From War Claims to Reparations — France, Japan and the Vietnam War —

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Abstract:

As this article demonstrates, Vietnam stands out among the beneficiaries of Japanese war reparations for the huge gap in expectations as to compensation issues although the Cambodia example offers a counterpoint. Not only was the Tokyo government challenged internationally by the Democratic Republic of Vietnam (DRV) as the sole legal claimant upon these funds, but domestically by the major left-wing opposition parties and where the major Japanese reparations-aid project, a hydro dam, was crippled by the DRV’s southern arm, the Viet Cong. But even prior to the French invention of the State of Vietnam in 1945, it was France which made claims upon Japan for war damages and reparations, as well as for unpaid loans and debts. A complex diplomatic contest that also engaged Washington, not all issues were resolved even with France’s recognition of Japan as an independent state, and the emergence in 1955 of the independent Republic of Vietnam under President Ngo Dinh Diem. Precisely, this article problematizes the interwoven themes of French war damages claims, Vietnamese reparations, and Japan’s postwar business links.

Keywords: Japan; France; Vietnam; Cambodia; War damages claims, reparations; business links

This article seeks to disentangle the complex claims and counterclaims to Japanese war reparations deriving from the period of Japanese rule in Vietnam in the years 1939–1945. It demonstrates that, alongside Cambodia, Vietnam stands out among the beneficiaries of Japanese war reparations for the huge gap in expectations over compensation issues. Not only was the Tokyo government challenged internationally by the Democratic Republic of Vietnam (DRV) as the sole legal claimant upon these reparation funds against both the Republic of Vietnam and France, it was also challenged domestically by Japan’s major left-wing opposition parties. The issues were complicated by the fact that the major Japanese reparations-aid project, a hydro dam, was crippled by the DRV’s southern arm, the Viet
Cong. But even prior to the French invention of the State of Vietnam in 1867, France made claims upon Japan for war damages and reparations, as well as for unpaid loans and debts. The multi-sided diplomatic contest also engaged Washington and not all issues were resolved by the San Francisco Conference in 1951 or the emergence in 1954 of the independent Republic of Vietnam. Although Emperor Bao Dai had been restored in 1945 by the French as head of a partly autonomous Associated State of Vietnam, in backing the Republic of Vietnam, the Americans turned to another figure who had served under the French, namely Jean Baptiste Ngo Dinh Diem.

A staunch anti-communist Catholic ally, Diem would eclipse Bao Dai in a rigged election in October 1955, becoming the President of the Republic of Vietnam until his assassination at Washington’s behest in 1963. With the emergence of the Republic of Vietnam, the Kingdom of Cambodia, and the Kingdom of Laos as independent states following the Geneva Conference settlement in 1954, the three countries virtually stepped into the shoes of France in negotiating their future relations with Japan, war reparations included. Just as the three Indochinese states established diplomatic relations with Japan on their own terms, encouraged by the United States with Cold War considerations to the fore, France looked to the future in its relations with Japan, putting aside a host of acrimonious wartime claims and recriminations. On the other hand, Japan sought to expand its political, economic, and commercial links with the three Indochinese states, while also entering into a commercial relationship with the DRV, under the formula of separating politics from economics. But Tokyo neither recognized the DRV nor provided reparations. This article problematizes the interwoven themes of French war damages claims, Vietnamese reparations demands, and Japan’s contested postwar political and business links with Vietnam in support of US goals.

Key elements of Japan’s war reparations as well as ODA programs are relatively well understood. Indonesia, for example, is well represented with the study by Nishihara Masashi on Tokyo-Jakarta relations between 1945–1955. However, the literature on Indochina is more select or fragmented, as with Le Manh Hung, who has examined Japan’s special Yen demands, Masaya Shiraishi with a summary account of postwar reparations, and books focused upon Japan and the Vietnam War as with Thomas J. Havens’ evocatively-titled Fire Across the Sea and, in French, the more general work by Guy Faure and Laurent Schwab.

Drawing upon a range of French Ministère des Affaires Etrangères or MAE and Australian National Archives of Australia or NAA archival materials, this article takes the Indochina compensation case, Vietnam in particular, as a particularly problematical one, where even the beneficiary of Japanese war reparations the Republic of Vietnam was
challenged, not only by the DRV and its international backers but, domestically, by a strident and highly vocal anti-war movement. In short, it seeks to establish links between France’s postwar compensation claims, US reverse course on compensations in line with rising Cold War perspectives, France’s climbdown in its need for allies in the face of North Vietnamese intransigence, and Japan’s reparations-cum business negotiations with the American-backed Republic of Vietnam. The article is divided into four sections. First, I will discuss French war damage claims on Japan. Second, I will focus upon the San Francisco Treaty of insofar as it affected relations with France and the Associated States of Indochina. Third, I will examine the diplomatic and trade relations between Japan and the Indochinese states. Fourth, I will discuss the background and actualization of Japan’s reparation agreement with, especially, Vietnam. I conclude by discussing the Vietnam War effect on the Japanese economy

**French War Claims**

In early as France consolidated the restoration of its colonial order in Vietnam in the wake of the Japanese surrender, a special commission was established to assess war damages inflicted by Japan in Indochina. Known as the Commission Consultative des Dommages et des Reparations. The Commission’s interim report offered provisional estimates of damages inflicted between as well as specifying damages of the Japanese occupation on both French and local Indochinese interests. It concluded, Japan through its occupation, through bombardments and conflict, contributed to the annihilation of the fruits of years of labor. While acknowledging that the conduct of the war in Indochina was not exactly analogous to that of Germany vis-à-vis France, it sought to apply the criterion for war damages as determined by the Commission des Reparations in determining German war damagesanon, Evaluation des Dommages. The computations are complex but included claims for spolations or pillage, destruction inflicted upon French and Allied forces, other damages goods, persons and other costs imposed by war operations, damages to private property, and special charges. Notably, as the report emphasized, pillage by Japan in Indochina commenced even prior to the declaration of a state of war. As the report pointed out, these were not only French losses, as the purchases conducted in Indochina by Japan were, in reality, supported by the Indochinese Union. In other words, there was a diminution of economic patrimony without real counterpart and to the single benefit of the occupier. Notably, Japan manipulated the rate of exchange to its benefit. As the report made clear,
extortion of piastre via the Yen credits system as explained below should be the central feature of future reparation claims upon Japan. As discussed below, compensation for the Yen credits would not only be vigorously prosecuted by France, but also by Thailand and China which made parallel claims.

Otherwise, the French Reparation Commission report offers an itemized lists of damages and claims upon Japan for compensation, as with, for example, railways, the French merchant marine, French property in Indochina, China, and damages to persons. A parallel reckoning itemizes claims for special charges associated with the Indochinese countries. In summary, the total damages suffered by France and the Indochinese countries stemming from the Japanese occupation were reckoned at million piasters at value, or million piasters value. Rounding to milliard Indochinese piastres, this amount equaled milliard French francs, or the equivalent of milliard or US billion dollars. France would press its reparations claims to the eve of the San Francisco Conference in early , expressly demanding US billion compensation from Japan for wartime damages incurred in Indochina. As explained below, however, not one centime would ever be paid to France.

**The Far Eastern Commission**

France’s claims on Japan were not just a bilateral exercise but, as with other Allied countries, would fall under the ambit of a multilateral organization. The lead body concerned with Japan’s post war reparations, the Far Eastern Commission (FEC), emerged out of the Moscow Conference of December, numbered the following member countries—the USSR, the UK, the US, China, France, the Netherlands, Canada, Australia, New Zealand, India, and the Philippines. With headquarters in Washington, the object of the FEC was to formulate principles and manners to assure that Japan would meet its reparation obligations, and to examine the demands of each member country. The FEC worked with the Allied Council in Japan, SCAP, and its hierarchy. Consequently, the US played a determinant role from the first meeting of the FEC held on July. Decisions taken at this meeting related to the restitution of stolen property, namely machinery, gold, cultural objects, and ships. France was represented by its Ambassador, P.E. Naggiar. Undoubtedly, this meeting raised expectations of the potential recipient countries—France, China, the Philippines and Australia—as to future claims upon Japanese plant, machinery, and other industrial goods. Further meetings of the FEC also pronounced upon the reduction of Japan’s war
potential. In February, discussions at the FEC on advanced transfers of Japanese reparations had already crystallized. However, as the French member remonstrated, at that stage, French Indochina and India had not been listed as recipient countries and, in agreement with the Soviet member, urged inscription of all eligible countries in the advanced reparation transfer program. In February, the FEC reached substantial agreement on the level of industry needed to meet Japan’s peaceful needs. But the FEC process had already been stalled while awaiting a US statement.

