

No. 4689

**JAPAN
and
INDONESIA**

**Reparations Agreement (with annex and exchange of notes).
Signed at Djakarta, on 20 January 1958**

Official text: English.

Registered by Japan on 2 March 1959.

**JAPON
et
INDONÉSIE**

**Accord relatif aux réparations (avec annexe et échange de
notes). Signé à Djakarta, le 20 janvier 1958**

Texte officiel anglais.

Enregistré par le Japon le 2 mars 1959.

No. 4689. REPARATIONS AGREEMENT¹ BETWEEN JAPAN AND THE REPUBLIC OF INDONESIA. SIGNED AT DJAKARTA, ON 20 JANUARY 1958

Japan and the Republic of Indonesia,

Desiring to conclude an agreement for implementing the provisions of Article 4, paragraph 1 (*a*) of the Treaty of Peace between Japan and the Republic of Indonesia signed at Djakarta on January 20, 1958,²

Have accordingly appointed their respective Plenipotentiaries for this purpose, who, having indicated to each other their respective Full Powers found to be in good and due form, have agreed on the following Articles :

Article 1

1. Japan shall supply the Republic of Indonesia by way of reparations with the products of Japan and the services of Japanese people, the total value of which will be so much in yen as shall be equivalent to two hundred and twenty-three million eighty thousand United States of America dollars (\$223,080,000) at present computed at eighty thousand three hundred and eight million and eight hundred thousand yen (¥80,308,800,000), within the period of twelve years from the date of coming into force of the present Agreement, in the manner hereinafter prescribed.

2. The supply of the products and services referred to in the preceding paragraph shall be made at an annual average of so much in yen as shall be equivalent to twenty million United States of America dollars (\$20,000,000) at present computed at seven thousand two hundred million yen (¥7,200,000,000) during the period of the first eleven years, the outstanding balance to be settled on the twelfth year.

Article 2

1. The products and services to be supplied by way of reparations shall be those requested by the Government of the Republic of Indonesia and agreed upon between the two Governments. These products and services shall consist of such items as may be needed for projects to be chosen from among those enumerated in the Annex³ to the present Agreement, provided that such items as may be requested by the Government of the Republic of Indonesia for projects

¹ Came into force on 15 April 1958, the date of the exchange of the instruments of ratification at Tokyo, in accordance with article 11.

² See p. 227 of this volume.

³ See p. 258 of this volume.

other than those listed in the aforesaid Annex may, by agreement between the two Governments, be included in the products and services to be supplied by way of reparations.

2. The products to be supplied by way of reparations shall be capital goods. However, products other than capital goods may, by agreement between the two Governments, be supplied by Japan at the request of the Government of the Republic of Indonesia.

3. The reparations under the present Agreement shall be carried out in such manner as may not prejudice the normal trade between Japan and the Republic of Indonesia, nor impose additional foreign exchange burden upon Japan.

Article 3

The two Governments shall fix through consultation an annual schedule (hereinafter referred to as the "Schedule") specifying the products and services to be supplied by Japan each year.

Article 4

1. The Mission mentioned in Article 6, paragraph 1 of the present Agreement shall conclude, in behalf of the Government of the Republic of Indonesia, contracts directly with any Japanese national or any Japanese juridical person controlled by Japanese nationals, in order to have the products and services supplied in accordance with the Schedule for each year.

2. All such contracts (including modifications thereof) shall conform with (a) the provisions of the present Agreement, (b) the provisions of such arrangements as may be made by the two Governments for the implementation of the present Agreement and (c) the Schedule then applicable. These contracts shall be forwarded to the designated Japanese authority for verification as to the conformity of the same with the above-mentioned criteria. This verification will as a rule be effected within fourteen days. In case of failure in verification within the stipulated time, such contract shall be referred to the Joint Committee mentioned in Article 8 of the present Agreement and acted upon in accordance with the recommendation of the Joint Committee. Such recommendation shall be made within a period of thirty days following the receipt of the contract by the Joint Committee. A contract which has been verified in the manner hereinabove provided, shall hereinafter be referred to as a "Reparations Contract".

3. Every Reparations Contract shall contain a provision to the effect that disputes arising out of or in connection with such Contract shall, at the request of either party thereto, be referred for settlement to an arbitration board of commerce in accordance with such arrangement as may be made between the two Governments. The two Governments will take measures necessary to make final and enforceable all arbitration awards duly rendered.

