CHAPTER II
EARLY JAPANESE DIPLOMATIC INITIATIVES
IN INDONESIA 1951-1965

This chapter examines the relationship between Japan and Indonesia, between an industrialised nation with sparse natural resources and a developing nation with rich natural resources, -- over the period from 1951-1966 -- from the time when the two nations began negotiating the terms of Japanese war reparations with Indonesia to the time when President Sukarno lost power after the Gestapu Affair of 1965. (An acronym for the September 30th movement).

The Japanese and Indonesians are Asiatic, oceanic peoples having shared a long tradition of commercial and cultural interactions. The Japanese did have some trade contacts with the Netherlands East Indies but these trade contacts were not substantial.

In contemporary history Japan and Indonesia were brought closer during Japan's military occupation of Indonesia which lasted for three and a half years between 1942 to 1945 till the Japanese forces surrendered to the Allied powers.
This occupation period had significant and far-reaching impact on all phases of the Japanese Indonesian relations. The significance of the Japanese occupation of Indonesia in particular and the entire Southeast Asian region in general lay in the fulfilment of the Japanese objective to create a self-sustaining economic and political systems in the region which would ensure Japanese leadership in all its affairs while giving a semblance of freedom to Southeast Asian States from their colonial rulers.¹

Besides, the Japanese looked for the complete control of the resources of the region which were important for the war effort vis. the maximum utilization of the existing administrative machinery and a minimum of interference with social and national customs; the control of transportation, communication, commercial and financial facilities by the occupation forces; and guidance and control of local population.²

Moreover the Japanese aimed at fulfilling their objectives by utilizing the anti colonial and anti western sentiments in the region.³

³ Ibid., p. 10.
Among all the countries of the Southeast Asian region, Japanese always considered Indonesia of paramount importance. It was due to the fact that Indonesia, then the Dutch colony, formed the front line of defence in the war. Besides, the Japanese considered Indonesia as the richest prize of their whole Southeast Asian campaign.

Thus the Japanese occupation policy in Indonesia was chiefly guided by military, strategic and economic considerations.

The Japanese occupation of Indonesia also proved beneficial for the Indonesian nationalists who were fighting to overthrow the Dutch.

First it hastened Indonesian independence by completely exposing the weakness of the Dutch and created an almost insurmountable barrier against the return of the Dutch after the war.

Secondly, it strengthened national unity and heightened the political consciousness of Indonesians. Thirdly, the occupation strengthened the will of the Indonesians for independence by providing them

4 Ibid., p. 22.
opportunities in the running of the administration. Fourthly, the Japanese occupation contributed to the growth of the Indonesian language. The Japanese unable to make their own language the lingua franca, were compelled to make wide use of the Indonesian language for all purposes.

Finally, Sukarno became Indonesia's first President with the help of the Japanese military administration with which he collaborated.

It should, however, be borne in mind that all these results were only the unconscious and unintended byproducts of Japanese rule. Hence the Indonesians never felt sympathetic towards the Japanese when they were defeated in the war. On the contrary the misery brought on by the war only made Indonesians attitude bitter towards the Japanese and this bitterness still lingers in the minds of the Indonesian people.

The Japanese military occupation of Indonesia has been so important that Japan's postwar diplomacy towards Indonesia has been formulated with its emphasis away from politics and towards economic and cultural cooperation.

5 George Mc-Turnam Kahin, Nationalism and Revolution in Indonesia, N.Y. 1952, p. 100.

Pursuit of Economic Diplomacy
Through Payment of Reparations

Indonesia's peace settlement with Japan and with it the Japanese payment of war reparations established a basic pattern for the post-war relations between Japan and Indonesia. Negotiations of the terms of the reparations dominated their relationship after 1951, when the question was first taken up officially by the two governments at the San Francisco Peace Conference. In January 1958, the reparation issue was finally settled which led to the establishment of formal diplomatic relations in April of that year.

By attaching economic cooperation agreements to the war reparation agreement Japan diplomatically used its payments for the promotion and the expansion of its trade with Indonesia. Thus the war reparations which originally were meant to redeem Japan's war time conduct, were actually utilised to promote its trade.

Negotiations for the Settlement of War Reparations between Japan and Indonesia

Japan's postwar involvement in Indonesia began with economic diplomacy centred on reparation negotiations. The normalization of diplomatic relations between Japan and Indonesia depended on the settlement of reparations issue.
The Indonesians were of the view that the payment of reparation was a moral duty of Japan and also reparations would provide them with the economic resources required for the reconstruction of their economy.

