Chapter VI

REPARATIONS AND TRADE
Having thus normalized her diplomatic relations with the Philippines (1956) and Indonesia (1958), Japan endeavoured to forge close links with them. Premier Kishi Nobusuke's threefold policy of multilateral economic co-operation, economic diplomacy and mutual exchange of visits was a part of this endeavour. Let us now see how far Japan progressed during the Premiership of Kishi in fulfilling her reparations obligations and in expanding her trade.

One of the primary means by which Japan could win the trust of the Filipinos and the Indonesians was to carry out her reparations commitments sincerely. Both sides recognized the importance of the smooth working of the reparations agreements for their future relations. For Japan, the discharge of her reparations obligations was the first major post-war undertaking in the Southeast Asian region. Though the payment of reparations is generally construed as a sign of contrition, the reparations made by Japan to the Philippines and Indonesia had two important characteristics. First, they were of great assistance in the economic development of the Philippines and Indonesia. When Japan started making the reparations payments, these two countries had already made their initial recovery from the devastation brought on by the Second World War and were engaged in programmes of national reconstruction and industrialization. Hence, Japanese reparations in the form of capital goods and services formed the basis of the economic co-operation between
Japan and the two recipient countries. (1) The agreements in respect of development loans, which were simultaneously signed with the reparations agreements, further emphasized the readiness of Japan to promote economic co-operation. The significance of the reparations payments became clear even during the initial years after the commencement of the payments. During 1957-60, both the Philippines and Indonesia were facing adverse balance of payments, and their foreign-exchange reserves were very low. Hence they could not effectively implement their development programmes and had to adopt stringent economic measures. Both nations imposed heavy restrictions on imports, and pursued a policy of austerity. They also went in for liberal foreign aid in order to overcome the economic crisis. It was under these conditions that the reparations came in the form of capital goods and services. On account of the flow of reparations goods and services, both the Philippines and Indonesia were able to save annually foreign exchange worth $25 million and $20 million respectively. (2)

Second, the reparations payments also promoted Japan's exports to these countries. As there existed complementary economic relations between Japan on the one hand and the Philippines and Indonesia on the other, the entry of Japanese capital goods did not lead to any difficulty in those countries. On the contrary,


the setting up of many plants with the help of Japanese capital goods created new opportunities for further promoting Japan's exports to these countries. (3)

The success of the working of the reparations arrangements depended upon the attitude of Japan. As Itagaki Yoichi stated:

the problem of reparations is one involving psychological factors that cannot be explained away merely by the logics of economy. For instance, even though the amount of reparations payments may be the same, the psychological feeling of satisfaction on the part of the recipient countries is not necessarily the same. It is of prime importance that the problem of reparations should at all times be viewed from the standpoint of the claimant countries, and not from that of the Japanese side. Only by so doing can the rising spirit of nationalism in Asia be satisfied. (4)

Japanese statesmen were aware of this implication, and wanted to carry out the reparations obligations with "sincerity and perseverance". (5) The determination of Japan to implement the reparations agreements smoothly was expressed in forthright terms by Fujiyama, who told the Filipinos:

It is most gratifying to us all that peace has been restored between the Philippines and Japan through the conclusion of the Reparations Agreement. But the task is about to begin to vitalise the peace we have won, and make it a living force. Peace is a matter that lies in the hearts of the people. The work that will render it possible for our nations to enjoy heartily the blessings of peace is yet to start.


4. Itagaki, n. 1, p. 419.

5. Ambassador Takagi Koichi, "Indonesian Reparations", Japan Times (Tokyo), 12 July 1957.
He further stated:

our basic attitude in the execution of the Reparations Agreement can be summed up in one word 'sincerity'. We are absolutely sincere in our desire to carry out Japan's obligations and thereby contribute to the economic development of your country. (6)

Both the Philippines and 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. Felino Neri, the chief Philippine negotiator, remarked in May 1956 that the Filipinos would judge Japan on the basis of her adherence to her reparations commitments. (7) The chief of the Indonesian Reparations Mission in Tokyo expressed the same view, but more forcefully, as follows:

Reparation does not mean the mere procurement of goods and services. On its implementation in accordance with appropriate programmes and policies, and above all their dynamic execution depend much of Indonesian-Japanese relations, and to a certain extent the political and social stability of this part of Asia as well. (8)

