

Ph.D. Dissertation

Relations between ECAFE and Occupied Japan, 1947-1952

[ECAFÉと占領期日本との関係：1947-1952]

International Graduate School of Social Sciences  
Yokohama National University

横浜国立大学附属図書館



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March 2005

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## ABBREVIATIONS

ECA	Economic Cooperation Administration
ECAFE	United Nations Economic Commission for Asia and the Far East
ECC	European Cooperation Committee
ECOSOC	United Nations Economic and Social Council
EROA	Economic Recovery of Occupied Areas
ERP	European Recovery Program
ESB	Economic Stabilization Board (Japan)
ESS	Economic and Scientific Section (SCAP)
FEC	Far Eastern Commission (in Washington)
FOA	Foreign Operation Administration (SD)
GARIOA	Government Aid and Relief for Occupied Areas
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
ILM	Indian Liaison Mission (in Tokyo)
ITC	Indian Trade Commission (in Tokyo)
JOA	Japanese Overseas Agency
MITI	Ministry of International Trade and Industry (Japan)
MOF	Ministry of Finance (Japan)
MOFA	Ministry of Foreign Affairs (Japan)
POLAD	Political Advisor to SCAP (in Japan)
SACSEA	Supreme Allied Commander for South-East Asia (UK)
SCAP	Supreme Commander for the Allied Powers (in Japan)
SD	Department of State (US)

## INTRODUCTION

"In August 1945 when the unconditional surrender of the Japs was announced, the kempeitai chief in Penang blandly told the jubilant public that in the post-war period the Japs would come back to Malays as business men and technical experts."<sup>1</sup> This editorial of the Malaya Tribune titled "Japs not Wanted", revealed the resistant public sentiment among the economic circles of the Malayan towards Japan's return to Malaya. They were afraid that "though they [Japanese] are not allowed to realize their wish, yet their goods are coming in and if General MacArthur is allowed to have his way there is no doubt the Japs will be encouraged to creep back into South-east Asia to do their trading and spying and planning another Tanaka Memorial for the conquest of all Asia." In other parts of the region such as in the Philippines, due to the huge destructions and atrocities during the Japanese military rule against the local people, what remained was "the strongest antagonism towards the Japanese people and dislike of the prospect of having any of them around".<sup>2</sup> The Philippines government was strict towards Japan's regaining foothold in its homeland. In general, the atmosphere in Southeast Asia as a whole, was sensitive to Japan's reentry, while some viewed Japan's reentry with cautions, the others rejected it.

Approximately ten years after the defeat in war, Japan re-entered the Asian region. In 1955, Japan was invited to attend the Asian-African Conference in Bandung. This was a significant event in the history of postwar Japanese Asian diplomacy, as it signaled Japan's rapprochement with the Southeast Asian region which it once invaded. More significant achievement in Japan's Asian rapprochement was that in 1957, Prime Minister Kishi's Asian Diplomacy Principle was welcomed by the Southeast Asian nations. Indeed, Japan succeeded to reenter this region prior to the attendance at the Bandung conference. In 1954, Japan was admitted as a formal member of the Economic Commission for Asia and the Far East (ECAFE) as well as Colombo Plan. In postwar years, Japan marched into the region again under its business suit, as feared by its former victim countries. How, could the resumption of relations between Japan and Southeast Asia take place in such a short time, notwithstanding the resistance of the paranoid Southeast Asian countries? The clue of Japan's reentry in the 1950s, rests in its early involvement with ECAFE since middle of the 1940s.

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<sup>1</sup> *The Malaya Tribune*, May 8, 1948.

<sup>2</sup> Memorandum of Conversation by R.W. Barnett, June 7, 1948, FEC(B)1697.

The Japanese had since long wanted to approach Southeast Asian region under the theme of economic diplomacy for markets and for resources of raw materials. Despite the failure of the "Greater East Asia Co-prosperity Sphere" vision to unite Asian region under the Japanese tutelage, and as a sequence made herself shut out from this region, the Japanese policy planners wanted to re-enter this region in postwar years. This was because this area was a traditional market for Japanese goods and what more important was its rich natural resources which was essential for Japanese postwar industrial development. In postwar years, the Japanese repented for its military aggression but their idea of economic advancement to this region lingered on. Nevertheless, their wistful economic plans to approach again the Southeast Asian region was controlled and supervised strictly by the Allied Occupation forces. The Japanese could not pursue reentry as intended.

Many historians pointed out that the return of Japan was mainly attributed to the US architecture of Asian international order in the 1950's. Existing views hold that it was the United States which managed to resume Japan's economic relations with the Southeast Asian region. The most convincing argument among scholars on the US-Japanese relations discusses Japan's relations with the Southeast Asia in the framework of the US Cold War strategy in Asia. When the Cold War escalated in the Asian region, especially after the war turned hot in the Korean Peninsular in 1951, the US consolidated a plan in combining Japan with the Southeast Asian region in the form of a triangular interdependency. The idea was to make Japan the factory of Asia, with financial assistance from the US, raw materials from the Southeast Asia and the technology and production capability from Japan. This contributed to Japan's resumption of relations with the Southeast Asian region, from the economic aspects.

However, there is a forgotten perspective. The above studies could well explain the unilateral motives of the Japanese and the US. The above categories of analysis made the relations look unbalanced, and showed that Southeast Asian region was a passive actor in the whole picture. The relations would not be complete without looking at the Southeast Asian countries, the targets or the recipient as in the argument of the above literatures. Were Southeast Asian countries merely important in meeting the targets of the US and Japanese economic interests? I argue that the Southeast Asian region also had its own vision about relations with Japan and was an equally important actor in determining Japan's successful return to this region.

Most studies on Japan's reentry into the Asian region which base their findings



on the diplomatic records evaluate the success through looking at Japan's attendance at the Asia-Afro Conference in Bandung in 1955,<sup>3</sup> as this event could signify well regional recognition to Japan. However, it is important not to omit the economic recognition preceding political recognition, in the case of Japan-Southeast Asian region.

In Japan's diplomatic history with Asian region, resumption of Japan's economic relations with the Asian region took place at the bilateral relationship mostly after Japan regained sovereignty in 1952 and resumed diplomatic relations. Most of the bilateral resumption took place in the condition after Japan agreed to admit its war responsibility by paying reparations.

At any rate, it should be noted that Japan was admitted to ECAFE as an associate member in 1952, right after its independence; and a full member in 1954. Furthermore, Japan's admission (associate member) to ECAFE took place before any normalcy of relations. Does this mean that ECAFE which provided a multilateral channel, and which moved on a common theme of interest, was a platform less stringent for Japan's rapprochement to the region as compared to bilateral means? The Japanese-ECAFE relationship started from the economic aspects but it then became a contributing factor for Japan's resumption of bilateral normalcy with Asian countries after Japan regained sovereignty in 1952. A year after its admission to ECAFE, in 1955 Japan hosted ECAFE session. This was the first regional meeting hosted in Japan since the war ended and that Japan being shut out from the region. Again, how could this resumption take place in time less than ten years after the war?

I argue that Japan's admission to ECAFE was contributed by the relations developed since 1947 right after ECAFE was established. Japan's admission to ECAFE was evaluated in such that it was the first success of Japan in resuming foreign relations with Asian regional organization. It was obtained through a series of de facto interactions which took place approximately six years before Japan was admitted associate membership.

Postwar Japanese economic planners had longed to resume economic ties with Asian countries in this region, mainly because of Japan's longtime dependency on raw materials from this region. Nevertheless, it became a taboo for them to voice again this hope of resumption as it could be easily be interpreted as another rise of the "Greater East Asia Co-prosperity Sphere" mission. Instead Japan formed economic rehabilitation

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<sup>3</sup> Miyagi, 2001.

plans which was tilted to promoting economic relations with the Southeast Asian region. However, during the Allied Occupation, Japan could not resume diplomatic relations with Asian countries in the absence of its diplomatic rights. It was impossible for Japan to have official negotiations without status as a sovereign country, mainly because the reparations problems stood in the way of bilateral negotiations.

The interaction between ECAFE and Japan overlapped with the period of the Allied occupation by the Supreme Commander for the Allied Powers (SCAP). SCAP took over foreign contact of Japan but shared information with the Japanese ministries in Tokyo. SCAP functioned as a middleperson between ECAFE and Japan. In carrying out the occupation policies, SCAP gradually changed its direction and leniency in accordance to the economic needs in domestic Japan in connection to the changing demands in Asian region. When the so-called "reverse course" of the occupation which changed the rhetoric of demilitarization and democratization to economic rehabilitation and reconstruction, SCAP also started to resume Japanese economic relations with Asian countries and to help Japan getting back to the Asian regional society. By participating directly in the ECAFE conferences, SCAP recognized the importance of this organization to Japan, and gradually adjusting and influencing Japanese economic policies towards ECAFE region, with more focus on South and Southeast Asia. SCAP's role as a middle person in merging Japan and ECAFE bore fruit towards the end of the occupation, when Japan was accepted into ECAFE and secured a place for future participation in regional development. In performing these roles, SCAP were supported by its counterpart in Washington such as the State Department and Far Eastern Commission (FEC). Policies of these offices in Washington formed the basis of SCAP policies even though SCAP at times also initiated, persuaded, and influenced policy makings of these institutions through its exposure in first hand information from its "on the spot" location.

At the time when most Southeast Asian nations were still under colonial rule, ECAFE served as the only place where they were presented in their foreign relations. ECAFE was established in March 1947, under The United Nations Economic and Social Commission (ECOSOC) resolution.<sup>4</sup> Its aim was to assist the reconstruction of the

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<sup>4</sup> A note must be made about the limitation of discussion on ECAFE. ECAFE will be discussed as a regional organization as a whole, though it can be argued that its voice does not necessarily represent voices of all its member countries. Acknowledging the importance of discussing different voices within its members; this paper will only pick-up some of them considering their relevance to the flow of discussion.

postwar economy of the Asian region as a consultative and advisory body. At its establishment, its original members consisted of regional Asian members – India, China, Thailand, Philippines – and non-regional members, – the United Kingdom, the Netherlands, France, United States, Australia and the USSR.<sup>5</sup> ECAFE, besides its routine assignment to survey and collect data on economically and socially related matters of the regional members, served as a regional parliament for debates on economic development of this region. Representatives of member and associate member countries attended meetings of ECAFE and voted on resolutions. Even though Japan was not a member country and was denied a representative, SCAP was allowed to send observers to ECAFE meetings.<sup>6</sup> Communications between ECAFE and Japan were carried out through SCAP. In the course of its pursuit for returning back to the international society, Japan obtained associate membership right after its independence in 1952 and was admitted as a full member in 1954.<sup>7</sup>

It is interesting to note that ECAFE was established to cope with the economic disasters of the Asian region which suffered Japanese invasion and occupation during Pacific War. In such a background of establishment, the development of relations between ECAFE-Japan could have been jeopardized by the war consequences of hatred and aguish feeling towards Japan. No matter how just and neutral in its function as a United Nations affiliate, ECAFE could not escape the hostile feeling towards Japan found among its Asian members, especially the Philippine and Australia. Nevertheless, what worth raise a point was that there cohabited the positive sentiments of building a healthy economic relationship with Japan. This group of members, represented by India and Thailand, supported the notion of building constructive economic relations with Japan for the good of regional development. India, especially, was willing to start on a clean sheet, viewed Japan with objectivity and had taken leadership in promoting economic relations between Japan and ECAFE region. It was in fact, these factors

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<sup>5</sup> Reasons why not only countries within the ECAFE region but also outside its geographical scope were admitted as members could be inferred. The membership of UK, France and the Netherlands could be explained in terms of their administrative responsibilities for some of the territories of the region, while that of the US and USSR could be related to their position in the world. Lokanathan, 1953: 7.

<sup>6</sup> Paragraph 6 of ECAFE terms of reference empowered ECAFE to consult with the representatives of the control authority in Japan and vice versa, be consulted by them for purposes of mutual information and advice on matters concerning the economy of Japan in relations to the rest of the economy of Asia and Far East.

<sup>7</sup> Writings on this issue could be found in Inoue, 1998; Hatano, 1994; Kashima Heiwa Kenkyujo, 1974.

which had not only paved the way for Japanese participation into regional development, but also prepared a strong foundation for justifying Japan's important role in regional economic development.

Dissenting voices in a multilateral setting at times hampered the decision making process in passing a resolution. On the other hand, it was also notable that a "collective voice" did pass a resolution with majority votes. Furthermore, the collective voices once made into a shared policy, even though not binding, had a gradual influencing effect on the other members who did not share the same view at the time of policy formation. In other words, multilateral organizations to a certain extent provoked the formation of foreign policies among member countries. ECAFE, had through its resolutions and initiatives, invited Japan's participations in its range of projects and economic planning studies, at the time when Japan could not initiate or project a self-motivated foreign policies. These pulling factors from ECAFE which first prepared an open-door policy towards Japanese participation in regional activities were based on its high expectations towards Japan for the economic development of the region. This demonstrated that Japan's re-entry to Asia was possible through non-political but functional aspects. It was through these non-political aspects which managed to counter the psychological impediments as the legacy of World War II.

## CHAPTER ONE

### Framework for Analysis

#### 1.1 Aim of this Paper

This paper aims to study factors that had contributed directly and indirectly to Japan's admission to ECAFE. Japan was admitted as an associate member in 1952 and a formal member in 1954. Application process for associate membership started in late 1951. However, the negotiation process itself could not explain why Japan was admitted, and thus this study traces back the relationship forged since 1947. Instead of 1954 formal membership, this study marked the attainment of associate membership in 1952 as a more significant event to Japan's reentry into the Asian region. This was because the admission in 1952 took place right at the period when Japan was at the edge of gaining independence, and that this achievement was considered to have been achieved in a pace faster than it could have been. This fast pace, however, could not have realized, had there been no contributing factors in the past five years of relations. As compared to the admission in 1952, admission in 1954 could be evaluated as a residual of the pursuit, and an eventual accomplishment.

This paper places interest on its argument on the complex relationships entwined in the matters of economic-politico happenings based on two sets of factors. The first set is termed pull factors where factors in Southeast Asia, such as Asian forces pulled Japan to the Southeast Asian region. The second set is the push factors where factors from outside Southeast Asian region push Japan towards that region. Both sets of factors were positive forces contributing to Japan's integration into ECAFE community. In contrast to these positive elements, there were also negative elements which resisted or hampered the flow of positive forces. When both the pull and push factors meet, it was time when Japan could be admitted into the ECAFE community.

The hypothesis of this paper rests on the argument that pull factors from Southeast Asian countries, through ECAFE were the prerequisite factors for Japan's admission into ECAFE. These factors were predominantly economic in nature even though at times it was mixed with political flavor of the postwar settings.

Even though in the above review of previous studies, the role of the intentions of US and Japan were well discussed, there is not much attention paid to the perspective of the Southeast Asian nations represented by ECAFE as the pulling factor. These factors were championed by the notion that regional economic development could be achieved with Japan's economic involvement, especially through trade, technical

assistance and foreign aid (from the US). Despite the flaws of using this term, for convenience's sake, the term Southeast Asia which will be explained later, is used as a general term; where policies as well as attitudes towards Japan were not necessarily coherent among the individual countries in ECAFE. Countries like the Philippines, was taking a considerably more hostile stance towards its previous enemy country. Hence, on the pretext that Japan's involvement in resurgence in regional development overwhelmed the postwar mentality of this, it is thus natural to study the concrete nature of relations generated between ECAFE and occupied Japan which served as an open channel for Japan's involvement.

Another set of factors termed as Push factor are found in both Japanese policy makers and SCAP officers. These factors represent intentions to access and to resume Japan's relations with the ECAFE region. However, the opinions on integration with ECAFE region were sharply divided among the policy planners, either in SCAP or among the Japanese bureaucracy. SCAP recognized the importance of ECAFE region for Japan's economic rehabilitation. However, as the cold war escalated, the US policy in connecting Japan with ECAFE democratic countries became more urgent task in their containment policy against communist spread in Asia. Among the Japanese policy makers, integration with ECAFE countries was taken into considerations as in economic interests by the economic planners in Economic Stabilization Board and Ministry of International Trade and Industry. However, as for the Ministry of Foreign Affairs, admission into ECAFE means a lot in its political and diplomatic endeavor in resuming relations with the fellow Asian neighbours.

In foreign relations, according to the rational choice theory, actors act according to the set of choice and preference which are available to them. These choices are not static but reacted dynamically to the changing domestic factors as well as international factors. The same applies to the relationship between ECAFE and Japan. Taking into consideration the choices they had, both actors defined their interests towards each other. SCAP was the "middle-person" in this respect, with a high mobilization power to persuade and influence both actors.

The relationship between ECAFE and Japan reached a milestone when Japan attained its associate membership right after its independence. To explain this attainment, this study will look at the evolution of the changes of attitude among the three actors, from those of not very favorable at the beginning to the one where they found a shared interest, in the name of "interdependence". However, the substance and

perception over interdependence were not the same.

In a nutshell, relationship between ECAFE and Japan was characterized by the intertwining pull and push factors, found basically on both sides. It was in the end, where both pull and push factor met both ends that were signified by the admission of Japan into ECAFE. The hypothesis of this paper is to prove that Japan's postwar attempt on resumption of foreign relations with Southeast Asia could only be successful with the complementation of and responses to mutual interests of Southeast Asia and Japan.

## 1.2 Terminology and Clarifications

Several points needed to be clarified at the outset. The first one is the terminology used in this work. The second point is the time period covered by this study.

### *Terminology*

The term Southeast Asia used in this work needs a little explanation. It is argued that the term "Southeast Asia" is not suitable to be used to represent the individual countries located in Southeast and South Asia. However, I shall take the responsibility to use this term, for convenience's sake in this discussion, with some specifications I would like to make as follows. There were different definitions of Southeast Asia by different groups of scholars, merchants and policy makers. As Suehiro Akira stated in one of his papers on Japan's policy towards Southeast Asia; terminology on Southeast Asia in the early postwar period covers a broader area than the present terminology.<sup>8</sup> According to him, until early 1960s, Southeast Asia in the Japanese government and corporate worlds, also included South Asia and it was not until mid-1960s that the term was restricted to the present Southeast Asia. As for the then dominant colonial power in Southeast Asian region, the British, the term "South-East Asia" in definition of the then dominant British Empire, came only into fashion after the creation of SEAC in 1943 and it originally included Burma, Thailand, Indochina, Malaya (including Singapore and North Borneo) and Indonesia. By 1949, in line with the growing interest in regional cooperation with the US, the Philippines was added to the definition of South-East Asia.<sup>9</sup>

However, since this paper studies ECAFE, target countries referred as Southeast Asia in this paper consist of the following associate and member countries of ECAFE before 1952. They are India, Pakistan, Ceylon, Burma, Malaya, Indonesia, Thailand, Cambodia and Laos, Vietnam and the Philippines. Until 1952, regional members of ECAFE were China, India, the Philippines and Thailand [June 1947]<sup>10</sup>; Pakistan [November 1947]; Burma [June 1948]; Indonesia [May 1950]. Associate members consisted of Ceylon, Malayan Union (including Singapore, British Borneo), Hong Kong, Cambodia and Laos [November 1947]; The Republic of Indonesia, "the rest of Indonesia", and Nepal [December 1948]; Republic of Vietnam, and the Republic of Korea [October 1949]. However, China, Hong Kong, Nepal and the Republic of Korea

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<sup>8</sup> Suehiro, 1995: 233–234.

<sup>9</sup> Remme, 1995.

<sup>10</sup> The date indicated in bracket refers to the date of admission.



will not be included in my analysis. In short, while stressing ECAFE, this work intends to emphasize on the Southeast Asian region in ECAFE region which covers up till South Asia, including India and Pakistan. These Asiatic countries covered by ECAFE at the outset of its establishment were the main target countries which deserved postwar economic rehabilitation and development. They were, countries categorized as backward developing countries in the 1950s and less developed countries from 1960s. For convenience in reading, Southeast Asia is used to cover area until South Asia, unless specific explanation and exclusion.

In early postwar writings in Japanese literature, Southeast Asian region was sometimes hidden under and covered by the comprehensive term of "Asia". Watanabe Akio recognized the vagueness of the term "Asia" as used in an early diplomatic bluebook used in describing the importance of promoting a good neighbour relationship with Asia after the signing of San Francisco Treaty.<sup>11</sup> According to Watanabe, "economic diplomacy" (*keizai gaiko*), "economic cooperation" (*keizai kyoryoku*) as in the context of "Asia First Policy" (*Ajia daiichi shugi*) could be referred to Southeast Asia. He further added that, the "Asian Economic Development Fund," which was proposed by Prime Minister Kishi, without doubt referred to Southeast Asia as the major target region. In addition to the above identification of "Southeast Asia" from the various vocabularies, I shall also take the responsibility in interpreting terms such as "backward economies" (*koshin keizai*), "less developed countries" (*koshinkoku*) as to be applicable to Southeast Asia, besides South Asia.

### *Time Span*

A brief elaboration on the period of study covered by this work is essential. As mentioned above, Japan was admitted to ECAFE in 1954 as a formal member. However, Japan acquired associate membership in 1952, immediately after its independence. As the purpose of this study is to examine reasons why Japan was admitted as an ECAFE comity, it is thus important to trace back to as early as 1947 (establishment of ECAFE), interactions both favorable and unfavorable, which contributed to its admission in 1952, had it been only an associate membership status. This admission, I argue, was ECAFE's first and important attempt to admit Japan, regardless the fact that it only brought partial success. The question of formal or associate membership at the state of 1952 was not a problem to argue here, as I consider what was more important was what had been

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<sup>11</sup> Watanabe, 1992: 89.

indicated by the ECAFE side through this 1952 admission. The period of two years subsiding the 1952 admission, I regard, was a residual pursuit of membership acquirement which then realized in 1954. To reiterate, the period of focus was set with an aim to focus on the contribution factors towards Japan's admission which started from the establishment of ECAFE in 1947 until ECAFE's admission of Japan in 1952. This period not only demonstrated the gradual reception of ECAFE region towards Japan, also set down several important directions which characterize relations between Japan and ECAFE region in years that followed.

### 1.3 Review of Literature

Studies on relations between Japan and Southeast Asian region which also includes South Asia in postwar years are abundant. There are work which deal with Southeast Asian in a general.<sup>12</sup> Comprehensive studies are conducted on the relations between Japan and the Southeast Asian region during the SCAP Occupation period and in post-occupation years.<sup>13</sup> Besides, plenty of studies on Japanese foreign policy with the Southeast Asian region focus on the substantial relations in bilateral diplomacy. There were, on the one hand friendly relationship such as Indo-Japanese relations, and on the other relations which were tensed due to a big part as a consequence of the Japanese aggressiveness during the war.<sup>14</sup>

With the declassification of more Japanese diplomatic documents (*Gaimusho gaiko kiroku*) recently, more work on the postwar Japanese multilateral relations in both regional and international level, were made possible, even though still not plenty in amount.<sup>15</sup>

However, no special attention was paid to study ECAFE's importance in an independent piece of work despite the fact that ECAFE was the first and foremost organization in Asia which opened up window for Japan's re-entry into Asia. Below I shall pick up some existing literatures which discuss ECAFE and Japan.

Most research on Japanese foreign policies discusses ECAFE in the context of Japan's economic diplomacy and return to international society after independence. The Kashima Research compiled testimonial by former foreign ministry officials, and thus was an important source to study Japanese foreign relations before declassification of

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<sup>12</sup> Just to name a few, some important works are Yano, 1975, Curtis, 1994, Mendl, 2001, and Sudo, 2002.

<sup>13</sup> Important work for studies during the occupation period are Borden, 1984; Schaller, 1985. For reference on the economic policies towards Asia during occupation, refer also to Hagiwara 1978; Nakaoka 1981. A detailed study on post-occupation years which also discusses Japan-Southeast Asian relations in the context of US-Japan connection is by Shimizu 2001.

<sup>14</sup> Just to name a few, Kesavan, 1972, studies on Japan's relations with the Philippines and Indonesia; Goto, 2001, studies on Japan's relations with Indonesia; Yoshikawa, 1991, studies on Japan's relations with the Philippines. On relations between India and Japan, refer to Murthy, 1970, Sato, 2005, Yamazaki & Takahashi 1993.

<sup>15</sup> Miyagi examines Japan's policy at Bandung Conference in Miyagi, 2001. Hatano, analyzes the roles of the US in Japan's involvement in the Colombo Plan in Hatano, 1994. Takahashi discusses Japan's economic policies towards Southeast Asia in the 1950s in Takahashi, 2002. Inoue, Toshikazu writes about Japan's admission into the UN in 1955 in Inoue, 1994, Pan's examines Japan's relations with the UN organization in in his master piece Pan, 2006. Akaneya applies the regime framework in arguing Japan's admission into GATT, Akaneya, 1992.

foreign documents.<sup>16</sup> Inoue also saw admission of ECAFE as an important means to attaining UN membership in 1954.<sup>17</sup> In another article, Inoue highlighted Japan's admission to ECAFE as one of its departure to Asian diplomacy, through multilateral approach.<sup>18</sup> In this article, Inoue viewed Japan's relations with ECAFE through political perspective, at the last stage when Japan's admission was discussed at its Sessions. This perspective only presents passiveness in postwar relations between Japan and ECAFE region, mainly due to the Cold War politics. Before coming to this conclusion that Japan's relations with ECAFE started with much difficulties as in the debates, I argue that it is not enough to look at Japan's admission to ECAFE by focusing only on the final stage, as this could not explain the real reasons and factors influencing Japan's admission. Thus, I believe that it is necessary to trace the relationship in years before admission. Besides, in addition to Inoue's approach to examine the Ministry of Foreign Affairs, I would also examine economic institutions such as the Economic Stabilization Board in terms of policy planning, and the Ministry of International Trade and Industry in terms of foreign trade; to trace economic relations between ECAFE and Japan in 1940s.

Another group of literature stresses the influence of the US factors in relations between ECAFE and Japan. Since actual relations with ECAFE started during SCAP occupation time, numerous studies have been made on relations between Japan and ECAFE by looking at US factors.<sup>19</sup> Borden suggests that ECAFE was a complementary factor for the US to implement its policies in Asian region.<sup>20</sup> A popular approach was to look at the political and economic importance from the US perspective.<sup>21</sup> Hatano discusses Japan-ECAFE relations in the context of the US policy on Southeast Asian regional economic development. Watanabe sees Japan-ECAFE from the political perspective, argues that the US policy had assisted Japan's return and participation in Southeast Asian regionalism. This idea was formed under the rationale of Cold War competition with the USSR which had sponsored China. A MITI article argues that the

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<sup>16</sup> Kashima Kenkyujyo, 1974.

<sup>17</sup> Inoue, 1994.

<sup>18</sup> Inoue, 1998. Inoue argues that ECAFE admission was among the other means of attaining UN membership.

<sup>19</sup> Well cited studies on the US Occupation policies in Japan are Borden, 1984; Schaller, 1985. For studies on the SCAP's occupation, see Dower, 1979; Fearey, 1972; Finn, 1992, Cohen, 1987, Schaller, 1989. Takemae, 2002. For reference on the economic policies towards Asia during occupation, refer also to Hagiwara 1978; Nakaoka, 1981

<sup>20</sup> Borden, 1984.

<sup>21</sup> Refer to Hatano, 1994. Watanabe, 1993; Tsusho Sangyosyo, *Vol. 4*.

US policy towards Far East had influenced on ECAFE plans formulated during that time. In other words, the US policy was an important factor in the context of economic recovery of the Asia Pacific region and Japan. US policy towards Japan was commonly connected to the US Cold War strategy. Recognizing the undeniable factors of Cold War and the US policies, I shall explore factors from the ECAFE perspective and to see from economic perspective in contrast to the above literature.