The Japanese objectives for early and amicable settlement of reparations issue were based on the following considerations: First, Indonesia formed immediate neighbourhood of Japan and it could not afford to be on unfriendly terms with it. Secondly, in the post war political developments, Japan had lost the whole of the China market which had played an important role in its prewar economy. Indonesia was expected to fill this gap, although partly.

Moreover, Japan had also lost its colonies, Korea and Formosa (Taiwan). Japan had therefore to look to new sources of raw materials as well as new markets for its products. 7

Due to all these economic and strategic considerations, the Japanese Prime Ministers like Yoshida Shigeru, Hatoyama Ichiro, Kishi Nobusuke and all

important Japanese statesmen attached the highest significance to the resumption of diplomatic relations with Indonesia and other countries of the Southeast Asian region by striving to solve the reparations issue.

The two controversial aspects of the problem of settlement of reparations issue were the exact amount of reparations and the form in which reparations were to be paid. Regarding the volume of reparations, Article 14 of the Peace Treaty, which Indonesia had signed at San Francisco in 1951 with Japan, while clearly recognizing the damages which Japan had caused to Indonesia in particular during the war, stated that the payment of reparations should be based on the capacity of Japan. The Indonesians always insisted that the payments should be linked to the extent of war damages.

As regards the form of reparation, Japan always maintained that reparation should be in the form of services only as stipulated in Article 14 of the peace treaty while Indonesia wanted a considerable expansion of the terms of the peace treaty.

It took series of negotiations between 1951 and 1958 before Japan and Indonesia could come to an amicable settlement in 1958.
Japanese Diplomacy in Settlement of Reparations Issue with Indonesia

Though Indonesia was the first Southeast Asian country with which Japan started the reparations negotiations, it was not until January 1958 that agreement could finally be reached. There were various factors responsible for the prolonging of the reparations negotiations:

One of the most obvious reasons for the failure to reach agreement in the first six years of negotiations was Japan's indefinite position on its war reparations. This was caused due to Japan's three contradictory views which led to confusion and irritation on both sides. One was that Japan should pay reparations within the limits of its economic capacity which stemmed from the stipulation in Article 14 of the San Francisco Peace Treaty.

The second view was that Japan did not need to pay war reparations to Indonesia at all. Even Prime Minister Yoshida who had responded affirmatively to Indonesia's demand for reparations at the San Francisco Peace Conference, was not totally opposed to this idea.

The third was that the amount of reparations paid to Indonesia should be in proportion to those...
amounts given to other nations.

This agreement was compounded by two other issues; one was Indonesia's desire to cancel its trade debt to Japan by means of reparations, an issue which Japan did not feel should be made part of its payments.

The other important factor which discouraged the negotiations was Indonesia's continued political instability. During 1952-58, there were as many as six cabinet changes some cabinets lasting not more than a few months. 8

In addition, the Indonesian government had had other internal problems namely, regional secession, economic poverty, and civilian military leadership conflicts and failure of adoption of the new constitution among others.

Settlement of the Reparations with Indonesia:

The reparations negotiations between Japan and Indonesia started immediately after the San Francisco

8 For a detailed study, see Herbert Feith, The Decline of Constitutional Democracy in Indonesia, Ithaca, N.Y. 1962.
Peace Conference. The first negotiation was held in Tokyo between December 15, 1951 and January 18, 1952 when Indonesia's first reparators mission, headed by Djuanda Kartawidjaja, minister of communications and later prime minister, visited Tokyo to investigate Japan's economic conditions and to ascertain Japan's capability to pay reparations to Indonesia.9

Despite the friendly atmosphere in which the month-long negotiations were held, Japan and Indonesia differed on certain issues. First, they differed on the total volume of reparations. Japan argued that the total volume of reparations should depend upon her ability to pay. But Indonesia's view was that it should be linked to the physical and moral damage that it had sustained during the war.10

Second, Djuanda mission argued that Japan's goods could be included in the category of 'services of the Japanese people as stipulated in Article 14 of the San Francisco Peace Treaty. Japan, on the other hand, stood strictly by the terms of Article 14

---


of the peace treaty which stipulated for the payment of reparations by Japan in the form of services only.