An examination of the reparations payments made by Japan to the Philippines and Indonesia up to the end of Kishi's Premiership


would show that Japan was then well on her way to carry out her obligations. She was never in default in making her payments, and there was no dispute in regard to any of the reparations contracts. As we shall note, the adherence by Japan to her commitments was lauded by the Governments of the Philippines and Indonesia. Japan also showed a considerable degree of understanding for the needs of the Philippines and Indonesia in the implementation of the reparations agreements. (9) We may, however, hasten to add that although we have drawn a fairly favourable picture, there was much dissatisfaction in the Philippines. This was because the whole reparations issue became hopelessly involved in the web of Filipino politics. A few statesmen like Felino Neri, however, felt that the so-called reparations controversy was due to the mismanagement of the Filipinos themselves rather than to any lack of faith on the part of the Japanese Government. (10)

9. For instance, as we shall see later, Japan offered credits to the Philippines and Indonesia with reparations as collateral. Further, Japan also supplied consumer goods under reparations even though there was a fear that it would cut across normal trade with Indonesia.

10. Felino Neri in an interview with the writer openly admitted that Japan had "faithfully" carried out her obligations and that the Filipinos had "squandered" the reparations payments. Interview on 26 December 1967.
Table 1
Japan-Philippines Reparations (11)

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount contracted</th>
<th>Payments made</th>
<th>Obligated amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 July 1956 to 22 July 1957</td>
<td>$30.4 million</td>
<td>$15.2 million</td>
<td>$25 million</td>
</tr>
<tr>
<td>23 July 1957 to 22 July 1958</td>
<td>$69.7</td>
<td>$47.3</td>
<td>$50</td>
</tr>
<tr>
<td>23 July 1958 to 22 July 1959</td>
<td>$76.6</td>
<td>$69.5</td>
<td>$75</td>
</tr>
<tr>
<td>23 July 1959 to 22 July 1960</td>
<td>$119.3</td>
<td>$96.7</td>
<td>$100</td>
</tr>
<tr>
<td>23 July 1960 to 31 December 1960</td>
<td>$123.3</td>
<td>$114.4</td>
<td>$125</td>
</tr>
</tbody>
</table>

Table 2
Japan-Indonesia Reparations (12)

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount contracted</th>
<th>Payments made</th>
<th>Obligated amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1958 to March 1959</td>
<td>$14.2 million</td>
<td>$12.9 million</td>
<td>$20 million</td>
</tr>
<tr>
<td>April 1959 to March 1960</td>
<td>$32.0</td>
<td>$28.7</td>
<td>$40</td>
</tr>
<tr>
<td>April 1960 to March 1961</td>
<td>$51.3</td>
<td>$43.7</td>
<td>$60</td>
</tr>
</tbody>
</table>


Tables 1 and 2 show that the actual amounts paid by Japan to the Philippines and Indonesia were less than the obligated amounts. This, however, does not mean that Japan had defaulted in her annual payments. The difference was due to the spread of payments. Items like ocean-going vessels and industrial plants which Japan undertook to provide under the reparations agreements could not be built overnight. They took quite some time to be completed and shipped to the recipient countries. (13) Secondly, there was much delay on the part of both the Philippines and Indonesia in drawing up their annual reparations plans. (14) Furthermore, there was also much delay in the final agreement on the annual plans between Japan on the one hand and the Philippines and Indonesia on the other. (15)

UTILIZATION

The Philippines

In the Philippines, the Government stipulated that preference in the procurement of reparations goods and services

13. Report of the Reparations Commission to the President of the Philippines, the Senate, the House of Representatives, the National Economic Council, for the period from 1 January 1959 to 31 December 1959 (hereafter referred to as the Philippine Reparations Report), p. 8.