No quick consensus was reached by the FEC as to the precise modalities of Japanese war damage compensation, especially relating to the issue of shares among the would-be recipients. From an early date, US representative Edwin Pauley had made it clear that the US would receive reparations from Japan en nature rather than in cash. As explained by a US aide-memoire of May, from the earliest days of the occupation, the US was guided by a desire that victims of Japan’s occupations would receive Japan’s capital resources as reparations without jeopardy to its ability to meet its own peaceful means. Notably, on April, the US informed the FEC that designated quantities of facilities deemed superfluous for Japan’s needs should be immediately available for reparations. But the US also began to reevaluate its position on the question, based upon a number of assumptions and unstated biases. In the new interpretation, the US argued, Japan was facing demographic pressure which placed great strain upon existing resources. Moreover, the US was carrying Japan’s budget deficit. Further reparations from Japan would jeopardize the success of the Japanese stabilization program. It was also argued that Japan had already paid substantial reparations through the expropriation of its former overseas assets. Unilaterally, the US declared that it had rescinded the directive of April therefore bringing to an end the advanced transfer program. The US also withdrew its proposal of reparations shares. The FEC member countries received the US aide-memoire with coolness, bitter opposition to the Philippines, as with the Romulo statement of May and with outrage at its illegal and immoral stand, which deemed the US position incompatible with a series of international agreements and unjust to victims of Japanese aggression.

The truth is, however, that reverse course was already in process. A creature of the
Cold War, Washington’s reverse course on Japan was shorthand for the complex diplomatic pact whereby Japan and its war criminals would be forgiven and even rehabilitated even alongside the major industrial conglomerates that fueled Japanese arms buildups, in a Faustian bargain that would reposition Japan as a US ally in the struggle against communism. Facing the Chinese communist thrust, the Chinese Nationalists had grasped at the same straw, as early as offering new life to Japanese war criminals with the requisite military skills. As it became clear to France that the Viet Minh were in bed with the Chinese communists, the French Fourth Republic would likewise begin to shift towards signing a peace treaty with its former enemy.

**French Claims on Indochina Special Yen**

In general, all Japan’s unpaid foreign loans, including the unpaid loan contracted by the City of Tokyo in France suspended all repayments on this loan in 1945, were under investigation by the FEC. But the major economic-financial issue besetting France and Japan was the question of Special Credits including Special Yen. During the war years, Japan had transferred large tranches of counterpart funds out of French Indochina offering the counterpart of Special Yen parked in the Yokohama Specie Bank in Tokyo by the Banque de l’Indochine. Such included Yen rice under which Japan plundered Indochina’s cereal resources. The parallel, as far as French opinion was concerned, was the clearing system imposed by Nazi Germany over occupied France. As the French Ministry of Foreign Affairs signaled to their mission in Tokyo in 1945, they attached more weight to a resolution of the Special Yen issue than the reparation and damages restitution issue. This was all the more so as the French had, by 1945, failed to sign an interim agreement with Japan over damages which in any case were now being taken up by the Vietnam-Japan negotiations in which France had a much reduced influence.

From the outset, however, the French government and SCAP differed over this issue as well. Notably, the Special Yen account had been opened in April in application of the accords of January signed with the Laval Vichy government, an arrangement that saw the French Indochina administration via the Banque de l’Indochine and its branch in Tokyo deposit both Yen, dollars, and gold with military-linked banking institutions in Tokyo, notably the Yokohama Specie Bank right up until the end of the war. At war end, the Banque de l’Indochine held with the Yokohama Specie Bank a Special Yen account of . It also held a US dollar account of . With respect to the Bank of
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Tokyo, France, Japan and the Vietnam War.

Grammes of gold were earmarked, otherwise accruing from US purchase of Indochina rubber. R. Douleau, Conseiller Commercial de France, Washington, à Ministre de Finance, Fév.

To this day, Vietnam recalls in no uncertain terms the despicable drain upon the local economy imposed by fascist Japan through its impositions upon imperialist France. However, given the role assigned for France by the FEC process, Vietnam was never even vested with the right to reclaim these monies obviously including interests of national patrimony.

But just as the French Fourth Republic moved to gain restitution of Special Yen accounts lodged in Japanese banks in the early postwar period, so it came into conflict with a largely disinterested SCAP bureaucracy in Tokyo. Notably, until suspended under French diplomatic protest, SCAP immediately moved to dissolve the Yokohama Specie Bank. NEither was it helpful to French interests that, on December, SCAP also commenced the liquidation in Tokyo of the local branches of the Banque de l’Indochine along with the Banque Franco-Japonais. The French were also vexed that General MacArthur himself would not explain why he stonewalled on the Special Yen issue. More generally, the French sought to decouple the Special Yen issue from the reparation question.

The American attitude is revealed in the text of conversations between French Ambassador in Tokyo, Zinovi Alekseïevitch Pechkoff, and MacArthur and staff. Basically, SCAP Washington contended that the French treaties with Japan were signed by Vichy France and were considered null and or were of the nature of private transactions. The American side also did not wish to privilege France over a host of other claimants notably, China and Thailand. There was a certain disingenuous logic on the part of the Americans, especially as Washington hosted a Vichy Embassy through at least December, and US-Vichy relations - especially under President Roosevelt - were on a day to day basis. The Provisional Government of the French Republic, headed by Charles de Gaulle, was only recognized by the US on October. The American position offered ammunition to the Japanese side in future dealings with the French.

**The French Climb Down and Diplomatic Push**

French Foreign Affairs documents reveal that, from mid, their officials in Tokyo had entered into discussions with members of the Cercle d’Etudes Economiques Franco-Japonais. Members included former Japanese ambassadors, Kurusu, Kuriyama and Yokoya-
ma Masayuki, the latter installed as Resident of Annam following the Japanese coup de force. The three former wartime diplomats declaimed that Japan had great responsibility for troubles in Indochina and wished to renew relations with Indochina. Yokoyama, especially, dwelt upon the considerable economic potential of Indochina and foresaw future Japanese involvement.

The diplomatic recognition issue was taken up in earnest in Paris in early. The argument in favor, as outlined in a brief position paper, acknowledged that, in the coming years, Japan would emerge as the pivot around which Far Eastern political and economic issues would revolve. Japan was a looming exporter of industrial material to the Far East and would comprise a market for Indochinese rice, coal, minerals, phosphate, salt, wood, etc. The paper predicted that Japan would take its place within the Pacific economic system and, given instability in China and the Philippines, Indochina would look to Japan to support its industrialization. As recommended, it was in French interest to establish political contacts between Indochina and Japan. And, to this end, it was imperative to place an autonomous Indochina representative in Japan, first with SCAP, and then with the Japanese government. The suggestion was for a French official answering to the so-named French High Commissioner in Saigon. The possibility of a Vietnamese representation abroad was then regarded as one of the most delicate issues in Franco-Vietnamese relations.

In any case, it would take a major international conference to break the logjam on the restoration of diplomatic relations between France and Japan outside of SCAP control. Still, France was obliged to work through SCAP. Although Vichy France had maintained an accredited Embassy in Tokyo and consulate in Yokohama through the war years at least until March, technically the first official postwar contact between Japan and France outside of SCAP auspices, took place at San Francisco in. While the Conference outcome would see the restoration of full diplomatic relations between Paris and Tokyo, France also repeated its claims at San Francisco for US billion in compensation from Japan.

France and the San Francisco Peace Treaty of September

Some background is necessary. Following a visit to Paris in early June by John Foster Dulles, serving as special envoy of US President Truman, the broad outlines of French conditions for its participation in the proposed peace treaty with Japan were clarified, just as US expectations were made known. The basic French demands were made clear.
to Dulles in a meeting with the French President Vincent Auriol. Dulles went out of his way to mollify France as to any revival of Japanese political imperialism. Tellingly, he pointed out, Japan would integrate its forces with those of the US. He also made it clear that a treaty with Japan would not prejudice any future French negotiations with Germany. Auriol, on his part, sounded out Dulles’ view on the participation of the Associated States Vietnam, Cambodia and Laos in the San Francisco treaty negotiations. Dulles saw no objection, but preferred the formula of bilateral relations between the Associated States and Japan. Auriol demurred, offering two outcomes, one in which the Associated States gave mandate to France to sign in their name, or the other in which the Associated States and the French Republic separately sign with Japan at San Francisco. These views were echoed by Alexandre Parodi, secretary general of the French foreign ministry in conversations with Dulles and in subsequent press releases MAE Asie Océanie Japon, Audience de M. Foster Dulles par M. Auriol.

As Dana Adams Smith summed up the conversations in the New York Times June, where Dulles wished a treaty of reconciliation Parodi wished for reparations. Specifically, France demanded US reparations from Japan including repayment of three pre-war loans compensation for the destruction of French property including plant compensation for French shipping, along with rubber, cotton and other goods seized by Japan. Moreover, to win US consent, France had backed down on its earlier proposals that both China and the USSR participate at San Francisco.