Third, the Indonesians made a demand of $17.5 billion in reparation in Capital goods and services. But Japan regarded Indonesia's demand of $17.5 billion as far too high. Due to these differences, the Djuanda Mission had come to a stalemate. Despite, on 18 January 1952 a provisional agreement was signed between the two countries. By this agreement Japan recognized the damage and suffering that it had caused to Indonesia during the war, and agreed to make reparations as defined in Article 14 of the peace treaty. The reparations were to be in the form of (a) processing of raw materials, (b) ship salvage, (c) technical assistance, and (d) technical training of Indonesian workers.11

On April 3, 1952 Wilopo belonging to PNI (Indonesian Nationalist Party) succeeded Prime Minister Sukiman of the Masjumi Party. On May 17, Wilopo postponed indefinitely the ratification of the San Francisco Peace Treaty and postponed to endorse the provisional

reparations agreement. In this way the Djuanda Mission was disbanded and the first round of negotiations ended. The Japanese Government did not make any progress in the reparations negotiations during the premiership of Wilopo, which continued until June 1953.

Ali Sastroamidjojo succeeded Wilopo as Premier in July 1953 and with this negotiation process again resumed. Sending of its Foreign Minister Okazaki Katsuo to Indonesia in the first week of October 1953 was Japan's important initiative towards the settlement of the problem of reparations. Okazaki held talks with the Indonesian Prime Minister Ali Sastroamidjojo which related to two issues -- the peace treaty and reparations. Indonesia showed keenness on concluding a bilateral peace treaty in preference to the San Francisco Peace Treaty. 12

As regards reparations, there remained a big gap between what Indonesia claimed and what Japan thought it could pay. Indonesia demanded more than

17.2 billion whereas Okazaki offered to pay $17.5 million. The most important achievement of Okazaki Katsuo's mission to Jakarta was that Japan agreed to pay reparations both in services and capital goods. Moreover, as a result of this mission Japan and Indonesia agreed to enter into a bilateral peace treaty in place of the San Francisco Peace Treaty. Thus, Okazaki mission created favourable climate for the conclusion of reparations agreement.

On January 4, 1954, Wajima Eiji was sent to Indonesia as a special Japanese envoy to discuss the reparations issue and to also negotiate future diplomatic relations with Indonesia. But the talks continued to be deadlocked as Wajima continued his argument that since Japan had not actually fought with Indonesia, it should not have to pay reparation. Moreover, while Indonesia stuck to its claims for reparations on the basis of the damage it had suffered, Japanese side stuck to the provisions of Article 14 of the peace treaty. This stubborn attitude of Japan

irritated Indonesia and the deadlock continued during the rest of premier Yoshida Shigeru's tenure.

The Afro-Asian Conference which took place in Bandung in April 1955, provided a new opportunity for the two countries to discuss the reparations issues. Takasaki Tatsunosuke, head of the Japanese delegation, held talks with Indonesia's Foreign Minister Sunario. Takasaki argued that Japan's payment to Indonesia would be somewhere between those to the Philippines and Burma. In 1954 with Burma Japan had reached an agreement for the payment of $ 200 million as reparations, $ 20 million annually for 10 years starting in April 1955. While an agreement with Philippines in May 1956 had required Japan to pay $ 550 million over 20 years. 15

The Takasaki-Sunario talks were fruitful as Indonesia's reparations claim dropped drastically from $ 17.5 billion to $ 1 billion. 16 But this was still too high for Japan. With the fall of the Ali Cabinet in July 1955, the reparations negotiations remained deadlocked.

15 See Masashi Nishihara, The Japanese and Sukarno's Indonesia, no.1, p. 42.
16 Ibid.
The election results of 1956 created a favourable trend. After the Indonesian elections, Ali Sastroamidjojo formed his second cabinet in March 1956. Besides, the conclusion of the reparations agreements with the Philippines in May 1956 marked a turning point in Indonesian attitude towards the total volume of reparations. After May 1956, the Indonesian Government modified its earlier stand and began to argue that (a) its reparations should be the same in volume as in the agreement with the Philippines, and (b) the trade deficit which Indonesia had incurred in trade with Japan since 1951 should be cancelled as a part of reparations. But the Japanese Government refused to combine reparations and trade deficit and refused to make any commitment as regards the Indonesian demand that the volume of reparations should be the same as in the agreement with the Philippines. 17 During the rest of the Hatoyama Ichiro's Premiership, differences continued to plague the negotiations.