15. See, for instance, the disagreement between Japan and the Philippines on the second-year reparations schedule. Japan Times, 13 July 1957.
should be given to private productive projects. (16) The Philippine Reparations Law said that 60 per cent of the reparations goods and services during the entire period of twenty years should be in the hands of the private sector. (17) The law, however, laid down that the whole of the first year's reparations goods and services should be allocated to the Government sector. It further stated that after the end of the first year, the private sector would also qualify for a share in the receipt of reparations goods and services and that government projects "shall be given preference only if they concern electrification, fire-fighting equipment, telecommunication or railroads, or would foster the growth of private capacity or involve productive projects which private enterprise is not yet capable or desirous of developing, but which are urgently necessary in the interest of overall national economic growth". (18)

In accordance with this law, during the first year, reparations goods and services were allocated exclusively to Government projects. (19) From the second year onwards, private parties also began to take their share in the utilization of Japanese goods and services. (20) By the end of 1960, the shares of the Government sector and the private sector were 40.5 per cent (49.9 million US


17. Ibid., pp. 133-4.

18. Ibid.


20. See Appendix I for the list of reparations goods and services for priority projects under the Government and private sectors.
dollars) and 59.5 per cent (73.3 million US dollars) respectively. (21)

A look at the reparations items received by the Philippines during 1956-60 would show that Japan supplied a number of small and medium-size plants. The most important of them were cement plants, paper and pulp plants, ceramic plants, textile plants, plants for food production, sawing and lumbering plants and a glass plant. (22)

The procurement of fourteen ocean-going vessels was a major item intended to reduce considerably the transport costs incurred on account of excessive dependence on foreign vessels. (23) Substantial amounts of materials and equipment were used for Government projects such as electrification, education, fire-fighting programmes, water-works, public health, fisheries development, ship-building and so on. (24) Technical services were extended in the fields of ship-building, textile-engineering, salvaging of sunken vessels, and also for the Marikina River multi-purpose project and the Manila Railroad extension scheme. (25)

21. Report of the Philippine Reparations Mission, Tokyo, 1960 (Mission's confidential copy), Table XVII.

22. See Appendix I.


25. See Appendix I.
(a) Loans for Marikina River multi-purpose project and the telecommunications project In addition to the supply of capital goods and services, Japan also offered to give loans for two important projects in the Philippines with reparations as collateral. They were the Marikina River multi-purpose project and the telecommunications expansion project. The former was a plan to construct a dam across the river Marikina about 30 kilometers north-east of Manila. The dam was expected to (a) generate 141 million KW of electricity, (b) supply 270 million tons of much-needed municipal and industrial water annually, (c) irrigate 6,200 hectares of rice fields and (d) control periodical floods downstream and halt the annual damage of 2.5 million US dollars. (26) The telecommunications expansion scheme was to provide automatic telephone and telegraph facilities for all important stations, towns, centres of government, business, industry and trade. The scheme aimed at promoting "the conduct of public affairs as well as private business transactions" and improving inter-island communications. (27) The estimated costs of the two projects were $54 million and $24.5 million respectively, and the Philippines


sought loans from Japan to the tune of $35.5 million and $12.3 million respectively. (28)

The negotiations for the loans were started in September 1958. On 26 September Premier Kishi received a note from President Garcia to the effect that "these projects will be of long-range benefits to both countries, and the lasting goodwill and understanding flowing therefrom are worth all our common efforts toward the attainment thereof". (29) When President Garcia visited Tokyo in December 1958, he pursued the matter further, and reached a broad agreement with the Japanese Prime Minister in respect of the loans. (30) Then there followed a series of official talks which led to the final agreement on 7 September 1959. (31) By this agreement, Japan consented to extend facilities to the Philippine Government to contract credits from Japanese nationals on a commercial basis to the tune of $35.5 million for the Marikina River multi-purpose project, and $12.3 million for the telecommunications expansion scheme. The credits were to be in the form of Japanese goods and services as procurable under the Reparations Agreement. The repayment of the credits by the Philippines was to start from 31 January 1963 and to be completed by 31 January 1970. Should the Philippines fail to repay, equivalent amounts were to be adjusted against the regular reparations

29. See President Garcia's note to Premier Kishi dated 26 September 1958. Ibid., p. 286.
30. See the joint statement of Kishi and Garcia, Contemporary Japan (Tokyo), vol. 25, no. 4, March 1959, pp. 719-20.
payments. (32)

Indonesia

Ships formed the bulk of the reparations procurements of Indonesia during the period under review. As Indonesia suffered from a shortage of bottoms due to the closure of the KPM Dutch Shipping Company, she had to look for new sources. She, therefore, utilized the reparations to tide over the shortage of ships. (33) Apart from a number of ships, she also procured an alloy plant, paper plants, agricultural equipment, machinery for lumbering and spinning, rolling stocks, and consumer goods like rayon and cotton fabrics. (34) Though Japan at first hesitated to supply consumer goods like rayon and cotton fabrics, she finally complied with Indonesia's request as Indonesia was facing an acute shortage of them. (35) An important project to

32. Ibid. It should be pointed out that the Marikina River multipurpose project was heatedly discussed in the Philippines, and there was intense opposition to its construction. Ultimately, the project was shelved. As for the telecommunications project, it was implemented, but the progress was slow. See Vellut, n. 23, p. 503.