4. Notwithstanding the provisions of paragraph 1 above, the supply of products and services as reparations may be made without Reparations Contracts, but only by agreement in each case between the two Governments.

Article 5

1. In the discharge of the reparations obligation under Article 1 of the present Agreement, the Government of Japan shall, through procedures to be determined under Article 9, make payments to cover the obligations incurred by the Mission mentioned in Article 6, paragraph 1 under Reparations Contracts and the expenses for the supply of products and services referred to in Article 4, paragraph 4 of the present Agreement. These payments shall be made in Japanese yen.

2. By and upon making a payment in yen under the preceding paragraph, Japan shall be deemed to have supplied the Republic of Indonesia with the products and services thus paid for and shall be released from its reparations obligation to the extent of the equivalent value in United States of America dollars of such yen payment in accordance with Article 1 of the present Agreement.

Article 6

1. Japan agrees to the establishment in Japan of a Mission of the Government of the Republic of Indonesia (hereinafter referred to as "the Mission") as its sole and exclusive agent to be charged with the implementation of the present Agreement, including the conclusion and performance of Reparations Contracts.

2. Such office or offices of the Mission in Japan as are necessary for the effective performance of its functions and used exclusively for that purpose may be established at Tokyo and/or other places to be agreed upon between the two Governments.

3. The premises of the office or offices, including the archives, of the Mission in Japan shall be inviolable. The Mission shall be entitled to use cipher. The real estate which is owned by the Mission and used directly for the performance of its functions shall be exempt from the Tax on Acquisition of Real Property and the Property Tax. The income of the Mission which may be derived from the performance of its functions shall be exempt from taxation in Japan. The property imported for the official use of the Mission shall be exempt from customs duties and any other charges imposed on or in connection with importation.

4. The Mission shall be accorded such administrative assistance by the Government of Japan as other foreign missions usually enjoy and as may be required for the effective performance of its functions.

5. The Chief and two senior officials of the Mission as well as the chiefs of such offices as may be established in pursuance of paragraph 2 above, who are nationals of the Republic of Indonesia, shall be accorded diplomatic privileges and immunities generally recognized under international law and usage. If it is deemed necessary for the effective performance of the functions of the Mission, the number of such senior officials may be increased by agreement between the two Governments.

6. Other members of the staff of the Mission who are nationals of the Republic of Indonesia and who are not ordinarily resident in Japan shall be exempt from taxation in Japan upon emoluments which they may receive in the discharge of their duties, and, in accordance with Japanese laws and regulations, from customs duties and any other charges imposed on or in connection with importation of property for their personal use.

7. In the event any dispute arising out of or in connection with a Reparations Contract has not been settled by arbitration or the arbitration award rendered has not been complied with, the matter may be taken, as a last resort, to the appropriate Japanese court. In such a case and solely for the purpose of whatever judicial proceedings may be necessary, the person holding the position of Chief of the Legal Section of the Mission may sue or be sued, and accordingly he may be served with process and other pleadings at his office in the Mission. However, he shall be exempt from the obligation to give security for the costs of legal proceedings. While the Mission enjoys inviolability and immunity as provided for in paragraphs 3 and 5 above, the final decision rendered by the appropriate judicial body in such a case will be accepted by the Mission as binding upon it.

8. In the enforcement of any final court decision, the land and buildings, as well as the movable property therein, owned by the Mission and used for the performance of its functions shall in no case be subject to execution.

Article 7

1. The two Governments shall take measures necessary for the smooth and effective implementation of the present Agreement.

2. The Republic of Indonesia shall provide such local labour, materials and equipment as may be made available in order to enable Japan to supply the products and services referred to in Article 1 of the present Agreement.

3. Japanese nationals who may be needed in Indonesia in connection with the supply of products or services under the present Agreement shall, during the required period of their stay in Indonesia, be accorded such facilities as may be necessary for the performance of their work.

4. With respect to the income derived from the supply of products or services under the present Agreement, Japanese nationals and juridical persons shall be exempt from taxation in Indonesia.

5. The Republic of Indonesia undertakes that the products of Japan supplied under the present Agreement shall not be re-exported from the territories of the Republic of Indonesia.