There were already studies on ECAFE in English which related its relations with Japan since its inception. Two main studies on functions and history of ECAFE are notably Wightman's work and Singh's work.<sup>22</sup> Wightman argues that ECAFE's contact with Japan during the occupation period was mainly concerned with issues and considerations of economic development of the whole Asian region, industrial development and regional trade with Japan. Different from most of the literature mentioned above, Wightman delineates the functional interests of ECAFE developing countries that had shaped relations with Japan, where the problem lay in the economic situation itself; and not so much in the political calculation of Western countries in Cold War. Furthermore, Wightman argues that Japan's application for membership did not proceed smoothly, with one of the reasons being the fact that it took place when political debates over problems of membership in ECAFE itself were still among other issues yet to be settled. On the other hand, Singh takes a political approach argument suggesting that although there were functional interests of ECAFE towards Japan, these interests were hampered by the political controversy between Western and Asian countries. Both works try to justify Japan's rejoining Asian society by contributing to regional development through ECAFE activities. Referring to these works, I am interested to explore into the main forces inside ECAFE which contributed to the promotion of relations with Japan.

Lastly, another perspective was explored by Tomaru who sees from the perspective of another dominant power in this region, the United Kingdom.<sup>23</sup> In Tomaru's work on British policy with regards to the postwar rapprochement of Malaya and Japan, the British agreeing to Japan's admission to ECAFE was determined by the fact that the UK could not put itself at risk to resist the actual demand of Southeast Asian region which wanted Japan's comeback. Taking a similar approach, I shall also study the role of SCAP as the middle person between ECAFE and Japan. Furthermore,

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<sup>22</sup> Refer to Wightman, 1963; Singh, 1966.

<sup>23</sup> Tomaru, 2000.

I shall look at the roles of individual players to explain further what, why and on what basis such expectations came from.

#### 1.4 Framework for Analysis and Method

In the study of international relationship between states, the most popular approach was through the realist approach as championed by Hans Morgenthau.<sup>24</sup> In this approach, states were considered as an actor which act rationally in its pursue of national interest of power. Argument on the US influence and strategy in this work could well be explained by this theory. US Cold War strategy in this region, which tried to link Japan with the free world in Southeast Asia was a US strategy in containing USSR influence in the region. Nonetheless, ECAFE's policy which stressed more on functional purpose could not be well explained through deploying this approach as there was not necessarily a specific national interest inherited in it. Furthermore, it is not easy to identify interests of SCAP as whether it should be viewed from serving the interests of the US or Japan.

In this case, a closer framework would be to use the functional approach<sup>25</sup> in looking at the resumption of relations between Japan and ECAFE. Indeed, as ECAFE was a functional organization, it was designed in such a way that regional dispute could best be resolved through means of stressing functional cooperation among the players. It would explain well how ECAFE seek Japan's involvement in regional economic development, but it could not explain well the motives behind India provoking regional industrialization at the time when the rest of the Asian members were not ready for this process. Neo-functionalism as a theory of regional integration emphasizes the political calculation and pay-off to elites who agree to collaborate in the performance of certain tasks. India had a vested interest in Japanese technology, which could serve its own national interests. India's pursuit of this self-centered goal defeated the genuine function of ECAFE and neo-functional approach could cover this aspect of intertwining of selfish national interest and altruism regional goals but it could not explain personal perception, belief and influence of policy makers in this aspect.

This thesis tries to answer the questions on what were the factors which had contributed to Japan's admission to ECAFE. My argument is largely based on narrative analyses with empirical sources trying to find reasons for Japan's early admission to ECAFE. I detect the development in five years of interactions through scrutinizing historical data and archival records.

Instead of confining to the above theoretical structures, this work instead, take

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<sup>24</sup> Morgenthau, 1973.

<sup>25</sup> Claude, 1963.

a more lenient historical approach to examine the reasons and attitudes of the ECAFE regional countries in accommodating Japan's return to this region. This work, attempts to study the intertwining of the pull and push forces found in both actors. Furthermore, instead of focusing on high political issues such as security and military as most of the existing theories do, this work examines more on the low politics by looking at the economic and technological sides instead.

As mentioned above, this thesis would focus on factors contributing to Japan's reentry to ECAFE region through two sets of factors, namely pull and push factors, which moved for the same aim. Therefore, my first task is to identify actors which would generate the pull and push forces. Then, I shall identify issues which the actors tried to tackle.

### Institutional Actors

Because of the peculiar structure of the complex composition of membership in ECAFE, and Allied Occupation of Japan, instead of following the traditional way of examining nation or its bureaucracy as the main actor of studies, this work explores policies, behavior and thinking of this labyrinth of actors. Highlights on actors will be chosen based on the issues at stake.

The first actor is ECAFE. In this study, ECAFE is assumed representing the voices of its member countries, those of the developing countries in Southeast Asia through its resolutions. Besides, its function was to implement resolutions passed by the Secretariat, send requests and suggestions to the Japanese government upon receiving requests from its member countries. Regional interests could not be persuasive enough in explaining vested economic interests towards Japan, thus an examination on the national interests of individual countries would complement in giving a more realistic picture of what ECAFE nations were fighting for. After all, ECAFE was a platform for the member countries to voice out and accomplish their individual national interests.

Even though a fair attention should be paid to all ECAFE nations emphasis will be placed on studying prominent features among the member countries which had much influence in the policy making process. It was also because of the fact that composition of ECAFE was strictly divided between the regional Asiatic countries within which half of them were still colonized; and the non-regional Western powers, thus, the imbalance in power and leadership was obvious. Attention will be given to



India was one of the vocals in presenting ideas supporting relations with Japan. India's role could not be neglected. As Wightman pointed out in his detailed work on ECAFE, he recognized the prominent role and substantial influence of India especially during the Lokanathan office. India, was not only the most prominent Asian leader in ECAFE, it was also the leader in promoting economic relations with Japan. This study will discuss India in solving some puzzle in ECAFE policy. In this regard, it would not be enough to just look at India's representation in ECAFE. A special attention will be given to discuss India's relations with Japan vis-à-vis ECAFE. An examination on the role of Indian Trade Commissioner in Tokyo is essential as all these Indian representations apparently carried out "dual-tier" diplomacy in the pursuit of its national interests. What made Indian case more complicated to study was the fact that, they have another important card in ECAFE, the above mentioned Executive Secretary who was an Indian national.

In ECAFE, the formation of ECAFE resolutions will be examined, to reveal the complex debates on its decision. This would not only give a fair judgment to what extend ECAFE resolutions represented opinions of its individual countries, it also reveals some problems which were still yet to be overcome which had hampered relations between Japan and ECAFE.

The second actor is Japan. It is a general knowledge at present that study on contemporary Japanese foreign relations could not be done without analyzing Ministry of Foreign Affairs (MOFA) policies. However, during the Allied Occupation time, when Japan's postwar diplomatic rights was rejected and controlled by the Allied forces, to MOFA, diplomacy meant not dealing with foreign countries, but more to dealing with SCAP. Normal functions of MOFA were paralyzed. Its main routine work was restricted to the level of "information" and "representation". The Ministry gathered information mainly through its liaison office, and represented its outcome to SCAP, explaining Japanese government opinion and made requests.<sup>26</sup> "Negotiation" as in international diplomacy could not be performed.

Japanese foreign policy with the Southeast Asian region could be studied by tracing how Japan responded to this region through its economic policies. Foreign economic relations with this region at this era could be illustrated by looking at how Japan-ECAFE regional relations as reflected in its economic rehabilitation policies.

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<sup>26</sup> Asakai, 1978: 25-26.

Thus, it is inevitable to study the role played by Economic Stabilization Board (ESB) in forming its economic reconstruction policies based on the premise of adjusting its survival with its foreign relations. Even though not a diplomatic institution, ESB was a pivotal actor in Japan's foreign relations with the ECAFE region in the sense that it shaped economic policies of Japan, which influenced the operation of the Japanese economic relations with the ECAFE region. Thus it would not be complete if ESB is not studied at this peculiar period of postwar Japan. Besides ESB, Ministry of International Trade and Industry (MITI) and Ministry of Finance (MOF) were also important institutions to study.

The third actor is SCAP. SCAP functioned as the middle person in the relations between ECAFE and Japan. In order to communicate with the Japanese government, ECAFE had to go through SCAP. SCAP not only related messages from ECAFE to the Japanese government, also approved and encouraged Japanese responses. SCAP at times rejected ECAFE request before it reached the Japanese government. Basically, while discussing Allied Occupation of Japan, the role of the US Officials in Washington will be studied. This includes US officials in the Department of State, Department of Army and the US representative in the Far Eastern Commission (FEC). Besides these officials, US officials who monopolize the Allied occupation in Tokyo were as important actor as their colleagues in Washington.

In complementing the general policy of the Allied policy, a detailed study on the different divisions in SCAP – Economic and Scientific Section (ESS) which monopolized occupation policy making in economic matters, Diplomatic Section (DS) which dealt with foreign relations of Japan, Natural Resource Section (NRS) which decided on balancing natural resource with Japan's dependency on foreign raw material, and General Section (G1) which administered immigration between Japan and Asiatic countries, for example – will be carried out to explore how these sections acted with regards to Japan's relations with ECAFE. It is found that instead of DS, ESS was the section directly involved in economic planning for Japan and its connection with the ECAFE region. Most of the time, SCAP acted in accordance to its occupation policy. There were also cases when decision was made by influence of personal opinions of the officials in charge.

### Personal Actors

Study on personality is another focus of this paper. Because this study looks at

newly formed institution – ECAFE being newly formed - , and governments yet to have a more established institutions – India being the newly independent Asian state, Japan departing to the new phase of policies after the war – personality and personal role of the policy planners were more important than the institutions themselves. For instance, studies on the Indian foreign policy analyses on Jawarhalal Nehru, the Indian Prime Minister cum Minister of External Affairs and not the Ministry of External Affairs per se. The fact that the Prime Minister took over the position of minister in charge of foreign affairs already implied the shortcomings of the institution itself. However, this was an inevitable phenomenon in most cases of new born nations, including postwar Japan.

As ECAFE was still at a stage of formation, instead of ECOSOC which formed policy for ECAFE, the role of ECAFE Secretariat led by its Executive Secretary was pivotal in steering the direction for regional economic development. This position required some one who knows the economic aspects well, the needs and future planning of the region. Leadership by the Executive Secretary, Lokanathan was then the most prominent player at the outset of ECAFE.

For Japan as well, study on ESB and its policy makers would well explain Japan's foreign economic policy with the Asian countries, than focusing on Ministry of Foreign Affairs which was not performing its normal function during SCAP occupation. What more significance in the study of personality was that contact and networking of those individual, not only initiated something new, but also lay down patterns of future relations. I examine the activities of Okita Saburo through his writings and diary collection. Okita who was at that time the Head of Research Section in ESB was in charge of gathering information and producing economic plans for Japan. The fact that Okita was the first Japanese official posted at ECAFE in 1952 suggested that his networking with ECAFE during the occupation was one aspect which should not be omitted in this study.

### Issues Studied

As explained above, analysis on the high politics such as the negotiation and application process performed by the diplomatic institutions alone could not explain the remarkable acceptance of Japan into ECAFE. Instead, matters on lower level politics such as trade, technical exchange and economic aid were perhaps more crucial factors in terms of economic relations between Japan and ECAFE regional members. Hence, this

study examines how positive factors in promoting economic relations, based on pure economic interests, prevailed over those negative impediments. The accelerated economic relations then imposed a positive influence onto the political barriers. In other words, the *de facto* relations emerged in economic activities, later contributed to the softening of the political wall against accepting the Japanese rapprochement. For example, at the time when there were still a widespread suspicious and hostility towards the Japanese, Japanese entry into ECAFE would be totally rejected if Japanese bureaucrat applied straight to the Commission in asserting its unilateral intention in joining the Commission. It was the year long indirect (through SCAP) but *de facto* involvement that had made Japan's admission in 1952 materialized rather smoothly, even though resistance still persisted. In this work, three main issues will be studied to see how actors reacted to each other in developing their economic relationship. They are issues regarding promotion of trade, technical assistance, and foreign assistance (from the US). These issues had linked ECAFE region with Japan closer in developing their postwar relations.

## 1.5 Distribution of Chapters

This thesis examines the development of relationship between ECAFE region and Japan by following the chronological sequence and based on three main issues.

Chapter Two examines the establishment of each actor and their visions at the offset. This chapter examines the initial economic plans of the Japanese which had implications of merging its economy into the Asian region for its economic survival. However, this wistful thinking were put at hold by the Occupation forces. On the other hand, despite the fact that the US did not receive the establishment of ECAFE well, SCAP started to observe ECAFE with objectivity for the good of Japanese economic rehabilitation. This chapter explains the reasons why ECAFE since its inception, had shown high expectations towards Japan. To a large extent, it was contributed by the personal belief of its Executive Secretary, P.S. Lokanathan. Besides, ECAFE was also influenced and mobilized by India, in its pursuit of developing trade relations with Japan for its own industrialization. This chapter shows that it was these pulling forces which made ECAFE start promoting economic relations through trade with Japan, which then accomplished wishes of the Japanese and SCAP.

Chapter Three discusses aspect on technical assistance in the relationship. Recognizing its advantages in technology, the Japanese policy makers had longed for the day when they would be able to exercise its "technology diplomacy" - diplomatic strength through its technological know-how - with the Southeast Asian region. However, due to the trauma remained in the Southeast Asian region against Japanese aggression made possible by its high technology; the Japanese plans were again put at hold. This chapter focuses on a particular aspect of technical assistance, i.e. through Japanese technicians. Exchange of human resource in terms of technical assistance was considered more complicated as compared to exchange of goods, as it touched the psychology aspects of the Asian region. ECAFE started the initiative in receiving Japanese technicians to serve the purpose of industrialization in its member countries, at the time when Japanese nationals were rejected entry by the Asian countries. ECAFE pressed the SCAP to lift the ban on travel abroad of Japanese technicians. Push factors from the US came in as a part of its plan to permit gradual international contact for the Japanese. However, the immediate factor which had contributed to realize travel abroad of Japanese technicians to Asian region was the Indian factors. This chapter concludes by pointing out that it was the Indians which had forced through this resumption of relationship through technicians, for its own national interests -

economic industrialization, and the strengthening of its influence in the Asian region - which then brought about development and spill over effect which benefited more parties. Also, the pull factors prevailed as a victory of realist thinking which acknowledged the urgency of that Japanese assistance for regional development, over emotional thinking which recalled bitter war memories.

Chapter Four looks at how ECAFE region and Japan tackled their common issues confronting economic relations between them in their pursuit of a coordinated regional economic development with Japanese involvement. Dollar shortage problems and the absence of a US Marshall Plan for Asia were the main impediments in economic relationship between ECAFE region and Japan. However, notwithstanding these short term difficulties in trade, ECAFE region viewed Japanese trade optimistically for its long term gains. ECAFE and Japan strived to bring in US financial assistance to accommodate their economic relations. However, their effort did not produce immediate result. It was the Cold War factor, after the outbreak of Korean War, which in the final analysis made the US concreted its policy in merging Japan with the ECAFE region. This US policy, thus in a way responded to the calls from ECAFE since years ago. The economic cooperation took shape in a triangular connection among US-Japan-Southeast Asia cooperation in 1950s. This chapter also shows us how SCAP merged the both ECAFE and Japanese officials closer.

Chapter Five discusses Japan's attainment of membership (associate membership) in ECAFE in 1952. This process is discussed by first looking at the gradual resumption of diplomatic rights from the Allied occupation. This chapter attempts to conclude the process of what previous chapters, i.e. chapters two, three and four had prepared as a *de facto* involvement which made admission easier than otherwise. The US officials in Washington, as well as SCAP supported Japan's admission. The Japanese officials in the Ministry of Foreign Affairs saw this admission with more urgency as Japan was about to gain independence. Besides pull factors from the development in ECAFE, admission to ECAFE, in the last stage, was attributed to Lokanathan's good office.

The Conclusion will then show us factors which had contributed to Japan's admission to ECAFE, based on the proofs as delineated in the above chapters. The hypothesis will be proven and implications for future studies will be noted.

## CHAPTER TWO

### Initial Stage: ECAFE and Japan

This chapter examines the establishment of each actors and their vision during years in immediate postwar era. This chapter examines the initial economic plans of the Japanese which had implications of merging into the Asian region for its economic survival. However, this wistful thinking were put at hold by the Occupation forces. On the other hand, the occupation forces, SCAP in Tokyo, started to observe ECAFE with objectivity for the purpose of Japan's economic rehabilitation, despite the fact that the US did not receive the establishment of ECAFE well. This chapter explains the reasons why ECAFE since its inception, had high expectations towards Japan. Partly, it was contributed by the personal belief of its Executive Secretary, P.S. Lokanathan. Partly, it was influenced and mobilized by the India, in its pursue of a fair trade with Japan and for its industrialization. This chapter concludes that those pulling made ECAFE start promoting economic relations through trade with Japan.

#### 2.1 Japan's Postwar Vision on Resuming Trade Relations with Southeast Asia

World War II ended in the shattering of Japan's Monroe Doctrine in Asia dream fought in the name of the liberation of Asia from colonialism under the rhetoric of the "Greater East Asia Co-prosperity Sphere". Behind this military south advancement was Japan's crave for securing raw material for its economy from the resource rich Southeast Asia. Relations between Japan and Southeast Asia could not be separated from trade matters since before war. Although there was a deviation in this relation by the war, in postwar years, Japanese policy planners continued their pursuance of resources from Asian countries in a more careful pace.

"... although a defeated Japan was not likely to be rearmed, but this would probably be a blessing in disguise. Japan did not have the qualities of a first-class power, but it could excel as a second-rate power. ... 11 April, 1945"<sup>1</sup> - a statement made by Okita Saburo, then an engineer of the Board of Development in Asia, Japanese Empire (*Koa-in*), who later became one of the key persons in postwar economic planning of ESB. This statement was in fact the direction which the postwar economic planners chose to strive as a "second-rate" power which excelled in economic strength at a time when

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<sup>1</sup> This statement was made during a conversation with Tomizuka, a Japanese scientist, four days before Japan's surrender. Tomizuka, 1976:102-03.

military superiority would rank a nation "first-rate" in the world order.<sup>2</sup> This also explained why Japan, in its postwar relations with the outside world rated economic matters as the utmost importance, not only in relations with the big powers but also with the developing countries, especially its Asian neighbours.

When the war ended with the signing of Potsdam Declaration, postwar Japan suffered from the devastation not only economically but also psychologically. As Reishauer described:

"In the late summer of 1945, Japan lay in ruins. Some 3 millions of its people had died in the war, a third of them civilians: 40 percent of the aggregate area of the cities had been destroyed, and urban population had dropped by over 50 percent; industry was at a standstill; even agriculture, short of equipment, fertilizer and workers, had declined. ... The people had poured all their energies into war, blindly trusting their leaders and confident that the "Japanese spirit" would prevail. Now they were physically and spiritually exhausted. Many were homeless and half-starved, and all were bewildered and mentally numbed ..." <sup>3</sup>

Japan thus had to find an immediate way out of solving problems of poverty, unemployment, rebuilding production, burden of reparations, and the inflation. At the time when psychological legacy of the defeat overwhelmed the whole country, Okita and his colleagues took an optimistic stance believing that the only way out was an economic recovery. Actually Okita, because of his job that he had direct access to the energy resource data of Japan, had predicted Japan's consequent defeat. When the Ministry of Greater East Asia was dissolved in August 26, 1945 after defeat in war, Okita was transferred to the Research Bureau of the Ministry of Foreign Affairs, with Sugihara Arata as the head of bureau. A study group called "Committee for Research into Postwar Problems" was formed to study on postwar economic rehabilitation. This group actually started meetings and discussions of the postwar recovery when it seemed to them clear that Japan would eventually lose the war, but officially met for the first

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<sup>2</sup> What he meant here was that military power that had been regarded as a main determinant of a nation's power. A nation with strong military power could be classified as a first-class power. It was practical for Japan not to possess military power but rather to do well or excel in other matters such as economic growth or advancement of the already held technology level. Tomizuka agreed with Okita's view. Further to that he added that scientific technology and fighting spirit under a business suit would be Japan's underground army. This early prediction and change from the defeat into a victory in disguise through economic war had later made Japan the second world economic power after the U.S later on. Okita: 1983:26.

<sup>3</sup> Reishauer, 1990: 184.



meeting on August 16, just one day after the War ended. This group consisted of some forty people from universities, business and government ministries. They met more than forty times during the immediate postwar months and in March 1946 produced a comprehensive report entitled "*Nihon Keizai Saiken No Kihon Mondai*" (Basic Problems of Japan's Economic Rehabilitation).<sup>4</sup> This report was completed with efforts of Goto Yonosuke, Namiki Masayoshi and Okita, which could be called the postwar economic plan, a forerunner of the first Economic White Paper published years later.<sup>5</sup> This report acknowledged the fact that it was necessary for Japan to integrate into the world for economic development.<sup>6</sup>

Early Japanese government thinking on Japan's postwar economic relations with Asian countries could be found in this Report. This report was important in the sense that the drafters of the report later became influential officials<sup>7</sup> throughout Japanese economic policymaking, especially those in the Economic Stabilization Board. Okita, at the time of the drafting process was attached to the Research Bureau of Ministry of Foreign Affairs. Though he was among the other three officials, Namiki, Ono, and Inaba, who compiled the report, he was believed to have contributed to the writing of this paper with his engineering background and his familiarity with Japan's actual strength in resource for economic reconstruction. Nakamura argued that the report foresaw trends in the postwar Japanese economy with some accuracy and played an important role in giving direction to future economic policy.<sup>8</sup>

Trade with Asian countries was the primary concern for the resource poor Japan which had depended on international trade for survival since the Meiji Era. This had not changed, even during the postwar period. Even though the international order changed drastically after the war ended, especially with the loss of colonial territories in East Asia, Japan still held the acquisition of resource through trade with the East Asian region to be its first priority, as in the prewar years. Trade partners for export from and

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<sup>4</sup> Okita 1967:1.

<sup>5</sup> Okita 1983:34.

<sup>6</sup> Okita 1983: 34.

<sup>7</sup> A group of approximately 30 Japanese economists and political scientists formed the "Study Group for Japanese Self-Sufficiency Policy" just before the end of WWII. This group then changed into "Committee for Research into Postwar Problems" and met for the first time on 16 August 1945, coincidentally one day after Japan's war surrender. Members of the group consisted of some prominent persons such as Ouchi Hyoe, Nakayama Ichiro, Tohata Seiichi, Royama Masamichi, Sugimura Hirozo, Ishikawa Ichiro, Kameyama Naoto, Akimoto Shinjiro, Ono Kazuo, Inoue Harumaru, Tatsumi Yoshitomo, Okita Saburo, Namiki Masayoshi, Oda Hiroshi and others. Okita, 1983:28.

<sup>8</sup> Special Survey Committee, Ministry of Foreign Affairs 1992:ix.

import to Japan were mainly the United States and East Asia, namely Korea, China, Formosa.<sup>9</sup> To the Japanese, war-torn Japan was in need of urgent import of food and materials to maintain the basic need of the people, and to rehabilitate its economy, at first to build up its export industries in exchange for foreign currency.

Writers of this report envisaged Japan's industrial reconstruction with the continuation of pre and war time industries and market areas, though with non-military purpose. The Asian market continued to be emphasized, especially their old market in North Asia rather than Southeast Asia.

Another notion suggested by the report to as a counter argument to the punitive reparation measures presented by the Pauley Report, was that this report tried to argue and emphasize the maintenance of a large engineering and heavy machinery industry which was viewed as the key element in the reconstruction of the whole Japanese economy. It went further to justify that a resurgence of Japanese industries would contribute to early industrialization and better living standard in the Asian regions.<sup>10</sup> This was criticized by SCAP officials because it would run counter to the policy of the demilitarization of Japan.<sup>11</sup>

This group of Japanese policymakers tried to put forth a triangular economic relations between Japan, the US and Asian countries. Though they wanted to avoid a total dependence on the United States, they acknowledged the fact that it was not possible to exclude the United States economy in its industrial progress and the growth of dollar trading pattern in this region. Hence, it was a wise move to link its cooperation in labor divisions with Asian countries and the US involvement, for mutual benefits.<sup>12</sup>

The Japanese thought that international trade could be continued with the pre-war pattern, starting with industries and commodities which Japan had comparative advantage. At the time immediately after War, in Japanese policy makers' mind, trading partners in Asia was still confined to East Asian nations, following the pre-war pattern. It cannot be denied that at that point of time, not much attention was actually given to trade with Southeast Asian countries, as compared to North East Asian countries, when the policy makers mention Asian countries in the term "*To-a*" (East Asia). Some reasons could be deduced as why was South East Asia not discussed in early postwar years? Firstly, Trade importance with North Asia was far more

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<sup>9</sup> Kaneko, 2002:31.

<sup>10</sup> Special Survey Committee, Ministry of Foreign Affairs, 1992:92-93.

<sup>11</sup> Special Survey Committee, Ministry of Foreign Affairs, 1992: xix, note 8.

<sup>12</sup> Special Survey Committee, Ministry of Foreign Affairs, 1992: 93.

prominent and established since pre-war years and this, if re-established would bring about quicker profits for Japan. Secondly, Southeast Asia was occupied again by the colonial powers after the war. This, as compared to the East Asian countries, which were Japanese ex-colonies, made it more difficult for Japan to approach them think of them for economic interests. They did not want to disturb relations with the colonial masters, i.e. UK, Netherlands, France which were with the Allied powers. Furthermore, they were sensitive to and did not want to repeat or bring up the just failed notorious "Greater East Asia Co-prosperity Sphere" concept.

Even though the Japanese were not allowed to carry out most of their visions set forth in the report in the first few years of occupation under strict occupation control, this report was important in the sense that it foresaw trends in the postwar Japanese economy with some accuracy and played an important role in giving direction to future economic policy when the situation allowed it.<sup>13</sup>

In pursuing the goals of rebuilding Japanese postwar economy, Economic Stabilization Board (ESB) was established 12 August 1946 as a central economic control body to plan, promote, adjust and supervise the Government's economic stabilization program. The ESB was assigned supervisory responsibility, in cooperation with the competent ministries, for allocating critical production materials to realize planned production goals in key manufacturing industries and to minimize inflationary black market pressures. Besides, ESB could be accounted for the formulation for Japanese foreign relations with the Asiatic countries, as many of its economic plans were formulated on the ground of tilting Japanese economy to the Asian region.

War torn Japan was in need of urgent supply of food and materials for rehabilitation of its economy. The Japanese government submitted a list of things needed to be imported to maintain the basic need of the people, together with a list of possible export in exchange for foreign currency. Thus, Japan's economic survival greatly depended on SCAP to decide how much degree Japan would be allowed to acquire goods to meet the needs of its society and economy.

Some attention should be paid to Okita Saburo<sup>14</sup>, was who involved in the economic recovery process with his background as an engineer; later became one of the

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<sup>13</sup> Special Survey Committee, Ministry of Foreign Affairs, 1992: ix.

<sup>14</sup> For a biography of Okita Saburo, refer to Okita: 1977; Okita, 1983; Okita, 1993a; Ono, 2004.

*kancho ekonomisuto*<sup>15</sup> (government economists) who had successfully engineered the planned economy of postwar Japan. Not only was he an important feature in the economic planning group of ESB, his detailed record of diary revealed that he had close contact with SCAP officials and had access to information with pertaining to economic data from ECAFE region. Furthermore, it would be appropriate to trace the contact between ECAFE and Okita as he later became the first Japanese official expatriated to serve in the ECAFE Secretariat in 1952. Tracing his contact with ECAFE enables a deep insight into the formation of relations between the two entities, through the middle person, SCAP. Okita's approach to Japan's foreign economic relations was mainly based on the considerations of resource and technology, which was not only practical for Japan at that time, was still a widely accepted idea until present.

Okita was appointed Chief of the Research Division of the Director-General's secretariat of ESB in 1947. His main task was to study and plan economic policies based on first hand data. When the Resource Committee of the ESB, was established in December 1947, Okita became involved in this Committee, trying to put his involvement and knowledge with concern to matters on natural resources into practice. Okita's concern over natural resources dated back to late 1946, when he had a chance to start building contact with Dr. Edward Ackerman, the technical consultant of GHQ's Natural Resources Section.<sup>16</sup> This contact resulted in an almost year-long constant meetings and talks with regards to Japanese resource utilization as in the context of the need to promote foreign trade for the procurement of raw materials from Asian countries.