33. See Nihon no Baisho, n. ll, pp. 216-17. After the closure of the KPM Dutch Shipping Company in December 1957, Indonesia began to face an acute shortage of inter-island shipping facilities. The non-operation of the Dutch vessels brought down the inter-island tonnage facilities from about 250,000 to less than 30,000 tons. This greatly hit the economy of Indonesia. For want of inter-island transport facilities, large quantities of rubber and copra remained idle and could not be promptly exported. In October 1959, the Indonesian Government suspended the purchase of all ships overseas in order to conserve foreign-exchange resources. It was under these conditions that Jakarta came to regard reparations as the chief source of the wherewithal for the acquisition of ships. See Justus M. Van Der Kroef, "Indonesia's Economic Dilemma", Far Eastern Survey (New York), vol. 29, no. 4, April 1960, p. 59.


which Japan extended assistance by way of reparations during the period was the Brantas River project. The project aimed at controlling the "longest and the most unruly" river in Java, the Brantas. The plan involved digging of canals to direct the excess water to the Indian Ocean, and this in its turn involved the construction of a tunnel known as the Neyam tunnel. (36) Japan assisted in the construction of the tunnel, and the work was completed by April 1961. (37) Yet another scheme under the reparations agreement, related to the despatch of Indonesian students to Japan to study such subjects as industries, fisheries and agriculture and to receive technical training. On 19 February 1960, the two countries finalized an agreement which permitted about 2,250 Indonesian students to study in Japan during a period of nine years commencing in April 1960. By 1960, Indonesia had sent 97 students and 125 technical trainees to Japan. (38) In December 1960, Antara reported that the scheme of sending Indonesian students and trainees was proceeding "smoothly". (39)

(a) Japanese Credits with Reparations as Collateral. Like the Philippines, Indonesia also sought Japanese credits for two important projects. The first one related to the purchase of sixteen ships of various sizes worth about $20 million. The second one related to the construction of a modern hotel in view of the Asian Games to be held in Jakarta in August 1962. For the construction of this hotel, Indonesia sought Japanese credit amounting to $8

37. Ibid.
38. Ibid., pp. 228-9.
million. (40) Japan complied with the Indonesian request, and an agreement was signed on 16 October 1959. The credit was to be repaid during a five-year period starting after a two-year grace period. (41) The two credits were also extended with reparations as collateral. (42)

No progress in the economic development loans

As has been noted in the third chapter, Japan agreed at the time of the reparations agreements with the Philippines and Indonesia that she would extend on a commercial basis economic development loans worth $250 million and $400 million respectively. (43)

The progress in the utilization of these loans up to the end of Kishi's Premiership was discouraging. (44) One of the main reasons for this lay in the "stringent requirements fixed by the firms." The Japanese firms insisted on letters of credit unconditionally guaranteeing repayment, as well as the down payment of a prohibitive amount. But the conditions were not acceptable to the Philippines and Indonesia. This led to delay in working out an understanding with Japan. (45)

40. Nihon no Baisho, n. 11, p. 234.
41. Ibid.
42. Ibid.
43. See Chapter III on the Settlement of Reparations.
44. See Nihon no Baisho, n. 11, pp. 200-2; 230.
45. The Philippine Reparations Report 1959, p. 25. Also Nihon no Baisho, n. 11, p. 230. In Indonesia, some progress was made. In April 1960, Japan and Indonesia signed an agreement on the joint exploitation of the North Sumatra oil-fields. Under this agreement, Japan undertook to extend to Indonesia a loan of 18,850 million yen over a period of ten years in order to develop the North Sumatran oil industry and increase its output to a target level of 2,500,000 KW a year. The loan was to be repaid in crude oil amounting to 40 per cent of the increase effected under the joint enterprise. See Nihon no Baisho, n. 11, p. 231. Also Antara, 7 April 1960, p. 1.