Article 8

There shall be established a Joint Committee to be composed of representatives of the two Governments as an organ of consultation between them, with powers to recommend on matters concerning the implementation of the present Agreement.

Article 9

Details including procedures for the implementation of the present Agreement shall be agreed upon through consultation between the two Governments.

Article 10

Any dispute between the two Governments concerning the interpretation and implementation of the present Agreement shall be settled primarily through diplomatic channels. If the two Governments fail to reach a settlement, the dispute shall be referred for decision to a tribunal of three arbitrators, one to be appointed by each Government and the third to be agreed upon by the two arbitrators so chosen, provided that such third arbitrator shall not be a national of either country. Each Government shall appoint an arbitrator within a period of thirty days from the date of receipt by either Government from the other Government of a note requesting arbitration of the dispute and the third arbitrator shall be agreed upon within a further period of thirty days. If, within the periods respectively referred to, either Government fails to appoint an arbitrator or the third arbitrator is not agreed upon, the President of the International Court of Justice may be requested by either Government to appoint such arbitrator or the third arbitrator, as the case may be. The two Governments agree to abide by any award given under this Article.

Article 11

The present Agreement shall be ratified. The Agreement shall enter into force either on the date of exchange of the instruments of ratification thereof or on the date of exchange of the instruments of ratification of the Treaty of Peace between Japan and the Republic of Indonesia signed at Djakarta on January 20, 1958,¹ whichever date is the later.

¹ The instruments of ratification of the Treaty of Peace were exchanged at Tokyo on 15 April 1958.

IN WITNESS WHEREOF the undersigned Plenipotentiaries have signed the present Agreement and have affixed hereunto their seals.

DONE in duplicate at Djakarta, this twentieth day of January of the year one thousand nine hundred and fifty-eight.

For Japan :
Aiichiro FUJIYAMA

For the Republic of Indonesia :
SOEBANDRIO

A N N E X

- | | |
|---|--|
| <p><i>I. Transportation and communication projects</i></p> <ol style="list-style-type: none"> 1. Ships, ship hulls and ship engines. 2. Construction and rehabilitation of harbour (incl. warehousing equipment and materials, port equipment and facilities, dredging works of harbours and rivers). 3. Construction and rehabilitation of ship- and dockyards (incl. ship- and dockyards equipment and materials). 4. Construction and rehabilitation of airport. 5. Road equipment. 6. Railway equipment. 7. Telecommunication equipment. 8. Air navigational and aviation equipment. <p><i>II. Power development projects</i></p> <ol style="list-style-type: none"> 9. Construction of hydro- and thermal electric plants. 10. Substation equipment. 11. Transmission and distribution lines. <p><i>III. Agricultural and fishery development Projects</i></p> <ol style="list-style-type: none"> 12. Construction of rice cultivating projects. | <ol style="list-style-type: none"> 13. Fishing boats. 14. Floating canneries. 15. Logging equipment. <p><i>IV. Industrial development projects</i></p> <ol style="list-style-type: none"> 16. Blast furnaces. 17. Steel rolling mills. 18. Metal smelters. 19. Aluminium plants. 20. Machine plants. 21. Metal works plants. 22. Aircraft plants. 23. Aluminium processing plants. 24. Electronic plants. 25. Fertilizer plants. 26. Chemical plants. 27. Pharmaceutical plants. 28. Industrial explosives plants. 29. Carbon black plants. 30. Cement plants. 31. Glass works plants. 32. Ceramic plants. 33. Pulp and paper plants. 34. Wood mills. 35. Wood processing plants. 36. Plywood plants. 37. Rayon plants. 38. Spinning mills. 39. Textile weaving plants. 40. Textile printing plants. 41. Knitting plants. 42. Food canning plants. |
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43. Rubber remilling plants.
44. Rubber processing plants.
45. Tannin extracting plants.
46. Leather tanning plants.
47. Tapioca processing plants.
48. Maizena processing plants.
49. Coconut processing plants.
50. Coconut bast twining mills.

51. Rattan processing plants.
52. Soap plants.
53. Cottage industry equipment.

V. *Mining projects*

54. Rehabilitation and development projects of coal mines and oil fields.
55. Mining laboratory.
56. Development projects for asphalt exploitation.
57. Mining equipment.
58. Equipment for mining exploration.