17 See K.V. Kesavan, Japan's Relations with Southeast Asia, 1952-60, no. 2, p. 100.
Kishi's Diplomatic Initiatives and Settlement of Reparations Issue

With the arrival of Kishi Nobusuke as the Prime Minister of Japan in 1957, the reparations negotiations entered into a new phase. On July 7, 1957, the Indonesian Prime Minister Djuanda sent a note to Japanese premier Kishi Nobusuke. In his note Djuanda claimed $400 million by way of pure reparations and another $400 million by way of economic cooperation loans. As for the trade deficit of $170 million, the note said that it would be separately settled over a fixed period.18

The Kishi Government authorised Kobayashi Ataru, who was in Jakarta in September 1957, to discuss the reparations issue with the Indonesian Government. Kobayashi suggested measures on which Japan should approach the problem. Kobayashi formula envisaged for (a) pure reparations worth $200 million, quasi reparations worth $200 million to be offered in government grants and services, (b) extension of economic cooperation loans worth $400 million to be made on a private basis and (c) Indonesian trade debt of $177 million to be converted into a loan to be

---
18 See Antara, 16 July 1957.
repaid over a period of 20 years at the interest of 3 per cent per annum. 19

But the Kobayashi formula was turned down by the Indonesian Government which wanted (a) $400 million in pure reparations & (b) $ 400 millions in economic cooperation loans. It refused to accept Japan's terms on trade deficit. 20

Thus, it became clear that unless Japan offered a substantial concession to Indonesia, the negotiation would remain in impasse. Also that, the ultimate solution lay entirely in the hands of premier Kishi who was to visit Jakarta in the last week of November 1957. 21

Premier Kishi Nobusuke arrived in Jakarta on 26 November 1957, and met the Indonesian Premier, Djuanda. On the same day he had a talk with President Sukarno as well and the talk dramatically brought about a mutual understanding on the basic principles of the settlement of the long pending reparations question. 22

---

19 See Japan Times, 24 October 1957.
20 Ibid.
21 See K.V. Kesavan, Japan's Relations with South-east Asia, 1952-60, no.2, p. 103.
22 See Japan Times, 28 November 1957.
mutual agreement.\textsuperscript{25}

An exchange of notes for commercial loans and investments provided that Japan would extend loans of the value of \(\$400\) million on a commercial basis to the Indonesian government or to its nationals. The government of Indonesia reserved to itself the full right to determine the fields of investment and various industries, for which the loans would be contracted. The loans were to be mainly in the form of machinery and equipment as well as services identical there to.\textsuperscript{26}

\textbf{Signing of Treaty of Peace:}

Simultaneously, both Japan and Indonesia signed a bilateral peace treaty in which they expressed their desire to strengthen further "the economic relations between them". They also expressed their willingness for a speedy conclusion of treaties for putting their trading, maritime, aviation and other economic relations on a friendly and stable basis. Moreover, they further

\textsuperscript{25} See Article 2 of the Reparations Agreement, \textit{ibid}, p. 306.

\textsuperscript{26} Exchange of notes concerning commercial loans and investment, see \textit{Japan Times}, 22 January 1958.
agreed to accord each other non-discriminatory treatment in the field of trading, maritime and other economic relations between them.27

In the settlement of the reparations issue, Japan made two large compromises. One was to pay the reparation not only in the form of "services of the Japanese people" as stipulated in the San Francisco Peace Treaty but also in the form of capital goods.

The other was to cancel Indonesia's trade debt to Japan by means of the reparations. Indonesia's largest concession was to lower its estimation of Japanese reparations from $ 17.5 billion to $ 223 million.

Factors leading to the final settlement:

The most important factor which led to the final settlement of the reparations issue in 1958 was the arrival of Kishi Nobusuke as the Prime Minister of Japan. Kishi regarded the reparations settlement with Indonesia as a major diplomatic issue. Kishi

Nobusuke became the first Japanese Prime Minister to visit Southeast Asia. He projected Japan as a spokesman for Asia and as promoter of Asian concerns. He stressed the theme that Japan is a member of the Asian community.

Kishi like other Japanese political and business leaders recognised the importance of Indonesia's natural resources and market for the Japanese goods and the construction of an economically viable and politically non-communist Indonesia with the help of Japanese technology and capital.

The Kishi cabinet also wished for a stable Indonesia and saw Sukarno as an acceptable leader.

By 1957, regional secessionist movements had developed in the Outer Islands, and the Indonesian government also began to feel that the reparations might be used to strengthen its internal political position.