Similarly attempts were made to bring about such agreements for the exploitation of timber in Kalimantan and nickel in Sulawesi. But during the Premiership of Kishi no agreements could be reached.
We may point out that the official attitude both in the Philippines and Indonesia towards the manner in which Japan fulfilled her reparations obligations was marked by a considerable degree of satisfaction. By the end of 1960, the Philippine Reparations Mission in Tokyo in its report stated:

In the implementation of the Reparations Agreement, the Mission is happy to state that it has maintained at all times the most friendly and cordial relations with the Japanese Government, particularly with the Reparations Division of the Japanese Foreign Office, and by so doing, it has been able to implement the Agreement as smoothly as could be expected. It should be stated that the Japanese Foreign Office has not been wanting in sympathy and understanding in our negotiations of problems thus far we have encountered. Without such understanding, it would have been immensely more difficult to implement the Reparations Agreement.

Referring to the Japanese business firms with which the reparations goods and services were contracted, the Mission stated that

the Japanese business firms while working for profit here in many ways showed their willingness to cooperate with the Mission beyond mercenary considerations... To date, there has been no misunderstanding or disputes regarding commercial arbitration, much less any litigation in Japanese courts concerning any reparation contracts. The likelihood of any such dispute arising in the future is definitely remote. (46)

Official opinion in Indonesia was also favourable. Basuki Djatiasmono, Chairman of the Indonesian Reparations Mission in Tokyo, stated in August 1960:

The Japanese Government has so far discharged its obligations under the reparations agreement with Indonesia in a satisfactory way and this fact combined with other factors goes a long way in explaining progressive development of better relations between the two countries. (47)


47. Antara (Jakarta), 18 August 1960.
Criticism

Although the official attitude towards the discharge by the Japanese of their reparations obligations in the Philippines and Indonesia was on the whole favourable, the "psychological feeling of satisfaction" was not the same in the two countries. While there was no controversy in Indonesia, the reparations payments had unfortunately started on the wrong foot in the Philippines. It should, however, be borne in mind that much of the heat on the subject was due to Filipino emotions and mismanagement rather than to any lack of faith on the part of Japan. The initial controversy arose out of the failure of the Philippine Government to organize the official machinery needed for the implementation of the reparations arrangements. The Reparations Act, which the Philippine Congress passed, envisaged the setting up of a Reparations Commission which would administer the "acquisition, utilisation and distribution" of reparations goods and services. (48) President Magsaysay did not immediately organize the Commission, but sought to implement the reparations arrangements with the help of the Reparations Mission in Tokyo. President Garcia, who succeeded Magsaysay, continued the same practice until 29 April 1958, when the Commission was finally constituted. (49) The delay in the creation of the Commission caused much criticism in the Philippine Congress and the Press. Senator Jesus M. Cuenco, a critic of the administration, stated: "Without a legally established Commission on reparations, Malacanang Palace itself became the commission and it implemented the Reparations


Act not in the way the law prescribed, but in the way the Malacanang wanted it done." (50) The Philippine President was charged with using the reparations payments as a means of distributing "patronage" in favour of "private parties for no rhyme or reason". (51)

Secondly, much resentment was directed against the acceptance by the Philippines of Japanese technical assistance under the reparations agreement. Many Filipinos feared that the entry of Japanese technicians would arrest the development of Filipino skill. The Philippine Government, which was seized of this problem, laid down the necessary conditions in its reparations law to ensure that native Filipino skill was not affected by the entry of Japanese technicians. Section 4 of the law stated:

... the services to be procured from Japan shall be limited to such services of Japanese technicians as are needed in the installation of the capital goods and in the initial operation thereof, and in other specialised fields in industry and agriculture, and such services shall continue only as long as there exists definite need therefor; Provided That the services of the Japanese technicians concerned shall be utilised within one month after their arrival in the Philippines; Provided further, That no Japanese technicians shall be allowed to enter the Philippines if any qualified and equally competent Filipino is available for the work to be performed by the Japanese technician; Provided, finally, That the entry of Japanese technicians shall be subject to the immigration laws, rules and regulations. (52)