- #### VI. *Other projects and services*
59. Education, health and social welfare facilities.
 60. Water supply equipment.
 61. Research laboratory and equipment.
 62. Survey and salvage of sunken vessels.

 63. Services in connection with supply of Japanese goods.
 64. Services in connection with construction of projects, i.e. survey, planning, management, training, etc.

 65. Training of Indonesian technicians and craftsmen in Japan and in Indonesia.
 66. Services of Japanese experts for various development programs.

EXCHANGE OF NOTES

I

Djakarta, January 20, 1958

Excellency,

I have the honour to refer to the Reparations Agreement between the Republic of Indonesia and Japan signed today.¹

The following is the understanding of the Government of the Republic of Indonesia pertaining to the interpretation of the Agreement :

1. *Re Article 4, paragraph 2 (b) :*

The arrangements referred to in (b) mean arrangements existing at the time a Reparations Contract is verified. An arrangement will not apply retroactively to a Reparations Contract which has been duly verified prior to the conclusion of such arrangement.

2. *Re Article 7, paragraph 4 :*

The Japanese juridical persons mentioned in this paragraph are those who undertake reparations projects in the Republic of Indonesia or those who provide services under Reparations Contracts.

¹ See p. 248 of this volume.

3. *Re Article 8:*

The Governments of the Republic of Indonesia and of Japan shall respectively appoint one representative and a certain number of deputies for the Joint Committee.

The Joint Committee shall meet at the request of the representative of either party.

The functions of the Joint Committee shall be consultation and recommendation to the Governments of the Republic of Indonesia, and of Japan, on the following matters :

- (a) Procedure concerning contracts between the Government of the Republic of Indonesia and Japanese nationals or juridical persons for the supply to the Republic of Indonesia of the products of Japan and the services of the Japanese people as referred to in Article 1, Article 2 and Article 4 of the Agreement.
- (b) Criteria for verification by the Japanese Government of the contracts mentioned in Article 4, paragraph 2 of the Agreement.
- (c) Procedure for payment mentioned in Article 5 of the Agreement.
- (d) Matters concerning preparation of the annual schedules mentioned in Article 3 of the Agreement.
- (e) Review of the progress of performance of the reparations including the calculation of the total amount of such performance from time to time.
- (f) Matters concerning the arbitration provided for in Article 10 of the Agreement.
- (g) Such other matters concerning the implementation of the Agreement as the parties may by consent refer to the Joint Committee.

I should be grateful if Your Excellency could confirm the above mentioned understanding on behalf of your Government.

I avail myself of this opportunity to extend to Your Excellency the assurance of my highest consideration.

SOEBANDRIO

The Plenipotentiary of the Republic of Indonesia

His Excellency Aiichiro Fujiyama
Plenipotentiary of Japan

II

Djakarta, January 20, 1958

Excellency,

I have the honour to acknowledge the receipt of your note of today's date concerning the interpretation of the Reparations Agreement, which reads as follows :

[*See note I*]

I have the honour to confirm on behalf of my Government the understanding embodied in the note under acknowledgement.

I avail myself of this opportunity to extend to Your Excellency the assurance of my highest consideration.

Aiichiro FUJIYAMA
Plenipotentiary of Japan

His Excellency Subandrio
Plenipotentiary of the Republic of Indonesia

III

Djakarta, January 20, 1958

Excellency,

I have the honour to refer to the Reparations Agreement between Japan and the Republic of Indonesia signed today. The Government of Japan proposes that under Article 9 of the Agreement the two Governments agree as follows :

I. REPARATIONS CONTRACTS

1. Reparations Contracts mentioned in Article 4, paragraph 2 shall be concluded in terms of Japanese yen through normal commercial procedure.

2. The responsibility for the performance of Reparations Contracts shall rest solely with the Mission and the Japanese nationals or juridical persons who are parties thereto.

3. The Government of Japan may recommend to the Mission Japanese nationals and juridical persons qualified to enter into Reparations Contracts. However, the Mission is not bound to enter into Reparations Contracts only with such nationals or juridical persons so recommended.

4. Every Reparations Contract under which such incidental and supporting services as transportation, insurance or inspection are to be supplied and paid for by way of reparations should contain provisions to the effect that all such services should be effected by Japanese nationals or juridical persons controlled by Japanese nationals.