Thus, Japan's postwar involvement in Indonesia in particular and Southeast Asia in general began with economic diplomacy centred on reparations payments and economic cooperation.

**Effects of Reparations Programme on Japan's Trade with Indonesia:**

Reparations programme had been the most important instrument of economic diplomacy adopted by Japan in the
account of the flow of reparation goods and services, Indonesia was able to save annually foreign exchange of worth $20 million.28

Second, the reparations payments promoted Japan's exports to Indonesia substantially. As there existed complementary economic relations between Japan and Indonesia, the entry of Japanese capital goods did not lead to any difficulty in Indonesia. On the contrary the setting up of many plants with the help of the Japanese capital goods created new opportunities for further promoting Japan's exports to Indonesia.29

Third, reparations payments had positive effect on the domestic production of Japan. As a result of increase in exports caused by reparations payments, the domestic production in Japan was stimulated.

Indonesia attached much importance to the smooth working of the reparations arrangements not only as a source of economic assistance but also as an acid test of Japan's sincerity.


Japanese statesmen were aware of this fact and strived to carry out the reparations obligations with "sincerity and perseverance." 30

Reparations Programme:

Indonesia utilized the bulk of reparations payments for the procurement of ships from Japan due to the closure of the KPM Dutch Shipping Company. 31

In addition to a number of ships, it also procured an alloy plant, paper plants, agricultural equipment machinery for lumbering and spinning, rolling stocks and consumer goods like rayon and cotton fabrics. 32

An important project to which Japan extended assistance is way of reparations during the period of twelve years was the Brantas River Project. The Project aimed at controlling the longest and the most unruly river in Java, the Brantas. Yet another scheme under the reparations agreement related to the despatch of Indonesian students to Japan for study.

30 Takagi Koichai, "Indonesian Reparations", Japan Times, 12 July 1957.
The following table shows the distribution of reparations funds - project/scheme/wise.

<table>
<thead>
<tr>
<th>Major Projects/Capital goods</th>
<th>Reparations payment in million US $</th>
<th>in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a)  Infrastructure projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Brantas and Riam-kauan River develop-ment.</td>
<td>30.31</td>
<td>14</td>
</tr>
<tr>
<td>2. Bridge</td>
<td>9.39</td>
<td>4</td>
</tr>
<tr>
<td>3. Docks</td>
<td>6.28</td>
<td>3</td>
</tr>
<tr>
<td>Sub-total</td>
<td>45.98</td>
<td>21</td>
</tr>
<tr>
<td>(b)  Heavy Industry Projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Machinery and ships</td>
<td>74.19</td>
<td>33</td>
</tr>
<tr>
<td>Sub-total</td>
<td>74.19</td>
<td>33</td>
</tr>
<tr>
<td>(c)  Light Industry Projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Paper Mills</td>
<td>17.94</td>
<td>8</td>
</tr>
<tr>
<td>2. Plywood Plants</td>
<td>6.64</td>
<td>3</td>
</tr>
<tr>
<td>3. Weaving and Spinning plants.</td>
<td>9.08</td>
<td>4</td>
</tr>
<tr>
<td>Sub-total</td>
<td>33.66</td>
<td>15</td>
</tr>
</tbody>
</table>

Consumer Goods

Service Industries

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hotel Construction</td>
<td>20.78</td>
<td>9</td>
</tr>
<tr>
<td>2. Department Stores</td>
<td>10.33</td>
<td>5</td>
</tr>
<tr>
<td>3. Office buildings</td>
<td>5.78</td>
<td>3</td>
</tr>
<tr>
<td>Sub-total</td>
<td>38.89</td>
<td>17</td>
</tr>
</tbody>
</table>
Fellowship 8.56 4
Sub-total 8.56 4
Reparations Mission Expenses and Miscellaneous Services 14.44 6
Sub-total 14.44 6
Total $ 223.05 100

Source - Based on Japan, Ministry of International Trade and Industry (MITI) 1970.