Despite these safeguards, there were many Filipinos who were agitated over the entry of Japanese technicians. For instance,


when the Philippine Government entered into a contract with a leading Japanese engineering firm for technical advice on the Marikina River multi-purpose project, there was much criticism. The critics pointed out that the contract amounted to condemning Filipino technicians as "incompetent". (53)

Thirdly, serious charges were frequently levelled against the Japanese for overpricing the reparations items. The Japanese cartels, it was claimed, were bringing down the value of the reparations goods by demanding exorbitant prices for them. (54) Though the Philippine Reparations Commission repeatedly refuted the charge of overpricing, such criticism continued. (55) Much of the criticism, it should be pointed out, was due to misunderstanding and the prejudice of a few Filipinos. The deal relating to ocean-going vessels was an instance in point. (56) There was criticism to the effect that the price of these vessels was higher than that of the ships built in Japan for Japanese ship-owners. (57) This criticism, however, failed to take note of certain important facts. Firstly the ships procured under the reparations arrangements differed in specifications, and were also intended for certain

53. Japan Times, 10 September 1957.
55. See The Philippine Reparations Report 1959, pp. 418-19. The Commission, while denying the charges of overpricing, however, admitted that only in regard to two items, a slight increase in the price had to be accepted.
56. As we have noted earlier, the Philippines procured 14 ocean-going vessels.
special requirements. (58) Secondly, a slight difference in the price of the reparations vessels was inevitable as the ships intended for Japanese ship-owners or for export enjoyed government subsidy under a scheme aimed at promoting the Japanese maritime industry or as a part of a plan to earn increasing foreign exchange. But the ships built under the reparations arrangements did not enjoy any such government subsidy. (59) If at all there was any overpricing, the Filipino businessmen themselves were largely responsible for it. As we have noted earlier, the Philippine reparations law allocated 60 per cent of the reparations goods and services to the private sector. Under the law, private parties contracted their goods directly with the Japanese firms without the control of the Philippine Reparations Mission. Hence the latter could not effectively control them. (60) This led "unscrupulous" businessmen to enter into "shady" deals. (61) This was clearly admitted by the Philippine Ambassador, Felino Neri: "Filipino businessmen have been too undignified and have been scrambling in a most undignified manner after Japan business. Let us do business and let us not bend backward. If we exercise some restraint, the Japanese will respect us more." (62)

Finally, the mismanagement of the Filipinos in the

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58. See a letter written by six Filipino ship-owners to the Philippine President. Ibid., p. 452.
59. Ibid., p. 453.
60. Ibid.
utilization of the reparations goods was an important factor which affected the whole "psychological" effect of the reparations. There were cases of reparations goods being left idle for months as the end-users could not take delivery of them. (63) The Philippine President was criticized for acquiring a Presidential yacht under reparations payments. (64) There were irregularities in the management of the Veteran Fund created out of the $20 million reparations component. (65) There was also widespread criticism of the loans agreement which the Philippines had made with Japan for constructing the Marikina Dam. It was reported that the Philippines had to offer large sums of money to an influential Japanese firm to arrange the requisite loans from the Japanese Government. (66) While Japan was not responsible for the Filipino mismanagement, the fact that reparations remained a subject of acute political controversy nullified the prospects of the Filipinos obtaining "psychological feeling of satisfaction".

TRADE

Japan-Philippines trade

The Philippines was the biggest trading partner of Japan in Southeast Asia during 1952-60. Trade between the two countries during the initial years was based on the Trade and Payment


65. See Golay, n. 2, p. 311.

Agreements which the SCAP and the Philippines had signed in May 1950. (67) After the end of the Allied occupation of Japan, the agreements were periodically renewed until 1 August 1957, when the two countries signed a trade protocol. (68) Even after 1957, trade was conducted under the handicap of the absence of a treaty of friendship, commerce and navigation.

The volume of trade between Japan and the Philippines during 1952-60 went up by leaps and bounds, and the Philippines maintained a favourable balance of trade. The volume of trade between the two countries is given in Table 3.

**Table 3**

Japan's Exports and Imports with the Philippines (69)

<table>
<thead>
<tr>
<th>Year</th>
<th>Export</th>
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<tr>
<td>1951</td>
<td>36.6</td>
<td>49.6</td>
</tr>
<tr>
<td>1952</td>
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</tr>
<tr>
<td>1960</td>
<td>154.4</td>
<td>158.9</td>
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</table>

67. See the Agreements in the *Department of Foreign Affairs Treaties Series* (Manila), vol. 2, no. 1, January 1953, pp. 1-9.