The San Francisco Peace Treaty, signed by Allied nations and Japan in San Francisco on September and coming six years after Japan’s surrender, facilitated Japan’s return to the international community. Under Article of the Treaty, Japan was obliged to accept the judgments made by the International Military Trial of the Far East IMTFE, as well as judgments made by other Allied War Crimes courts outside of Japan. But China, the Soviet Union, India, Burma and Korea were not signatories to the Treaty and the DRV was not invited. Thanks to French patronage, however, among the signatories were the Bao Dai government, as well as the Cambodian and Lao governments. With the Treaty coming into force on April, Japan then entered into diplomatic relations with the Bao Dai and, in turn, the Diem governments. The Bao Dai government ratified the San Francisco Treaty on May. On January, the three governments notified the Japanese government that they agreed to open diplomatic relations. However, as discussed below, the successors to the Bao Dai government postponed the actual opening of a legation until after the conclusion of a reparations agreement in May.

More broadly, under the terms of the San Francisco Treaty article, Japan was ob-
liged to meet the reparations demands of former occupied nations. Accordingly, Japan signed a series of reparation agreements with Burma in November, the Philippines in May, Indonesia in January, and eventually, South Vietnam in May. Cambodia and Laos, as explained, would abandon the right to receive reparations, although in October and March, Japan agreed to provide them with economic and technical aid. Japan did not pay reparations to Thailand, but agreed to make a payment for the liquidation of Special Yen agreement of July, revised January. As Nestor contextualizes, by tying all this aid to purchases of Japanese goods and services, Tokyo opened up vast export markets as each country became dependent on Japanese corporations for spare parts, related products and technical assistance. Moreover, in line with Cold War logic, Washington used every possible means to promote Japan’s economic penetration. South Vietnam was in the front line.

**Japan and the Associated States**

Not only did France support the participation of the former Associated States in the San Francisco process, it took for granted that they would individually enter into diplomatic relations with Japan at an opportune time. MAE Asie Océanie Japon, file Tel, Paris, Etassociés, Sept, no Minetassociés, Saigon. In November, Gai-musho made it known to France that it wished to establish diplomatic relations with the Associated States. The priority was Saigon followed by Phnom Penh, and Vientiane. With these states represented at San Francisco, the Quai d’Orsay did not feel it prudent to oppose this plan. In fact, it was Cambodia which, in a note of May, first approached Japan prior to the Japanese request to establish diplomatic relations. In October, Vietnam solicited and obtained French government approval to establish relations with Japan. Even so, Vietnam dragged its feet. Its president Nguyen Van Tam had revealed a repugnance at moving any time soon on the matter, and gave the appearance of linking it with the reparation question. Jean Letourneau, Minister for Overseas France, believed it both in the interest of France and Vietnam to move ahead. MAE Asie Océanie Japon Note for the Secrétaire général, Nov, G225/G101

In January, as Gai-musho signaled, Cambodia sought the establishment of relations at an early date. Vietnam had also expressed in-principle agreement. Laos was also in agree-
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ment but wished the future Japanese embassy in Saigon to be accredited to King Sisavang Vong and had no immediate intention to establish an embassy in Tokyo. Irritated at the inconclusiveness of the Vietnamese side, Gaimusho stepped up its pressure on France to intervene and France appears to have brokered the agreement on diplomatic relations between the two countries. France also helped to broker the establishment of a Cambodian mission in Tokyo.

Even so, as reported, the Vietnamese government would not entertain the establishment of diplomatic relations until negotiations on the reparation question were underway. As the French side learned, a Japanese Diet delegation visiting Saigon was received correctly but sans chaleur (without warmth). Finally, on June, as the Vietnamese Foreign Ministry informed Paris, it had agreed with a Japanese approach to open diplomatic missions in each other’s countries, without subordinating the issue to the reparations question. In turn, this démarche was passed on by the French authorities to Gaimusho on June. The debt issue dragged on. In a Note Verbale of December delivered to Gaimusho, France called attention to the two outstanding créances (claims/debts). The first was for Yen and the other was for US possessed by the French government with the liquidation of the Yokohama Specie Bank. France wished a speedy resolution of the problem and informed Tokyo in less than diplomatic language that the problem was harmful to the creation of sound economic relations between the two countries. France proposed negotiations. In other words, it was sticking to its claims for damages incurred between and France proposed negotiations. In other words, it was sticking to its claims for damages incurred between and

But the Japanese side would have none of this, having made its position crystal clear at the fifth session of the Japanese-Vietnamese negotiations relating to ship salvaging and reparations held on July. At that forum, the French representative asserted that he considered December, the day that the London-based French National Committee declared war on Japan, as the day that a state of war existed between France and Japan. The Japanese delegate retorted that all operations effected by the December proclamation were without legal foundation and, moreover, under Chapter V
Claims and Property article b of the Treaty of San Francisco, France had renounced its right of reclamation of damages resulting from the war. If France wished, Japan would explain its case in Tokyo MAE Asia Océanie Japon, M. Morand, Conseiller Commercial, Ambassade de France au Japon to Ministre de Finance, Paris, Mars Recouvert de la créance de Trésor français sur le Yokohama Bank. This was basically correct. Echoing American reservations over the FEC process, Article stated, inter alia, that Japan lacked the resources to make complete reparation, therefore Except as otherwise provided in the present Treaty, the Allied Powers waive all reparations claims of the Allied Powers Analogous arguments were presented to the visiting Thai foreign minister in Tokyo in March, namely that Japanese-Thai accord had been mutually dissolved, and that no force had been exercised in the wartime pact, only moral suasion.

Another outstanding issue was compensation for the near total damage suffered by the French Embassy in Azabu along with the Ambassador’s residence destroyed by two American bombing raids over Tokyo on land May. On July August, the French mission in Tokyo filed claims with SCAP for Japanese compensation for the costs of reconstructing the Embassy premises. As SCAP replied on October, it would not press the issue. But, it also advised, make the cost a matter of record for future settlement Accordingly, on February, and citing protocols prescribed at the San Francisco conference Article appears to fit, France pressed the Tokyo government to offer Yen million compensation to facilitate the reconstruction of the Embassy MAE Asie Japan I. There is no record that France ever gained this compensation.

As an internal French memorandum of March revealed, the claims issue was going nowhere. In the interim, no doubt mindful of US reservations, the French decided to cut their losses and reduce or restrict their claims to debts owed by Japan stemming from its Special Yen manipulation between August to December, that is, prior to the declaration of war pronounced by the Free French under General de Gaulle MAE Asie Océanie Japon, MOFA to Ambassador, Dec Tokyo. Notably, on August, France had agreed under duress to facilitate the stationing of Japanese troops in Indochina and to offer credits to cover their expenses. In other words, France now backed away from claiming debts accrued during the period of state of war or the long three-year period of Vichy-Japanese military cohabitation in Indochina. In other words, France now backed down from the lion’s share of massive claims. It did not make this position public but was prepared to abandon its blanket claims in the course of negotiations.

This was obviously a major climbdown but it also reflected the changing sovereignty
stakes inside Indochina, arising out of the San Francisco Peace Treaty and France’s insertion in the Western Alliance. It was, moreover, the legal foundation upon which the French Fourth Republic would effectively rebuild its postwar diplomatic relations with Japan. From the present-day perspective of high tourism, cultural platitudes, and some genuine mutual admiration, it is as if practically no-one on either side actually recalls these rather sorry events.

**Japan-Republic of Vietnam Economic Relations**

The evolution of post-war relations between Japan and the State of Vietnam and, in turn, the Republic of Vietnam might be described as tentative, belated, and strained. Reaching back to July-August, the Japanese ambassador in Bangkok, Ohta Ichiro, reportedly visited Saigon in connection with preparations for an exchange of ministers between Japan and Vietnam. Australian officials learned from a Kyodo News Agency correspondent in Saigon that the ambassador believed that Japan should observe the Geneva Accords and the communists from close quarters. He also apparently believed that, if a general election was held, this would result in a victory for the communists.

On June or shortly after the Geneva Agreements, the Japanese Foreign Ministry finally received Vietnamese written consent to exchange ministers and, as mentioned below, the first Japanese minister to the Bao Dai government, Konagaya Akira, was appointed in February. In March, Nguyen Ngu Thu became the first Vietnamese minister appointed to Tokyo. In a short time, the legations were raised to embassy status. At the same time, following US lead, Japan’s diplomacy completely neglected the DRV with US approval of Japanese experts in fisheries and engineering.

In reporting the meeting in Saigon of a Japanese economic delegation with the Union Syndicales des Commercents et Industriels Vietnamiens at the Chamber of Commerce, the semi-official *Vietnam-Presse* September noted an increasingly strong economic current between Vietnam and Japan over previous years. Notably, consignments of Japanese goods were now entering the Vietnam marketplace. The report also signaled that, from early, Japan was actively preparing to sign a commercial treaty with free Vietnam designed to replace the pre-independence agreement concluded by the French government still in force.