Effects of Reparations Programme on Japanese Exports to Indonesia

Reparations payments to Indonesia led to increase in the exports of Japanese products particularly of manufactures and capital goods to Indonesia. This becomes clear from the table given below:

Table 2
Comparisons among Japan's Reparations, Its Exports to Indonesia, and Its Exports of Heavy Manufactured goods, 1958-1970

<table>
<thead>
<tr>
<th>Year</th>
<th>Reparations (in millions US $)</th>
<th>Exports to Indonesia (in millions US $)</th>
<th>Exports of capital goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958</td>
<td>12.91</td>
<td>49.06</td>
<td>20.19</td>
</tr>
<tr>
<td>1959</td>
<td>15.88</td>
<td>73.02</td>
<td>38.85</td>
</tr>
<tr>
<td>1960</td>
<td>15.03</td>
<td>110.82</td>
<td>32.19</td>
</tr>
<tr>
<td>61</td>
<td>33.92</td>
<td>154.77</td>
<td>87.37</td>
</tr>
<tr>
<td>62</td>
<td>18.21</td>
<td>116.31</td>
<td>79.81</td>
</tr>
<tr>
<td>63</td>
<td>17.36</td>
<td>99.07</td>
<td>69.93</td>
</tr>
<tr>
<td>64</td>
<td>15.48</td>
<td>122.09</td>
<td>74.78</td>
</tr>
<tr>
<td>65</td>
<td>26.68</td>
<td>207.19</td>
<td>125.02</td>
</tr>
<tr>
<td>66</td>
<td>23.70</td>
<td>118.62</td>
<td>57.43</td>
</tr>
<tr>
<td>67</td>
<td>20.34</td>
<td>155.15</td>
<td>81.93</td>
</tr>
<tr>
<td>68</td>
<td>17.56</td>
<td>146.60</td>
<td>91.88</td>
</tr>
</tbody>
</table>
The above table compares the reparations payments to the total value of exports to Indonesia and exports of capital goods to Indonesia. The value of Japanese goods increased during the period 1958-1970.

Thus, it becomes clear that Japan used reparations payments as one of the instruments of economic diplomacy to increase its volume of exports to Indonesia in general and capital goods in particular.

This was the period when Japan was undergoing rapid industrialisation and needed markets for the absorption of its manufactured goods particularly capital goods. The reparations payment made to Indonesia and other countries of the Southeast Asian region met this Japanese objective.

Besides, the reparations payment led to the normalisation of diplomatic relations with Indonesia and other Southeast Asian countries which helped Japan secure natural resources from this region.

Japan's mediatory role in Indonesian Malaysian conflict of 1963-66, popularly known as konfrontasi, is another example of the effectiveness of Japanese economic diplomacy in Indonesia during Sukarno period.

Economic assistance in the form of additional aid to Indonesia was the Japanese strategy to moderate Indonesia's militant stance towards Malaysia and to reduce its dependence upon communist China.

The confrontation between Indonesia and Malaysia from 1963 to mid 1966 was one of the most turbulent political events in postwar Southeast Asia. Sukarno's Konfrontasi against the newly federated Malaysia was supported by Indonesia's Communist Party (PKI) and backed by the Communist China. Sukarno's anti-Malaysia policy was also supported to a great extent by the Indonesian military who feared that they might be demobilized after the settlement of the West Irian issue, then becoming incapacitated in the face of the growing communist forces.33

Malaysia on the other hand was supported by Great Britain and its Commonwealth forces of Australia and New Zealand, and Britain in turn sought American support for Malaysia in exchange for its support of American efforts in Vietnam.34

The conflict officially originated with Indonesian Foreign Minister Subandrio's statement on January 20, 1963 in which he declared Indonesia's policy of confrontation against the Malaysian federation of Malaya, Singapore, Sabah, Sarawak and Brunei. Indonesia's policy of confrontation with Malaysia continued through the Gestapu affair on September 30, 1965 when Foreign Ministers Adam Malik and Tun Razak signed a peace agreement.35

Japan's Objectives:

Japan's mediatory role in Indonesia - Malaysian Konfrontasi was guided by various objectives. First, Japan's mediatory role in Indonesia's confrontation with Malaysia grew partly out of its involvement with Indonesia through reparations. This was the time when

Japan was in the process of paying reparations to Indonesia, Burma, the Philippines and South Vietnam. But the increasing tension among Malaysia the Philippines and Indonesia threatened to reduce the efficacy of Japan's reparations to the latter two. Japan was of the view that the reparations eventually would lead to profitable export markets in these countries. Thus, Indonesian-Malaysian confrontation was not in Japanese interest as that might obstruct Japan's economic relations with that area.

Second, it was in Japan's interest to prevent the Malaysian issue from developing into a full-fledged conflict as it would have obstructed the smooth supply of raw materials from this area to Japan which it needed so badly for its industrial growth.