A brainchild of Okita and the Arisawa group was the "Priority Production Plan". This measure was introduced to overcome the stagnant condition of postwar production as a result of the drying out of resource stock and coal and slag in some basic productions such as steel and chemical industries because of inadequate electric power. The only way out of this decline of production line was through priority production formula. This formula was to concentrate on coal and iron steel production by channeling in imports of crude oil. The basic ideas was that the increase of coal production could be used in iron and steel production, and production of iron and steel then could be channeled back to increase the production of coal.<sup>17</sup> This idea was first

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<sup>15</sup> For a study on this matter, refer to Ikeo, 1996.

<sup>16</sup> Okita 1983: 46-47.

<sup>17</sup> Arisawa 1966: 274, also refer Okazaki, 2002.

presented by Arisawa, at one of the Yoshida informal lunch meeting group.<sup>18</sup> However, in order to convince the Supreme Commander for the Allied Powers (SCAP) of why 30 million tons of coal was needed, Okita wrote a report explaining the reasons. He drafted a letter from Prime Minister Yoshida to General MacArthur, outlining the problems of the minimum assistance from the occupation that if SCAP approved the importation of crude oil, to increase coal production and iron and steel production; it would be possible for the Japanese to break the vicious circle they are facing.<sup>19</sup> To sum up, this priority production plan demonstrated that Japan was struggling to rehabilitate economically with the limited resource it had. In such critical and shut up situation, efforts were made to acquire more raw materials through foreign trade, as envisioned by the Report.

With regards to Japan's foreign trade with the Asiatic countries, there were clashes of views between the Japanese policy makers and the SCAP authorities. There were uncertainties with regards to how Japan should conduct its foreign trade in the postwar period because of the changes in economic structures in the Asiatic countries and the conditions Japan faced as a sequence of the war. During the meeting between the Japanese officials with Bogdan, the economic advisor to SCAP, on April 1, 1946, they discussed about the future trading and industrial prospects of Japan.<sup>20</sup> SCAP officials were rather worried about Japan's textile industries, which was the main income before the war. Situation had changed, with now competition from the US and India. However, the Japanese were rather optimistic about certain characteristic of Japan's textiles industries, in terms of dying, weaving and processing industries. Consumer goods especially bicycles, toys, rubber products, bulb would remain in good export prospects because of low wage factors. The Japanese believed that if permitted, machinery industry especially those of Electric appliances, communication equipment, rail carrier, Mining equipment, precision machinery and others, would become important industries, in view of the markets in China, India and other East Asian countries. Furthermore, the Japanese were rather optimistic in overcoming competition from the US and other Western countries in exporting machinery goods to East Asian markets, because they believed that East Asian countries would choose and can afford the though less quality

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<sup>18</sup> Arisawa 1966: 286.

<sup>19</sup> Okita 1983: 39-40, also Arisawa 1966: 283-285

<sup>20</sup> Presents were Bogdan, Financial division of SCAP, Tamanga, Tsuru (MOFA), Okita (MOFA), Nakayama Ichiro (Hitotsubashi University), Tsuchiya Kiyoshi Asahi Shimbun, Oono (Ministry of Agriculture). "*Bokudan' to no Kaiken Kiroku (Dai San Kai)*", Gaiko Kiroku Bunsyo E'1004.

but cheaper commodities from Japan.

The Bogdan-Tamagna report, from within the framework of the early Occupation policy, denied the heavy industrialization of the economy as a safety device to assure the demilitarization of Japan and concluded that Japan would be able to recover prewar levels of domestic production and national income once production, based on the textiles industry, was allowed to recover.<sup>21</sup> SCAP occupation led by US leadership favoured textile industries, as it was believed to be the quickest and safest way for economic rehabilitation, and as it was an industry in which Japan had a comparative advantage in the region. It could be argued that this was also to serve US raw cotton industry and to bind Japan to its dollar bloc. It was later proved that apparently these Japanese policymakers anticipation was correct about Japan's industrial importance in this region. Nonetheless, at the time within a year of Japanese surrender, its near neighbor countries still viewed Japan as the vanquished aggressive power, and the Japanese did not seem to realize the perception of how the world especially the Asiatic countries view.<sup>22</sup> To recapitulate, the Japanese wistful plans to penetrate Asian markets based on its comparative advantage in regional labor distribution in terms of industrial manufacturers were curbed by SCAP. This was because it was against the occupation objectives to demilitarize Japan through demolishing Japanese industrial capability which was transformed into military aggression. Another reason was that this approach to the Asiatic countries was not favorable for Japan's reentry into the region, if it were voiced out unilaterally from the Japanese side. In order to carry out this approach, through Japanese technology and sales of industrial machineries, it awaits calls from the Asiatic countries.

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<sup>21</sup> Special Survey Committee, Ministry of Foreign Affairs, 1992: xix- xx.

<sup>22</sup> "Bokudan' to no Kaiken Kiroku (Dai San Kai)", Gaiko Kiroku Bunsyo, Reel E'1004.

## 2.2 ECAFE Vision and Economic Development with Japan

At the meeting ECOSOC in 1946, Chinese delegation strongly pushed for an Asian body to aid the reconstruction of war-devastated places in Asia. The Indian delegation supported this initiative. The Economic Commission for Asia and the Far East (ECAFE) was established in March 1947, at the 4<sup>th</sup> Session of Economic and Social Council (ECOSOC) as one of its four regional commissions of the United Nations. It held its first Session in June 1947. Its aim is to assist postwar reconstruction of the Asian region. In addition to this aim, the deep roots of ECAFE are to be found in an emerging Asian nationalism with its concomitant demand for equality in every aspect of international life, as very much propounded by the Chinese and Indian.<sup>23</sup> The underlying significance of the creation of ECAFE as David Wightman has affirmed, was that it was "the first important admission by the U.N. that the world includes Asia in its own right and not merely as a responsibility of a few colonial Powers. It was a tangible recognition of the political renaissance of Asia."<sup>24</sup>

The consolidation of ECAFE's Asian identity took place slowly. At the outset, ECAFE was not a predominantly Asian organization. It consisted of mainly the donor countries from which included also outer region, the West; and the developing recipient countries. Theoretically, ECAFE's earliest task was to assist in the reconstruction of those Asian economies severely damaged during the war. Consequently, ECAFE began thinking not simply in terms of post-war reconstruction but of long-term economic development.

ECAFE's work was primarily confined to research activities, study sessions and advisory services. Asian developing member countries had two major expectations towards ECAFE.<sup>25</sup> First, ECAFE was looked as an economic commission for Asia to assist in redressing the economic disparity between the more developed and less developed countries. Secondly, ECAFE was expected to be a means of consolidating an "Asian identity," and "Asian personality." However, it was observed that "Neither can much be expected from the ECAFE organization. In contrast to the ECE, which has been given well-defined functions and powers for the integration and operation of resources and facilities, the proposed ECAFE will be primarily an organ of research and information with purely advisory functions of coordination. Apart from political

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<sup>23</sup> Meyer, 1968:192

<sup>24</sup> Meyer, 1968:192-193. Wightman, 1962.

<sup>25</sup> Meyer, 1968:201-202.

considerations and problems, this distinction may be attributed to the differences between the economic structures of Europe and Asia... the latter lacks unity and is dependent upon outside sources for the technical and financial means required for its reconstruction and development."<sup>26</sup> Fifield observed that for the newly independent states of Southeast Asian, in order to implement their foreign policies, which constituted a complexity of motives, techniques and activities; the employment of strategic and tactical approaches and the use of governmental and nongovernmental agencies, in particular the machinery of the United Nations, were evident.<sup>27</sup> Thus, ECAFE was the right organization for the Southeast and South Asian countries for the starting point of their foreign policy with the region and with the world.

To most of the Southeast Asian nations, Japan played a major role in "liberating" them from the decade long White occupation. The Japanese invasion not only induced nationalist sentiment among the local people, it also played a developmentalist role in helping to develop some industries overlooked by the Western colonialists in those countries.<sup>28</sup> However, on the other hand, atrocities and destructions committed by the Japanese military occupation which replaced the White masters left a deep scar in postwar relations. When the war finally ended, this later image of the Japanese lingered in the minds of the invaded nations, leaving it an impediment for normalcy.

When the Western masters returned after the war ended, their main task was to rebuild the war-ruined economy and social order. The most obvious choice for the economic development of the Asian countries was to depend on grand policies of their colonial masters. Besides rendering economic assistance, foreign trade was greatly encouraged by the Western colonial masters. Intra-regional trade and trade with the colonial masters were the most logical choices for economic development of the regional members. At the same time, there was a great rise of nationalist consciousness as a result of World War II. As a result, when they were fighting against independence from their colonial occupation, many developing countries still doubted the relevance of foreign trade for their own economic development as they thought that foreign trade was the "begetter" of colonial domination.<sup>29</sup> In this sense, it was not a socially acceptable thought about resuming relations including trading with Japan, the

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<sup>26</sup> Tamagna, 1947.

<sup>27</sup> Fifield, 1958: 57-58.

<sup>28</sup> Watanabe, 1996: 95-96

<sup>29</sup> Wightman, 1963: 234.



aggressive force during World War II which just invaded most of the Asian region.

Not only that, there were complicated problems which lay in the relations between Japan and the Southeast Asian nations, as a psychological legacy of the war. The image of the Japanese among the local people was not a respectable one.<sup>30</sup> On the government level, reparation problems were not resolved. The Philippines, for example, took a hard line on issues concerning Japanese reparations since the end of 1945.<sup>31</sup> Notwithstanding that, there were hopes, though much in the sense of compensation, of the Asian people towards relations with Japanese in terms of importing technical assistance. This was related to the industrial plants left by the Japanese before the war broke out. For instance, Japanese industrial plants for chemical reconstruction of Malaya were in demand for the foundation of basic chemical industries in Malaya.<sup>32</sup> In this particular case, the local industrial development center had taken over a former Japanese electrolytic caustic soda and chlorine plant in Seremban (Malaya), but they lacked the effective means to overhaul and recover the damaged skeleton plant. Besides, even for foreign investors, because of the inability of the local industries to supply supportive parts of plants, and because Japan was closer for importing the machinery concerned than the US or the UK, trade with Japan was a preferred choice.<sup>33</sup>

The establishment of ECAFE in 1947 was timely. It was established with aim of handling this mess left by the war. However, it faced problems of choosing the means of development for its regional members. Notwithstanding the fact that most of its regional members belonged to the pound sterling bloc, and in spite of a heavy reliance on Barter Trade as in pre-war years, the idea of promoting trade with Japan - which belonged to the dollar bloc after the war - in ECAFE evolved since the outset of the Commission.

ECAFE at its establishment, unlike the European Economic Commission

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<sup>30</sup> News on the socially pariah image of Japanese military men not repatriated was abundant in years 1946 and 47. Newspapers reports, for example the Straits Times (Singapore) tended to stress or exaggerate these common images found in the society - *POW [British] stole food from Japan-Risking their Lives to Obtain Food* (January 8, 1947); *Japanese POW charged* (January 9, 1947), *[Girl] Says she was told "to be nice" to Japs* (January 17, 1947); *Japs had Rape Orgy in F.I.C [French Indochina]* (January 17, 1947).

<sup>31</sup> This paper does not go in detail on reparation issues as it was not one of the main task of ECAFE. Reparation problems was not settled even after the signing of peace treaty in 1952. For further discussion on Japanese reparation issues with the Philippines and Indonesia, refer to Kesavan, 1972; Yoshikawa, 1991.

<sup>32</sup> Letter from Chemical Development Center, Malaya to Director of Trade and Industry Department, Malaya, December 6, 1946. NAM, 17/N, I & C-17/N, 41.

<sup>33</sup> Letter from Adelphi Terrace House, (a British Cable company investing in Malaya) to SCAP, April 24, 1947. NAM, 17/N, I & C-17/N, 68b.

(EEC), had no proper form. It had just set its aim so as to handle economic development of the Asian region. Judging on the fact that members of ECAFE were multiple and influential voices could be heard from the Big Powers which were also member countries, choices of development could have been made to those close to their self-interests. Although stances of nations which advocated the establishment of ECAFE – India and China - were deemed important in having a stronger voice and in leading the other member countries, the influential voice at personal networking in implementing policies of ECAFE of the Executive Secretary were equally important. In other words, the leadership of the head, or top policy planners played important roles in shaping the nature and approach of ECAFE. The capability and personality of the Executive Secretary made his voice heard and influence felt. The role of the first appointed Executive Secretary, P.S. Lokanathan<sup>34</sup>, an Indian national, is deemed important because it was his leadership which shaped the direction of ECAFE activities. In championing the idea of promoting trade with Japan, as among other policies put forth, it could be argued that Lokanathan as well as other senior Indian officials of ECAFE were instruments for India to carry out its initiatives in Southeast Asia,<sup>35</sup> in accomplishing India's national interest. This could be put to test as to how far this could be in balance with Japan's threat to and rival of Indian leadership and hegemony in Asia.<sup>36</sup> Furthermore, had Lokanathan been a pro-British or pro-US person, his approach might be different from thinking that Japan was to be the engine for the economic development of the whole region.

In the process of setting up a regional body for the War devastated Asia at ECOSOC session in 1946, issue on how Japan should be handled in terms of reparation was brought up. To the Western policy makers at ECOSOC, in order to maintain world peace through economic development in Asian region, Japan's reparation could play a role in rebuilding the economy of Asian region for this purpose.

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<sup>34</sup> Dr. Palamadai S. Lokanathan was born in 1894 in Madras. He was educated in Bangalore, Madras University and London School of Economics. Later he became professor of economics at Madras University, President of Economic Association of India, editor of the Hindustani Times, and then of the Eastern Economist in New Delhi. He also served on Consultative Committee of Economists to the Indian government and Labour Advisory Board of the Madras government, joined the Indian delegate to World Business Conference 1944, Pacific Relations Conference 1945, and UN Conference on Trade and Employment 1947. His major publications include works on industrial welfare and industrial organization in India. Compiled from Wightman, 1963: 39, fn.5; *Dawn*, June 21, 1947.

<sup>35</sup> Singh, 1979: 146.

<sup>36</sup> Meyer, 1968: 208.

Unlike early postwar regional organizations as in the Europe, which gained immediate impetus by absorbing the activities of the already existing organizations, ECAFE had no "going concerns" in Asia which it could absorb, nor activities it could take over and continue as a starting line.<sup>37</sup> Hence, it was an important job for the Secretariat to set the shape of the skeleton. The Executive Secretary's definition of ECAFE's concern and tasks would then shape the direction and approach for regional cooperation to be pursued by the organization. It was apparent, since its establishment, that the Executive Secretary, P.S. Lokanathan had been positive in Japan's potential contribution to the economic development of this region. In other words, charismatic leadership of Lokanathan was important in patching a path for Japanese involvement. This believe was especially noteworthy at the time when there were on-going anti-Japanese sentiment in most of the Asian ECAFE member countries, where these antagonism constituted an enormous impediment to Japan's rapprochements with this region before the signing of peace treaty.

At its inception in March 1947, there was no provision for relations with Japan.<sup>38</sup> But, taking the facts in economic connection with Japan pre-war and during war, it was difficult to exclude Japan. This reflected the wishes and hopes of many of the Asian countries, who thought that they could not consider their own economic reconstruction as recovery prewar levels without taking into account development in Japan.<sup>39</sup> A proposal was put to the ECOSOC for a revise of its terms of reference in order to include SCAP into a consultative basis, to the least, as there was unlikely to have direct relations with Japan. On 17 July 1947 this action was adopted.<sup>40</sup>

In short, the image of Japan in Southeast Asia in general was not a welcomed one and there were barriers in direct contact between Japan and the individual countries. ECAFE putting forth a collective voice proposition of promoting trade with Japan did, in a way, set a positive directions, amongst the "dilly dally" and the reserved

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<sup>37</sup> Wightman, 1963:37.

<sup>38</sup> Germany and Japan was excluded, in view of their aggressive role in the war. Singh, 1966:19-20.

<sup>39</sup> Incoming Message from State Department to SCAP (for POLAD), May 11, 1947. FSP2369.

<sup>40</sup> The provision stated that "the Commission may consult with representatives of the Supreme Commander of the Allied Powers in Japan and with representatives of the appropriate control authorities in Korea and may be consulted by them for the purpose of mutual information and advice on matters concerning the economies of Japan and Korea respectively in relation to the rest of the Asiatic and Far Eastern economy. Memorandum from Emerson, Ross to B.G.W. F. Marquat, August 25, 1947. ESS(A) 04987.

voices of Southeast Asian countries.

Why was channel through ECAFE important as compared to bilateral request? It is widely believed that international conferences "tend to promote rather than allay suspicion, and to create those very states of uncertainty which it is the purpose of good diplomatic method to prevent".<sup>41</sup> Multilateral diplomacy has come to suggest propaganda and insult, not the wholesome ventilation of differences among nations, but to spread out further unfavorable sentiments had some members of the conference manipulated successfully. This situation was indeed the most unfavorable one for efforts in promoting reacceptance of Japan by the Asiatic region, as most of the Asiatic members suffering from Japanese atrocities were still fresh in their memories of the happenings in yesteryears. Nevertheless, on the other hand, international conferences such as ECAFE provided a good platform for the political settings in Asia vis-à-vis relations with Japan. All the Asiatic countries had no formal relations with Japan as they were either still under suzerainty of their colonial masters or they were all still "at war" with Japan as long as the peace treaty was not signed. However, they could communicate through representatives at ECAFE conferences, exchanging views and information concerning policy making with related to Japan. It should be remembered that, the period during SCAP Occupation of Japan coincided with the colonial controls of most of the Southeast Asian countries. ECAFE thus, allocating representations for them, was the only main institutions which they could be represented and participated in regional politics in the absence of sovereignty, these countries, including Japan. Furthermore, ECAFE facilitated constructive usage by regional statesmen. To quote Pearson, the general international debate is parliamentary, in the sense that a major part of its value, "lies precisely in the ability to mobilize and focus opinions, to encourage the formulation, expression, and dramatic confrontation, of major viewpoints".<sup>42</sup>

Another fact which should be mentioned here is the strong influence of ECAFE secretariat. The Secretariat could make proposals and withdraw them without damaging the prestige of any government. Besides, it could also likewise secure amendments and deletions to the work program which governments may be reluctant to suggest for fear of being thought badly by the other members or being thought

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<sup>41</sup> Nicholson, 1954: 89. Quoted in Claude, 1958: 43-52.

<sup>42</sup> Pearson 1955: 65. Quoted in Claude, 1958: 43-52.

uncooperative.<sup>43</sup> These crucial roles of the Secretariat, had later contributed to the development of relationship with Japan, which was at that time considered to be in the pariah class and war criminal in the region.

### *P.S. Lokanathan and Japan*

Compared to most Southeast Asian statesmen who made policies on foreign policies with little experience in their work and often fall back upon Western practice for precedents,<sup>44</sup> Lokanathan was different, in the most prominent way that he had a clear vision for the economic development for the region. One of his farsighted vision which was claimed to be rather idealistic in the onset of postwar era was his vision in linking Japan, the great invader to the region during the war ended two years ago, to play the role of firehouse for regional economic reconstruction and development.

Even though no records could be traced that P.S. Lokanathan had been to Japan before 1947, he had a strong interest and expectations on Japan, especially on how Japan could help in achieving India's in particular, and the other Asian countries' economic wellbeing in postwar years. He portrayed his philosophy, in his making of policies during his years in ECAFE. In the following section, by compiling writings about Lokanathan by members of 'Dr. P. S Lokanathan Memorial Society' in '*Dr. P.S. Lokanathan Birth Centenary*',<sup>45</sup> a brief account on his background could help us to comprehend better his contribution during ECAFE office.

P. S. Lokanathan was born in a village in Tirunelveli (Tamilnadu), and was raised to fight against poverty. His choice of economics in profession was not accident. He joined the Economics Department of the University of Madras during WWI. In 1929, he took study leave from the University, to set sail to the UK, to the London School of Economics, and obtained a DSc in 1934, with two books titled "Industrial Welfare in India" and "Industrial Organization in India". After returning to India, Lokanathan became a Professor at the Madras University, the first editor of the Eastern Economist and building up the first image of the London Economist in India. In 1943, he left the University of Madras, as a Reader in Economics. From 1943, he joined the Eastern Economist as the first Editor, concentrating on economic policies and problems of the wartime day-- defense production, civilian shortage of goods and services, inflation and

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<sup>43</sup> Wightman, 1963: 320.

<sup>44</sup> Fifield, 1958: 58.

<sup>45</sup> Lokanathan, 1996.

taxation for the War. The paper covered these problems without packing the paper with tons of statistical materials, but in a scholarly way, with economic analysis in depth. The weekly discussed post-war economic problems well in advance of the termination of the War. Lokanathan invited leading economists to contribute articles.

Lokanathan enjoyed the confidence of the Indian Prime Minister Jawaharlal Nehru, who was greatly influenced by Lokanathan's sound and mature counsel. John Mathai was a close friend of Lokanathan. Lokanathan's association with Birla brought him into limelight. It was amusing of Birla to find the Eastern Economist taking a view totally different from his daily Hindustan Times. In 1945, Lokanathan was a member Secretary to the Indian industrialists' delegation to the UK and the USA; his choice was unanimous. Lokanathan was a delegate to the Asian Pacific Relations Conference, held at Delhi in 1947. At Delhi, it was Lokanathan's privilege to cultivate another great industrialist, Lala Shriram. Lokanathan was an ardent nationalist. He firmly believed in economic freedom of India as in its political liberation.

He wanted to build a self-reliant India which would earn enough foreign exchange to pay for her imports. He conceded the know-how in the early stages of national development. He was opposed to wasting time, energy and money in rediscovering known developments in the world. In his view, it was wiser to import the latest technology and then improve and innovate on them. He, however, deplored continuous import of technology, machinery and equipment which tended to inflate the capital cost of Indian industrial enterprises. While recognizing the need for liberal foreign aid in the early years of development, he said foreign aid did not mean automatic economic development. Foreign aid, to him was useless if it did not create the capacity to save. He argued strongly for indigenous manufacture of capital goods that could lead to import saving and deplored the inadequate allocation for research in this area. Most of these observations are relevant even today.

In 1947, when the UNESCO offered Lokanathan to join ECAFE, he rejected the offer because on a matter of principle, that only an Asian should head this commission. At that time, India was still under British colonization. Soon enough, the offer came back. He became the Executive Secretary of ECAFE, a rank equal to the Under Secretary General of the U.N.

Under Lokanathan's stewardship, numerous systematic studies were prepared on the economic problems and prospects of the region. He organized several working parties of experts from the region and outside, to study problems and come out with

recommendations, and he placed them before the countries of the region to develop their economies in a diversified and dynamic manner. His hand could be seen in all the important ECAFE documents. His introductory remarks and summing up at the meetings of the Commission were just superb – lucid, crisp, authoritative and persuasive.

The position was politically difficult and economically complex, but it offered him tremendous opportunities, which he used admirably, not so much for his personal glory as for that of the great organization which he guided and member countries in the region, during a difficult period.

Lokanathan made contribution towards Asian economic cooperation through the ECAFE. Lokanathan broke the resistance of the western powers, which were none too friendly to the idea of sustained Asian economic development, by asserting that outside powers which had voting rights should not interfere in matters affecting the Asian nations and that ECAFE existed primarily for advancing the interests of the Asian countries, at the Lahore Session of ECAFE in 1951.

Often times Lokanathan came into conflict with the UN HQ on the scope of activities of the ECAFE. But he always asserted the rights of the ECAFE General Assembly to formulate schemes of importance to the region and stood his ground.

After returning back to India from ECAFE, Lokanathan founded the National Council of Applied Economic Research, the first Chairman of the Indian National and the Asian Productivity Councils. A major set of early studies by the Council that was of great value and impetus to the inception of the national planning process, as India embarked upon its early industrial and agricultural development in the 1950', was the techno-economic surveys the Council conducted for most States. The techno-economic survey which besides a resource audit provided a perspective for the development of the State's economy within a plan framework, was exactly the kind of research input that the States needed.

Thus, as an academician turned government economist, Lokanathan with high nationalist esteem, welcomed Japan's technical assistance for an economic development through industrialization. Besides, as an educationist himself, Lokanathan must have realized that education was one of the main keys to Japan's civilization which was something which had to be emphasized on.

### 2.3. Indian Influence in Relations between ECAFE and Japan

Before discuss further the development of economic relations between Japan and ECAFE region, it is necessary to take a look at the motives of the leading country in ECAFE in forming such trend of interrelations. India, as discussed above, was the most dynamic country which attempted to merge the regional economies. At ECAFE level, India seemed to have voiced out for the good of the Asian region. By tracing the resumption of economic ties at the bilateral level, India demonstrated it strongest pursue of its economic and political national interest more prominently. After tracing the bilateral development, it could be argued that ECAFE served as another means in India's pursuit of national interests, not only economically but also in its relations with the super powers. It could be argued that the development of relations between ECAFE and Japan went collaterally with the development of Indo-Japanese economic relations, bearing almost the same prospects and problems. This further put to test the correlation of Indian interests vis-à-vis relations with Japan as put through in ECAFE.

As a country which did not suffer directly Japanese invasion during the War, different from other ECAFE Asian countries, India viewed Japan's contribution to this region with objectivity. The importance of this study is that India was the first Asiatic countries which promoted the resumption of economic relations with Japan in postwar years, against all odds of the dissenting sentiments found among the majority of the Asiatic countries. To stress again, Indian factors were favorable and would contribute to Japan's re-entry into ECAFE region, at the time while the whole region of Southeast Asian viewed Japan with suspicions fearing the military threat of Japan and the war time atrocities which were fresh in their memories, which could only be alleviated slowly by reparations.

Since independence in 1947, India had been very concern about its economic development. Besides promotion of trade, India strived to attain industrialization because it believed that a weak industrial base had adverse effect on the effectiveness of the country's foreign policy.

Besides, after freeing itself from the long colonial control, India since its independence started its struggle of economic independent from its former colonial master. At the Asian Relations Conference, held in New Delhi in March 1947, Nehru voiced out India's new stance of the new Asian nationalism that "the countries of Asia can no longer be used as pawns by others; [and] they are bound to have their own



policies in world affairs.”<sup>46</sup> Nehru’s grand policy in uniting Asian countries under the non-colonial notion was pursued by stressing the needs of interdependence among Asian countries. He argued that the economic development of Asian region had an effect on the other part of the area, as “one part of the world goes down economically, it has a tendency to drag others with it.” However, he stressed on the non-interference with any system, political and economic.<sup>47</sup> Also, to uphold some values India cherished since her independence initiated the process of decolonization, and India decided to support all anti-colonial, anti-imperialist struggles.

In order to understand India’s interest in ECAFE, a brief explanation on India’s economic and political interests in the Southeast Asian region is needed. In postwar years, India’s trade with Southeast Asia constituted an important place in its foreign income and vital for its economic survival. Trade with Southeast Asia ranked third after the UK and the US. The trade pattern could be characterized as India enjoying a predominant position in the field of trade with Southeast Asian region because of its advance in the fields of dyes, steel tempering, shipbuilding and superiority in handicrafts and craftsmanship. Furthermore, its trade developed well between India and Southeast Asian region because of the non-competitive but complementary nature of economies, with Southeast Asian region providing India natural resources which India needed. It was a common belief of the Indians that it was only the possibility of industrial development in India that could offer chances for the economic recovery of these areas. Indian economic planners also believed that if a truly satisfactory economy is to develop in this area, it can only be if India and South East Asia work out a “co-prosperity sphere” based on interdependence.<sup>48</sup> In such a relations, India thus regarded the instability, chaos, and insecurity, as well as the development of communism or the continuation of colonialism in Southeast Asia would make it difficult for India to function peacefully and achieve its goals at home and abroad. Now that colonialism was on the extinct, communism raged its influence in this area and created situation unfavorable to India’s development.