As the Australian Legation in Saigon reported in early, there were rumors of the entry into Vietnam with US approval of Japanese experts in fisheries and engineering.
However, President Diem had apparently changed his mind out of irritation that the Japanese ambassador did not call upon him prior to return to Tokyo for consultations. As the Australian report continued, Diem was also inconsistent insofar as he had already granted permission to a Japanese engineering company to survey for a large hydroelectricity scheme and had, accordingly, been granted a contract.

The Contrast With Cambodia

On May, Cambodia under King Sihanouk ratified the Treaty of Peace with Japan, the San Francisco Treaty. In acknowledging this ratification, on July, Gaimusho responded in a note to the Cambodian Ministry of Foreign Affairs that it wished to open full diplomatic, commercial, and trade relations. In July, Gaimusho made it known that its new embassy in Phnom Penh would be headed by Ambassador Araki Tokizo as chargé d’affaires. Paris clarified that Cambodia would be represented in Tokyo by the French Embassy.

Writing in the Asahi newspaper of October, under the headline, Cambodia is Japonophile, author Ishizaki observed that, not only did goodwill exist in Cambodia towards Japan, but that it was one of the few countries in Southeast Asia where hatred towards Japan was not displayed. Citing chargé d’affaires Yoshioka, Ishizaki declared that, from the king and ministers down, all displayed affection towards Japan. He attributed this benign state of affairs to the work of the Suzuki brothers, who had taken up residence in Cambodia in as head of the Japanese cultural mission, one a Keio University graduate, another an ex-Paris trained artist. As an example of Cambodia’s links with Japan, Ishizaki observed, the king, had secured airplanes from Japan and sought engineering assistance to construct a port at Ream in the Gulf of Siam, to lessen dependence upon Vietnam. He also noted that Japan had contracted tonnes of maize the previous year.

As French officials well understood, Japan had gone out of its way to cultivate special links with Cambodia in general and King Sihanouk in particular. Notably, Sihanouk made a first visit to Japan in, followed by a second in, becoming the first Asian head of state in the postwar period to receive an audience with the emperor. It was also noteworthy
that Prince Norodom Kantal was nominated to head the first Cambodian mission in Tokyo 

The Japanese press also privileged links with Cambodia, as with the *Yomiuri* January [article] Cambodia A gold-mine to exploit [authored by] old Indochina hand [M. Matsushita, and vice president of the Japan-Cambodia Friendship Society. According to the article, in highlighting a visit to Cambodia by a Japanese delegation, Sihanouk declaimed that Japan was the object of his love and, accordingly, it was in this spirit that Cambodia had renounced Japan’s reparation obligations. Noting that trade only reached [million dollars annually, the article predicted that the advent of a commercial treaty would see business surpass that figure.]

The Uemura Mission to Cambodia

Visiting Japan in January, a South Vietnamese economic delegation consulted with business groups, the Japanese Foreign Ministry, and the Ministry of International Trade and Industry (MITI) officials, about the possibility of concluding a trade agreement between Japan and Vietnam. Meanwhile, a Japanese economic delegation headed by the vice president of Keidandren and future president Uemura Kogoro visited Cambodia. Also representing coal mining interests, Uemura was president of the Cambodia-Japan Friendship Society formed in Tokyo in September. This was a high power mission joined by representatives of the Ministry of Foreign Affairs, MITI, Forestry, Transportation, the Export-Import Bank as well as Mitsubishi Mining Company. As Australian officials interpreted, the Uemura mission sought prospects for joint enterprises to develop natural resources in Cambodia, while looking ahead to offering technical assistance. Part I Japan-Economic Relations with Vietnam, P. Hill. Australian Embassy, Tokyo, January, Japan Economic Relations with Indochina

Upon his return to Tokyo from Phnom Penh on February, Uemura claimed that Cambodia had accepted aid from Japan under the auspices of the Colombo Plan, notably in irrigation works and agriculture. Joint exploitation projects were envisaged, especially in light industry as, for example, a bicycle tire factory using local rubber. Scholarships for Cambodian students in Japan were also under consideration. MAE Asie Océanie, Japon

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2 Citing Gaimusho, a *Far Eastern Economic Review* report of February, announced that Japan had also completed payments of Yen [million] to Laos as economic assistance presumably in lieu of reparations.
The Sihanouk Visit to Tokyo of January

Sihanouk visited Tokyo again between January, leading to the signing of a Traité d’Amitié. Noting that Cambodia was one country occupied by Japan, Sihanouk was locally feted as the first Asian head of state to enter into commercial relations with Japan sans arrière pensée with no hesitation. As French Ambassador to Japan Levi observed, Sihanouk’s visit was also full of symbolism, with his renunciation of reparations and the act of remitting to the Japanese Red Cross Sterling that Cambodia had received as indemnity for prisoners of war. In turn, the Japanese Red Cross proposed to use this amount to send medical supplies to Cambodia. Among those attending an officialized reception for Sihanouk in Tokyo were General Managi, former Japanese Imperial Army commander in Cambodia at the time of the March coup de force, along with a Colonel Ogiwara, presented as having saved the Prince’s life at the time of the return of French forces to Phnom Penh (although we have no record of that). Also attending was a Captain Tadakuma, recently returned to Japan from Cambodia, having served as instructor of young Cambodian nationalists. This rings true.

Yet another was a Professor Kodaka who had taken over headship of the prestigious Ecole Française d’Extrême-Orient in Cambodia, and author of a page history of Cambodia redressing the errors of the colonialists while underscoring the parallels between Japanese and Cambodian culture. In his speeches, Sihanouk had, variously, reiterated his support for neutrality in foreign policy, rejected membership of SEATO, upheld the five principles of coexistence, and declared adherence to the principle of Asian solidarity.

Duly signed on December by Sihanouk since March abdicating in favor of his father and assuming the title of prime minister, and Japanese Foreign Minister Shigemitsu Mamoru, the Traité d’Amitié negotiations between Japan and Cambodia also involved discussion on the following salient points. First, the Prince envisaged a riel support plan to offset Cambodian imports from France. Second, he unveiled a plan for Japanese emigration to Cambodia. This was to be of the Brazil-type, following the precedent adopted by the Latin American country towards Japanese immigration, notably suggesting a total assimilation. However, as the French understood, this plan depended upon considerable financial support from the Japanese government, hardly likely with costs estimated at yen for moving a family. Summing up the import of the Sihanouk visit and the signing of a Treaty of Friendship, the French ambassador observed that, if the propositions were well received in Japan, however ambitious, the trip also showed Sihanouk’s determination to cut an independent course.
To be sure, the French could not have been exactly happy to observe the King-turned-Prince-politician cohabiting with a real rogues’ gallery of old wartime Indochina hands during his Tokyo visits but, whatever else might be read into Sihanouk’s flirtation with early postwar Japan, it is palpable that he was setting down a future independent course in Cambodia’s foreign policy that would see him align with most of America’s past, present, and future enemies. Meantime, he could play off French aid with Japanese

Background to the Vietnam Reparations Agreements of May

As Shiraishi interprets, and as will be embellished below, Japan’s eagerness to fall in line with San Francisco was not so much out of moral angst but as a device to expand Japan’s economic influence over the non-communist countries of Southeast Asia and, at the same time, restore Japan’s domestic economy. But as with the Philippines and Indonesia along with the South Vietnamese, Shiraishi continues, Japan could not restore those economic links with Southeast Asia until it fulfilled its reparation obligations. In other words, reparations became at the hands of the Southeast Asian elites, a precondition for Japan’s future activities in Southeast Asia. The Southeast Asian nations also wanted capital goods to expand their own economies rather than imported consumer goods. Hence, reparations spread out over years, were not paid in cash or capital goods but rather in Japanese products and services, alongside loans, in other words tied aid. As understood, Japanese reparations paved the way for future economic penetration into the recipient countries. Products and services provided as reparations stimulated demand for more goods from Japan. In this argument, reparations paved the entry of Japanese business into Southeast Asia while trading companies were able to revitalize their commercial activities to a far greater extent than in the prewar setting. As discussed below, although the Japan-Vietnam reparations agreement was signed on May coming in effect on June, its passage was deeply troubled

The Konagaya Conversation

As a first step on the way to signing a reparations agreement, an interim agreement concerning reparations was initiated in September. This is revealed in conversations between Japanese ambassador Konagaya Akira and the Australian Legation in Saigon on February. Appointed in February, Konagaya became the first
minister appointed to the Republic of Vietnam. Another wartime Vietnam hand, Konagaya had been Consul General in Annam at the time of the *coup de force*. Evidently, talks on reparations began four years earlier in Tokyo with the French Embassy assisted by a Vietnamese representative. The interim agreement was concluded with the signing of an agreement under which Japan would contribute US $150 million to effect salvaging of Japanese ships sunk during the war, mainly in the Vung Tau-Saigon area. The scrap from the ships would be handed over to Vietnam.