Third, Japan's first large capital investment had been in north Sumatran Oil. Any show down between Jakarta and Kualalumpur would occur in the Straits of Malacca or on the Indonesian-Malaysian border in Borneo. If it were in the Straits, Japan's Oil development projects in north Sumatra would be in jeopardy. The possibility of conflict also threatened the safe passage of the Japanese oil tankers through the straits of Malacca. Japan depends so much on oil from the middle
east that any substantial hindrance to its transporta%
tion would have caused an immediate and adverse
effect upon its heavy industries.

Fourth, a stable Southeast Asia would ensure
the continuous flow of Japanese goods to the region.

Finally, the Japanese Prime Minister Ikeda further
reasoned that the stability of the Sukarno regime was
imperative to containing the advance of communist forces
into Southeast Asia and that Japan's mediation would
strengthen its political position in the region.36

Based on all these considerations, the Japanese
Prime Ministers Ikeda Hayato (1960-64) and Sato Eisaku
(1964-72) took diplomatic initiatives to end the
Indonesian-Malaysian Konfrontasi.

Japan's mediatory role to end the confrontaai:

During this time Japan's Liberal Democratic
Party (LDP) was in power headed by party President
Ikeda Hayato from 1960-1964 and Vice President

Ikeda Hayato's Initiatives (1960-1964)

Prime Minister Ikeda Hayato and Kawashima
Shojro played a significant mediatory role in the

Indonesia-Malaysian 'Konfrontasi'.

Prime Minister Ikeda's willingness to mediate arose from the various factors. First, he realised that neither the United States nor Great Britain was putting adequate pressure on Indonesia and Malaysia to end the confrontation. Second, Indonesia, Malaysia and the Philippines harboured more emotional rather than political disagreements. Third, Indonesia's willingness to accept Japan's mediatory role. Fourth, it was in Japan's interest to prevent the Malaysian issue from developing into a full-fledged East-West conflict. Fifth, a stable Southeast Asia would ensure continuous export of Japanese goods to the region. Sixth, Ikeda further pointed out that the stability of the Sukarno regime was vital for containing the communist influence in Southeast Asia and finally that Japan's mediation would strengthen its political position in the region.\(^{37}\)

All these considerations resulted in Prime Minister Ikeda Hayato's 'good will' tour to the Philippines, Indonesia, Australia, and New Zealand. This marked the beginning of his personal mediatory initiatives to end the confrontation. During his visit to the Philippines from September 23-26, 1963,

he had talks with President Macapagal but nothing concrete emerged from their talks regarding the problem. 38

Ikeda's subsequent visit to Jakarta from September 26-29 was more successful than his visit to Manila. His personal acquaintance with the Indonesian leaders had been an important factor in this regard. During his talks with President Sukarno, Ikeda offered $12 million as credit to Indonesia. Sukarno became more agreeable to Ikeda's emphasis on a peaceful approach to the Malaysian conflict. Their joint communique on September 28 mentioned that the President and the Prime Minister had "agreed to cooperate closely to promote peace in world, particularly in Western Pacific". 39 Although the Ikeda-Sukarno communique viewed Sukarno's favourable attitude towards Japan's mediation, it failed to mention the tension among Indonesia, the Philippines and Malaysia. However, Ikeda left Indonesia with optimism over Malaysian issue.

39 Ibid., p. 70.
Deterioration in the situation and Ikeda's second diplomatic initiative to end the 'Konfrontasi':

Ikeda's optimism did not last long as these nations did not move towards settlement. Most of the British businesses continued under Indonesian government control and most of the former Malayan offices, private residences and properties were confiscated by Indonesia. Indonesian armed forces were sent to the Kalimantan-Sarawak borders and to north Sumatra which faces the Malay Peninsula. Seeing the gravity of the situation Prime Minister Ikeda Hayato again proposed to mediate in the Malaysian issue when President Sukarno visited Japan on his informal trip on January 15, 1964. In his meeting with President Sukarno on January 16, Prime Minister Ikeda Hayato expressed his concern over Indonesia's continuing expensive confrontation with Malaysia. He also suggested that the money which was being spent on this could be utilized for the economic development of Indonesia. The only positive outcome of the meeting between the two leaders was that Indonesia agreed again to seek a peaceful solution to the problem.

