PREFACE

The post World War II period has witnessed the reemergence of Japan in the arena of international relations as an almost exclusively economic power without military might or territorial ambitions. Its economy grew at a phenomenal rate of about 12 per cent from the mid 1950s until the oil crisis of 1973. Even after the oil crisis, its overall economic performance has been much better than that of the other industrial nations in the West. In the short period of some forty years Japan has transformed itself from a semideveloped state to a technological superpower. Today it is the second largest economy in the world, next only to the United States, accounting for over 10 per cent of total global production.

Japanese economic development is striking because the country is small and mountainous, without industrial resources. The management of a rapidly growing industrial state with few domestic resources is a difficult and challenging task. It requires the cultivating and maintaining of sufficient access to overseas resources and markets to sustain the dynamics of internal economic activity. It is with this objective
that the role of Japan's economic diplomacy towards Indonesia has been examined and analysed. Indonesia is a developing country richly endowed with critical natural resources like oil, gas, nickel, tin, bauxite and forest products like rubber and timber. Indonesia is also a vast potential market as it is the largest among ASEAN countries and the fifth largest in the world. Its population is almost five times more than that of Japan.

Japan has used its economic diplomacy in the form of aid, trade and investment, as a foreign policy tool to gain access to Indonesia's natural resources, vast market for its manufactured goods and capital and to secure the safe passage of its goods through the Strait of Malacca. Moreover, Japan's economic diplomacy has also helped it play a more significant political role in the Southeast Asian region today. Japan's defeat in 1945 had ended its political and military role in Southeast Asia. However, with its miraculous economic recovery, Japan has slowly, but surely, represented the region, not through force of arms but through economic diplomacy, and today it is the area's dominant economic and political power.
The selection of the period for analysing Japan's economic diplomacy towards Indonesia over the period from 1966 - 1986 is not without significance. The year 1966 marked the arrival of New Order regime in Indonesia under President Suharto. Suharto, unlike his predecessor, Sukarno, is staunch anti-communist, particularly anti-chinese and ideologically more close to the West and Japan. After assuming power, Suharto announced various policy measures - notable among them being the foreign investment law of 1967 - to invite Western economic assistance for reconstruction of Indonesian economy which was suffering from mounting inflation, unemployment, scarcity of essential commodities and inequality. Indonesia has received maximum rather the largest economic assistance from Japan in the form of aid and investment. Japan is also the largest trading partner of Indonesia. It is in the interest of Japan to build an economically and politically stable and viable Indonesia to play a more comprehensive economic and political role in the region. The twenty year period provides ample scope to analyse the role of aid, trade and investment as the instruments of Japan's economic diplomacy and their impact on Indonesia's society, economy and polity. The study also assesses the efficacy of Japan's economic diplomacy in fulfilling its various
economic, political and strategic objectives in Indonesia and the entire Southeast Asian region. The study also makes some suggestions for making Japan's economic diplomacy in the region more effective in the future.

Although I was aware of the fact that not all official documents and primary sources would be easily available to me, I undertook this study in the belief that it would be possible to do justice to the subject all the same with the help of the published documents, journals, books, newspapers etc.

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(Arun Kumar Singh)

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