However, with the advent of the Republic of Vietnam, the Ngo Dinh Diem government refused to sign the agreement and opened up discussions with the Japanese Embassy in Saigon, claiming a figure US $250 million in reparations money. The Japanese considered this fantastically excessive and absolutely unjustified. As related by Ambassador Konagaya to F.J. Blakeney, an Australian Legation official, Japan claimed that its army had not engaged in fighting in Vietnam and very little damage was incurred. Accordingly, only Japanese damage could be taken into account. However, as the Diem government reportedly countered, Vietnam should be compensated for the losses suffered on account of the war affecting production generally, including industrial, mineral, etc. But the major part of the Vietnamese claim was that, at the end of the war, the Japanese army sequestered enormous quantities of rice from the north and south, with the apparent intention of building up large stocks in the mountains to enable it to continue fighting whether or not the Emperor surrendered, and that this requisitioning led to disastrous famine in the north and the death of some one million Vietnamese. In reply, Konagaya asserted that, apart from the figure of one million, Vietnam had not provided statistics to support its claims for these immense reparations, and that, in fact, no statistics exist. *Ibid*, and See Gunn *Ibid*.

Following months negotiations in Saigon between Ambassador Konagaya and Foreign Minister Vu Man Mau, the Vietnamese claim was reduced from US $250 million to US $150 million. This was still considered too high for Tokyo apparently Japan started the negotiations with a figure of US $100 million, later raised to US $150 million. Meantime, as the Australian Legation commented upon this reported conversation, the reparation agreements question is bedeviling Vietnam-Japan relations. It also blocked trade negotiations.

Blakeney also signaled President Ngo Dinh Diem’s thoroughgoing dislike and distrust of Japan. As he reported, Diem was unwilling to agree to a procedure under which, once an overall figure had been settled, Japan would pay in a variety of goods both consumer and
capital. Reportedly, Diem argued that small projects and special payments continued over an extended period of time was a classic method of capturing the Vietnamese market. Instead, he insisted that Japan pay for a few major projects, namely building one of the dams in the southern plateau. This is actually an important revelation and we are left wondering whether Diem was following his head or his American advisers as discussed below. While Diem’s confrontation with the Japanese over the reparations questions revealed real agency on his part, his willingness to rubber stamp big projects actually fell in nicely with Japan’s preferences and the generalized pattern of Japan’s big ODA infrastructure projects, which continue in Vietnam unto this day.

**The Diem Conversation**

According to an Australian Embassy memorandum, while President Diem thought that a settlement in the near future was on the cards, his suspicion of Japan for sharp practices in all commercial and economic dealings remained acute. As the report continued, it will take more than the settlement of the reparations issue to remove his general suspicions and doubts of the Japanese. It will take more than the settlement of the reparations issue to remove his general suspicions and doubts of the Japanese. As the report continued, it will take more than the settlement of the reparations issue to remove his general suspicions and doubts of the Japanese. As the report continued, it will take more than the settlement of the reparations issue to remove his general suspicions and doubts of the Japanese. As the report continued, it will take more than the settlement of the reparations issue to remove his general suspicions and doubts of the Japanese.

According to Blakeney, in a reported conversation with Diem on November, the President outlined the earlier course of Vietnam’s reparations negotiations with Japan. Following the signature of the Franco-Japan reparations agreement of early, Japan had taken the attitude that any Vietnamese reparation claims against Japan should henceforth be made to France from whom Vietnam should get its share and that Vietnam could bring a case against France in the International Court. The President’s own reactions had been sharp and final. He told the Japanese that their attitude was insulting and that, if this attitude persisted, Vietnam would cut off all commerce with Japan. Subsequently, Japan realized that this was no empty threat and that, unlike the governments of most, if not all other Asian countries, the government of Vietnam had the effective capacity to restrict such commerce. In fact, commerce with Japan was currently running at only a few million dollars a year.

**The Kishi-Diem Communique**

Seeking to up the ante on a speedy resolution of the reparations issue, on Prime Minister Kishi Nobusuke visited Vietnam on a state visit, issuing a joint commu-
nique with President Diem which does not appear to have been made public. However, as the usually astute Bernard Fall reflected upon the Kishi visit, for the Japanese, the Vietnamese demands were in the realm of fantasy while, on the Vietnamese side, Japan represented the sole means of procuring capital outside of the US and France. In the event, neither Diem nor Kishi changed their negotiating positions. Kishi himself had been Minister of Commerce and Industry from under General Tojo Hideki to Japan’s surrender in . Until , he had been imprisoned as a war crime suspect, albeit never indicted or tried by the IMTFE. Kishi also had overseen the reparations settlement with Indonesia under Sukarno between and .

Upon Prime Minister Kishi’s arrival in Saigon, President Diem informed him that Vietnam wished to have good relations with Japan, the more so since the two countries shared Asian cultures. He had put the case that it was in Japan’s own interests to settle the reparations problem with Vietnam as soon as possible since, until this was done, there could be no normal commercial relations between the two countries, that this was at odds with Japan’s own interests, and that in the space of a few years of normal commercial relations, Japan could expect to gain in terms of trade much more than the amount of reparations being sought .

As Diem reportedly explained to Kishi, Vietnam was not asking for properly so-called, but compensation for or rice eaten by the Japanese during the occupation of his country, as well as for forcing the French to print something like one milliard piaster of paper money to meet occupation costs, thereby devaluing the currency. If Japan did not pay the whole sum, currently claimed, he argued, then it should pay a portion. According to Blakeney , In answer to my query, the President confirmed that the figure the Japanese were now considering was something in the region of US million. Asked whether this was in cash or services or a combination of both, he replied that Vietnam has signaled several large projects such as Da Nhim. I gathered that Special Envoy Uemura’s negotiations here later this month will be concerned with this figure .

The Wolf Ladejinsky Conversation Diem’s Attitude towards Japan

According to an Australian Legation report, Diem’s opinionated American adviser, the Ukranian-born Wolf Ladejinsky, who had earlier played a major role in land reform in Japan under SCAP, quoted the President as saying that the Japanese are a nation without spiritual
values, and that we cannot trust them. He also attributed the triumph of communism in China to Japan’s pre-war record in China. He did not think that defeat had changed Japan’s ways or that Japan had given up on its co-prosperity sphere. Reportedly, he stated that the Japanese technicians who sought admission to Vietnam equaled Japanese spies. Diem apparently favored Western advisers. Diem apparently favored Western advisers. 

America’s lead man on land reform under Diem, Ladejinsky’s thoughts on communism are of all the more interest, especially as his career barely survived a McCarthyist era probe just prior to his Vietnam appointment.

Ladejinsky also prepared a paper for Diem on reparation negotiations. Having examined Japanese reparation agreements concluded with Burma and Thailand, he acknowledged that both negotiated from weakness, having had large rice surpluses to dispose of for urgently needed Japanese goods. Ladejinsky thus advised Diem that Vietnam’s bargaining position was stronger. Unlike Burma, Vietnam had large US financial and economic aid to bolster the economy. He also showed how the Thai were miserably tricked by the Japanese through out-and-out misrepresentation. He was also of the opinion that the Japanese had not succeeded in being accepted as trustworthy and their vanity in this regard should be played upon as much as their claims for expanded trade relations. Ladejinsky thus advised Diem that Vietnam’s bargaining position was stronger. Unlike Burma, Vietnam had large US financial and economic aid to bolster the economy. 

In any case, Ladejinsky urged caution in dealing with Japan, citing the experience two years prior of Prince Wan Waithayakonn, Thai Foreign Minister from who had burned his fingers badly in accepting and signing an agreement with the Japanese containing a cleverly veiled clause which radically altered the nature of the agreement. Burma, he explained, had a somewhat similar experience. 

The following year, Diem reportedly told Blakeney that it seemed that the Japanese were having second thoughts over figures they had earlier agreed upon about million dollars in material with expectations of additional sums of about million in credits. He saw no sign of early agreements.
The Japanese Embassy in Saigon

According to incoming Japanese Ambassador to the Republic of Vietnam, Kubota Kanichiro, who arrived in Saigon on July 6, an agreement with the Republic of Vietnam would be considered as covering the whole country and no negotiations would be needed with the communist regime in Hanoi. In conversations with Australian diplomats, he referred to Japan’s purchases of coal from North Vietnam as indispensable trade for both partners. I want to stress that trade and politics are two different subjects, he asserted.