As regard to India’s interest in ECAFE, Meyer presented two reasons of why

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<sup>46</sup> Selected Documents on Asian Affairs: India 1947-50, Vol.II, External Affairs, 1959, Oxford University Press, Bombay, p.248.

<sup>47</sup> Selected Documents on Asian Affairs: India 1947-50, Vol.II, External Affairs, 1959, Oxford University Press, Bombay, p.254. Inaugural Address at the 3<sup>rd</sup> Session of ECAFE, Ootacumund, June 1, 1948.

<sup>48</sup> For a detailed study on India’s relations with Southeast Asian region, refer to Ton, 1963.

India perceived ECAFE was useful for its national interests. The first reason was that India looked to ECAFE with hope, as some other Asian members, that it would assist India and other Asian countries in redressing the economic disparity between the more developed and the less developed countries. The second reason was that India saw ECAFE as a means of consolidating an "Asian identity", more particularly of offering India a means of taking her rightful place on the global stage. Meyer further analyzes that India, in addition to these primary expectations, India concurrently started to look to ECAFE for assistance in realizing its objectives in establishing better relations with its Asian neighbours and to perceive some value for India in regional cooperation.<sup>49</sup>

India related these interests into its relations with Japan. India argued that since the war ended, India's industrial production was tending to fall due to the lack of new machinery to replace that which was worn out during the war.<sup>50</sup> Consequently, India was prevented from making her contribution to the economic rehabilitation of Asia and the Far East. Thus, India needed assistance from within Asian country to enable it to put its industrial development in place before it could contribute to the development of the region. Japan, was the immediate choice for India, besides the US and the UK. India's vested interest in Japan could be traced back to its effort in resuming economic ties with Japan.<sup>51</sup> Economic relations with Japan were not only an end, but a means to achieve India's foreign policy with the other countries concerned. Though it all connects to India's national interests, not only in political aspects, in its economic relations with Japan too, India demonstrated the same, with much leniency, goodwill and tolerance. India's relations with Japan which started in 1947 with the moral diplomacy of India, was predominantly economic in content.

India was one of Japan's biggest trading partners supplying raw materials, especially cotton, iron steel and pig iron in the pre-war years. However, after the war ended, the trade amount decreased tremendously. India believed that this was caused by the US led control of Japanese trade and the 'unfair monopoly by the US' in the case of trade between Japan and India.

As a member of the Allied Powers during the war, India was also one of the eleven members of Far Eastern Commission (FEC) since its commencement in February

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<sup>49</sup> Meyer, 1968: 201-202.

<sup>50</sup> Karunakaran 1952:369.

<sup>51</sup> A different forthcoming article by the author in January 2006 discusses in more detail about the resumption of economic relations between India and Japan since 1947. Lim, 2006.

1946.<sup>52</sup> Despite its status as a founding member of the FEC, India's economic relations with Japan were not taken into serious consideration in the formation of Japan's economic policy, not only in the distribution of Japanese postwar exports to the Allied nations, but also its import from these countries.

India was discontent with the occupation policy titled "Import-Export Program for Japan for 1947", which failed to recognize India as a principal market for Japan in respect to a large number of items and the designation of a very low share in other items of exports from Japan, as compared to her needs.<sup>53</sup> India was disappointed that Japan was not helping to solve the cloth problem in India as no rayon fabrics were allotted to India despite India's 90% consumption of piece-goods from Japan in artificial silk and rayon mixtures since pre-war years.<sup>54</sup>

Cotton trade, which was one of the main items in prewar Indo-Japanese trade, was cut off in post-war years. India was the biggest Asian cotton exporter to Japan, constituting 34.1%, ranked second after the US (54.2%), of Japan's total cotton import in 1934. Nonetheless, India's pre-war predominating cotton trade with Japan was interrupted and blocked under the Allied Occupation after the war. In 1946, Japan procured 195,568 metric tons of cotton from the US. India was eager to resume cotton trade with Japan because Japan was the main consumer of Indian short staple cotton which India used to grow in large numbers during the pre-war years. Due to the loss of markets during the war, India had to carry very large stocks of this cotton. Hence, when the war ended, India took every effort to regain this market.<sup>55</sup>

To look further into Japan's future trade pattern, SCAP was also firm that it was necessary for Japan to expand sales to areas accepting Pound Sterling payments, and thus it was necessary to increase the purchase of cotton from areas other than the

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<sup>52</sup> India was a member of FEC which was charged with formulating the "policies and principles, and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished." Besides, India was also a member of the Inter-Allied Trade Board for Japan which was composed of representatives of all the member nations of FEC. The function of the Board was to make Recommendations to the US government on the disposition of commodities available for export from Japan, the sources from which commodities should be imported into Japan, and the best arrangements for facilitating Japanese exports and imports generally. Besides stationing Indian representatives in the FEC, India set up an Indian Liaison Office, and later an Indian Trade Commission in Tokyo, to follow Indian government policies on Japan.

<sup>53</sup> From M. Ahmad to R.H. Whitman, April 29, 1947, ESS(A)05322.

<sup>54</sup> From M. Ahmad to R.H. Whitman, April 29, 1947, ESS(A)05322.

<sup>55</sup> *Report of the Indian Trade Mission to Japan*, New Delhi: Government of India Press, 1949, p. i.

dollar area.<sup>56</sup> This long term planning could have been the decisive factor for SCAP in making a bold start in securing cotton from India.

The agreement was reached after the negotiation between Indian Trade Mission and SCAP, signifying the breaking point of the economic relations between Japan and India, which had been unattended for two years. This was the first export from India to assist in Japan's economic rehabilitation. Japan would purchase a total of 170,000 bales of Indian raw cotton by creating an open account of 4,650,080 pound which made available the means to purchase various capital equipment and commodities.<sup>57</sup> This sale of 6,000 looms of cotton spinning machinery totaling 100,000 spindles, knitting machinery, accessory machinery and spare parts, was the first sale of Japanese textile machinery to India after the war. India was the biggest buyer in the Pound sterling group as compared to the UK which contracted 700 looms while Hong Kong purchased 35,000 spindles.<sup>58</sup>

The Indian Trade Mission to Japan made important reports to the Government of India after returning to India. It urged that it was essential to have immediate negotiations with SCAP to resume and revive private trade between India and Japan.<sup>59</sup>

The resumption of cotton trade signified one of India's first attempts not only to rebuild its trade relationship with Japan after war, but also to challenge the inequality of the White conquest over the Asian economic market. SCAP was eager to obtain raw materials from the Asian countries, to revitalize Japan's textile industry. As a result of this cotton contract, the realization of this resumption of sale also marked the resumption of the Japanese machinery export trade to Asian countries. This was the first success of the pulling force in Asia's postwar struggle in fighting against the domination of western power, championed by the US, in this case, which had interrupted recovery of pre-war trade pattern with Japan.

Thus, efforts were put into increasing trade between Japan and India following the signing of the Cotton Agreement with India in 1947. In March 1948, P. E. Pickelle, Chief of the Foreign Trade Division of Economic and Scientific Section (ESS) of SCAP,

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<sup>56</sup> SCAP to Washington, August 28 1947, ESS(C)06119.

<sup>57</sup> *Report of the Indian Trade Mission to Japan*, New Delhi: Government of India Press, 1949, p.90.

<sup>58</sup> Reuter Economic Service, April 14, 1948, ESS(A)05322 and in *Asahi Shimbun*, April 15, 1948.

<sup>59</sup> *Asahi Shimbun*, May 2, 1948; Reuters Economic Service, May 25, 1948, ESS(C)06118. According to the report, a large range of capital goods and equipment, mill stores and other goods were available in Japan – and presumably could be imported by Indian traders.

discussed with B. Rama Rau a proposal of sending a trade mission to India to explore room for mutual interdependence on the supply and demand of goods between India and Japan.<sup>60</sup> In April, a trade mission to India-Pakistan headed by William R. Eaton, Chief of the Cotton Branch of the ESS, departed to India to procure raw cotton and jute from these countries and to survey potential markets for Japanese industrial plant and machinery requirements.

In line with India's national policy of industrialization, it was hoped that India could be transformed from a supplier into an industrial nation through supplying raw materials to Japan "within the limits of India's program for industrial and economic development".<sup>61</sup>

Few observations could be derived from the resumption of cotton trade which was important to the future development of Japanese trade with India and with the ECAFE region at large. First, in the Cold War setting in Asia, although the US was reluctant to open up Indo-Japanese cotton trade, as it challenged the US cotton market, US gave in because US tried not create chances which for India to keep on making noises on its disagreement and bashing on the US in Asian region. Second, SCAP had a long term plan to start shifting back Japan's economy to non-dollar area, i.e. to the Sterling Pound bloc. Indo-Japanese trade could serve as the first step. Third, India made a compromise on the agreement terms because of its urgency to put in place its dominant cotton trade with Japan as in pre-war years. Although it was well accepted the fact that in economic wise, India wanted to use cotton trade in exchange for machineries from Japan, in terms of political strategy, India had a vested a strategy to demand for further requirements from Japan in the future, if India managed to create its advantageous status as important cotton exporter selling at a cheaper price than the US.

Economic relations with Japan became more important in postwar India, mainly due to India's adopting industrialization as its national economic policy. Nehru believed that in order to be free from exploitation and control of the colonial masters, India had to be industrialized. A brain child of eight Indian prominent industrialists, the 'Bombay Plan' was ratified by the Federation of Indian Chambers of Commerce and Industry (FICCI) in 1944. The purpose of the plan was to transform a predominantly agricultural economy into a more balanced one. The objective of this ambitious plan,

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<sup>60</sup> From P.E. Pickelle, to B. Rama Rau, March 8, 1948, ESS (C)06119.

<sup>61</sup> UP from New Delhi, May 8, 1948, ESS(C)06119.

estimated at Rs.100 billion spread over a period of 15 years, was set out to double the per capita income achieved through raising the output from agriculture by 130%, from industry by 500% and from services by 200%.<sup>62</sup> Furthermore, in April 1948, the first industrial policy resolution was formulated.

Hence, in line with Nehruism which championed independence from the West, including economic dependency, India looked to Japan. India had a vested interest in Japan, a potential Asian power which possessed the highest technical level; hoping that Japanese machineries and technology could be used in Indian industrialization. As ECAFE, especially the Indian representatives, had been pursuing, Japan could play a vital role in contributing to the economic development of this region. Other factors have been the availability and prices of machineries for cotton industries, in which Japan had a comparative advantage in Asian market.

Also, because trade relations between India and Japan after war was not viewed as important in by the occupation forces based in Washington, India put more effort in mobilizing regional economic development to support its own interests. Thus, ECAFE served as a major platform not only for Asian countries but especially for India to voice out its dissatisfaction and remedies on issues standing in the way of their economic development with Japan.

India, as compared to other Asian members of ECAFE region, enjoyed a more privilege status in influencing policies of Japan towards relations with India. India pursued its economic relations with Japan through the diplomatic means available. At the occupation policy planning stage, Indian voice was represented at the FEC in Washington. In Tokyo, Indian Liaison Mission and Indian Trade Commission had first hand access to the development in Japan. Lastly, in ECAFE, Indian voice and influence could be felt through its representatives at ECAFE sessions as well as the Secretariat.<sup>63</sup> The complementary of these diplomatic measures available to India was well demonstrated in issues of discussion in this study.

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<sup>62</sup> Lokanathan, 1946a: 52.

<sup>63</sup> The Indians formed the largest group in the ECAFE Secretariat, followed by Chinese and Thais. This pattern sustained for about ten years in since its inception. Some argued that the Executive Secretary, Lokanathan had so much influence in the secretariat in recruiting staffs, had a preference for his home state, Madras. In recruiting staff quickly, through his few choices available, he used the contacts he already knew. Wightman, 1963: 76-77. This was also an answer to the question of why in 1952 Lokanathan chose Okita to be the first official from Japan to ECAFE, among other Japanese economists. Further details will be discussed later on in Chapter five.

## 2.4 . SCAP Occupation Policies on Japan's Economic Relations with ECAFE

### *U.S. Non-involvement Policies towards Southeast Asia*

The attitude of the US was important in the sense that US was the main contributor of assistance to the region, at par with the UK. Expectations to US gained greater importance among the ECAFE Asiatic members because of two main reasons. First, historically, the US involvement in this region had been in line with its upholding of freedom and independence. Since prewar years, the US had been supportive to the anti-colonialism of the Asian members against their colonial masters, the British, the French and the Dutch. Second, in postwar years, the colonial masters in ECAFE region started to reduce their financial commitment to the region, in large part due to their priority in putting their own economic rehabilitations in house, as compared to the colonial territories. Furthermore, it was the US which had succeeded to end the war with its atomic bombs deployed at Hiroshima and Nagasaki. Therefore, the US was strongly expected for financial assistance to this region, because of its economic and military strength as compared to other western powers, when the war ended. The colonial masters from the Europe, had shown inability during and after Japanese attack, while the US on the contrary, became the hero of the war and continued to aid economic rehabilitation in Europe through the Marshall Plan.

Nevertheless, since ECAFE's establishment, the U.S government had been negative in its perception on ECAFE mainly for political reasons. The U.S. initially regarded that there was no substantial need for ECAFE and that its establishment pressed for by China and India, was only for reasons of the prestige of those countries only.<sup>64</sup> U.S. policy therefore was to minimize ECAFE until greater political stability had been established in China and elsewhere in Asia.<sup>65</sup> In line with this, SCAP was instructed that its relations with ECAFE should not be too close in view of potential disadvantages which might arise by virtue of Chinese and Indian desire to build up their own prestige in ECAFE.<sup>66</sup> It was such as in the case where US's agreeing to the establishment of ECAFE, was a way to get India and China's concurrence to the establishment of Economic Commission of Europe (ECE).<sup>67</sup> The US did not favor very much the establishment of ECAFE, and suspicious of its effectiveness as an organization. The US decided to continue effort to limit largely reconstruction to

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<sup>64</sup> Outgoing message from Atchson to WDCSA; May 13, 1947. FSP2369.

<sup>65</sup> Outgoing message from Atchson to WDCSA; May 13, 1947. FSP2369.

<sup>66</sup> Outgoing message from Atchson to WDCSA; May 13, 1947. FSP2369.

<sup>67</sup> Outgoing Message from Atchson to WDCSA, May 13, 1947. FSP 2369.

immediate relief and rehabilitation and keep ECAFE from becoming concerned with long-range development as well.<sup>68</sup> The only concern of US towards ECAFE to Japan was that ECAFE machinery may prove useful for mutual consultation on distribution of scarce imports and exports such as coal.<sup>69</sup>

Another reason for US lack of commitment to Asian region was due to the fact that the US lacked of concrete policy towards Southeast Asia in years immediately after the War. The US was overcommitted with its political interest in Europe which was signified by the launching of Marshall Plan. The US policies towards Southeast Asia were secondary to those towards the Europe. Unlike that commitment, US reluctance to be commit in Southeast Asia mainly because of the presence of the United Kingdom, and the Dutch. It was until late 1948, when the escalation of Cold War threat in Asia, and the declining of former colonial powers which created a vacuum of power in this region, the United States only then took Southeast Asia in its strategic consideration. Besides, instead of multilateral approach, the United States preferred to commit assistance through bilateral basis with the individual countries, in view of the strategic economic interests. This aspect will be discussed in Chapter four.

Washington felt that SCAP's relationship with ECAFE should not be too close in view of potential disadvantages which might arise by virtue of the Chinese and Indian desire to build up their own prestige in the Commission. Furthermore, in order to prevent interference of the other Occupation powers and to maintain US dominance in correspondence with ECAFE, the US got concurrence of SCAP on matters of consultation involving Japan to be exclusively made through SCAP and not FEC.

At the first session of ECAFE held in Shanghai, the Department of State instructed Monnet Davis, the US representative, to specify that US desire that studies be undertaken which would "be of a kind to assist in the carrying out of US policies vis-à-vis Japan and Korea in relation to other territories in the Far East." The US believed that it would be useful in this connection for ECAFE to study availability in Far East of critical raw materials and foodstuffs needed by Japan to expand her industrial production. Also useful, though perhaps less immediate, would be study of Far Eastern markets for possible Japanese exports. US suggests that if SCAP wishes to promote those studies, SCAP might wish to send 1 or more working members of staff

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<sup>68</sup> Incoming message from State Dept Marshall, State serial 167, May 8, 9pm; 11 May 47.; FSP 2369.

<sup>69</sup> Incoming message from State Dept Marshall, WAR SVC 6142, May 11, 1947.; FSP 2369.



familiar with the problems and data involved, for brief visit prior to June 16 to advise Davis.<sup>70</sup>

### *SCAP's Position*

Despite the passive attitude of the United States, as ECAFE was the first and only regional organization at that time, and at the time when information of this region were mostly closed and difficult to obtain, ECAFE served as a prospective place to explore information on the economic situation of member countries, which SCAP officials were of interest to. However, SCAP had no legal authority to get involved in ECAFE. At the First Session of ECAFE in Shanghai, June 1947; SCAP officials Emerson Ross and Frank Pickelle were sent as assistants to US representatives to attend the Session.

The SCAP occupation of Japan started with aims to demilitarize and to democratize Japan.<sup>71</sup> For the first purpose, industrial disarmament was carried out besides the abolishment of military forces. Japanese industries and factories especially those which constituted its military strength, were removed under the reparation programs to victim countries of Japanese aggression, if not demolished and readjusted to peaceful production. In order to democratize Japan, SCAP carried out a total reform to transform Japan from an Imperial centered power to a democratized entity. Institutional and social reforms, starting from the constitutional reform, education reform, agricultural reform, labor reforms, purges on ultranationalists, dissolution of zaibatsu and reorganization of the governmental structure, just to name the main ones.

After nearly two years of occupation, while the basic initial occupation policies in democratizing and demilitarizing Japan were achieved, SCAP ventured into the so-called "reverse course" in preparing Japan for a gradual return to the international society which was viewed as a prerequisite for a full-fledged economic revival.<sup>72</sup> Since the end of the war, Japanese production was low in general. This was because foreign trade had yet to resume to any substantial scale where imports of raw materials such as coal or iron ore were still insufficient.

During the allied occupation, trade between Japan and other countries was

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<sup>70</sup> Incoming Message from State Dept WAR SVC 6562, 5 June 1947; FSP2369.

<sup>71</sup> Important studies on SCAP occupation on Japan could be found in major work as cited in the bibliography by Dower, Ward, Amakawa and Takemae.

<sup>72</sup> Memorandum by General of the Army Douglas MacArthur, March 21, 1947, *Foreign Relations of the United States (FRUS)* 1947, vol VI, p.455.

carried out on a controlled government-to-government basis. Items traded were specified by SCAP, mainly for the purpose to relief famine and disease in the country and not for economic rehabilitation purpose. Japan's trade with its prewar Asiatic trading partners decreased in amount due to the change of post-war international political structure and also in major part affected by the lost of Japanese former colonial areas.

The Potsdam Declaration set a long-range objective providing Japan with eventual participation in international economic relationships. In the meantime, Japan would be allowed access to raw materials for the operation of essential industries and for the execution of reparations payments. In order to accomplish the objectives of the Occupation and maintain a minimum Japanese civilian economy, foreign trade was put under SCAP's control to import essential items necessary to prevent disease and unrest. It was approximately two years after the beginning of SCAP occupation that the occupation policy changed from that of strict control towards a more lenient control in terms of Japan's overseas trade relations. The urgency arose to promote economic recovery of the weak postwar economic performance. One way to accomplish this was through trade with Asian countries. What Japan lacked was not techniques but the acute shortage of natural resources in rebuilding its industries. Since the early period of the occupation, SCAP had prepared grounds for trade promotion between Japan and the Southeast Asian region. SCAP trade missions were dispatched to investigate Southeast Asia's requirements for items on Japan's export program and the availability of surplus raw materials and food in those countries and their willingness to supply imports for Japan.<sup>73</sup> In July 1947, ban on private foreign trade was lifted.

Thus, when ECAFE was established, SCAP, different from the State Department in Washington, was rather cooperative in promoting Japanese trade with the ECAFE region. The State Department was prejudiced with the conviction that the establishment of ECAFE was more a political propaganda of the "prestige" of India and China.<sup>74</sup> SCAP officials, however, anticipated a more practical economic consideration of ECAFE's regional role and its importance to the Japanese economy. Faced with Japan's slow economic performance, they considered that one of the ways out to their existing occupation problem was through meshing the economy of Japan with the

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<sup>73</sup> *History of the Non-Military Activities of the Occupation of Japan - Foreign Trade*, p.153.

<sup>74</sup> Atchson to WDCSA, Memo for record, May 13, 1947, FSP 2369.

economies of Asian countries.<sup>75</sup> This opinion was a long awaited green light to the Japanese ever since their completion of the first postwar policy paper towards ways of reconstructing the war torn economy. In this report, as discussed above, the Asian region was recognized as Japan's important trading partner, although it did not go so far as to merge the Japanese economy with the Asian countries, as this would again have resembled the notorious "Greater East Asia Co-prosperity Sphere" policy.

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<sup>75</sup> Memorandum from Sebald to Secretary of State dated 24 October, 1947. FSP 2369.

## 2.5 ECAFE Resolution on Promotion of Trade with Japan

### *Lokanathan Took Initiative in Resuming Economic Ties with Japan*

Before proceed on to examine reasons why promoting trade with Japan started as a vision together with the change in the postwar Asian economic structure, figures in charts below reveal some actual reality.

Table 2.1

Trade of ECAFE Countries with Rest of the ECAFE Region(a) expressed as Percentages of Their Total Imports and Exports

Country	Imports from rest of ECAFE region (per cent)			Exports to rest of ECAFE region. (per cent)		
	1937	1947	1948	1937	1947	1948
Burma	51.6 (1937/38)	46.5 (1946/47)	34.5 (1947/48)	66.3 (1937/38)	90.3 (1946/47)	85.0 (1947/48)
Ceylon	49.6	21.5	34.3	6.0	4.2	2.1
China	18.1 (1936)	17.7	20.2	23.5 (1936)	47.8	47.4
Hong Kong	57.8	43.3	37.8	62.7	61.4	58.3
India	16.4	6.7	12.7	10.0	11.5	23.9
Indochina	23.7 (1938)	12.6	11.6	23.6 (1938)	35.0	25.9
Indonesia	14.6	20.2	15.5	25.1	24.2	22.4
Philippines	10.4	4.6	...	2.0	7.1	...
Siam	47.6 (1937/38)	58.6	...	82.8 (1937/38)	78.0	...
Singapore and Malayan Federation	65.1	52.4	50.6	12.1	23.4	25.3

(a). The ECAFE region is taken to include British North Borneo, Brunei, Sarawak, Burma, Ceylon, China, Hong Kong, India, Indochina, Indonesia, Malayan Federation, Singapore, Nepal, Pakistan, Philippines, Siam, Figures are approximate in so far as, in certain cases, statistics for trade with all these territories are not available.

Compiled from source: ESS(B)13871

Table 2.2

Trade of ECAFE Countries with the United Kingdom expressed as Percentages of Their Total Imports and Exports

Country	Imports from U.K. (per cent)			Exports to ECAFE. (per cent)		
	1937	1947	1948	1937	1947	1948
Burma	19.7 (1937/38)	35.6 (1946/47)	47.6 (1947/48)	17.1 (1937/38)	7.2 (1946/47)	12.4 (1947/48)
Ceylon	22.3	16.5	17.0	45.6	34.0	36.4
China	11.7 (1936)	6.9	8.4	9.2 (1936)	6.6	6.7
Hong Kong	7.6	10.6	14.5	4.5	3.1	4.7
India	31.5	28.7	29.1	31.4	25.9	22.9
Indochina	...	1.7	...	...	...	...
Indonesia	8.3	7.7	7.4	5.3	2.6	2.2
Philippines	2.4	0.6	0.8	3.7	3.2	0.1
Siam	12.2 (1937/38)	6.6	...	1.6 (1937/38)	2.7	...
Singapore and Malayan Federation	15.7	19.3	19.0	11.1	16.1	14.1

Source: ESS(B)13871

Table 2.3

Trade of ECAFE Countries with Japan expressed as Percentages of Their Total Imports and Exports.

Country	Imports from Japan (per cent)			Exports to Japan. (per cent)		
	1937	1947	1948	1937	1947	1948
Burma	8.5 (1937/38)	---	0.2 (1947/48)	2.3 (1937/38)	0.2 (1946/47)	0.1 (1947/48)
Ceylon	6.7	0.7	1.4	0.8	---	0.1
China	16.3 (1936)	1.7	0.2	14.4 (1936)	1.9	4.3
Hong Kong	9.4	2.4	3.8	4.2	1.3	3.1
India	14.0	---	0.2	12.4	---	1.4
Indochina	...	0.2	...	...	---	...
Indonesia	25.4	8.1	15.1	4.5	1.5	2.9
Philippines	14.8	0.2	...	6.0	0.6	5.0
Siam	19.8 (1937/38)	---	...	3.5 (1937/38)	---	...
Singapore and Malayan Federation	5.8	0.5	0.7	6.7	1.1	1.1

Source: ESS(B)13871

Table 2.1, 2.2, 2.3 showed a comparison of importance of trading partners among the ECAFE Asian member countries. Trade within region was the most important source of foreign trade. It was mainly due to the similar level of costs and commodities. Except British colonial territories, trade with the United Kingdom- the master of Pound-Sterling Area- was the second source of trade for ECAFE regional members. Trade with Japan shared little significance as compared to the other categories of trading partners above.

Table 2.3 revealed the conditions of trade with Japan before and after War years. The percentage of trade with Japan shows that the importance of trade with Japan in postwar years decreased drastically as compared to pre-war years. Even though there was a slight increase from 1946 to 1947, the importance of trade with Japan never reached the level at par with pre-war years. What was, then, the rationale of ECAFE planners in setting a direction in promoting trade with Japan which led to the resolution in June 1948? First, there was a belief of the limitation of inter-regional trade with primary commodities shaping the pattern of trade. Second, it was an act to overcome the economic dependency over Colonial masters. Third, it showed a sign of accepting back Japan for the development of the region. Fourth, it was a voice of the developing countries, which had higher level of technology than the rest, which can absorb commodities from Japan.

Based on the above data, it could be concluded that to the developing countries of ECAFE region, inter-regional trade was the predominant one. Trade with Japan was important only to countries which had higher industrial level than the other "backward" countries.

However, by taking a look at the pattern of trade within ECAFE region, significance of trade with Japan would appear to lose its importance. The idea of linking Japan with the economic development of this region was first found in the debates prior to the establishment of ECAFE. In the debate in ECOSOC, besides setting measures in face of "the changes in the economic setting within the Asiatic region,... [noteworthy] the adjustments required to fill the vacuum left by the disappearance of Japan as a supplier, a consumer, and a competitor,"<sup>76</sup> it was argued that reparations of Japan might play a part in the economic reconstruction of devastated areas in the Far East.<sup>77</sup> They envisaged the role Japan could play in the region, as they observed "the new attitude of the people of Asia towards industrialization" which could be found in practically every Asiatic country, and there was a "widespread and insistent demand for modernization of the economy, in order to raise living standards."<sup>78</sup> This punitive thought might be different from what Lokanathan had thought. Despite this difference,

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<sup>76</sup> "Temporary Sub-Commission on Economic Reconstruction of Devastated Areas: Draft Report of the Working Group from Asia and the Far East," February 28, 1947, FEC 1486.

<sup>77</sup> Letter to Mr. David K. Eichler, Assistant Secretary, Far Eastern Commission (Secretary of the Reparations Committee) from Nelson T. Johnson, Secretary General, 25 February 1947. FEC 1033.

<sup>78</sup> "Temporary Sub-Commission on Economic Reconstruction of Devastated Areas: Draft Report of the Working Group from Asia and the Far East," February 28, 1947, FEC 1486.

