not included in 1, 2, 3, 4, 5)  
(Including loss of ... of cultural ... etc).

The loss of equipment of ...  
...estimated at 10 million ...



... by the issue of Japanese currency in the war effort. The total amount of the war effort was 5,600 million guilders. Although the total war effort materials amounts to about 250 million guilders, only a part of the agricultural products and cattle (amounting to 450 million guilders) was paid for. That part paid is evaluated at about 250 million guilders, the loss appearing under (Agriculture). In order not to inflict serious damage on the population, the former Netherlands Indies Government decided to pay three cents for every Japanese guilder. Thus the balance, 5,750 million Japanese guilders, is equivalent to 170 million Netherlands Indies guilders. This loss, sustained by making payment in worthless currency, is 5,580 million guilders.

## II. Budgetary Expenditures

Budgetary expenditures allocable to the war include the cost of the army, the fleet and the air force by the former Netherlands Indies Government during the war period that period beginning in 1937, plus the cost of the temporary emergency Governmental Administrations in London and New York (in part), and Brisbane and the Hague until September 2, 1945.

Budgetary expenditures in millions of guilders	
Army, Navy, Air Force	3,000
Emergency Administrations:	
London	200
Brisbane	200
New York	150
The Hague	50
Other budgetary expenditures	2,928
Total	6,528

Budgetary expenditures comprise the salaries of officials and members of government officials during the period of three and one-half years, amounting to 1,500 million guilders, plus a part of the cost of administration which, although temporarily

supplied,







At the end of the war, the Japanese government was responsible for the cost of the evacuation and rehabilitation of the internees. The Japanese government was also responsible for the cost of the supplementary claims amounts to 2,915 million guilders. The total supplementary claim amounts to 2,915 million guilders are specified as follows, in millions of guilders:

Cost of evacuation and rehabilitation of internees .....	300
Extra pensions for war widows and orphans ....	200
Cost of Mutual Aid, Red Cross .....	50
Cost of internment Japanese during two years ..	500
Losses in income resulting from impossibility of reconstructing all direct damage, especially the severe losses in shipping, etc. ....	1,865
<b>Total</b>	<b>2,915</b>



By \_\_\_\_\_ (in witness whereof):

I. Direct claim	10,000
II. Indirect expenditures	6,000
III. Other claims	<u>12,000</u>
	28,000
IV. Indirect claim	<u>2,000</u>
TOTAL CLAIM	30,000

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