The commercial relationship between Japan and North Vietnam has no political implications. Japan can carry on trade with any country regardless of ideological concepts. I want to stress that trade and politics are two different subjects. He asserted.

The commercial relationship between Japan and North Vietnam has no political implications. Japan can carry on trade with any country regardless of ideological concepts. Japan's body politic of the time was riven between alliance supporters, the Liberal Democratic Party (LDP) and the political opposition, including the Japanese Socialist Party (JSP), the Japanese Communist Party (JCP), and large sections of civil society, from unions and students, to a largely critical mass media. There was also of course a spectrum of positions on the various issues involved, from the validity of the US-Japan Security Treaty, the role of US bases in Japan, to anti-war opposition, to support to North Vietnam and the reparation question. Even so, Faure and Schwab point out, both the left and right in Japan strongly objected to offering compensation to Vietnam on the grounds that very little war damage had been sustained in that country. If so, then it would be even more reason for indignation upon the part of the French who gave up the demand for practical reasons and even more so for Diem who could hardly risk losing the moral high ground on the reparations issue to his communist adversaries in the North.

Pending ratification by the Diet, the JSP vigorously opposed the reparation deal. As the
JSP argued, first, that Japan had already made substantial indemnity payments to France on behalf of the Associated States of Indochina plus tonnes of gold ingots according to an undated Mainichi source, in the background of the reparation talks stood Nippon Koei KK and other business groups connected with Uemura Kogoro. Second, Vietnam was divided and, if later unified, Japan might be obliged to pay North Vietnam. Third, the north suffered more war damage than the south. Fifth, Laos and Cambodia waived reparation payments, so it is would be unjust to give payment to Vietnam. And sixth, the North Vietnamese may retaliate by suspending trade relations and they are the more reliable trade partner.

According to Corcoran, the Japanese Government had made it known that, because of JCP opposition in the Diet to the conclusion of a Reparations Agreement with Vietnam, the government felt it inopportune at the present time to push the settlement.

As Shiraishi clarifies, notwithstanding the opposition, the majority LDP under Prime Minister Kishi decided to discontinue deliberations in the Committee on Foreign Affairs and forced through a vote in the general assembly of the House of Representatives at dawn on November, while opposition parties refused to attend. In so ratifying the reparations agreement with Vietnam, Kishi ignored both international and domestic opinion.

As reported in Saigon-Moi, The Viet Cong put up an anti-reparation demonstration in Hanoi but, on the very same day, the Lower House of the Japanese Diet ratified the reparations Treaty on November, after an all night session, the Diet Lower House approved the Japan-Vietnam reparations agreement votes in favor versus against.

**Role of Associations and Lobbies**

The role of associations and lobbies can never be underestimated in discussions on postwar Japanese business links associated with reparation agreements with former occupied countries. The role of the Jakarta lobby in facilitating Kishi’s reparations settlement
with Indonesia is better studied \cite{Nishihara}, but the Japan-Vietnam Friendship Society merits attention. Inaugurated with a ceremony held at the Tokyo Gas Company Hall at Nihonbashi, those present included Tsukamoto Tsuyoshi, former Japanese minister in Indochina. Foreign Minister Shigemitsu Mamoru, whose wartime role is well documented, made a congratulatory speech \cite{NAA A Part I Vietnam Foreign Policy Relations with Japan}.

As announced, Japan would subsequently send a delegate to Vietnam led by special envoy Uemura Kogoro to resume negotiations on reparations to seek an early settlement. But, according to a press report, the pro-Hanoi Japan-Vietnam Trade Association urged Japan to suspend negotiations with South Vietnam until south and north Vietnam became united \cite{Assoiated Press, October}. The French Embassy also reported that the DRV communicated via its Trade Association that it would suspend the opening of credits for Japanese imports if Japan continued its negotiations. The Australian Legation wondered whether this was a propaganda gesture \cite{Japanese Reparations Blakeney, Saigon Legation, File Oct}. The Japanese public hardly engaged the reparation issue at this juncture, especially given the semi-secret nature of discussions involving privileged tiers of the business, government and bureaucratic world. As mentioned below, it would be the American use of Okinawa bases for bombing of Hanoi that would eventually lead to a rare polarization between state and civil society over all questions touching upon Vietnam.

The Reparations Agreement of May 1952

Signed on May 1952, the war reparations agreement came into effect on June 1952, in line with the Japan-South Vietnam Agreement of January 1952. Of the Southeast Asian countries occupied by Japan, Vietnam was the last recipient of reparations. As the Times newspaper of London summarized, negotiations had been delayed for years owing to the peculiar international status of Vietnam. When Japan ratified the San Francisco Treaty with Vietnam, the country was under Bao Dai. However, in 1951, as a result of the Geneva Agreements, Vietnam was partitioned at the 17th parallel, and Japan became one of the last countries to recognize Vietnam as an independent state.

The JSP argued that the reparations deal would violate the Geneva Accords. The same argument was used by the DRV which threatened to suspend exports of anthracite coal to Japan. Negotiations resumed in 1952 with the Uemura mission to Saigon. These negotiations broke down over the amount of compensation and Japan’s demand for a most favored nation
clause. The agreement, as signed, thus represented a compromise. The amount was about half that demanded by Vietnam, while Japan waived its claim to most favored nation status tacitly admitting the special economic status of France and the United States.

In attendance, at the signing ceremony in Saigon on May were Vo Man Mau, the Vietnamese Minister of Foreign Affairs along with the Vietnamese ambassador to Japan, Kubota Kanichiro, and secretary general of the Ministry. On the Japanese side, the reparations agreement was signed by Foreign Minister Fujiyama Aichiro, Kubota Kanichiro, Ambassador to the Republic of Vietnam, and Uemura Kogoro Counselor of the Ministry of Foreign Affairs. A Japanese plenipotentiary and a leader of Keidanren (Federation of Economic Organizations) who had pushed the Da Nhim project. President Diem received the Japanese Foreign Minister. As the Australian Embassy interpreted, for the Vietnamese, the signing of the agreements represented Japanese recognition of the Republic of Viet Nam as the legitimate government for the whole of Vietnam. This was deemed a brilliant diplomatic success for South Vietnam on the part of Foreign Minister Vo Van Mau. The agreement provided for the payment of reparations amounting to US$ billion over a period of five years, payable in three annual installments of US$ million, and two of US$ million. As prescribed, payments were in the form of goods and services required by Vietnam, to be used for carrying out projects outlined in the annexes to the agreement. The principal projects upon which the reparations payments were to be expended included the construction of a dam in the Da Nhim Valley and the setting up of an industrial center. Also described as a water conservation project, the Da Nhim Valley hydropower plant located miles east of Dalat, was expected to provide a general capacity of kw. According to a hydropower industry website, the Da Nhim dam is currently operated by Power Company. Originally in operation between as stated, in June, Toshiba and Nisho Iwai won a Yen billion contract to rehabilitate the power plant, the KV transmission lines to Saigon, and the Saigon substation. Funding is from the Japan Bank for International Cooperation.

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The reparation agreement was accompanied by agreements providing for two Japanese loans to Vietnam, and a joint communique foreshadowing the early conclusion of a treaty of commerce and navigation [See Japan Times, May]. Of the two loan agreements, one for US $150 million was to be made by the Japan Export Import Bank over a period of three years. The credits were intended to meet the cost of providing materials required in the initial stages of the Da Nhim Valley power station project. In the first year, US $50 million would be payable, the balance determined by the two governments. The second was a commercial loan of US $170 million mostly allocated to finance a urea plant. However, the amount of reparations and economic assistance to be expended by Japan had been settled in May. The main obstacles to progress had been the Japanese request for an undertaking by Vietnam to give Japan most favored nation treatment. But having backed down, Japan then conceded to Vietnam that it was a matter to be dealt with in a treaty of commerce and navigation. As the Australian report interpreted, this was a victory for Vietnam because Japan could no longer link the issue with reparations as a lever. Implementation of a second loan $150 million, however, was delayed and finally canceled.

The fourth country with which Japan had concluded reparation and economic cooperation agreements fulfilling obligations imposed under Article of the San Francisco Peace Treaty, following Burma, the Philippines, and Indonesia, Japan also signed economic and technical cooperation agreements with Laos and Cambodia, both of which waived reparation claims against Japan. The agreement signed with Laos in October called for granting economic and technical assistance amounting to US $10 million over a three-year period. The agreement with Cambodia signed in March called for assistance amounting to US $10 million, spread over three years.