Lokanathan could now convince ECOSOC of their expectations over Japan's role in the region.<sup>79</sup>

Promotion of trade with Japan as an alternative hope for economic development of regional members was to a certain extent due to the various attitude of the Western Powers. It left the developing and newly independent Asian countries disappointment when the Western powers which were relied upon with expectations and hopes disappointed them by reducing their involvement policies and by their passive attitude. Since the beginning, the US took a rather passive stance in contributing to and engaging in ECAFE's work as already mentioned in the earlier section. The UK was not keen in cooperating as its role in pioneering regional collaboration in this region through the Special Commission's organization in Southeast Asia was now being challenged by ECAFE.<sup>80</sup>

ECAFE's regional members, at any rate, appeared to hope that the Commission would act as a foundation and channel of aid from the West.<sup>81</sup> President Roxas of the Philippines in his address at the Second Session of ECAFE openly pointed out that the effectuations of plans lay in the lack of sufficient capital. He emphasized that the countries of Asia and the Far East needed help and assistance from other nations which were capable of supplying them.<sup>82</sup> President Roxas pointed out, indicating the US Marshall Plan, that regardless of the motives behind present plans of aid rendered to Europe, whether altruistic or materialistic such as securing export markets, Asia and the Far East countries was in need of such aid. Mr. Davis of the delegation of the US, however, presented a different view of the US government in this regard. He stated that while external assistance in one or another way would necessarily play an important part, some tendency was manifested to allow the question of financial assistance to assume undue prominence. He did not instruct specifically on the point of external assistance, and nothing in his statement could be interpreted as indicative of whether the US government was or was not prepared to extend financial support. While not denying the importance of external assistance, he stressed the importance of creating as expeditiously as possible self-supporting economic conditions deriving from a greatly augmented production and a revitalized and expanding foreign

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<sup>79</sup> Refer E/CN.11/45.

<sup>80</sup> For reference on postwar British regional involvement in Southeast Asia, refer to Tarling, 1998; Remme, 1995; Tomaru, 2000.

<sup>81</sup> Wightman, 1963: 40.

<sup>82</sup> E/CN.11/SR.15, p.3.



trade through national initiative.<sup>83</sup>

The United Kingdom too, was not in accordance with the approach ECAFE took to develop this region. Having an entirely different conception of ECAFE in mind, the United Kingdom pointed out that, if the Commission were to work along the lines suggested by some of the Asian delegates in the scope of international action regarding Asia's economic problems, there was the danger that it might usurp functions of other international bodies.<sup>84</sup> As the Asian countries insisted that the Commission must undertake some concrete action for their industrialization, which to them meant nothing but the development of heavy industry, the United Kingdom disheartened them and pointed out that the scope for international action for industrialization was strictly limited.<sup>85</sup>

These attitudes not only disappointed the Asian countries' view presented by the Philippine statement but also did away with their hopes towards the Western powers and forced them to look at Asian powers which would assist their economic development in the name of Asianism.

The evolution of the idea of promoting trade with Japan was first revealed in the visit to Japan by the Executive Secretary, Lokanathan. In October 1947, four months after ECAFE's first Session, Lokanathan, and his Executive Assistant, Colonel James Keen, wrote to the SCAP and upon his invitation visited Japan and have consultation with the SCAP.<sup>86</sup> The main purpose of this visit was to discuss matters concerning the relationship between the economies of Japan and the ECAFE region.<sup>87</sup> Lokanathan discussed with SCAP officials the working relations between ECAFE and SCAP which was necessary for the purpose of mutual information and advice on matters concerning the economy of Japan in relations to the rest of economy of Asia and the Far East.<sup>88</sup> This visit was a meaningful one for it embarked an auspicious beginning of the cooperative relationship. The Economic and Scientific Section (ESS) and Government Section(GS) officials present at the meeting, upon apprehending Lokanathan's suggestions and remark, had shown their willingness and frankness in

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<sup>83</sup> E/CN.11/SR.27, p.3-4.

<sup>84</sup> Singh, 1966:56.

<sup>85</sup> Singh, 1966: 57.

<sup>86</sup> E/CN.11/33; Lokanathan to MacArthur, October 18, 1947, FSP 2369.

<sup>87</sup> Refer to Document from Sebald to Secretary of State, October 24, 1947, *FRUS*, 1947, Vol. VI, pp.308-311.

<sup>88</sup> "Statement of the Executive Secretary at the First Plenary meeting of the 2<sup>nd</sup> Session", E/CN.11/45, 25 November 1947.

answering questions, and at the realization of the wealth of data available upon the economy of Japan, especially in contrast with that available in other areas of Asia and the Far East.<sup>89</sup> In an era where information were closed and scarcely released, to SCAP economic officials, ECAFE was the only important flow of economic data of Asian region. Early relations between SCAP and ECAFE could be characterized as a kind of low impact but potent information diplomacy through exchange of information and data before more remarkable and substantive cooperation could take place.

On reporting to the Commission, Lokanathan presented his optimistic view about the promising prospect of trade with Japan, which was then being hampered by several political factors. In his visit he revealed the fact that "while it [was] obvious that industrial recovery in Japan, in the face of desperate shortages of materials, had been truly impressive, the desired recovery can be brought to fruition only with the re-emergence of normal foreign trade conditions as a result of the peace treaty opening the broad avenues of peaceful trade with all countries."<sup>90</sup> Although this visit bore no immediate results or concrete planning because Japan's international trade was still under strict control of SCAP, it had a significant effect as an attempt to sound out and to assure cooperation from the occupation authority of Japan, and to assure them of these expectations from ECAFE. In a nutshell, this visit planned at the initiative of Lokanathan and by invitation of SCAP, had a groundbreaking impact in building confidence between the two organizations with regards to future Japanese involvement.

This visit revealed the initiative and personal preference of Lokanathan towards the belief that regional development could not do without taking Japan into consideration. It can be deduced that Lokanathan's preference of Japan not only coincided with India's national policy, but also reflected his strong sense of promoting solidarity and Asian economic regionalism in ECAFE. It was also because of the fact that when ECAFE was established, it went through a struggle against objections and pessimistic views from the West. As the first Asian organization which would represent the long forgotten voice of the Asian region in the United Nations society, economic support from strong nations within the region was important for ECAFE's prospect in surviving as an effective organization. Japan in this sense, was believed to be the future power of the region, and it could help in doing away with the Western powers' influence in this region.

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<sup>89</sup> Memorandum from Sebald to Secretary of State dated 24 October, 1947. FSP 2369.

<sup>90</sup> Note by Executive Secretary, E/CN.11/33, 20 October 1947.

In March 1947, a report was published by Research and Statistics Division of ESS, titled "A Possible Program for a Balanced Japanese Economy", identified the problems of Japan as an industrial nation, must rely upon imports of a substantial portion of her foodstuffs and necessary industrial raw materials. It was crucial for Japan to balance her international account by providing sufficient profitable exports. This report also recognized that Japan had acquired industrial capacities, skills, "know how", in the machinery, metals and chemicals industries which were urgently needed in the development of Far Eastern economic life. Furthermore, it elaborated natural complementarities between the economies of Japan – exporting chiefly higher fabricated goods – and other less industrialized areas which can supply Japan with food and raw materials while themselves developing a manufacturing base in textiles and other light industries. Japan faced with problems in foreign trade, raw material requirements, and industry. SCAP found a way out in ECAFE region. Thus, SCAP official went all out to seek possibility for Japan to resume and develop trade relations with ECAFE region.

Expectations of ECAFE drove out a series of proposals concerning the importance of trade with Japan and the utilization of Japanese industrial level. As we shall discuss in chapters later on, a brief statement would be made about the later development in ECAFE with regards to Japan's contribution. At the 3<sup>rd</sup> Session of ECAFE in October 1948, member countries were advised on the arrangement of possible exchange of natural resource with Japan for production and capital wealth. In November 1948, at the 4<sup>th</sup> Session, because of inadequate capital and infrastructure in ECAFE region, a study was made on the possible use of Japanese economic potentiality. These lines of achieving regional economic development through trade with Japan were finally instituted in a resolution on trade with Japan at the 5<sup>th</sup> Session in October 1949. However, trade had to be performed to an extent which did not hamper peace and economic development of ECAFE countries. To further emphasize the interdependence between ECAFE region and Japan, a report was published "Problems and Prospects for promotion of Economic Development of ECAFE region through increase of Trade with Japan". However, developing countries of ECAFE region faced financial problems, due to dollar shortage. Developing countries of ECAFE had been hoping to get foreign assistance from the West. The most targeted country had been the United States, judging from the fact of how Marshall Plan had worked for the reconstruction of Europe. However, since the beginning the United States had not been interested. At the ECAFE

4<sup>th</sup> Session, held in November 1948, many countries, especially India, Ceylon, Burma and Pakistan, hoped for and counted heavily on a large aid program from the U.S along the general lines of the Marshall Plan and in a magnitude of from 5 to 10 billion dollars.<sup>91</sup> Lokanathan, though not an Indian delegate, vigorously supported this objective.<sup>92</sup> On more than one occasion, he argued that the rehabilitation of the Asian economy instead of being regarded as an end worthy of direct perusal is too often merely looked upon as a desirable by-product; for there existed no corresponding Marshall Plan offer to Asia even though these countries needed it more than Europe. Although the US never even seriously entertained the possibility of launching anything like a Marshall Plan in Asia, the Indian government, for example, had continued to try and use ECAFE as a lever to gain important economic concessions from the West.

To the disappointment of the ECAFE members, the representative of the US, Ambassador Cowan, made it unequivocally clear in his first statement to the Commission that such aid was not contemplated by the US government and that ECAFE countries should call on available institutions such as International Monetary Fund and Import Export Bank, as well as to endeavor to encourage the use of private capital, both domestic and foreign. He further pointed out that the US had already made available large sums of money, directly or indirectly, to many of the States of the ECAFE region. In other word, though US contributed assistance on the bilateral basis for direct gains in bilateral relations, US had no comprehensive plans for this region which did not guarantee a return.

When the United States completely rejected this idea together with the idea of channeling any financial assistance through ECAFE, India's hopes were dashed to the ground. Wightman goes on and maintains that this unfulfilled expectation severely crippled the belief that the Asian countries could obtain more from the West by acting together rather than individually and was the first major setback for the regional cooperation.

A different approach was taken by Lokanathan in 1949, when he suggested that a U.S fund be rendered to the developing countries to purchase goods from Japan. In other way of saying it, Japan was used as a middle channel to bridge the reluctant US for financial assistance.

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<sup>91</sup> Fourth Session of ECAFE, report by David Maynard, FSP 185.

<sup>92</sup> Meyer, 1968: 203.

### *SCAP's Positive Response towards ECAFE*

Despite US reluctance in getting involved in ECAFE, SCAP in Tokyo took a different stance in order to carry out its occupation policy. This was because in March 1947, MacArthur indicated that, as the initial basic policy of occupation policy to demilitarize and to democratize Japan had been achieved, it was time to prepare for Japan's gradual return to international society with the signing of peace treaties. MacArthur believed that Japan's return to international society after the signing of a peace treaty served as the prerequisite for a full-fledged economic revival.<sup>93</sup> Some SCAP officials thought that trading patterns resembling those in the pre-war years which were disrupted by the war and the immediate postwar occupation policy should be formed again. This was an agreement about the indispensable ties between Japan and ECAFE regional members. SCAP sought to cooperate with ECAFE. Judging the fact that the recovery of Japan was inextricably bound up with the economies of the ECAFE regional members, prior to policy papers of Far Eastern Commission (FEC), Sherwood Fine, the Economic Advisor of the Economic and Scientific Section (ESS) was designated to attend the ECAFE Session in Baguio November 1947.<sup>94</sup>

Judging from the fact that ECAFE nations chose industrialization for their economic development, Fine observed that "Japan would continue to be their logical source of supply for fabricated and industrial products of virtually every description."<sup>95</sup> Fine reiterated that the promotion of trade between Japan and ECAFE region was for mutual interdependence.<sup>96</sup> However, understanding that ECAFE nations were still suspicious to Japan's economic recovery, he firmly believed that the increasing trade between Japan and the ECAFE nations as the beginning of another march by Japan to engulf the ECAFE region was not a valid argument, "rather, any concerted attempt to isolate Japan economically could only be achieved at a tremendous economic expense to

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<sup>93</sup> Watanabe, 'Sengo Syoki no Nichibei Kankei to Tonan Ajia – Senzengata 'SankakuBoeki' kara Sengo Gata 'Hangetsuko' e', p.29.

<sup>94</sup> At the ECAFE 2<sup>nd</sup> Session in Baguio, November 1947 Dr. Sherwood Fine, economic adviser to ESS represented SCAP as an observer; 3<sup>rd</sup> Session in Ootacamund, June 1948 was attended by Emerson Ross and Sapir M. Sending members of SCAP officials to attend intergovernmental meetings was before the pertinent Far Eastern Commission (FEC) policy decision being passed. MacArthur claimed to have acted on his general executive authority and in harmony with the policy of the US Government in permitting Japan to resume progressively the normal rights of a sovereign state. Blakeslee, 1994: 87.

<sup>95</sup> Memorandum from Sherwood Fine to Dr. David M Maynard, *Subject: Japanese Trade Relations with the ECAFE Region*, 3 February 1948. ESS(A) 04987

<sup>96</sup> *Ibid.*

the ECAFE nations.<sup>97</sup> The prospects of a US recovery program in Japan admitted the possibility of neighboring areas enjoying enhanced opportunity to purchase industrial and other commodity exports from Japan. Japan's recovery may add significantly in furthering a rapid recovery rate in the ECAFE region. In sum, Fine tried to convince ECAFE region that "ultimately Japan would place more importance on economic relations though it the current ties with the US was could not be erased at this time."<sup>98</sup>

One of the problems raised at the 2<sup>nd</sup> Session was the uneven triangular flow of trade among US-Japan-ECAFE regional members. There was a fear among the regional members over Japan's over dependence on trade with the US. This was because Asian members did not possess enough dollars to trade with Japan, and their export earnings of raw material could not balance their import from Japan. That was a continuation of the struggle for a sense of Asianism against Western rule. Despite foreseen financial problems, ECAFE tried to get Japan to trade more with the region. No one could easily foresee the future trading prospect accurately except through some reference to the past pattern of trade with Japan before the war. Intra-regional trade was well below its prewar level and one important reason was the almost complete disruption of trade with Japan.<sup>99</sup> Fine, however, conceded the fact that current economic relations between Japan and the US were essentially temporary in character, and the real direction of Japan's trade must be toward the prewar pattern, emphasizing the Asian region. Fine's idea was in the same tone as Lokanathan's views.<sup>100</sup> At the same time, some officials in ESB also valued an expansion of trade with Asian countries, because they realized that the high dependence on the US economy was a temporary one.

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<sup>97</sup> Ibid.

<sup>98</sup> Memorandum from Sherwood Fine to Dr. David M Maynard, *Subject: Japanese Trade Relations with the ECAFE Region*, February 3, 1948. ESS(A) 04987.

<sup>99</sup> Wightman, 1963: 235.

<sup>100</sup> Press release by Lokanathan, June 2, 1949. ESS(B) 15584.

## CHAPTER THREE

### ECAFE's Call for Japanese Technicians

This chapter studies how Japanese technicians reentered the ECAFE region within four years after war. Recognizing its advantages in technology, the Japanese policy makers had longed for the day when they would be able to exercise its "technology diplomacy" - diplomatic strength through its technological know-how - with the Southeast Asian region. This policy to allow travel abroad of Japanese was made at the time when the US was putting effort in granting more freedom for Japan to resume its international responsibility and contact. However, a detailed study revealed that this policy was attributed to the US but to ECAFE, which had pressed the occupation forces to lift the ban as to meet various expectations from its members. The immediate factor which had contributed to realize travel abroad of Japanese technicians to Asian region was materialized by the Indian factors.

#### 3.1 Japanese Initial Policies and Occupation Policies on Japanese Technicians

After defeat in the Pacific War, the importance of science and technology was reemphasized in rebuilding Japan, in its domestic welfare, as well as in its foreign relations with world comity. Nakayama argued that a group of Japanese policy makers, who were involved in technical aspects, thought that Japan was not defeated in the war of science, and thus science should be promoted to build a peaceful country. Tomizuka Kiyoshi, who was in the scientific frontier argued that since Japan had defeated in the war, urged that instead of rebuilding heavy industries in promoting war armament, Japan should direct its effort in the development of precision industries such as watch production, to build a peaceful country like the Switzerland.<sup>1</sup> Another group of influential scientists formed the *Minsyusyugi Kagakusya Kyokai* (Democratic Scientist Association) who appealed to the world with democracy and science. At the time when the Japanese lost confidence in the aftermath of war, this group of scientists upheld the spirit that even though Japanese were hungry physically, they were not, mentally.<sup>2</sup> Both these policymakers and the scientists reminded the war torn Japan of two things.

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<sup>1</sup> Nakayama, 1995: 8-9. The idea of Tomizuka later came to reality during the Korean War economic boom, when the quality of camera and lenses were highly evaluated by US military reporters and this led to the increase in production for exports markets. Nakayama, 1986:53.

<sup>2</sup> Nakayama, 1995: 10.

First, Japan should transform from military to peaceful democracy. Second, Japan could rebuild itself and approach the world through peaceful scientific and technology which was their invisible treasure.

In contrast to the above categories of thinking which looked to Japan's new face in the future, there were also a group of former military men and politicians who still considered on how technical assistance could be used to pursue the old dream of *Great Eastern* influence, especially in maintain Japanese influence in its former colonies. General Okamura Yasuji, commander-in-chief of the Japanese army in China and a leading China expert in the army thought that Japanese technicians could be used as a method to forge a cooperative relation between Japan and postwar China. He explained that Japan should contribute to the future restoration of the empire and the reconstruction of East Asia by clearing up the misunderstanding between Japan and China and by helping strengthen China whenever possible.<sup>3</sup> By dispatching Japanese technical experts to China on a large scale, it would help develop branches of industry (prohibited in Japan) in China, as well as mining and agricultural techniques.<sup>4</sup> In Okamura's view, now that Japan was defeated in war, the "only way it could provide assistance was through technology and experience." Okamura, Shigemitsu and other Japanese leaders, thought that technical assistance to postwar China had a political significance, as it would be a means to maintain and to strengthen Japan's influence in the country after Japan had failed in its military endeavor.<sup>5</sup> Nevertheless, the attempt to use Japanese technicians in postwar China as agents of resurgent Japanese influence in Asia, as envisioned by did not produce intended results.

Different from the political strategic based point of view, there were another group of thinking favoring the same idea of how Japanese technicians could be used to facilitate Japan's national interests. Horiuchi Tateki, Japan's minister in China since 1942, saw that, the future industrial recovery of Japan depended on both a steady support of raw material and foodstuff as well as a huge market. Since China possessed both, assistance to China in the form of Japanese equipment and skills was an indirect form of contribution to Japan's own recovery.<sup>6</sup> Takasaki Tatsunosuke, former

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<sup>3</sup> "Wahei chokugo no tai-Shi shori yoko" (18 August 1945), reprinted in *Senryo shiroku 2: Teisen to gaikoken teishi*, ed. Eto Jun (Tokyo: Kodansha, 1989), 1948-51. Quoted in Yang, 1998: 186-187.

<sup>4</sup> Yang, 1998: 187.

<sup>5</sup> Yang, 1998: 188.

<sup>6</sup> Yang, 1998: 189.



president of the Manchurian Heavy Industry Company, downplayed the role of politics, by stressing the necessity for Japanese technicians to restore the damaged enterprises which were built in prewar years.<sup>7</sup>

When the Yoshida Cabinet was set up in 1946, an informal "lunch meeting group" was formed, consisted of Yoshida's economic brain trusts. Kouno pointed out that instead of politicians Yoshida relied very much on the ability of academicians and bureaucrats when it comes to policy making.<sup>8</sup> Members of this group consisted of Arisawa Hiromi, Tobata Seiichi, Nakayama Ichiro, Uchida Shunichi, Hori Yoshimichi, Shirasu Jiro, Ushiba Tomohisa and Kaya Seiji. Okita Saburo was the secretary and Wada Hiroo was the manager. Their main recommendation was the reduction of military expenditure, improvement of technology, promotion of vocational training, economic planning, bigger governmental role in foreign trade and capital formation.<sup>9</sup> This group of economic planners referred to as *Arisawa family*,<sup>10</sup> later planed the famous "priority production" plan, which emphasized on the technique of pouring the scarce resource into the coal and steel industries before build up other industries. This plan confirmed that Japanese was aware of their shortage of raw material but were had a splendid of brain resource which was the only thing left for them to put their war torn economy on its feet.<sup>11</sup>

As mentioned in chapter two, Okita played an important role in the economic reconstruction of postwar Japan. Okita was also involved in the early planning on how to manage the problems of economic revitalizing and the duty to pay reparations in regardless of the slum in postwar economy. Okita recognized that Japan need to restore its strength in industrial level as it was important not only for domestic economic reconstructions, but also important in its foreign economic relationship. When the Pauley Commission on reparation put Japan in a pressing situation, which argued that Japanese reparations should take the form of dismantling and transferring existing

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<sup>7</sup> Yang, 1998: 189.

<sup>8</sup> Kouno, 2002: 46-47.

<sup>9</sup> Okita, 1973:21.

<sup>10</sup> Kanamori Hisao described the close relations of this group of "*jissen ekonomisuto*" (economists of actual fighting) as "Arisawa Family" with Saeki Kiichi, Sakisaka Masao, Goto and Okita as the brother siblings, Inaba as the *Oyabun* (Parents) and on top of that was Arisawa and on top of Arisawa was Ouchi Hyoe. Kanamori, 1985: 126-127.

<sup>11</sup> Later on, in Okita's observation tour to Europe and the US in 1950, he sensed again the important message that "while material things may be completely destroyed, human skills such as technology, organizational know-how and the will to work will always survive, and this observation inspired great hope for the future of Japan." Okita, 1983: 67.

plant, since payment of reparations in manufactured commodities would only strengthen Japan's production capacity; Okita compiled a report called "A Study of Japan's reparation Capacity".<sup>12</sup> Together with Asakai Koichiro, the then head of the General Affairs section of the postwar Liaison Bureau, Okita visited GHQ and submitted that to Pauley Mission. This was later evaluated as had succeeded in reducing the level of reparations exacted, which in turn directly contributed to the stabilization of the postwar Japanese economy.<sup>13</sup> Asakai recalled that Okita played an important role in this respect because of his experience and knowledge with regards to Japan's national resource, and his language ability.<sup>14</sup>

The "Committee for Research into Postwar Problems" as discussed in the previous chapter, also pointed out in their *Basic Problems for the Reconstruction of the Japanese Economy (Nihon Keizai Saiken no Kihon Mondai) Report*, the importance of promoting level of technology in lifting the living standard not only in Japan but also the Asian countries and thus it is desirable therefore, not that the growth of Japanese industries be restrained but that the industrialization of Asian areas including Japan be accelerated forcefully. Consequently, the industrialization of overpopulated and low-income Asian countries and the improvement of their people's living standards will provide vast markets to industrial exports from Western countries and contribute greatly to world prosperity.<sup>15</sup> The report identified that the task for Japanese technology, among other was to participate and cooperate in the industrialization of other Asian countries.<sup>16</sup> The report mentioned that the countries in Asia, which had surplus populations with low living standards, would "not necessarily welcome all of the industrial goods of the Western countries supply", and thus "there will be room for Japanese engineers to provide technical assistance" in those countries' industrial development. Because of its superiority in know-how over other Asian countries, its exports could be promoted by constant improvement of the quality of its manufacture exports to these countries.

A mention on the influence of *Toranomon kai*, the association of technologists,

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<sup>12</sup> Okita, 1983: 35-37.

<sup>13</sup> Okita, 1983: 37.

<sup>14</sup> Asakai, 1979: 30.

<sup>15</sup> Special Survey Committee, 1992: 91-93.

<sup>16</sup> Other tasks for Japanese economy as the report pointed out were: to contrive for a reinforcement of the zones of life by an intensive use of land, resources and energy; to maintain and develop export trade through technological advancement; to eliminate cheap labor; to contribute to the planned economy through technicalization of economy; and lastly to rationalize the people's lives as consumer. Special Survey Committee, 1992: 175-176.

is needed as this group of technicians were influential in the postwar economic planning, taking view from the perspective of technology. This Association was formed by Okita, Negishi Tadashi, Kato Mieji and Aki Koichi.<sup>17</sup> This group consisted of technologists from the ministries and agencies near *Toranomon*, and met to consider broad problems of technology and socio-economics. The *Toranomon Kai* contributed a great deal to the report of Committee for Research into Postwar Problems and formed a sort of technical auxiliary to the Committee.<sup>18</sup>

The idea of sending technicians abroad, as a form of "export" in the process of economic rehabilitation, though was found in some of the economic policy makers' mind. In as early as February 1947, a SCAP official had indicated to Japanese officials the possibility of having Japanese technicians employed in Asiatic countries for the good of Japanese economy, in procuring important raw materials from the Asiatic region. Okita and Ando, was told by this official that it was time for the Japanese to research on trade with Asiatic region as imports of food and raw materials such as petroleum from the US should be replaced by imports from Asiatic countries such as Indochina for petroleum.<sup>19</sup> The implication was that through Japanese technicians, to aid in development of raw materials, it would help securing those raw materials for Japanese economy.

Early perceptions of the Japanese economic policy planners on technical assistance took shape with the following characteristic. First, technical assistance to the Asiatic countries was meant to serve more on the purpose of Japanese machinery export. Second, technical assistance should be carried out in the way either through export of machineries or Japanese technicians, which would lead to securing Japan raw materials needed for their economic rehabilitation. Third, technical assistance could only be carried out in Asiatic countries whose industrial levels were high enough and compatible to absorb Japanese technology. In this case, India and China were potential destinations for Japanese machineries. However, at that time, it was still a taboo-like

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<sup>17</sup> The other members of Toranomon Kai and their various specialist areas were: Takiyama Yo, and Yukawa Ryuji (railway); Takamura Yoshihiro (electric power); Ito Toshio and Mori Goro (mining); Furusho Genji (electrical); Tabata Shintaro (iron and steel); Yoshikai Katsuyoshi (machinery); Takabe Masuo (medicine); Sasaki Chikashi (agriculture); Ono Kazuo (foodstuffs); Honjyo Kazuhiko (construction); Oiso Toshio (nutrition). The Toranomon Kai study groups were included in the report "The Basic Problems of the Reconstruction of the Japanese Economy" as chapters titled 'National Development', 'Development of Technology' and 'Improvement of Consumption'.

<sup>18</sup> Okita, 1983: 48.

<sup>19</sup> The meeting was conducted at 3 pm, among Ando, Okita and Edmonds. Okita Diary entry February 6, 1947.

issue as if this idea were to be voiced out from the Japanese as this would create the impression that the Japanese was planning another conquest.

### *Occupation Policy on Japanese Technicians*

Japan's high level of technology used in the war enable it to rage great attack and destructions during the World War II. Thus as the war ended, Asian victim countries of the war thought it just to demand reparations from Japan not only to pay for what they have lost during Japanese attack and occupation, but also to eliminate totally the fangs of aggression found in the heavy industries. ECAFE, however, viewed with objectivity the role of technology in Japan's reparation, that it could be used to develop the economies of its member countries. Technical assistance from Japan was highly hoped to assist the industrialization of member countries. Nevertheless, ECAFE since the beginning refrained from involving in the Japanese reparation policy making as this matter was to be determined by FEC. Instead, ECAFE requested for technology transfer on non-reparation basis.

In December 1946, Pauley Report recommended that Japan's excessive industrial plants and equipment which had made it invaded its neighbouring countries, should be used for reparations which would improve the economic balance, and contribute to the political stability, or Eastern Asia as a whole.<sup>20</sup> Pauley report believed that that Japan's superiority as the most industrial country in Asia should be demolished. In the future, with strengthened industrial systems, people in the Asian region should be able to trade with Japan on an equal footing, to resist Japanese economic control, and to forestall any attempt at renewed Japanese military aggression.