68. See the previous chapter.

The above table shows that Japan's exports to the Philippines went up from a modest $19.2 million in 1952 to $154.4 million in 1960, and imports from the Philippines increased from $51.1 million in 1952 to $158.9 million in 1960. (70) Table 3 shows that the trade volume grew especially after 1956. This was partly due to the revision of the US-Philippines tariff agreement which took effect from January 1956 and partly due to Japanese reparations payments. (71) The reparations payments constituted 0.17 per cent in 1956, 23 per cent in 1957, 20 per cent in 1958, 21 per cent in 1959 and 23 per cent in 1960 of the total Japanese exports to the Philippines. (72)

(a) Exports. Japan became the biggest trading partner of the Philippines next only to the United States. Textiles, base metals, machinery and transport equipment were the major exports to the Philippines, though other products like electrical goods also formed a considerable part of this trade. Despite the fact that the Philippines put a ban on 6 items of Japanese textiles in the 1950 agreements, exports increased from 3.5 per cent of the total Philippine textile imports in 1952 to 40 per cent in 1959.

70. The figures given for the total volume of trade in the Tsusan Hakusho and the Philippine Central Bank statistics do not tally. According to the latter, for the first time in 1960 Japan had a favourable balance of trade with the Philippines. See the Statistical Bulletin 1961 (Central Bank of the Philippines, Manila), vol. 13, no. 4, p. 181.

71. "Japan-Philippines Economic Relations", Oriental Economist (Tokyo), vol. 26, no. 577, November 1958, p. 583. After 1956, the share of the United States in the Philippine imports began to decrease, and that of other nations like Japan and West Germany increased.

72. See Nihon no Baisho, n. 11, p. 34.
and 30 per cent in 1960. (73) Japanese exports of machinery (other than electrical) constituted 3 per cent of Filipino requirements in 1952, but rose to 19.7 per cent in 1960. (74) Japan was the second largest supplier of base metals to the Philippines. In 1959 and 1960, the Japanese supply of base metals exceeded even that of the United States, the foremost supplier of that item to the Philippines. (75) The Japanese supply of transport equipment to the Philippines remained very insignificant till 1956. But in 1957 and 1958, it rose to 15 per cent and 18 per cent respectively of the total Filipino requirements. It even rose to 46 per cent in 1959 and 75 per cent in 1960. (76) The United States, who had enjoyed the foremost place in the supply of transport equipment, came to occupy the second place in 1959 and 1960, with her supply of this equipment at 38 per cent and 17.5 per cent respectively of the total Filipino requirements. (77) She maintained her monopoly in respect of electrical goods, and the Japanese supply recorded a very slow increase from 5 per cent of the total Filipino requirements in 1956 to about 12 per cent in 1960. (78)


75. Ibid., p. 183.

76. Ibid., p. 186.

77. Ibid.

78. Ibid., p. 188.
(b) **Imports.** The principal items which Japan imported from the Philippines were logs and lumber, iron ore, chromite concentrates and abaca. Of these, Japan was the leading customer in logs and lumber, iron ore and copper concentrates; of abaca and chromite ore, she was second only to the United States. (79)

The Japanese purchase of Philippine logs and lumber always remained above 70 per cent of the total Filipino supply of them. The highest Japanese purchase was in 1960, when it constituted about 79 per cent of the total Filipino supply. (80) Japan was the sole purchaser of Philippine iron ore. The Japanese purchase during 1952-60 constituted almost 100 per cent of Filipino supply. (81) Japan was the single purchaser of copper concentrates also. During 1955-60, the Japanese purchase almost amounted to 100 per cent, except in 1955 and 1957. (82) Japan also purchased a considerable amount of chromite ore, especially after 1956. She was the second biggest purchaser - next only to the United States, who maintained her monopoly of the purchase. (83) Japan was also the second biggest purchaser of abaca, ranking next to the United States. (84)

**Japan-Indonesia trade**

Japan-Indonesia trade during 1952-60 was beset with the problems of trade imbalance. Except in 1955 and 1956, Japan always

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79. Ibid., pp. 167-75.
80. Ibid., p. 171.
81. Ibid., p. 174.
82. Ibid., p. 175.
83. Ibid.
84. Ibid., p. 169.
had a favourable balance of trade. The post-war trade started in July 1950, when the SCAP concluded a trade agreement with the Republic of Indonesia. (85) After the end of the Allied occupation, Japan and Indonesia concluded trade and payment agreements in August 1952. (86) The volume of trade between the two countries during 1951-60 is given in Table 4.