**Continuing Japanese Aid to South Vietnam**

Japanese aid to South Vietnam also received a push from Washington, which directly requested such economic support as it looked to shoring up the Southeast Asian dominoes. On May, Foreign Minister Ohira Masayoshi announced in the Diet that, in response to a request of April by US Secretary of State Dean Rusk via a personal letter to Prime Minister Ikeda Hayato, Japan would provide help of a non-military kind to South Vietnam. As the Rusk letter stressed, Japan, with other non-communist countries, should cooperate in helping South Vietnamese to resist communist insurgency. As the Australian Embassy observed, press comments on Ohira’s statements were consistently cynical, if not hostile.
The JSP also attacked the government’s policy. Why should the Japanese, they ask, rescue the Americas from the impossible situation into which they have got themselves, and what recognizable impact will Japanese aid have on South Vietnam? NAA A 072-1154 Part I, Japan-Economic Relations with Vietnam, P. Peters  Sec 34, Japanese Aid to South Vietnam, Australian Embassy ,  May

Taking office in November, Prime Minister Sato Eisaku, not only continued the sei-kei bunri policy of his predecessors, but also played the Okinawa reversion card. Even so, as Havens wrote in his major study of these years, in exchange for American flexibility over Okinawa and China, Sato now seemed to be marching jowl to jowl with President Johnson on the war. It could have been, as Havens suggests, that Sato backed the war without much enthusiasm in the interests of trade and autonomy but it is also true that his attempts at arranging a settlement to Saigon were largely derided by the opposition as a sop to domestic politics. Despite his hesitation, Japan was nevertheless drawn by degrees into more active support as the war widened.

As Faure and Schwab note, just as revelations emerged in early that US bases on Okinawa were being used to mount bombing missions over Vietnam, public indignation rose in Japan. Notably, the mass civil society anti-war movement, Beheiren or Citizen’s League for Peace in Vietnam was launched from a coalition of several hundred anti-Vietnam war groups. Unquestionably the leftist dimensions of this civil unrest shook the business and political elite to its foundations. Emblematic of the polarization besetting Japanese society in these years was not only the rise of Beheiren and the Zenkyoto radical student movement on university campuses, but the reaction from the political and financial establishment. Gerald Curtis is one who doubted the omnipotence of the zaikai in political circles in those years. He notes, however, that vulgar accounts of this language highlight the existence of various kai or groups linking such top business and political leaders, as with Keidanren president Uemura Kogoro sometimes referred to as the prime minister of zaikai, and former prime ministers Tanaka Kakuei, Fukuda Takeo, and Nakasone Yasuhiro.

It must have galled American officials that not a single major daily supported the bombing strategy. Faure and Schwab nevertheless point out that Japan’s contribution to America’s war effort was not inconsiderable. Among other areas of solidarity and active support, US bases in Japan were used for training marines headed to Vietnam, Japanese sailors were embedded on US ships, senior Japan Self Defense Force personnel were dispatched as observers to Vietnam and, for the first time, the war was the oc-
occasion of the first joint US-SDF military exercises. More than that, the Vietnam War provided the backdrop to Japan’s postwar rearmament.

**Completion of Reparations Payments**

Finally, in January 1958, in line with the Japan-South Vietnam Agreement of January 1954 under which Japan agreed to complete the war indemnification project over five years, the Japanese government announced the completion of its war reparations payments to South Vietnam, totaling US $250 million. Some 10 percent of reparations of US $50 million were used for the construction of the Da Nhim River project, completed on January 1958. The other 90 percent was used for the construction of a cardboard plant, a ship salvage works, a diesel engine plant, a plywood mill, and an iron foundry (UPI, Tokyo, January 1958).

Altogether, some 500 Japanese technicians had been engaged in the Da Nhim project, including the erection of transmission lines from Thu Duc Bien Hoa, a project financed by a Japanese loan of US $10 million. Under the Colombo Plan of 1957, Japan supplied experts and training at a cost of US $4 million, half of which was diverted to training 600 Vietnamese in Japan. Engineering aid given since 1954, amounting to US $6 million, included ambulances, medicines and medical equipment, transistor radios, blankets and construction materials. Japan supplied medical staff at the Saigon and Cho Ray hospitals, was then constructing the My Thuan bridge on the Mekong River near Vinh Long, and had undertaken a major irrigation project in Ninh Thuch province (US $10 million). NAA A 6427 015744-Part I, Vietnam Foreign Relations with Japan Part II, Vietnam Interest in Vietnam, Australian Embassy, Tokyo, December 1957.

In this period, according to an Australian Embassy report, Japan maintained a relatively large and active embassy in Saigon where there was a small Japanese community dating back to the 1930s. However, in a passing allusion to the contradictory nature of foreign aid in the form of loans, the Australian Embassy reported that the cost of servicing Japanese loans to South Vietnam almost US $10 million in 1958 was more than South Vietnam received in grant aid (US $5 million) in 1958. NAA A 6427 015744-Part I, Japan-Economic Relations with Vietnam, Japanese Interest in Vietnam, Australian Embassy, December 1958.

Doubtless Japanese loans were also tied to the procurement of Japanese goods and services along with commodities. By this stage, as mentioned below, Japan had become an increasingly important source for the procurement of military supplies for Vietnam and, otherwise, Japan had given useful public support to the Allied position in Vietnam.
From War Claims to Reparations  France, Japan and the Vietnam War

precludes an analysis of the kind of capitalist market economy that the Saigon regime was then building in the Mekong delta in what can only be described as a war for control over rice with the burgeoning Viet Cong. See, for example, Selden. While Ladejinsky and his fellows in USAID were aware of the plight of landless peasants in the countryside, Diem was recalcitrant in propping up the big landlords, many removed to the cities and even Paris. Assassinated on November 2 November in the throes of a CIA-backed military coup d'état, Diem would not live to see the opening of the Da Nhim dam two months later. Nevertheless, Washington, and Tokyo did not slacken their support for the military junta which took power in South Vietnam.

However, disaster also struck Da Nhim in 1964. Three years after completion, the Da Nhim hydro plant was badly damaged by the Viet Cong, whose attacks on electric transmission equipment had become frequent since May, just as Diem had early carried the war against the communist enemy to the Mekong Delta with wasting assaults upon the religious sects. In March, Japan pledged another US $25 million to rehabilitate one of the damaged penstocks and with an additional US $25 million pledged for the construction of a transmission line to Saigon the following year. Total rehabilitation cost was US $90 million.

North Vietnam-Japan

According to a Hanoi report of May 10, the Vietnamese foreign ministry declared null and void any agreement signed between the Kishi Government and the Diem authorities on Japanese reparations to Vietnam. As stated, the Japanese government had to bear full responsibility for the consequences of the decision running counter to international law and the DRV reserved the right to demand war reparations for Vietnam from the Japanese government. The statement noted that the agreement was strongly opposed by many Japanese political parties, the JCP, the JSP, along with many progressive personalities. This is an unfriendly action towards the DRV, it damages the interests of both the Japanese and Vietnamese people. As the statement added, the payment of war indemnity to the SV authorities would only benefit the Japanese monopoly capitalists and serve the scheme of the imperialists to sabotage the Geneva Agreement on Vietnam.

As reported in the Japanese media, in April, a member North Vietnamese eco-
A commercial mission arrived in Tokyo on a two-day visit to inspect industry and to attend the Osaka trade fair. The first meeting in Japan by the delegation was with two private trade promotion organizations. As the Australian Embassy understood, trade relations between the two countries in 1968 totaled about $200 million, about one third greater than in 1967. The trade, though small in absolute terms, was deemed an important part of North Vietnam’s limited commercial contacts with Western countries. It mostly took the form of exports of coal and the import of metal products, textiles, and chemical fertilizer.

Part I, Japan-Economic Relations with Vietnam

North Vietnam

Economic Relations with North Vietnam, F

Japan’s primary commercial interest with North Vietnam was in importing coal mined at Hong Gai, resuming a trade that had commenced during French colonial rule. Japan’s trade with North Vietnam was only one-quarter of that transacted with South Vietnam. Moreover, Japan’s trade with the North came under further pressure from after the US objected to Japan’s exports of copper cable and other items deemed to be of strategic use in North Vietnam’s war efforts. From , private exchanges between Japan and North Vietnam were channeled through the Japan-Vietnam Trade Association (Nichietsu Boekikai). As with the policy of separation of politics and economics according to Faure and Schwab, Japan was successful in working through a contradiction between its political and economic interests.

Japan and the Vietnam War

As Masaya Shiraishi has shown, changing political and economic circumstances in Indochina significantly assisted the Japanese. Notably, in the first half of the 1960s, the French purchased Japanese industrial products for the economic recovery of Indochina. Japan received a total of 3 million from French special procurements between 1960 and 1962, with almost all of this spent for Indochina. Between 1960 and 1962, as the Americans stepped into the French shoes, the US started allocating large amounts of International Cooperation Agency (ICA) funds to Indochina and Japan became the biggest beneficiary of this with more than 50 percent of Japan’s exports to Vietnam from financed by ICA funds. And with the increase of US aid to Indochina, Japan vastly expanded her exports to that region. When the US switched to a policy, Japan’s ICA-based trade withered and Japanese exports to South Vietnam significantly decreased in 1963, although the trend reversed again in succeeding years. But from , Japanese exports finally waned. Although Japan still kept up war reparations in the 1970s, the amount was greatly
reduced. The period, as summarized below, reveals that again Japan rode on the back of US aid to South Vietnam and the rise of a consumer society.