With regards to Scientific and technical equipment to be seized for reparations, Brigadier O'Brien, Head of the Scientific and Technical Division of Economic and Scientific Section (ESS), an Australian national, presented the following views to Pauley Mission. He recommended that equipment of all Japanese Army and Navy laboratories; equipment of other governmental or semi-governmental laboratories used largely for war work; all equipment 'regardless of ownership or location that is only of use for "prohibited" activities; other items judged suitable by GHQ for reparations, wherever found; and all looted scientific and technical equipment - which was to be

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<sup>20</sup> "Reparations from Japan, Comprehensive Program, Report to the President from Edwin W. Pauley", April 1, 1946, pp. -3-4.

returned to its original owners.<sup>21</sup>

However, the prolonged debate on reparation issue did not produce any concrete policy outcome. Due to the delay in deciding on amount of the transfer of machineries, some recipient countries urged the dispatch of Japanese technicians instead, to help reinstall to a certain extent war torn production facilities. This was the first time employment abroad of Japanese technicians was raised in connection to Japan's reparation. As there might have been needs in connection to the advance transfer of Japanese reparations to the Allied countries, the United States State-War-Navy Coordinating Committee (SWNCC) proposed that SCAP should be authorized to review requests by claimant countries to "employ when necessary, Japanese whose professional or technical competence can assist the installation and operation of industrial facilities removed from Japan on reparations account".<sup>22</sup> Japanese nationals, however, should be safeguarded from "involuntary employment, including the right to return to Japan if contractual obligations are not met". The idea of sending Japanese scientists and technicians in the recipient Allied countries seemed to be a milder version of idea proposed by O'Brien, Head of Scientific and Technology Division of ESS, in late 1945, which suggested that consideration should 'be given to the policy of the highest scientific and technical grades being given the opportunity of transfer of themselves, their activities and families to permanent residence in Allied countries to provide a form of reparations of brains and to deny Japan a war potential of high value'.<sup>23</sup> Besides, O'Brien was one of the few occupation officials who were critical in inquiring Japan's war responsibility, noted that 'Japan has made certain developments and techniques that may be of value to various Allied countries and these should be exported as a form of reparations.'<sup>24</sup>

Asiatic countries which were recipients of Japanese reparation, took a hard line on the travel abroad of Japanese technicians. In order to prevent an uprising of strong antagonism towards the Japanese as a result of their entering its territory, the Philippines, instead, preferred to send their technicians to Japan, in order to observe Japanese industrial plants as preparation for receiving such reparations from Japan when implemented.<sup>25</sup> The Chinese government, although being critical of the Japanese,

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<sup>21</sup> Dees, 1997: 54-55.

<sup>22</sup> Draft SWNCC Paper, March 5, 1947, FEC(B)1697.

<sup>23</sup> Dees, 1997: 54-55.

<sup>24</sup> Dees, 1997: 53.

<sup>25</sup> Memorandum of Conversation by R.W. Barnett, June 7, 1948, FEC(B)1697.

requested 20 Japanese technicians to re-install a paper mill at Canton, as a means of reclaiming reparation for Japanese destructive deeds during the war. Yang analyzed that some Chinese, felt it a humiliation having to rely on technicians from a defeated country if they had other choices.<sup>26</sup> However, it was a just request, for the Chinese to ask for the Japanese technicians as compensation to "an action flowing from the past circumstances of the Japanese looting of the mill in question and its subsequent restitution to China".<sup>27</sup> It should not be forgotten the fact that not only former colonies of Japan such as China, that on the one hand desired to obtain reparation for what the Japanese had destroyed. On the other hand, it could not be denied the merits and demerits of Japanese development of natural resources in these countries, and this influence was felt with the end of the war, when the Japanese were repatriated back and left the industries impossible to operate with the sudden withdrawal of Japanese technicians.<sup>28</sup>

Nonetheless, the United States Department of State was not in favor of the travel abroad of Japanese technicians of this kind. Yang argued that the US earlier was wary of Japanese contact in abroad, especially in the case of China. Its policy in later 1945 on the remaining of Japanese civilians in China revealed its suspicions on Japanese in remaining in China would be secretly striving for a resurgence of Japanese power and influence in the Pacific area to the exclusion of Western powers and would therefore directly jeopardize American interests in China. Its report on this issue further warned that the Japanese had begun a long-range program in China designed to pit Orientals against Occidentals, and to grow fraternal with the Chinese and turn the US Allies against it.<sup>29</sup> In contrast to the above, the US policy softened as years passed, recognizing the importance of postwar reconstruction in China for the peace of Far East. The US started to consider on the usefulness of Japanese technicians in achieving those aims. Although on the one hand recognizing that such travels were necessary for "the industrially undeveloped claimant countries to secure the use of skilled technicians", State Department was wary that such arrangements "increase the risks that are always present in recruiting labor or service abroad, namely those of involuntary servitude and the exploitation of labor."<sup>30</sup> Furthermore, by agreeing to this

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<sup>26</sup> Yang, 1998: 191.

<sup>27</sup> Memorandum of Conversation, Department of State, October 25, 1948, FEC(B)1698.

<sup>28</sup> Yang, 1998: 201.

<sup>29</sup> Yang, 1998: 192.

<sup>30</sup> C.O. Swayzee to Ringwalt, Martin, Borton, Walker, Hilldring, July 23, 1947, FEC(B)1697.

labor reparations program, it would go against the US attempt to safeguard the rights of labor and consequently lead to misunderstanding which would weaken the US position in "dealing with international issues involving moral considerations".<sup>31</sup> What worried them most was that such a program of labor reparations would "further complicate the already highly complicated reparations picture" which was still unresolved by the Occupation forces.<sup>32</sup> The US opposed Japanese workers recruited for labor abroad on reparation account, but had compromised and supported as to a substitute, the idea of voluntary recruitment. Referring to the case of Chinese request, the Department of State, would be prepared to support such a proposal, if SCAP raised no objection.<sup>33</sup>

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<sup>31</sup> C.O. Swayzee to Ringwalt, Martin, Borton, Walker, Hilldring, July 23, 1947.

<sup>32</sup> Allison to Claxton, June 30, 1948, FEC(B)1697.

<sup>33</sup> Outgoing Telegram from Department of State to Embassy in Nanking, #1167, August 12, 1948, FEC(B)1698.

### 3.2 ECAFE Resolutions on Japan's Economic Contribution

At the same time, efforts in promoting economic relations between ECAFE regional countries and Japan continued to be pursued at its session meetings. Foreign assistance in the form of technical assistance from Japan was proposed, representing expectations of Asiatic countries to utilize the Japanese technical assistance for their postwar economic development, and to replace those from the Western countries. At the ECAFE level, moves to create economic cooperation between the ECAFE region and Japan began as early as its establishment.<sup>34</sup>

The "Resolution on the Contribution of the Japanese Economy to the Reconstruction and Development of the ECAFE Region" was passed at the 3<sup>rd</sup> Session of ECAFE, in June 1948. This resolution recommended that "the governments in the ECAFE region give immediate consideration to the possibility of entering into working arrangements with Japan for the supply of capital goods, materials and consumer goods needed by them, in exchange for raw materials and other goods, and that consultations with the appropriate authorities be entered into for those purposes". It also provided that "such arrangements should be based, on the principle that within the limits set by the FEC and the Peace Settlement, when concluded, Japan's trade and industrial plans should be adjusted to the needs and requirements of the economic development of member and associate member countries."<sup>35</sup>

An awareness of the lack of technology arose among the ECAFE countries. Some potential recipients of Japanese reparation realized that for the successful use of Japanese capital reparations, a country required "technology, technicians, a flow of raw materials, and an appropriate general level of knowledge on the part of the people".<sup>36</sup>

Further to the above resolution, as an effort to build up the industrial level of the Asiatic region, ECAFE made an early attempt to pool and coordinate efforts in technical exchange among member countries. Also at this Session, a resolution was passed on "Technical Assistance in Economic Development."<sup>37</sup> Besides providing that ECAFE would make financial provision for technical assistance to underdeveloped countries, the Executive Secretary was made responsible "to secure opportunities for

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<sup>34</sup> For discussion on ECAFE's early attempts in approaching Japan in late 1947, see Lim, 2004:118-119.

<sup>35</sup> E/CN.11/113\*, June 11, 1948.

<sup>36</sup> Memorandum of Conversation by Warren S. Hunsberger, March 2, 1948, *FRUS* 1948, Vol. VI, p.955.

<sup>37</sup> E/CN.11/111\*, 10 June 1948.



technical training and the use of expert assistance within countries of the region and abroad.”

A long debate took place with voices from the assenting and dissenting Asiatic countries as well as the Western members as these resolutions dealt with a progressive promotion of economic relations with Japan. India took the leadership in supporting a constructive cooperation between the ECAFE region and Japan. H.S. Reddy, the Indian representative, emphasized the contribution of Japanese capital to the economic development of this region. This was because the industrially advanced western countries which India depended on for the supply of capital goods and equipment, channeled capital goods “from the view of political angle rather than from an economic standpoint”.<sup>38</sup> He referred to the attitude displayed in the material assistance given to the Western European nations as compared with the attitude in regard to the same requirements of the ECAFE region. Although criticizing the western calculation of strategic interest, Reddy still welcomed the assurance of help given by the US and urged that assistance in the way of capital goods and equipment to the ECAFE countries was more urgent than the Marshall Plan aid to Europe.<sup>39</sup> Thus, Japan which possessed the highest level of capital technology was anticipated to contribute to the regional economic development.

In the same tone, the Indian Prime Minister, Jawaharlal Nehru also implied in an ethical argument that the have-nations should assist nations in need for capital equipment and industrial skill for their economic development, but without strings of political or economic domination attached.<sup>40</sup> To achieve the goals of the whole region, Nehru made it clear that India was willing to play the leading part in “serving the common cause” for Asian co-operation but deprecated the domination of Indian autonomous leadership in ECAFE as perceived by most of the other western powers.<sup>41</sup>

The UK, which had been coordinating regional development, however, was not in favor of the industrialization way of development chosen by the ECAFE developing countries.<sup>42</sup> In order to avoid being condemned as preventing the Southeast Asian nations from development, P.J.H. Stent, the UK representative, agreed that “a considerable measure of industrial development was necessary to raise the standard of

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<sup>38</sup> E/CN.11/SR.42\*, June 29, 1948, page 3.

<sup>39</sup> E/CN.11/SR.42\*, June 29, 1948, page 4.

<sup>40</sup> E/CN.11/SR.30, June 23, 1948, p. 3.

<sup>41</sup> E/CN.11/SR.30, June 23, 1948, p. 4.

<sup>42</sup> Singh, 1966:55.

life" in the ECAFE regional countries, which would benefit the whole world. Therefore, he shared the same idea with Nehru that "highly industrialized Western countries should give all the assistance they could for the effective industrialization of the East."<sup>43</sup> However, though UK as the traditional source of supply of capital goods for India and Southeast Asian countries, was in entire sympathy with the desire for rapid industrial development of the ECAFE countries, it was not able to make available for export the capital goods required by Asian countries until its own industries which was disorganized during the War had been rehabilitated and its heavy external debt problem being solved.<sup>44</sup> For this reason, this vacuum of capital goods supplier, further provided a good chance for Japan to fill in, if the Asiatic countries desired it.

Dissenting voices came from the Chinese delegation about ECAFE's resolution which would defeat the functions of FEC in determining the economic level of Japan. C.M. Li, the Chinese representative, resented that if ECAFE were to take the resolution, it had to indicate the expression of an intention on the part of the member countries with regard to the Japanese economy. Therefore, on behalf of the people who had suffered from Japanese aggression, Li pressed for the retention of the resolution as it stood.<sup>45</sup> China insisted on inserting the phrase "that such arrangement should be based on the principle that within the limits set by the FEC and Peace Settlement when concluded Japan's trade and industrial plans should be adjusted to the needs and requirements of the economic development of member and associate member countries." China wished to insert her view on the economic future of Japan in a resolution approved by the Commission as an indication to the US particularly that China and other Asian countries would not agree to the reestablishment of Japanese industrial supremacy in Asia.<sup>46</sup>

### 3.2.1 ECAFE's Request for Japanese Technicians

Resolutions on "Contribution of the Japanese Economy to the Reconstruction and Development of the ECAFE Region" and "Technical Assistance in Economic Development" were passed at the Third Session of ECAFE in June 1948. These resolutions opened up ways to invited Japan into regional development plans through

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<sup>43</sup> E/CN.11/SR.35\*, June 3, 1948, p. 2.

<sup>44</sup> E/CN.11/SR.35\*, June 3, 1948, p. 2-3.

<sup>45</sup> E/CN.11/SR.39\*, June 29, 1948, p. 9.

<sup>46</sup> This was an observation of the Australian delegation at the Session. "Report on Third Session", NAA, A9879, 9121/7.

the supply of capital goods, materials and consumer goods needed by this region. With these resolutions, ECAFE hoped that the industrial level of this region would be built up by acquiring technical exchange among members and especially importing technology from Japan.

In an ECAFE report on technical assistance, it was stated that Japan was opted as the better choice when compared to other Western countries because the former was not so difficult to obtain as compared to the latter in view of the heavy demands all over the world.<sup>47</sup> There were two categories concerning the supply of expert personnel to countries of the ECAFE region - namely experts other than Japanese, and Japanese experts.<sup>48</sup> This discriminative categorization was believed to simply based on the allied - enemy basis during the War. Japan, although had no formal relations with the ECAFE regional countries, and was not yet an ECAFE member country, was expected to perform *de facto* involvement through technical transfer. This could only be done through ECAFE's, which performed its functions through functional considerations. Demand on Japanese technicians was also because of the fact that it was not so much difficult to obtain as compared to the other categories because of the gap between availability and the heavy demand all over the world for their highly qualified technicians. In the Japanese case, the difficulty was not so much that of availability but was more on the political and other considerations involved in the use of Japanese personnel outside Japan.<sup>49</sup> Another reason of the high demand on Japanese technicians was in connection with Japanese pre-war activities in ECAFE region which related to postwar trade expansion. Some of the industries left by the Japanese before and during war required the same technique to re-operate them. Purchase of Japanese machineries after the war, too, requires technicians to accompany them for operations which the local ones could not handle. Among the ECAFE regional members, requests from India and Pakistan formed the largest amount.<sup>50</sup>

Despite the fact that hatred still lingered in most of the Asiatic countries, ECAFE served as an undeniable force that pulled Japan into the regional economic development and that force rested on the anticipation that Japanese economy could

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<sup>47</sup> "United Nations Programme of Technical Assistance for Economic Development Report by the Executive Secretary", September 6, 1949, E/CN.11/200.

<sup>48</sup> "United Nations Programme of Technical Assistance for Economic Development Report by the Executive Secretary", September 6, 1949, E/CN.11/200.

<sup>49</sup> "United Nations Programme of Technical Assistance for Economic Development Report by the Executive Secretary", September 6, 1949, E/CN.11/200.

<sup>50</sup> Refer to Appendix.

serve as the engine of the economic development of this region.<sup>51</sup> Acting carefully by separating its economic gains from political implications, ECAFE demonstrated a practical and pragmatic attitude of the key Asiatic members in approaching countries which could respond to the interests they pursued.

It was clear that in many cases the new states of the region would rather receive economic and technical aid on a multilateral than a bilateral basis. Some argued that it was easier for a sovereign state to accept the decision of an international body like a council or a commission of the UN than the verdict of a single government.<sup>52</sup> In this matter, by submitting requests to ECAFE, developing member countries would then let ECAFE take over the requests and directed them to the respective country with expertise in fields required. What was significant in this system was that it went through multilateral channel, which bypass some difficulties in bilateral contact. To the developing countries, sometimes it would be easier to get required experts through ECAFE than through local government channel. The supplying countries might not entertain direct bilateral request from the developing countries, but if they could reply to the request from ECAFE over the same request from developing countries; this would raise their prestige by showed that they were cooperative with the United Nations.

### 3.2.2 US Support for the Travel Abroad of Japanese Technicians

With regards to using the Japanese technicians, it should be made clear that there were basically two kinds of requests for sending out of Japanese technicians. The first was request for technical assistance in the form of "reparation". Technical assistance with connection to "reparation". The second type of request was technical assistance for non-reparatory industry or plants, among which existing industries in Southeast Asian region connected to technical know-how on Japanese machinery purchased. Requests from ECAFE belonged to the later category, because reparation claims were managed directly by the claimant countries and ECAFE had no capacity to act on reparation claims of its members.

Apart from the request for Japanese technicians as a form of reparations claims, there were requests from Asiatic countries such as India, for non-reparation concern of technical transfer from Japanese industries and technologies. The US considered these requests with favor as compared to the requests linked with

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<sup>51</sup> Lim, 2004: 116-117, also the role of P.S. Lokanathan in page 118.

<sup>52</sup> Fifield, 1958: 463.

reparations.

Since 1948, following the development of the Cold War environment in the Asian region, US policy with regards to Japan's external relations with the Asiatic countries changed gradually. The US conceived that Japan should step-by-step be granted by the FEC, in large measure, the rights, both in domestic and foreign matters, which would normally be obtained only by a treaty of peace.<sup>53</sup> In order to do so, the US initiated and proposed to the FEC policies such as "Policy for the Interchange of Persons between Japan and Other Countries"<sup>54</sup>, and "Travel Outside Japan of Japanese Commercial Representatives"<sup>55</sup>. The US representative at FEC, Major General Frank Ross McCoy, rebutted the preventive policies on Japanese "Attendance at Inter-Governmental Conferences"<sup>56</sup>, proposed and fought for an amendment, to permit Japanese participation with conditions and under SCAP's supervision.

While the above-mentioned policies which the US initiated in the FEC had direct political meanings for the Japanese, on the contrary, policy on travel abroad of Japanese technicians was more meaningful to the recipient countries for the direct benefits reaped by them rather than by the Japanese. Furthermore, the US actually had "no very important practical interest in this question as the real beneficiaries of the policy would be the Asiatic countries" which would receive Japanese technicians to help in their industries.<sup>57</sup> The main benefit for the US was that part of the salaries paid to the Japanese technicians would help "reduce at least in slight degree the burden of the occupation on the US".<sup>58</sup> The US also "had no valid reason for objecting to the proposal and to the extent that it would help end Japan's isolation and to bring Japanese back into direct contact with the people of other nations", the US would have "a positive interest in furthering it."<sup>59</sup> In considering the relations between the US and the other FEC members, which started to sore since early 1948, the US was reluctant to start a proposal on the matter of technician's travel, in order not "to arouse the suspicion and hostility of certain of the other FEC members".<sup>60</sup> The new position taken by the US in its leniency towards Japan, in terms of reparations and Japan's return to international

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<sup>53</sup> Blakeslee, 1994: 228.

<sup>54</sup> Blakeslee, 1994: 80-82.

<sup>55</sup> Blakeslee, 1994: 94-96

<sup>56</sup> Blakeslee, 1994: 83-87

<sup>57</sup> Allison to Claxton, June 30, 1948.

<sup>58</sup> Allison to Claxton, June 30, 1948.

<sup>59</sup> Allison to Claxton, June 30, 1948.

<sup>60</sup> Allison to Claxton, June 30, 1948.

society, especially, was opposed by nearly all of the other FEC members.<sup>61</sup> In such a situation, weighing the benefit reaped from this proposal as compared to the others, the former was not picked up by the US, so as not to weaken her position on later categories, i.e. the cultural and commercial exchange papers which were still under consideration by FEC.<sup>62</sup>

State Department figured out the best way to push through this policy, without losing ground on the US side, which was to advise other FEC members informally and persuaded them to propose at FEC meetings. However, no country was willing to start a proposal at the FEC level for this policy. In approaching its Asiatic allies, the US knew that the Philippines would likely not cooperate because of the anti-Japanese sentiment in the Philippines. R.W. Barnett, the US representative at FEC, informally advised J.U. Jovellanos, the Philippines representative to suggest hiring Japanese engineers, technicians and foremen to assist in the re-erection and re-operation of reparations facilities being removed to his country. Jovellanos did not fully accept the US suggestion and explained that there still remained in the Philippines "the strongest antagonism towards the Japanese people and dislike of the prospect of having any of them around".<sup>63</sup> Jovallanes pointed out that the policy simply could not be carried out in the Philippines, unless the government would publicize the fact that these Japanese were there only in order to make good on their reparation obligations.

Approaching China, would not be prospectus either. The Chinese Government, although allowed the travel abroad of Japanese technicians on the reparation basis, did not equate this stance to Japanese traveling abroad in other categories like what the US proposals appealed in the FEC. It made a distinction between its stances that the former dealt with the past deeds of the Japanese, whereas the latter dealt with the "future".<sup>64</sup>

The last and most prospective resort for initiating a proposal of this kind was with India, which not only held on to its non-aligned stance, sympathetic to Japan, but had also expressed interest in securing the services of Japanese technicians since a year and a half ago. The US predicted that if India were to put a policy paper in the FEC "it would probably go through far more readily than a US paper, particularly where the

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<sup>61</sup> Blakeslee, 1994: 228.

<sup>62</sup> Allison to Claxton, June 30, 1948.

<sup>63</sup> Memorandum of Conversation by R.W. Barnett, June 7, 1948.

<sup>64</sup> Memorandum of Conversation, Department of State, October 25, 1948.

USSR was concerned".<sup>65</sup> Furthermore, as the US would not benefit directly from the program, it would save the US from possible trouble and attack from other countries, and let the beneficiary country carry the burden of the argument and possible opposition from other member countries.<sup>66</sup> However, though India was keen in receiving Japanese technicians, India was not in a position to initiate a proposal to FEC. Not until the signing of a peace treaty with Japan, India considered itself to be "technically still at war with Japan", deterring India from actions which would have been like "begging" Japanese to come to India.<sup>67</sup> Its political institutions, not recognizing formal relations with Japan were not likely to act on this in recognizing Japan as a sovereign country, although her economic institutions were keen on such policies as this would enhance economic relations with Japan.<sup>68</sup> India's low profile and lack of clarity in its foreign relations at FEC level was mainly due to its preoccupation with domestic problems, as a newly independent country. Even though India was not a prominent policy initiator, it was a strong supporter on policies which were aimed for the revival of Japan in economic aspects.

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<sup>65</sup> Allison to Claxton, June 30, 1948.

<sup>66</sup> Allison to Claxton, June 30, 1948.

<sup>67</sup> Memorandum of Conversation by David K. Eichler, February 15, 1950, FEC(B)1697.

<sup>68</sup> This attitude is deduced from the clear demarcation in Indian governmental institutions in distinguishing the level of official communication with Japan; from the conversation in the following document, *Seki shocho kara Yoshida daijin e*, November 11, 1950, "*Nihon-Indo kan gaikou kankei zakken, Nihon gaikou kiroku bunsyo*", Reel A'0124. Furthermore, as India was still a new nation in its way to formulate national policies, there was most of the time a sharp contrast between the Indian political official position and the commercial institutions and interest groups activities.

### 3.3 SCAP's Hesitation

Before continue to discuss SCAP's stance on this issue, in order to prevent misunderstanding on SCAP's delay in deciding on a policy, a brief account on SCAP's policy towards the development of technology and scientific advancement in its postwar revival is needed. This will thus give a more balanced view on SCAP's reserved position in this matter. Even though it was proven that the high technology level of Japan caused her partial victories over the Allied powers and great destructions in its previous wars with Asia pacific neighbors, this fact did not make SCAP officials curbed at all postwar development in science and technology of the Japanese. Through strict controls and surveillance, the development of scientific and technology was allowed to develop for the postwar economic development. In November 1946, the Scientific and Technical Division was established in ESS, headed by O'Brien, as mentioned previously.<sup>69</sup> The division's main task was to collect, examine scientific and technical data concerning industry in general, recommend scientific projects permitted to be taken by Japan and make policies related to the development of scientific and technology. In O'Brien's Appreciation which dealt at length with the questions of reparations, he also recognized the need to utilize Japan's scientific and technical resources to help overcome the loss of resources earlier available from the Japanese colonies, and the importance of allowing the pursuit of pure research to enable Japan to regain self-respect and to be peacefully inclined nation.<sup>70</sup> In contrast to the destructive policy on the Japanese industrial capability as laid down by the Pauley report for reparations, O'Brien recommended that no restrictions should be imposed on fields such as fishing, agriculture, forestry, medicine, food preservation and transport, tanning and textile technology, cement and ceramics and 'any research directed solely to the extension of human knowledge of natural phenomena excluding' aerodynamics, nuclear physics, ballistics and specified fields of electronics.<sup>71</sup> O'Brien recognized the role of science and technology might come

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<sup>69</sup> A brief account of O'Brien is needed to further understand the changes of his opinion towards Japan, as an Australian military staff. Bowen Dees recalled that O'Brien initially shared the general Australian attitude towards Japan that Japan in postwar years deserved to suffer because of their war act. When he first arrived in Japan after the war ended, his first task was to see what Japanese scientific and technical developments might be useful to his country, but as his group learned how little of use they could find, and saw how badly crushed Japanese industry had been, his point of view changed. Thus, Dees observed that while O'Brien never totally overcame his dislike of the Japanese, from early 1946 onwards, he joined the others in trying to find ways to improve the Japanese economy. Dees, 1997: 338.

<sup>70</sup> Dees, 1997: 53-54.

<sup>71</sup> Dees, 1997: 54.



to play in Japan and thus while many schemes and activities proceeding to smash undesirable potentials, "we (occupation force) have one that must go on for rehabilitation" and "it should not be smashed but encouraged under control".<sup>72</sup> With strict controls, industries and technology with peaceful operation means which were important for Japan's economic revival were permitted and encouraged.

Since 1948, SCAP's occupation departed on a new wave of policies towards Japan's economic rehabilitation. This so-called 'reverse course' was implemented on the belief that the initial targets of occupation, which were to demilitarize and democratize Japan had been achieved, and that it was time to allow Japan to build up its own economy and to return to the international society as provided in the Potsdam Declaration. In June 1947, the State-War-Navy Coordinating Committee (SWNCC) worked on a paper entitled "Policy for the Interchange of Persons between Japan and Other Countries."<sup>73</sup> This paper was considered important to SCAP as in the course of planning for revival and readjustment, it was deemed important for Japan to reestablish contact with the outside world. With the opening up of foreign private trade in July 1947, in addition to allowing foreign traders to enter Japan, policy allowing Japanese commercial representatives to go abroad was put under consideration in FEC. In this concern, employment of Japanese technicians abroad, especially to the Asiatic region, would not only secure Japan raw materials which Japan needed, also served as a way to expand the markets of Japanese machineries to this region. By right, SCAP would be no less keen in favoring this policy to achieve their occupation objectives.

Furthermore, in contrast to the strict Pauley Report on reparation policy, occupation policies changed from punitive to reconstructive when after Strike and Johnston Reports were released. Both committees concluded that the quantity of capital equipment in Japan which could be properly considered in excess of Japan's peaceful needs had been greatly overestimated. Clifford Strike concluded in his report in February 1948, that removal of productive facilities (except primary war facilities) which can be effectively used in Japan would hurt world production; would reduce the

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<sup>72</sup> For the above reason, O'Brien considered that a) Japanese scientific and technical ability should not be reduced to small isolated units but consolidated within a framework of cooperative effort, b) Existing laboratories should be reapplied where most advantageous either in Japan or abroad, c) Activities of all laboratories are controlled... regarding those with possible military implications is unnecessary, d) Scientists, helpless before the war to influence policy, must be given an opportunity to obtain cooperative power in a democratic manner, not to be kept in a position to be merely tools in the hands of authority. Dees, 1997: 90.

<sup>73</sup> FEC 260, June 26, 1947,.

likelihood of her becoming self-supporting, and in any case increase the time required to accomplish this objective; would be expensive to the American taxpayer; and in the US opinion would not be to the best interests of the claimant countries.<sup>74</sup>

Percy H. Johnston, stated in his report that there should be reduction in reparation to retain for the rehabilitation of Japan's peacetime industry a substantial number of machine tools of modern design. Only by retaining such tools could the peace-time industry of Japan quickly be rehabilitated on an efficient basis. In view of the development of the last two years and the continuing deficit economy, there was a cumulative urgency for the rapid rehabilitation of Japan's industry.<sup>75</sup>

In other words, these reports suggested that the US should help build the Japanese economy through rebuilding Japanese industries and to forge asymmetrical trade pattern with other Asian countries in importing raw materials and exports of manufactured goods.