II. PAYMENT

1. The Mission mentioned in Article 6 of the Agreement shall have the authority to enter into any arrangement with a Japanese foreign exchange bank of its own choice and open a Reparations Account in its own name, authorizing such bank, among others, to receive payment from the Government of Japan, and notify the Government of Japan of the contents of such arrangement. It is understood that the Reparations Account

shall not bear interest. The Mission may, if it deems it necessary, designate additional foreign exchange banks for the same purpose.

2. Within a reasonable period before any payment falls due under the terms of a Reparations Contract, the Mission shall forward a Payment Request to the Government of Japan stating the amount of such payment and the date on which the Mission has to make the same to the contractor concerned.

3. Upon receipt of the Payment Request, the Government of Japan shall pay the requested amount to the bank referred to in paragraph 1 above before the said date of payment by the Mission.

4. Upon agreement between the two Governments, the Government of Japan shall also pay, in the same way as provided for in paragraph 3 above, the expenses of the Mission, the expenses for the training of Indonesian technicians and craftsmen, and such other expenses as may be agreed upon between the two Governments.

5. The amounts paid under paragraphs 3 and 4 above shall be credited to the Reparations Account, and no other funds shall be credited to the Account. The Account shall be debited only for the purposes mentioned in paragraphs 2 and 4 above.

6. In case the whole or a part of the funds paid into the Reparations Account has not been drawn by the Mission because of cancellation of contracts, etc., the unpaid amount shall be applied for the purposes mentioned in paragraphs 2 and 4 above, after appropriate arrangements are made with the Government of Japan.

7. In case the whole or a part of the amounts paid out of the Reparations Account has been refunded to the Mission, the amounts so refunded shall be credited to the Reparations Account, notwithstanding the provisions of paragraph 5 above. The provisions of paragraph 6 above shall apply to these amounts.

8. For the purpose of Article 5, paragraph 2 of the Agreement, "upon making a payment" means "at the time when a payment is made by the Government of Japan to the bank referred to in paragraph 1 above".

9. The computation of the amount to the extent of which the Government of Japan shall be released from the reparations obligation under Article 1, shall, pursuant to Article 5, paragraph 2 of the Agreement, be made by determining the equivalent value in terms of United States of America dollars of the yen payment at the par value of Japanese yen to the United States of America dollar, officially fixed by the Government of Japan and agreed to by the International Monetary Fund, which is prevailing on the following date:

- (a) In the case of payment for a Reparations Contract, the date of the verification by the Government of Japan of the pertinent Contract.
- (b) In other cases, the date to be agreed upon between the two Governments in each case; however, if there is no agreement on the date, the date the Payment Request is received by the Government of Japan shall apply.

III. MISSION

1. Only those Indonesian nationals who enter and reside in Japan solely for the purpose of working with the Mission shall be exempt from taxation in Japan as coming within the purview of Article 6, paragraph 6 of the Agreement.

2. The Government of the Republic of Indonesia shall advise the Government of Japan from time to time of the names of the Chief and other members of the Mission who are authorized to act on behalf of the Mission in connection with the conclusion or execution of Reparations Contracts, and the Government of Japan shall have the aforesaid names published in the Official Gazette of Japan. The authority of such Chief and other members of the Mission shall be deemed to continue until such time as notice to the contrary is published in the said Gazette.

I have further the honour to propose that this note and Your Excellency's reply confirming the acceptance by your Government of the above proposal shall be regarded as constituting an agreement between the two Governments on details for the implementation of the Reparations Agreement under Article 9 thereof.

I avail myself of this opportunity to extend to Your Excellency the assurance of my highest consideration.

Aiichiro FUJIYAMA
Plenipotentiary of Japan

His Excellency Subandrio
Plenipotentiary of the Republic of Indonesia

IV

Djakarta, January 20, 1958

Excellency,

I have the honour to acknowledge the receipt of your note of today's date concerning details for the implementation of the Reparations Agreement, which reads as follows :

[See note III]

I have the honour to agree on behalf of my Government to the proposal embodied in the note under acknowledgement and to further agree that the same, together with this note, shall be regarded as constituting an agreement between the two Governments on the details for the implementation of the Reparations Agreement.

I avail myself of this opportunity to extend to Your Excellency the assurance of my highest consideration.

SOEBANDRIO
The Plenipotentiary of the Republic of Indonesia

His Excellency Aiichiro Fujiyama
Plenipotentiary of Japan