In the early 1960s, a number of news media and financial institutions sought to calibrate the impact of the American war in Vietnam on the Japanese economy. The issue was also tracked by foreign embassies in Tokyo. According to Richard Broinowski of the Australian Embassy, the US had been increasing its purchases of Japanese goods and services and provided a much-needed stimulus to the economy at a time when attempts had been made to overcome the active effects of the recession. He also noted increased trade with Taiwan, South Korea, and the Philippines, whose industry required increased Japanese semi-processed materials. There were also increasing numbers of contracts in Japanese workshops to repair US aircraft and ships damaged in Vietnam. Part I Japan-Economic Relations and Vietnam, Australian Embassy, Tokyo, Memo, Effect of the Vietnam War on the Japanese Economy, R. Broinowski, secretary, August.

As Shiraishi confirms, American special procurements in Japan in the were not as decisive for the Japanese economy as those during the Korean War given that the Japanese economy had expanded greatly. Japan’s main economic profits from the Vietnam war came indirectly. It was above all the influx of US money into neighboring countries from which Japan profited. In the event, Japan did not carry out its promise of an additional loan to South Vietnam. Japan did, however, continue to grant loans, provide a hospital, fund power plant restoration, and build an orphan vocational facility. Slowly, Japanese aid policy shifted to developmental aid. In war-torn Vietnam, as Shiraishi observes, Japanese aid was motivated by political and strategical factors rather than purely economic reasons. But the economic reasons were not inconsequential either, as discussed below.

**Extent of Offshore Purchases**

Japanese military-related sales to the US, by contrast were substantial. According to MITI, sales reached US million in the first half of the fiscal year. According to a Sanwa Bank survey, July, special procurements by US forces in Japan were US million and would increase to US million. Japanese exports of radios, cameras, synthetic fibers, fabrics, and watches in January-March were over US million times higher than for the same period in . Exports to the US of materials directly related to the manufacture of war equipment were then estimated at nearly US million per annum. Exports to Okinawa, Taiwan, and the Republic of Korea, were ex-
expected to show an annual increase from US$ million each, based on the demand in each country for materials needed for their own manufacture of military goods to be procured by the US for use in Vietnam. *Ibid.*

The Sanwa Bank report documented the fact that the Vietnam War played a smaller role in Japanese exports than had the Korean War. Figures cited indicated that percent of Japan’s total exports were attributable to the Vietnam War, compared to percent attributable to the Korean War. Accordingly, the end of the Vietnam War would not be so damaging to the Japanese economy and losses could be overcome by diversifying exports. Even if the percentage of Vietnam war procurements by the US in Japan was less than that of the Korean War as a proportion of total Japanese exports, the monetary value was roughly comparable, and stood to increase quickly. The report added that if the war ended tomorrow, Japanese medium and small enterprises would be hit severely, and many smaller companies would become bankrupt. Leaders of businesses directly involved in providing war materials such as explosive components would undoubtedly be wary of incurring the disfavor of the public deemed mainly against US bombing in north Vietnam. *Ibid.*

Notably, as the JSP argued, by allowing private firms to trade in war equipment and services, the government was indirectly aiding the US war effort. One example of this was the repair of carrier-based military aircraft in Japan after being damaged in bombing north Vietnam. The government’s reply was that it had nothing to do with the private repair business. Foreign Minister Shiina Etsusaburo once compared damaged aircraft to US wounded soldiers who were treated in US hospitals in Japan. Both were invalids, he stated, and both were entitled to private treatment. As Broinowski noted, this could become an issue in future elections. *Ibid.*

Japanese industrial and trading companies doing business with the US Army Procurement Agency APA in Yokohama believed that US purchases for Vietnam had entered an important new phase and would shift from the original heavy orders emergency machinery and civilian supply items to products intended for economic construction. Notably, munitions supply and consumer goods such as cameras and radios had been expanding to heavy industrial goods such as diesel engines and railway wagons as a prelude to another round of buying in Japan. *Takita, Far Eastern Economic Review*, Jan.

According to Faure and Schwab, profits to Japanese companies profiting from the Vietnam War were averaging one billion dollars in sales per annum between 1965. Although there is reason to doubt the accuracy of these figures, at least several billion dollars were paid to Japanese corporations and suppliers for goods and services contracted by the US forces, a bonanza for Japan. As Faure and Schwab point out, stu-
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dies undertaken by the Ministry of Foreign Affairs, MITI, the Sanwa Bank and a report by Nomura Research Institute, showed that exports to the United States and to Southeast Asia resulted in higher profits for the national economy than the direct impact of the war. Notably, war orders did not exceed 3 to 5 percent of total Japanese exports, against 10 percent during the Korean War. Nevertheless, this relatively small figure was sufficient to help ease the economy out of a slight depression. Paradoxically, they write, the most significant long-term consequence was Japan’s replacement of the United States, as the main economic partners to the Southeast Asian countries. This leads the authors to conclude that the big winner of the Vietnam conflict was Japan.

Conclusion

As this article has demonstrated, the big losers in the Franco-Japanese reparation contest were the Vietnamese people. Of course, nothing could compensate them for the human losses arising as a result of Japanese and French policies during the Great Famine that struck Vietnam in 1944-1945. The famine never entered into reparation discussions. See Gunn. The Kishi-Diem Communique and Japan’s war reparation agreement with the Republic of Vietnam was a deliberate political snub to North Vietnam, and the political opposition in Japan made it clear at the time. With the lion’s share of Japanese war reparations channeled into the construction of a single project, Diem’s Da Nhim Dam, the Viet Cong destruction of the dam made the point that this was not a project that met with popular approval. In any case, the dam project fell into the pattern of Japanese reparation payments favoring big projects of which the chief beneficiaries were Japanese consultants and Japanese construction companies, with local elites also sharing the benefits. As it transpired, the Paris government would not redeem a single centime from Special Yen credits extracted from Indochina. But with the war in Vietnam taking on the dimensions of an international struggle that saw North Vietnam backed by, variously, China and the Soviet Union, France needed US assistance. And, as the US had already initiated its reverse course in Japan, France was obliged to follow suit. Let off the hook, as it were, we have seen how Japanese business prospered in the Vietnam War boom years. Advised by Ladejinsky, Diem also drove a hard bargain in negotiating with Japan, at least on behalf of his narrow elite interests. Still, we wonder why Diem, who stubbornly resisted land reform, opted for a big dam. We can also concur with Shiraishi - backhandedly confirming Diem’s earlier objections - that reparations paved the way for entry of Japanese business into Southeast Asia, allowing them to far outstrip prewar activities. Few who would observe the apparently unproblematic na-
ture of post-war French-Japanese relations from nuclear cooperation to cultural tourism would have an inkling of the intense and justified angst felt by Paris in the period over the compensation reparations issue. And who, for that matter, could have imagined the depth of cooperation evinced today between Tokyo and Hanoi, literally from cultural tourism to post-Fukushima nuclear cooperation with Japan discussing provision of nuclear power plants for Vietnam.

As John Dower ruminated in the closing days of the Vietnam War, there were also many levels of comparison between America’s actions and those of Japan in Vietnam prior to. Notably, he found a large discrepancy between both Japan’s and America’s rhetoric and reality as with the slogans of liberation, self-determination, and co-prosperity. The catalog of American crimes against humanity in Vietnam also recalled the charges leveled against the Japanese several years earlier. As with Japan in China, so America in Vietnam had grossly misperceived the limits of technology when confronted with the concerted will of nationalistic resistance exacting an enormous price on the Chinese and Vietnamese people respectively, but being unable to translate technological superiority into military victory. Moreover, both countries had become trapped into escalation, as with the creation of buffers or dominoes Both nations fabricated military incidents as pretexts for aggression while also entering negotiations as a cover for escalation. Both stood for regional integration. Tactically as well, there were similarities as with bombing civilians, the use of biological warfare, abuse of prisoners, pacification and other egregious activities. Where Japan left off in its unfinished campaigns against communism in China, Indochina and Korea, America took over. Yet, he explains, policy making elites in both countries were not irrational Japanese planning documents were similar in tone and thrust to those of the Pentagon Papers - rather, in their different ways, both were blighted by pathologies of growth and battlefield realism. Neither, we may add, did France come out clean or unscarred - from its colonial wars, not only in Vietnam but, tragically, in Algeria leading to the collapse of the Fourth French Republic.

Notes

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