With regards to achieving the above aims, in fact, since early 1948, SCAP executed its authority to screen and permit Japanese to travel abroad when essential in the furtherance of the "rehabilitation and reorientation programs". Moreover, there were requests for employment abroad of Japanese technicians, not only from Asian countries but also European countries. Despite these demands, SCAP took precautions in making it a publicized policy to permit Japanese technicians to travel abroad.

When Lokanathan, the Executive Secretary of ECAFE, made a formal request to SCAP for technical exchange between ECAFE regional members and Japan after the ECAFE resolution was passed, SCAP was forced to consider this policy in earnest. Lokanathan conveyed requests from several Asian countries which requested technical experts from Japan to be sent to their countries to assist in erecting factories or in training skilled workers in specific factories and for Japan to receive trainees.<sup>76</sup> Lokanathan's enthusiasm could easily be misconstrued as pursuing India's economic interest, as compared to the immediate need for the rest of the Asian region as a whole. However, acting on its capacity as the Executive Secretary of ECAFE, Lokanathan's request could not simply be ignored by SCAP, as it was a policy of SCAP to cooperate

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<sup>74</sup> Summary of Study Prepared by Overseas Consultant Inc. (The Strike Report) in *History of the Nonmilitary Activities of the Occupation of Japan, 1945—1951, Reparations, Vol 25*, Tokyo: Nihon Tosyo Senta, 1990, p.199.

<sup>75</sup> Kesavan, 1972: 42-43.

<sup>76</sup> Lokanathan to DS, September 17, 1948; March 7, 1949.

with the United Nations and its other organizations.<sup>77</sup>

Previous to the ECAFE request, SCAP considered requests on a bilateral basis with most strictly and cautiously. SCAP's rigid control over request for Japanese traveling abroad since 1948, was mainly driven by its commitment to protect the recovering of Japanese economy. SCAP became more defensive against such requests with regard to the reimbursement of Japanese reparation. SCAP adhered to the position that such travel would not be authorized "unless the travel of Japanese outside Japan is deemed essential to the Japanese economy".<sup>78</sup> Because of this, G-1<sup>79</sup> advised the Chief of Staff that travels "should be approached from the angle that such travel must benefit the reorientation and rehabilitation programs" and "no travel has been authorized which would be exclusively for the benefit of another country".<sup>80</sup> SCAP's task then, was to decide whether it should hold on to its negative stance for travels solely in interests of the recipients and not related to reorientation and rehabilitation programs.<sup>81</sup>

Travel of Japanese technicians, G-1 suggested, while not benefiting the Japanese economy "will distinctly benefit the economy of one of the Allied nations" and should be considered differently and separately as not to be included as a part of the reparation program.<sup>82</sup> They then reached a concurrence that, though the initial aim of those travels was to benefit the Allied nations, it would eventually benefit the Japanese economy.<sup>83</sup> For instance, they considered the hiring of Japanese technicians to increase the iron ore output of mines in Hainan, would result in the majority of which be sent to Japan in exchange for mining machinery. Also in the case of the hiring of Japanese textile machinery experts in India, the result would be an expected increase in the Indian market for Japanese textile machinery. Consequently, SCAP summed up its position to the Army Department that SCAP would agree when such employment would benefit Japanese economy, i.e. supervision by qualified Japanese technicians of industrial operations or procurement of natural resources either for export to Japan or which might result in additional markets for Japanese exports or when employment of

<sup>77</sup> G-1 to ESS, October 5, 1948, FSP186.

<sup>78</sup> Staff Memorandum No.21, June 2, 1948, CHS(B)00029.

<sup>79</sup> G-1, was the Military General Staff, took charge of planning, personnel and general affairs. One of its functions was to regulate entry into and exit from Japan of individuals not connected with the Occupation, including Japanese nationals. Takemae, 2002: 140.

<sup>80</sup> G-1 to Chief of Staff, July 14, 1948, G1 00350.

<sup>81</sup> Outgoing Message from CINCFE to Embassy of Nanking, July 14, 1948, G1 00350.

<sup>82</sup> G-1 to C/S, August 19, 1948, G1 00355.

<sup>83</sup> G-1 to C/S, August 19, 1948.

highly skilled technicians in limited numbers would be of great benefit to economy of an Allied nation.<sup>84</sup>

Hence, when ECAFE requested for travel abroad of Japanese technicians, ESS and G-1 shared the same view that principally they favored the proposal from ECAFE.<sup>85</sup> They held on to the principle that travels would be allowed if it could "strengthen the Japanese economy" and "materially benefit the economies of the Allied nations".<sup>86</sup> The State Department shared the same tune, that from the perspective of the cost of occupation born by the US, it was desirable that "if part of the workers' wages or salary was paid in foreign exchange useful for the purchase of essential imports, the program, if organized on a commercial basis, might help to alleviate at least in minor degree the burden of the occupation on the US taxpayer".<sup>87</sup> This logic however, was at work in the administrators' consideration of cases of Japanese technicians to be employed abroad.

As for the policy of accepting foreign trainees into Japan, as proposed by ECAFE, SCAP analyzed with another set of consideration. In principle, SCAP did not view this policy as favorably as the previous one. The protective stance of SCAP as revealed in its rejection to a previous request by the Philippines with connection to the reparation issue was that SCAP feared such an influx of foreign technical observers "would hamper and complicate Japanese economic recovery".<sup>88</sup> The Department of State criticized SCAP's closed and preventive measures in turning down the request. Barnett, commented that "it seems... from an economic standpoint, utter stupidity on the part of SCAP" to reject request "to study Japanese industrial methods". He opined that by accepting requests from Asiatic countries which were willing to send technicians to Japan, this "could better help Japan recover its prewar importance in the economy of the Far East than to begin to offer technical and administrative leadership in the economic reconstruction of neighboring countries". As for doubt on the bad effect brought to the Japanese economy by the entry of Russians, Barnett predicted that "it is hard to imagine that more than several thousand technicians might desire to go to Japan, of which only a handful would in all likelihood come from the USSR". Barnett

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<sup>84</sup> SCAP to Dept of Army, C63292, August 25, 1948, G100762.

<sup>85</sup> Check Sheet DS to G-1, September 27, 1948; G-1 to ESS, October 5, 1948; ESS to G-1, October, 16 1948; FSP186; Check Sheet DS to ESS, September 27, 1948; ESS to DS October 7, 1948; FSP 185.

<sup>86</sup> SCAP to Dept of Army, August 25, 1948; From G-1 to C/S, August 31, 1948, G1-00353.

<sup>87</sup> Allison to Claxton, June 30, 1948.

<sup>88</sup> Memorandum of Conversation by Barnett, June 7, 1948.

thought that SCAP's shortsightedness in this regard should be corrected.<sup>89</sup>

Thus, when ECAFE presented its request, ESS and G-1 gave a non-committed consent in their views that, they would agree to it if "it could bring good effects to the Japanese economy". G-1 further stressed that if this policy was supported by ECAFE, it would be considered favorably, in line with the established policy of SCAP to cooperate as much as possible with the United Nations and its agencies.<sup>90</sup> Owing to the critical state of Japanese economy, G-1 reserved that individuals entering Japan for technical training could not be allowed to become "a burden upon the Japanese people".<sup>91</sup>

At the same time, the Japanese officials in ESB were also making policies with concern to the usage of Japanese technology and technicians in its domestic economic development, as well as relations with the outside world. In the five-year economic plan as mentioned above, *Gijyutsu Bukai* (technical division) was set up to study the role of technology in the implementation of this plan. This division was chaired by Uchida Toshikazu and Okita Saburo was the manager (*sekinin kanji*). The main concern of this division was to study the deterioration of technical level in postwar years and it was their urgent task to raise it to the level where Japan could compete with world markets.<sup>92</sup> For instance they regarded import of foreign technology in shipping as necessary.

With compared to exporting technology or transfer of technical assistance to the Asiatic countries, there seemed to be more concern in importing technology from abroad, mainly from the US. The policy makers repeatedly emphasized the urgency of importing higher technology in their road to economic revival. In the Interim Economic Stabilization Plan, it was pointed out that in order to maintain the smooth operation of priority production facilities, this plan required renewal and strengthening of production schemes, and to diagnose the management efficiency of middle and small scale enterprises. In order to cope with international standard, import of foreign technology was deemed important.<sup>93</sup>

The importance of exporting Japanese technology was also raised by some officials. Notions were put forth supporting that emphasis should be placed on trade in

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<sup>89</sup> Memorandum of Conversation by Barnett, June 7, 1948.

<sup>90</sup> G-1 to ESS, October 5, 1948.

<sup>91</sup> G-1 to Chief of Staff, October 26, 1948, G100366.

<sup>92</sup> "Gijyutsu Bukai no Kadai oyobi Unei Houshin ni Kansuru Shokenkai (2)", Keizai Fukko Keikaku Iinkai Jimukyoku, Vol. 8, p. 551.

<sup>93</sup> "Chukanteki Keizai Antei Keikaku no Sobyō", vol. 8, p.221.

industrial goods so as to enable export of Japanese technology through these products.<sup>94</sup> It was argued that these technologies could be exported through brains in technicians and thus training of technicians was one of the main tasks. They further pointed out that industries which they could use to export Japanese technologies were like spinning industries, and artificial silk industries, which the Asiatic countries were still developing them. In contrast to these "exports", the Japanese needed to "import" for instance technology in nylon and plastic industries. The committee also pointed out that the problem they needed to solve was how to cooperate Japanese technology into industrialization in Asiatic countries.<sup>95</sup> There were even ideas of utilizing technology as a form of capital.<sup>96</sup>

Emerson Ross, former Head of Statistics and Research Division of ESS, who then served the ECAFE urged Major General William Marquat, Head of ESS, to respond quickly and positively to ECAFE's request. Ross was the proponent of a regional economic planning by taking into consideration of Japan's contribution to ECAFE. Understanding the actual need in the ECAFE region and the mutual advantages generated as a result of the utilization of Japanese technology for both the Asiatic region and Japan, Ross supported this proposal. In his memorandum to Marquat, Ross urged the reluctant SCAP to grant permission for accepting foreign observers into Japan by taking advantage of the absence of a policy preventing nationals of other countries from coming to Japan, in order to receive training in Japanese factories.<sup>97</sup>

Argument came to a temporary conclusion at this stage, that SCAP officials viewed with favor ECAFE's proposal, on the premise that it could strengthen the Japanese economy. SCAP was also willing to consider ECAFE requests on a case-by-case basis as long as the requests were not harmful to the Japanese economy.<sup>98</sup> Instead of initiating a policy, the Chief of Staff decided to leave this proposal to the consideration of FEC for deciding on such policy.<sup>99</sup> This decision was not up to the

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<sup>94</sup> "Gijyutsu Bukai no Unei ni Tsuite (An)", 1948.7.13, Vol. 8, p. 550.

<sup>95</sup> "Gijyutsu Bukai no Unei ni Tsuite (An)", 1948.7.13, Vol. 8, p. 552-553.

<sup>96</sup> This idea was voiced out by Shimada as in Okita's memo. Okita Diary, entry 1948.7.2.

<sup>97</sup> "Report on ECAFE Mission to Japan, 22-29 September, 1948", memorandum from Emerson Ross to General Marquat, FSP186.

<sup>98</sup> Check Sheet DS to G-1, September 27, 1948; G-1 to ESS, October 5, 1948; ESS to G-1, October 16, 1948, FSP186. Check Sheet DS to ESS, September 27, 1948; ESS to DS October 7, 1948, FSP 185.

<sup>99</sup> Check Sheet G-1 to Chief of Staff, October 26, 1948; CofS to G-1, November 1, 1948; G-1 to DS, November 3, 1948; DS to CS, October 25, 1948, Draft letter from Sebald to Lokanathan,

expectation of the Army Department which had long sought to solicit and encourage unilateral action on the part of SCAP in initiating Japanese travel abroad.<sup>100</sup> William J. Sebald, Head of Diplomatic Section (DS), stated that, although his personal view was favorable to those travels, owing to the ongoing state of discussions on the general travel of Japanese nationals outside of Japan in the FEC, it might be necessary to deny the request prior to FEC decision.<sup>101</sup> DS actually chose to harmonize and not to challenge the functions and authority of other occupation organizations. This was because the benefits of such a program to the occupation were not likely to appear sufficiently great to SCAP to warrant its incurring the expected criticism of Australia, New Zealand, and certain other countries for taking independent action in the matter.<sup>102</sup>

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FSP 185.

<sup>100</sup> G-1 to C/S, August 19, 1948.

<sup>101</sup> G-1 to Chief of Staff, July 14, 1948.

<sup>102</sup> Allison to Claxton, June 30, 1948.

### 3.4 The Indian Trade Commission Interrupted

India's position towards Occupied Japan was not as punitive as that of other Asiatic countries among the Allies, but was more sympathetic and objective especially in terms of its economic relations. This position was more apparent in the later half of the occupation, when Occupation policy changed to support an economically independent Japan. India favored a liberal and lenient handling of Japan and supported all measures which were intended to help the speedy rehabilitation of Japan in the comity of nations.<sup>103</sup> India, as a former colony of the British Empire, chose on the one hand to adhere to a certain extent to policies framed by the British; and on the other hand to pursue an independent policy on its own.<sup>104</sup> The later course of policy enabled India to re-approach Japan in pursuing the future benefits from the continuation of its pre-war economic connections.

India, as one of the earliest requesters, inquired the US for the possibility of Japanese technicians to travel to India and be used in its industry. The Indian government since independence ventured into industrialization programs for its economic development. As a newly independent country, which championed anti-colonialism and Asiatic sentiments, India looked for the possibilities of technical transfer from Japan, which possessed highest industrial level in the Asiatic region, in order to replace its dependence on the white colonial masters. India tried to take advantage of the surplus of Japanese technicians who could not be absorbed by the contracted Japanese economy, to be imported into Indian industrial plans.<sup>105</sup> The Japanese technicians could be put to good use in setting up factories for the production of a variety of consumer and other goods for which there was great need in the country and in training Indians in the techniques of manufacturing for a number of years until Indians were in a position to take over those operations themselves. However, the occupation policies then forbade employing Japanese technicians abroad – presumably at least until the peace treaty with Japan had been signed.<sup>106</sup> India's proposal, although not fulfilled, caught the attention of the State Department about "Japan's future industrial role in the Far East".<sup>107</sup>

It could not be denied that India's interest in Japanese technical assistance

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<sup>103</sup> Murthy, 1970: 463.

<sup>104</sup> Murthy, 1970: 461-462.

<sup>105</sup> *Nippon Times*, November 29, 1947.

<sup>106</sup> *Nippon Times*, November 29, 1947.

<sup>107</sup> Draft SWNCC Paper, March 5 to May 1, 1947, FEC(B)1697.



started in the form of reparation aspect. India was interested in receiving technical machineries from the Japanese reparations to India. However, until 1948, though the advance transfer of 30% of reparations to several recipient countries, namely China, Netherlands and the UK representing Burma, Malaya and Hong Kong, the rest of the 70% transfer which India was interested in did not come into operation yet. India could not hope for the meager share of Japanese reparations for its industrialization. Hence, it would be more practical, to put pour effort into creating a more healthy economic and technical relationship with Japan, in contrast to the free gift from reparation distribution. This was the characteristic of a more "genuine" economic relations in the real sense, in comparison to the other reparation recipients of the Asiatic countries.

The Indian government did not lose interest and expected that its goals would be achieved when the situation permitted. Not only the government, but also Indian industrialists and businessmen were eager to obtain the services of the Japanese technicians. Indian representatives in Washington approached the US for the formation of such a policy. At the regional level too, Indian representative championed this idea through ECAFE for the same purpose. Indian commercial institutions directly established connection with institutions concerned in Tokyo. To appeal to the policy makers in Japan, P.K. Japee, of prominent merchant from Madras, for instance, since long had pushed for the urgent need for machinery and technicians to help build factories for the production of a number of consumer goods.<sup>108</sup> These industries including cottage industries, gave room for Japan's expansion in India as skills in Japanese technicians could not be found Colonial or other western countries.

In Tokyo, an Indian Trade Commission<sup>109</sup> was set up in the Indian Liaison Mission, on 24<sup>th</sup> June 1948, due to the urgency of handling the foreseen increased trade as a result of resumption of private trade. D.G. Mulherkar, who had then retired from the post of the Secretary of the Federation of Indian Chambers of Commerce & Industry, New Delhi, was the first postwar Trade Commissioner of independent India in Japan. The Commission's main tasks were to maintain a good relationship with Japan while facilitating Indian businessmen visiting Japan. Besides its contribution to the increase

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<sup>108</sup> Among the items needed for production were cycles and accessories, electrical accessories, clocks and watches, drugs and chemicals, fertilizers, dry cell batteries, celluloid and metal toys, rayon, playing cards, vacuum flasks and others. *Nippon Times*, November 29, 1947.

<sup>109</sup> Before the War, India had a Trade commissioner with its offices located in Osaka, the chief center of textile industry. India was mainly interested in exporting raw cotton to Japan and in return allowing certain quantities of Japanese textiles into India.

Indo-Japanese trade, another contribution during the office of Mulherkar was the procurement of Japanese technicians going to India to help in developing Indian industries.

The Indian Trade Commission continued to pursue the unfulfilled Indian request in securing Japanese technicians through attempts in persuading the Occupation forces in Tokyo. After taking office, Mulherkar made a big announcement that India hoped to obtain the services of at least a hundred to two hundred senior technicians from Japan to assist in the development of its secondary industries.<sup>110</sup> Mulherkar revealed that technicians were in need especially in the textile industry, shipbuilding yards, internal combustion factory, and in pottery, glass and other industries. What Mulherkar aimed at was to try convincing SCAP about the prospect of huge Japanese machinery markets in India, which would definitely help in speeding up the promotion of Japanese machinery export in industries which Japan had comparative advantages in this region. To give a fair evaluation of the superiority of Japanese technology, which was attractive to the Indians, not all of them passed the astute examination of the Indian industrialists. It was evaluated that if the silk and rayon weaving industries in India were to be developed on a sound basis, India should use Japanese machinery "which was efficient and simple in operation and cheaper than Swiss or American machines". Rayon fabrics from Japan should be considered, since despite a large Indian production of such fabrics, appreciable imports still had to be made from the US and UK, and Japanese cloth is cheaper than either of the other two. However, in building up rayon industry, India should look to methods employed in the US rather than in Japan <sup>111</sup> India had great demand on cotton industries but not on rayon pulp. On a technical survey tour to study technical and scientific information of Japan, <sup>112</sup> Indian delegation, T. Thoria revealed that Japanese industrial level

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<sup>110</sup> "India seeks aid of Factory Technicians", Reuters, July 1, 1948; *Nippon Times*, July 3, 1948.

<sup>111</sup> *Weekly Far Eastern Economic*, Reuters Economic Service, May 25<sup>th</sup>, 1948, ESS(C)06118.

<sup>112</sup> Under a directive of the FEC (Policy no. 49: Access to Japanese technical and scientific information in Japan, Document no. FEC 280/9, Fiche FEC 1028), the Allied nations were invited to send industrial research experts to visit Japan with a view to secure information regarding secret processes and industrial researches in operation in Japanese industrial concerns. They were allowed to study the technical and administrative details of Japanese manufacture which had been put into operation by the time of the surrender. The knowledge gained by this concession has to be communicated to SCAP for communication to other FEC countries who may ask for the same and may be taken back to their respective governments. India, accordingly, deputed Borkar and T. Thoria to investigate and secure information of secret processes in rayon and cotton textile industries. They arrived in Japan on 17<sup>th</sup> and

development after war was not so much as expected by the Indian standard. Thoria had very critical views on the plants he inspected and was disappointed at the development of the rayon industry in Japan since the outbreak of the last war, as he observed no machine which was of new design and worth notice and "no sign of improvement".<sup>113</sup> In Toyama, after visiting Rayon Pulp Toyama Factory, Thoria commented that the pulp industry as less advanced than the Germans.<sup>114</sup> The purpose of Thoria's inspection of the plants was to collect necessary information for the establishment of a rayon work in India. Thus, one of the main advantages of visits of this kind gave prospective trade opportunities and expansion. Some of the Japanese company inspected thought it necessary that makers of rayon manufacturing machines keep close contact with technical representatives of FEC, in order to promote their export.<sup>115</sup>

As discussed above, due to the inadequate UK capital assets to aid in India's postwar industrialization, Japan was a nearer choice for India in terms of the industries which India selected to develop. Besides, the Indians believed that Japanese would prove more suitable than those from other countries, as they were able to stand the climate and conditions better than those Europeans. Some Indian companies, which used the services of Japanese in per-war years, wanted to reemploy their former Japanese technicians.<sup>116</sup>

As there seemed to be no signs of Japan concluding a treaty of peace, which was the main political hazard in the policy of granting the travel abroad of Japanese as a whole, Mulherkar endeavored to work with SCAP for an arrangement of sending Japanese technicians to India, prior to the signing of peace treaty. He urged SCAP that India could not wait any longer for her industrial development and SCAP had the

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24<sup>th</sup> November 1948 respectively and stayed for 8 weeks, and submitted the reports of their findings to SCAP.

<sup>113</sup> Subject, Report on Inspection of Mr. L.T. Thoria, Indian Representative, FEC, TOYO Rayon Company Ltd., Shiga Plant, Otsu, to Director-General of the Central Liaison & Coordination Office, December 18, 1948, *Kyokuto Linkai Kagaku Gijyutsu Chosadan Shisatsu Ikken* vol. 2, Reel E'10014, E'0003, p. 479.

<sup>114</sup> From Nozaki to Renraku Chosei Chuo Jimukyokuchō, "Kyokuto Linkai Kagaku Gijyutsu Chosadan Indo Daihyo Toria Hakase, Re-yon Baburu Fujiyama KojyoShisatsu ni Kansuru Ken," January 20, 1949, *Kyokuto Linkai Kagaku Gijyutsu Chosadan Shisatsu Ikken* vol. 2, Reel E'10014, E'0003, pp. 505-0506.

<sup>115</sup> Subject: Report on Inspection by Dr. Thoria, Indian Representative, FEC, from MITSUTANI, Mitsuo, Chief of Kurashiki Mill, Kurashiki Kenshoku K.K., Kurashiki-shi, Okayama-ken, to Chief of Okayama Office, Chugoku Liaison & Coordination Office, 11 January 1949, in *Kyokuto Linkai Kagaku Gijyutsu Chosadan Shisatsu Ikken* vol. 2, Reel E'10014, E'0003, p.0498.

<sup>116</sup> D.G. Mulherkar to Eaton, October 7, 1948, ESS(B)09104.

responsibility to "straighten them out" of those travels.<sup>117</sup> Furthermore, Mulherkar hoped that within the next year, India would get the 200 Japanese technicians, which comprised the largest group of foreign technicians, for her industries under special arrangements with SCAP in the absence of a peace treaty for Japan.<sup>118</sup>

Lastly, Mulherkar used the slogan that Japanese technicians be invited to India "for the advancement of industries in Asia".<sup>119</sup> There was a common view among the Indian policy makers with concern to India's economic contribution to the Asiatic region. India was not able to contribute to the region after the end of the war because of the worn out of Indian industries and production.<sup>120</sup> If this worn out production capacity could be put in place with Japan's technical help, India could regain its position to aid the other ECAFE nations in due course. Although this idea was not shown in public statement, it depicted the implicit India's idea on the triangular relations amongst the Asiatic nations in solving the intra-regional economic development problem. This was, in fact, an Indian call for Asian solidarity with the help of Japan which had the "surplus" in such capacity needed, and for leadership by India in developing the postwar economy of this region. At the 3<sup>rd</sup> Session of ECAFE held in Ootacumund, Nehru in his speech indicated that in order to achieve the goals of the whole region, India was willing to play the leading part in "serving the common cause" for Asian co-operation but deprecated the domination of Indian autonomous leadership in ECAFE as perceived by most of the other Western powers.<sup>121</sup>

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<sup>117</sup> "India seeks aid of Factory Technicians", Reuters, July 1, 1948, FEC (A)0829.

<sup>118</sup> Nippon times, July 3, 1948. Until 1949, the amount of requests totaled to 146 Japanese experts especially in fields of textiles, mechanical engineering, glass, general and electrical engineering and others; in which the Japanese had comparative advantages in terms of technological level. The textile industries demanded about 20% (30 persons) of the total, followed by the manufacturing industries of glass, timber and plywood, paper, rubber and etc which constitute 32% (47 persons). Engineering related industries comprised 23% of the total. "United Nations Programme of Technical Assistance for Economic Development Report by the Executive Secretary", September 6, 1949, E/CN.11/200.

<sup>119</sup> *Mainichi*, July 3, 1948.

<sup>120</sup> The Indian representative R.R. Saksena voiced out this opinion at the Second Session of ECAFE. E/CN.11/SR.27, December 5, 1947, p.7.

<sup>121</sup> "Inaugural address at the 3<sup>rd</sup> Session of ECAFE", June 1, 1948, E/CN.11/SR.30.

### 3.5 ECAFE's Victory – Japanese Technician's Reentry to the Region

#### 3.5.1 SCAP's Release of SCAPIN 2035

ECAFE led the whole region to gear up in a coordinated plan for economic development in receiving Japanese economic contribution to this region. Following the resolution on technical exchange in the 3<sup>rd</sup> Session of ECAFE, a working section was set up under the Secretariat, directed to actively secure expert assistance for countries of Asia and the Far East at their request. This directive was reinforced at the 4<sup>th</sup> Session of ECAFE in November the same year, asking the Executive Secretary to "continue and intensify the work already begun in the field of technical assistance in economic development".<sup>122</sup> As ECAFE did not receive any response about the policy on Japanese technicians from SCAP six months after Lokanathan had sent his request, caught between the urgency of requests from ECAFE countries and the delay in positive reply from SCAP, in March 1949, Lokanathan wrote directly to the FEC pointing out that the matter had become urgent, as certain ECAFE countries were anxious to secure the services of Japanese technicians both for private industrial firms and directly on government projects.<sup>123</sup> To his disappointment, Lokanathan received a reply from Nelson T. Johnson, the FEC Secretary General, in March 1949, stating that the subject was not at present under discussion in the Commission or in any of its committees.<sup>124</sup>

Even though this policy would expand Japanese trade with Asiatic countries as a part of the economic rehabilitation program implemented since 1948, SCAP as a whole was hesitant to make a publicized general policy on such travel weighing at its pros and cons. In a check sheet to the Chief of Staff, G-1 summed up three reasons of its hesitant position in this policy.<sup>125</sup> Firstly, the travel of Japanese was a sensitive subject, and that only those Japanese whose travel was perfectly defensible as being contributory to the reorientation or rehabilitation program should be allowed to leave Japan. Secondly, such travel might under present conditions lead to drain of many of Japan's most skilled technicians. Thirdly, the travel of technicians in certain industries might pose a direct competition to Japanese industries.

SCAP reconsidered its protective position on travel abroad of Japanese. One of the reasons was because the Allies' treatment of Japanese changed over years in the course of the occupation. Although the US officials in Washington did not act specifically

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<sup>122</sup> Lokanathan to the Executive Officer, FEC, March 7, 1949, FEC(A)1033.

<sup>123</sup> Lokanathan to the Executive Officer, FEC, March 7, 1949, FEC(A)1033.

<sup>124</sup> Nelson T. Johnson to Lokanathan, March 23, 1949, FEC(A)1033.

<sup>125</sup> G-1 to Chief of Staff, May 13, 1949, G1 00409.

in pushing through an occupation policy on employment abroad of Japanese technicians, they had been progressively initiating, supporting and sometimes acting unilaterally in policies granting more gradual freedom to the Japanese in their foreign contacts. By the middle of 1949, the issue on travel abroad of Japanese had become less sensitive, due to the de facto travel which took place until then, as a result of the US contribution to those policies.