40 See Japan Times, January 16, 1964.
Ikeda Hayato's mediatory role ended with his resignation in November 1964. Two factors were responsible for Ikeda Hayato's failure to persuade Sukarno to end the confrontation. First, Sukarno had lost control of the communist party of Indonesia (PKI) which was the real force behind the anti-Malaysia campaign. The real objective of the PKI was to discredit army and to bring Indonesia closer to the People's Republic of China.

Second, Sukarno's pride stood in the way. He was hurt by the British and American support given to the Tun Abdul Rahman's plan for Malaysian federation. Sukarno was equally angered when the UN General Assembly voted on December 29, 1964 to let Malaysia sit on the Security Council as a non-permanent member. In retaliation, he withdrew Indonesia from the United Nations. 41

Prime Minister Sato Eisaku's mediatory role (1964-1972):

Indonesia's withdrawal from the United Nations greatly worried Japan as there seemed a possibility of closer ties between Jakarta and Peking that might

---

weaken Japan's influence in Indonesia and belittle its mediatory role in the 'konfrontasi'. Realising this, Prime Minister Sato Eisaku sent Ogasa Kosho, a member of the Japanese Parliament, Diet, and Vice-President of the Japan-Indonesia Association.\footnote{See \textit{Japan Times}, January 14, 1965.} Sukarno in his meeting with Ogasa Kosho on January 26, conveyed that decision to withdraw Indonesia from the United Nations was final and that Japan's mediation might be necessary at a later stage.\footnote{See \textit{Japan Times}, January 27, 1965.}

In the meantime Prime Minister Sato Eisaku tried to keep Japanese-Indonesian relations intact and considered favourably Indonesia's request in late January 1965 for a long term import credit of $139 million.\footnote{See \textit{Antara}, January 29, 1965.}

\textbf{Subandrio's visit to Tokyo:}

On February 11, 1965, Indonesian Foreign Minister Subandrio visited Tokyo to discuss import credit of $139 as well as the Malaysian issue. Japan hoped to use the import credit to influence Indonesia
Kawashima also agreed to Indonesia's request for $20 million to build steam power plants on the outskirts of Jakarta. 46

Despite these offers Kawashima's initial mediatory efforts failed as Sukarno at the last moment turned down Japan's proposal to meet Tun Abdul Rahman in Tokyo. Japanese observers believe that Sukarno refusal was owing to pressure from Indonesian Communist Party (PKI).

Subandrio's visit to Tokyo:

Indonesian Foreign Minister Subandrio again visited Tokyo on May 19, 1965 and met the Japanese Prime Minister Sato Eisaku, Foreign Minister Shiina and Kawashima. Subandrio appreciated and welcomed Japan's involvement in Southeast Asia, Japan's mediation in the 'Confrontasi' and Japan's economic aid for Indonesia's industrial and economic development. Subandrio's visit to Tokyo produced an additional Japanese credit of $15 million. 47

46 See Antra, April 18, 1965.

47 See Japan Times, May 21, 1965.
Kawashima's visit to Jakarta:

Kawashima again visited Jakarta on the occasion of Indonesia's Independence Day celebration of August 17, 1965. At this time Kawashima's only remaining means of bargaining was the offer of more, much needed, economic aid to Indonesia. He was able to impress upon Sukarno with the deferred payment for $37 million importation of goods, bringing Japan's commitment that year to Indonesia to $72 million, larger than that of any country. 48

Soon after his visit to Indonesia, on September 30, 1965, the Gestapu affair took place in Indonesia supported by the PKI. After which General Suharto led army took control of Indonesia, changing Indonesia's political policies from a procommunist policies. The Gestapu affairs also ended Kawashima's role as mediator. Because the leverage in Kawashima's mediation efforts lay in his close relationship with Sukarno, it was no longer valuable after Sukarno had lost political power.

Japan's role in ending the Konfrontasi was not decisive. Its international significance lies in the fact that it marked the beginning of Japan's political

New regime in Indonesia and the end of Konfrontasi:

Indonesian policy of confrontation with Malaysia continued through the Gestapu affair on September 30, 1965 and ended on August 11, 1966 when Foreign Ministers Adam Malik of Indonesia and Tun Razak of Malaysia signed a peace agreement. This was the time when in an abortive military coup, the powers of Sukarno and his ally, the Communist Party of Indonesia (PKI) were severely curtailed. It was the year when a new regime under Suharto came to power in Indonesia which had been ideologically close to the West, leading to better and more economic cooperation between Japan and Indonesia.