Table 4
Japan's exports and imports with Indonesia (87)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>128.3</td>
<td>54.8</td>
</tr>
<tr>
<td>1952</td>
<td>59.8</td>
<td>27.4</td>
</tr>
<tr>
<td>1953</td>
<td>105.4</td>
<td>48.8</td>
</tr>
<tr>
<td>1954</td>
<td>119.7</td>
<td>60.3</td>
</tr>
<tr>
<td>1955</td>
<td>64.7</td>
<td>81.1</td>
</tr>
<tr>
<td>1956</td>
<td>76.0</td>
<td>91.4</td>
</tr>
<tr>
<td>1957</td>
<td>66.7</td>
<td>62.3</td>
</tr>
<tr>
<td>1958</td>
<td>48.6</td>
<td>36.1</td>
</tr>
<tr>
<td>1959</td>
<td>72.6</td>
<td>55.0</td>
</tr>
<tr>
<td>1960</td>
<td>110.1</td>
<td>70.3</td>
</tr>
</tbody>
</table>


86. See the texts of the agreements in Contemporary Japan, vol. 21, nos 4-6, 1952, pp. 333-41.

87. Figures taken from the Tsusan Hakusho 1952-60 (Tsusan Sangyosho).
(a) Japan's exports. Japanese exports to Indonesia during 1952-60 were second only to those of the United States in volume. In 1960, Japan even overtook the United States and ranked as the biggest exporter to Indonesia. (88) The main Japanese exports to Indonesia during the period were cotton and textiles, metals, machinery, non-metal products, chemicals and electrical goods. Cotton and textiles formed the bulk of Japanese exports. During 1952-54, they constituted above 70 per cent of the total Japanese exports to Indonesia. (89) From 1955 onwards there was a decline in the volume of Japanese cotton and textile exports to Indonesia. The lowest volume was recorded in 1958, when they constituted only 34.7 per cent of her total exports to Indonesia. (90) They, however, registered a steady increase in 1959 and 1960. In 1960, they formed 60.9 per cent of the total Japanese exports to Indonesia. (91)

The Japanese export of machinery, including transport equipment was also considerable. In 1953, it formed only 3.7 per cent of her total exports to Indonesia, but it rose to 26.5 per cent in 1958, 39.5 per cent in 1959 and 23.7 per cent in 1960. (92)

91. Tsusan Hakusho, 1961, p. 289. An important reason for the increase was the cotton-processing arrangements concluded between the two countries in December 1959. See p. 288.
92. Tsusan Hakusho, 1954, 1959, 1960, 1961, passim. A contributory factor was the reparations payments which commenced after 1958. These payments constituted 6 per cent in 1958, 24 per cent in 1959 and 9 per cent in 1960 of the total Japanese exports to Indonesia. See Nihon no Baisho, n. 11, p. 34.
The other exports, which fluctuated in volume from year to year were metals, chemicals, electricals and non-metal products.

(b) Japan's imports. Even though Japan was the second biggest exporter to Indonesia during 1952-60, she could not buy from Indonesia as much, and she therefore remained a poor buyer ranking far behind countries like the United States, Singapore, the United Kingdom and West Germany. (93)

The Japanese imports consisted mainly of raw materials like rubber, copra, bauxite, manganese ore, and petroleum products and crude oil. Rubber was a principal item of import up to 1956, when it generally amounted to more than 30 per cent of the total imports from Indonesia, except in 1954 and 1955. (94) After 1957, the volume of rubber import began to decrease. In 1958 it dropped to 5.6 per cent and to 2 per cent in 1959 and 1960. (95)

Next in importance was the import of crude oil and petroleum products from Indonesia. The Indonesian supply of these consistently grew in volume. In 1952, these products formed only 11.1 per cent of the total Indonesian exports to Japan, but in 1960 they went up to 70 per cent. (96)

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94. Tsusan Hakusho, 1955 and 1956, passim.