At the FEC, the US gained a victory on June 22, 1948, over its policy for allowing SCAP to send Japanese abroad to attend international conferences.<sup>126</sup> The FEC ruled that SCAP could send SCAP observers to inter-governmental conferences when deemed necessary and that they could be accompanied by Japanese technical advisers if the Japanese were acceptable by the country acting as host to the conference. Months later, on November 4, 1948, the Army Department announced a policy which granted SCAP the right to permit limited travel of Japanese to the US and other countries which aimed at "contributing to the objectives of the occupation and the democratic orientation of the country".<sup>127</sup> The State Department justified that this policy should not be misconstrued to mean that the US government was usurping the authority of the FEC. State Department viewed it as a proper and tacit assumption that the matter was an administrative one and did not require a specific FEC policy, as FEC had unanimously dropped an Australian proposal which suggested SCAP giving advance notice to FEC before permitting travel abroad of Japanese.<sup>128</sup> Since FEC adopted no policy decision to date, nor was it currently considering policy on travel abroad of Japanese technicians, SCAP was assumed to be right to exercise his own executive authority and without specific approval of the FEC or any other agency.<sup>129</sup> As there was an established FEC policy on "Travel Outside Japan of Japanese Commercial Representatives", with the supportive stance of the State policies, SCAP then opined that the term "commercial purposes" may be interpreted to mean the sale of skills and services as well as commodities.<sup>130</sup> SCAP was backed with strongest support from the US policy.

US interest in favoring Japan's gradual increase in international rights was

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<sup>126</sup> Blakeslee, 1994: 83-87.

<sup>127</sup> Immediate Release of the Department of Army, "Army Announces Policy for Limited Japanese Travel Abroad", November 4, 1948, FEC(B)1697.

<sup>128</sup> David K. Eichler to Phillip H. Tresize, March 17, 1949, FEC(A)1033.

<sup>129</sup> C.V. Hulick to R.R. Diaz, December 1948, FEC(A) 1593.

<sup>130</sup> G-1 to Chief of Staff, May 13, 1949.

due partly to the prolonged occupation. As almost four years passed since the Occupation had started, the State Department became more anxious about the delay in concluding a peace treaty. A prolonged occupation would run counter to the basic aims of the occupation. As provided in the Potsdam Declaration and the Basic-Post-Surrender Policy for Japan, it was the final aim of the occupation to bring about "the earliest possible establishment of a democratic and peaceful government which would carry out its international responsibilities, respect the rights of other states and support the objectives of the United Nations."<sup>131</sup> Thus, the US took every possible and appropriate step to help restoring Japan to a normal status in the international society. SCAP concurred with the State Department "to encourage the development in Japan of respect for rights of other nations and to facilitate progressive resumption by Japan of normal international responsibilities".<sup>132</sup> In May 1949, the State Department made two important announcements. First, the US government informed FEC that it rescinded its policy of removing advance reparation from Japan. US viewed that "Japan be permitted to develop its peaceful industries without limitation." The US decision was guardedly supported by the Indians but was vigorously criticized and challenged by the Philippines and Chinese representatives.<sup>133</sup> Second, it announced that the US favored giving Japan increasing direction of her own affairs in the international field as well as in the domestic field in order to facilitate the development of responsible government. State Department opined that Japan should be permitted "increasing direction" of its foreign affairs, especially in the fields of trade promotion, citizenship and property problems, cultural relations and technical and scientific exchanges.<sup>134</sup> State Department conceived that through direct contacts with other governments and people in international relations, it helped "dissipate vestiges of wartime hatred and bitterness" and allied nations and people would be able to gain knowledge about the new Japan.<sup>135</sup> Until July 1949, 444 Japanese had been authorized to go abroad; 324 for

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<sup>131</sup> "U.S. Initial Post-Surrender Policy for Japan", *Department of State Bulletin*, September 23, 1945, pp. 423.

<sup>132</sup> Outgoing Message from SCAP to Department of Army, C69352, April 19, 1949, MacArthur Memorial Microfilm, Reel 318.

<sup>133</sup> Greatest opposition came from the Carlos Romulo, the Philippines representative who condemned the US for making contrary policy to the intent of the Philippines vital strategic plan to utilize Japanese reparations in the economic reconstruction of their country. Kesavan, 1972: 44-45.

<sup>134</sup> *New York Herald Tribune*, May 7, 1949, FEC(A)0813.

<sup>135</sup> Incoming Message from Department of Army to SCAP(POLAD), 230830Z, April 23, 1949, Reel 318.

cultural and related reasons; 49 for commercial purposes; 47 as technical advisers to SCAP delegates or observers at international conferences and 24 for compassionate reasons. These Japanese visited 19 countries.<sup>136</sup>

As from the Cold War calculation, a prolonged occupation was not favorable to the US policy in Japan because of the growing uneasiness and restiveness among the Japanese tired of American control.<sup>137</sup> Closing up Japanese contacts with abroad would also weaken the US position. The US decision to open up the ban on the above contact had broad political implications of situation in Japan and in the world at large.<sup>138</sup> Firstly, as there was a growing uneasiness among the Japanese, in the face of peace being continuously denied, this lenient policy served as one step to decrease tension. Secondly, in the tense Cold War setting in Asia, the US calculated that Japan would either move toward a sound friendly relationship with non-Communist powers or into an association with the Communist power system in Asia. This policy would serve "to abandon Japan to latter", without which, "unreasonably to deny them entrance into relations with other nations and people would be to undo our costly victory in the Pacific".<sup>139</sup>

Although focusing more on the political aspects of Japan's return to the international society, the US officials in Washington had no reason to deny travel and employment abroad of Japanese technicians, which would also serve as a part of the occupation aim to rehabilitate Japanese economy. The US officials would no doubt be supportive, if SCAP would concur and act to announce policy on travel abroad of Japanese technicians. In the final analysis, the US Secretary of State gave its consent on the approval of this policy with respect to the travel of Japanese technicians abroad based on a few general propositions.<sup>140</sup> Firstly, it was viewed as desirable in the interest of the Point Four program announced by the Truman administration in January 1949, that "such travel be facilitated where it could assist the economic development of the requesting country, with options on political grounds".<sup>141</sup> Nonetheless, the US officials

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<sup>136</sup> "Japanese travel Abroad", General headquarters Far East Command, Public Information Office, information bulletin no. 12, 29 July 1949, FEC 0829.

<sup>137</sup> Schaller, 1997: 24.

<sup>138</sup> Incoming Message from Department of Army to SCAP(POLAD), 230830Z, April 23, 1949.

<sup>139</sup> Incoming Message from Department of Army to SCAP(POLAD), 230830Z, April 23, 1949.

<sup>140</sup> Department of State to Acting POLAD, June 29, 1949, FEC(B)1697.

<sup>141</sup> The Four Point Speech was the inaugural address of President Harry S. Truman, delivered on January 20, 1949. The gist of the program was to give support to the United Nations and related agencies to search for ways to strengthen their authority and increase their effectiveness; to contribute to world economic recovery; to strengthen freedom-loving



were cautious and made clear its intention that the travels should be authorized "as a corollary to but not a part of the implementation" of Point Four program.<sup>142</sup> Secondly, it was desirable to normalize Japan's external relations and remove, as far as possible, restrictions on travel by Japanese. Thirdly, it was desirable to limit controls exercised by the SCAP to those strictly necessary to the objectives of the occupation. Fourthly, the Japanese government and Japanese industry should not be required to facilitate the travel of technicians abroad in any case and especially where to do so would clearly harm the Japanese economy, as by importing special skills instead.

With regard to the risk of a drain of fine technicians and the competition from foreign industries to the Japanese traditional industries, SCAP would scrutinize the travel and consult the Japanese government for their recommendations and desires. SCAP would screen all requests to prohibit travels which in categories of industries which posed competition to Japanese industries and were harmful to the rehabilitation of the Japanese economy. SCAP considered that "in the overall picture, the Japanese economy must be raised and her industries expanded to the point where they will remove the drain upon the US economy, but at the same time never be strong enough to again enable Japanese heavy industry to operate in support of a total war".<sup>143</sup> Although SCAP would not oppose the travel of Japanese steel technicians, travel of sericulture experts and skilled technicians of the spinning and weaving industries would be controlled. This apparently, was one of the most preventive reasons for SCAP's year long reservation to India's request for a huge amount of Japanese technicians to their textile and secondary industries.

From a regional economic strategic point of view, rather than posing a competitive threat, a report by the State Department analyzed that the employment abroad of Japanese technicians contributed to the distribution of production in this area. This report reasoned that "since many "underdeveloped" Asiatic countries did not have sufficient foreign exchange to finance adequate textile imports from Japan. By helping them to rise to a higher stage of industrialization through this industry, which was a comparatively simple industrial process, an advantage would accrue to Japan's economy if the use of Japanese technicians in underdeveloped areas should lead to an increased

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nations against the dangers of aggression; and to make the benefits of the US scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.

<sup>142</sup> G-1 to Chief of Staff, May 13, 1949, G100409.

<sup>143</sup> G-1 to Chief of Staff, May 13, 1949, G100409.

demand for Japanese chemicals and textile machineries."<sup>144</sup> This last point, that the work performed by Japanese technicians abroad would also help advertise for the sales of Japanese products abroad was shared by G-1. Both G-1 and the State Department concurred that travels may in return make a contribution to the SCAP's Commercial Account.

As to how these travels would benefit domestic Japan, SCAP anticipated that such travels would lighten to a very slight degree the food and housing shortage which was rampant in Japan then. It was reported by the *Mainichi* newspaper that the number of unemployed persons was expected to reach 1,250,000, mainly due to repatriations from Soviet and the potential unemployment of newly-graduated from schools.<sup>145</sup> The survey report produced by the State Department estimated that about 148,000 of experts would be produced by 1950, where about one percent of it, 1,330 would be a surplus qualified to assist underdeveloped areas in agriculture, fishery, forestry, manufacturing, mining and metallurgy, telecommunications and transportation, electric power, medicine, meteorology, and coast and geodetic surveys.<sup>146</sup> In addition to the production rate at training institutes and high learning institute, the reduction in industrial scales, such as cotton textile production, and the repatriation of executives from former Japanese plants in Korea, Manchuria, and Shanghai added to the present surplus in textile managerial skill.<sup>147</sup> The unemployment problem was an urgent task for SCAP to solve, in order to avoid any social disorder created by it, which would then make rooms for the spread of communism.

From the psychological aspects, SCAP hoped that the suspicion and anxiety over Japan's military reemergence would be erased through the use of Japanese technicians. SCAP hoped that "if Far East and Asia are able to be build up their economies and industries", through the use of these technicians, "this will prove an effective block toward reestablishment of Japan as the dominant industrial nation of the Far East, thus precluding the possibility that Japanese heavy industry will ever again be capable of supporting an all out war effort".<sup>148</sup> The State Department too,

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<sup>144</sup> "Possibility of Technical Assistance from Japan to Underdeveloped Areas", by Department of State, Division of Research for Far East", March 30, 1949, p.10-11, *Records of the US Department of State, Relating to Political Relations between the US and Japan, 1945-1949*, Decimal File 711, Reel no.5.

<sup>145</sup> *Mainichi*, July 28, 1949.

<sup>146</sup> "Possibility of Technical Assistance from Japan to Underdeveloped Areas".

<sup>147</sup> "Possibility of Technical Assistance from Japan to Underdeveloped Areas"

<sup>148</sup> G1 to Chief of Staff, May 13, 1949.

hoped that Japan's mining and metallurgy techniques, which "were sufficiently advanced to sustain a serious threat to the combined strength of the Western countries during a war of 5 years duration", could be "turned advantageously to the peaceful development of mineral resources in areas less advanced technologically".<sup>149</sup> This development if used in the "underdeveloped" Asiatic countries, would not be criticized as it would, were it be developed in Japan. In other words, if Japan continued to develop industrially while the Asiatic countries remained undeveloped, this would fabricate a perceived threat to the Asiatic countries over Japan's "healthy" development.

ESS was convinced later on with the proposal of ECAFE in exchange of technical assistance, because of advice from the ESS officials posted to ECAFE. The position of this official helped in smothering ESS acceptance of ECAFE request. Lokanathan wrote a letter to ESS to relay request from member countries to Japan, for the availability of the use of research and technical facilities such as geological and industrial research laboratories, relating to the iron and steel industry. It was followed, later by a private letter from ESS dispatch to ECAFE, William Turnage. Turnage persuaded SCAP to accept this request. As he had connections both in Japan and ECAFE, he had beforehand sounded out from the Japanese industries that they had agreed on this. ESS agreed on this request based on the logic that this would prepare Japan for its re-entry into the family of nations.<sup>150</sup> This applies especially to the field of science and technology, a field in which Japan ranks top among the leaders in the Far East. This position suggested a preponderance of outgoing technical assistance to her neighbours. The proposition of ECAFE was among the early opportunities offered to Japan for cooperation with agencies of the UN.

SCAP officials like Turnage and Ross had close contact and consultations with Okita and his colleagues in ESB. Turnage had been emphasizing to Okita on the importance of Japan's relations to Asiatic countries, that 'the key to Japanese economic development was the food production of Asiatic countries'.<sup>151</sup> Thus, Okita had always considered the Asian factors in his policy planning. In April 1949, the Technical Section of Committee for the Economic Rehabilitation produced a report on the role of technology in Japanese economy. It was pointed out that because of the reduction in

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<sup>149</sup> "Possibility of Technical Assistance from Japan to Underdeveloped Areas".

<sup>150</sup> From Harry C. Kelly to Scientific and Technical Administration Commission, December 22, 1949.

<sup>151</sup> Okita Diary, entry 1948.10.2. Okita visited Turnage residence; Tsuru Shigeto and Morrow were also present.

production scale such as in the railway, steel production, coal, shipping and so on, there was a surplus of technicians which should be channeled for technical assistance for the economic reconstructions of the Asiatic countries.<sup>152</sup>

Meanwhile, due to the worldly uncompetitive level of Japanese products, efforts to send abroad Japanese technicians for training in more advanced countries went underway. On March 23, 1949, a report submitted by ESS/ST entitled 'Increased Production by Improved Technology' stressed the importance of importing new technology to help bring Japan closer to the level achieved in the West.<sup>153</sup> Instead of focusing on solution through financial assistance, import of technology was another important matter which was deemed critical to improve Japanese production. In January 1949, an ESS division chief wrote to Marquat that "production experts in GHQ all agree that substantial increases in production, both in quantity and quality, can be achieved through a concerted drive to raise the level of technology in Japanese industry." SCAP official suggested that emphasis be placed on acquiring technology, know-how, and licenses, and that first priority goes to projects "that will provide more immediate results in relation to the foreign trade program or domestic industrial reconstruction."<sup>154</sup> The Natural Resource Section (NRS) established a large, well-funded Japanese Technical Visitor program to send Japanese petroleum, mining, and manufacturing experts to the US to study advanced techniques. SCAP officials were instrumental in drafting the 1 June 1949 Product Standards Law, which improved assessments of quality and standardization in Japan.<sup>155</sup> The urgency in importing technology for domestic Japan through travel abroad of Japanese technicians could be one of the contributing factors in forcing SCAP made lenient policy on travel abroad of Japanese technicians in general.

Furthermore, an increase in demand on Japanese technology and machineries was increasing as one of the consequences of disclosure of information Japanese

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<sup>152</sup> "Keizai Fukko to Gijyutsu Mondai", Keizai fukko Inkkai Gijyutsu bukai, 1949.4, vol. 10.

<sup>153</sup> This report also recognized problems in paucity of foreign exchange, as well as the restrictions on investment of foreign capital in Japan and the reluctance of many companies in the US and elsewhere to share technology with Japan because of what was widely perceived as inadequate Japanese patent, trade mark and design protection. As one of the measures to solve problems to improve the quality of Japanese products: Japanese Industrial Standards Committee; Forestry Products Standards Committee, organization of private inspection companies for textiles and rubber products, were established. Dees, 1997: 253.

<sup>154</sup> Hein, 1990: 168.

<sup>155</sup> Hein, 1990: 168.

technology to foreign countries, starting from the FEC members. On 24 June 1948 FEC approved a policy to allow access to Japanese technical and scientific information in Japan, in order to accomplish Japan's obligations under the Terms of Surrender. This policy provide that "during the period from July 1 1948 through March 31, 1949, technical representatives of the Governments of members of the FEC should be permitted access to and the right to take copies of the details of any technical or scientific processes of industrial or commercial value which are of Japanese origin and ownership and which are developed prior to December 31, 1945."<sup>156</sup> Six months later, on 23 December 1948, FEC unanimously approved another policy decision relative to allowing SCAP to permit investigation to of Japanese technical processes by non-FEC Countries at war with Japan subsequent to 7 December 1941.<sup>157</sup>

Pressure from both inside and outside of Japan increased since early 1949, after ESS indicated that it had no objection to against allowing specific requests for Japanese engineers to be employed abroad.<sup>158</sup> Following this, the Indian Mission in Tokyo continued to press for 200 high-grade engineers for her textile mills, most of which were being readied with Japanese machineries.

Not only the government, but private and business circle in India sought every possibility to obtain Japanese technicians for their industries. N.C. Thimma Reddy, a prominent political-industrialist from Madras, negotiated with SCAP for five engineers to install Japanese made spinning and weaving machinery, and rayon and silk looms. He also expected to purchase machinery for mills for the Government of Madras and Mysore. Besides, Reddy directly approached the Japanese Ministry of Agriculture for agriculture experts to introduce Japanese methods of cultivation for the Government of Madras. Not only that, Reddy inquired about the purchase of a fishing flotilla for the State of Travancore.<sup>159</sup>

When Mulherkar's correspondence with SCAP did not produce a concrete result, he tried to enlist support from Japanese business circles to pressure SCAP. Mulherkar speaking from his new designation as Commercial Counselor to the Indian Liaison Mission (since December 7, 1948) made an appeal to the Japanese merchants

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<sup>156</sup> Policy no. 49: Access to Japanese technical and scientific information in Japan, Document no. FEC 280/9, Fiche FEC 1028.

<sup>157</sup> Policy 54, Access to Japanese Technical and Scientific Information by Non-FEC countries at War with Japan, Document no. FEC 315/7, FEC 1028.

<sup>158</sup> *Nippon Times*, January 12, 1949.

<sup>159</sup> *Nippon Times*, January 12, 1949.

at Tokyo Trade Association that negotiations were undertaken to request SCAP to allow Japanese technicians to travel and be employed in India to operate machineries purchased from Japan.<sup>160</sup> He stressed the prospect of new trade contract to the existing contracts signed by Indian government and private traders to purchase Japanese machineries, and the need for Japanese technicians to accompany those machineries and to help operate setting them up, and to train Indian technicians. Mulherkar even revealed that the Indian government had prepared a list of approximately 6,400 Japanese technicians in required fields and requested his commission to negotiate with SCAP about this.<sup>161</sup> This was hoped to bring about pressure from the Japanese commercial circle to help convince SCAP by reiterating the prospectus trade generated by the policy which would allow employment abroad of Japanese technicians in this regard.

An Indian delegation visited Japan to survey Japanese minor scale industries for the purpose of purchasing such industrial machinery and equipment and to recruit Japanese technical experts of such industries for employment in India on contracts.<sup>162</sup> The delegation visited various industrial centers for the above purpose and interviewing suitable Japanese technicians. The details of personnel selected by them on the spot would be communicated to the Foreign Trade & Commerce Division on return of the delegation to Tokyo after completing their investigation. The Government of India's requirements of Japanese technicians was enclosed in a statement and Foreign Trade & Commerce Division would no doubt render all possible help to expedite clearance of selected personnel as and when reported. The delegation after a visit to Women's Vocational University in Tokyo had been very much impressed with the good work being done there in the training of students in various handicrafts and desired to take some suitable members of the institution as women teachers for employment in Refugee Women's Homes and Training Centres in India against purchases of Japanese handicraft machinery. A list of Japanese technicians required was submitted to SCAP.<sup>163</sup>

The Indian Liaison Mission in Tokyo worked with a double-edge sword, on the

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<sup>160</sup> *Asahi Shimbun*, March 5, 1949.

<sup>161</sup> *Asahi Shimbun*, March 5, 1949.

<sup>162</sup> From D.G. Mulherkar to The Chief of Foreign Trade and Commerce Division, ESS, attention Mr. Cohen, May 1949, ESS(A)03248.

<sup>163</sup> From D.G. Mulherkar to The Chief of Foreign Trade and Commerce Division, ESS, attention Mr. Cohen, May 1949, ESS(A)03248.

one hand persuading the SCAP authorities in Tokyo; on the other sending requests for approval to home government. It was also reported in June 29 1949, that a list of 150 Japanese technicians had been sent to the Indian Government for approval. The technicians would accompany shipments of machinery to India to assist in setting them up, mostly in connection with the textile industry, which was contracted for \$20 million worth of Japanese machinery.<sup>164</sup>

From outside Japan, pressure from ECAFE was felt through the Executive Secretary's effort. Lokanathan continued to send in requests from ECAFE member countries and urged for SCAP's approval. Other than the Indians, the Pakistani government, for instance, requested for Japanese technicians in manufacturing wire netting and metallurgist for rolling mill.<sup>165</sup> Personally, Lokanathan included this issue in his agenda during his visit to SCAP in June 1949.

Strongly backed by US policies, and due to the irresistible pressure from the Indians both multilaterally and bilaterally, SCAP finally crystallized its policy granting travel and employment abroad of Japanese technicians in SCAPIN 2035. This policy was designed as a measure "to assist the Japanese economy through deposits in the SCAP Commercial Accounts, broadening Japanese participation in the world-wide industry, advertising Japanese technical skills and products abroad and accruing good will, the restrictive policy of the SCAP concerning travel abroad of Japanese technicians is now liberalized".<sup>166</sup>

SCAP was still concerned about the effects of sending Japanese technicians whether the travels would be inimical to the Japanese economy, the deprivation of Japanese industries, and the forthcoming competition to Japanese industries which were essential to the achievements of a self-supporting economy.<sup>167</sup> Furthermore, this policy could not represent the Japanese voice because of its restrictive character. It provided considerations on requests for Japanese technicians from the countries of destination, and such travel would not be possible though desired on the part of the Japanese.

It was apparent that above all the benefits to the Japanese, travel abroad of

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<sup>164</sup> AFP in English Morse from Tokyo, June 28, 1949. FEC(A)0829.

<sup>165</sup> Lokanathan to Chief of Diplomatic Section, April 14, 1949, G-1 00413.

<sup>166</sup> SCAPIN 2035, August 1, 1949.

<sup>167</sup> AFP dispatch in English Morse from Tokyo, Aug 1, 1949; Press Release of GHQ Public Information Office, 2 August 1949; Nippon Times, August 3, 1949; *Jiji*, August 18, 1949; Tokyo, *Jiji* October 6, 1949, FEC(A)0829.

Japanese technicians "could be understood to be designed to assist a number of Asiatic countries, particularly India".<sup>168</sup> A counter argument would remind us that had there been no countries like India which pushed through this issue at ECAFE level, relations in this matter would have still remained stagnant. Japan would not be allowed an early rapprochement at lower level politics with the ECAFE region and spread wider further opportunities of machinery exports. SCAP had in this sense, responded well to the request of India and ECAFE in pursuing a shared mutual benefit.

### 3.5.2 Japan's Reentry through Japanese Technicians

In September 1949, an Indian small and medium industry mission which toured Kure city, one of the biggest producing centers of files signed a contract of sending four Japanese experts on manufacturing files for industrial use. These technicians who would assist India file manufacture were expected to result in the future export of machinery and equipment for manufacturing files in India.<sup>169</sup> Business travels of representatives from the heavy industries, which before that were not encouraged by SCAP, were also allowed to travel to Asiatic countries.<sup>170</sup> On September 6, *Jiji* Press reported that 4 Japanese experts on manufacturing files for industrial use would leave Kure for India to stay for six month, to assist Indian file manufactures.<sup>171</sup> The local trade circles stated that machinery and equipment for manufacturing files were expected to be shipped to India in the future as a result of the invitation of the four experts. Now, the trend reversed. In the past, before it was the increase in trade which brought about increase in travel abroad of Japanese technicians, now, it was the increase in Japanese technicians that would contribute to increase in Japanese export. However, both technicians and Japanese exports were complementary to each other.

In addition to that, a contract was signed by Frank E. Pickelle, Chief of the ESS Foreign Trade and Commerce Division, to send the first seven Japanese technicians<sup>172</sup> to India under a SCAP program authorizing travel of this type. Seven

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<sup>168</sup> AFP dispatch in English Morse from Tokyo, Aug 1, 1949, FEC(A)0829.

<sup>169</sup> *Jiji* Press, September 6, 1949, FEC0829.

<sup>170</sup> Representatives from Iwata Trading Company, Japan, Iron and Steel Manufacturing Company, Kobe Steel Mill, Daiichi Trading Company, Kanematsu Trading Company, Muromachi Trading Company, Japan Ceramics Company; were authorized to travel to their destinations in India, Pakistan, Thailand, Hong Kong, the United States, Canada, the Philippines, Australia, and South America. *Jiji*, September 28, 1949, FEC0829.

<sup>171</sup> Manufacturing expert to leave for India, September 6, 1949, FEC 0829.

<sup>172</sup> The group was headed by Michael M. Enomoto, president of Kiya Company, Ltd., Tokyo exporting firm. Other members consisted of Kosuge Katsuzo, technical advisor for the Kiya



Japanese industrial specialists were dispatched to India for the first time, on a purely non-reparation basis. These technicians were to participate in India's "cottage industries" program<sup>173</sup> to aid in the development of small industries by providing the necessary technical skills and advising in the purchase of machinery. It was estimated that the phase of the program involving the Japanese experts would aid more than 1,000 Indians in the production and sale of articles made in their homes, thus increasing individual incomes with resultant higher living standards. This new agreement immediately were accompanied by an extra sales of more than \$500,000 worth of Japanese machinery involving 30 items of manufacturing equipment, including toy making machines, braiding machines for shoe laces and rubber tape, candy cutters, button makers, rice presses, popcorn makers and spinning machines for weaving yarns salvaged from waste fabrics.<sup>174</sup> This additional machinery worth about one million rupees was imported from Japan to establish cottage industries training centers in displaced persons camps throughout India.<sup>175</sup> This policy served as catalyst which generated further the promotion of trade between Japan and the Asiatic countries. Japanese technician, not only served as an end but also the means to promote economic relations merging Japanese technology and Asiatic raw materials.

On 28<sup>th</sup> September 1949, it was reported that 2 representatives of the Iwata Trading company, 2 from the Japan Iron and Steel Manufacturing company, and 1 each from Kobe Steel Mill, Daiichi Trading Company, Kanematsu Trading Company, Muromachi Trading Company, Japan Ceramic were authorized to travel to India, Pakistan, Thailand, Hong Kong, the United States, Canada, the Philippines, Australia, and South America.<sup>176</sup> A three-man delegation representing the SCAP arrived in New Delhi. The delegation comprises Robert A Steels, Hiroshi Uchida, and Fumio Tanaka.<sup>177</sup>

Besides exchange of technicians for commercial purpose, exchange of technical

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Company, and former president of the Mechanical Toy Manufacturers of Japan; Suzuki Saichi, associated with the Hiyoshi Company of Okozaki, a specialist in the "garabo" weaving industry; Kokubun Kadanaska of the Kokubun Iron Works of Hamanatsu City, a specialist in braiding machinery; Adachi Masayoshi of the Bambenia Company, Kyoto, a specialist in bamboo ware manufacturing and inventor of the bamboo plywood processing machine; Hozen Akira and Kudo Yoshiro of the same Bambonia Company. Press Release of GHQ, October 17, 1949, FEC0829.

<sup>173</sup> "Cottage industry" Program was originally advocated by Mahatma Ghandi, pertained to training underprivileged persons in crafts which could be carried out at home.

<sup>174</sup> Press Release of GHQ, October 17, 1949, FEC0829.

<sup>175</sup> *Mainichi*, March 16, 1950.

<sup>176</sup> *Jiji*, September 28, 1949. FEC 0829.

<sup>177</sup> New Delhi, Indian Information Service in English Morse, October 26, 1949.

specialists took place such as in the field of laboratories services. ECAFE while on the one hand obtained technical assistance from the UN organization, it also coordinate assistance from individual countries such as from India and Japan. In 1949, an ECAFE survey delegation's visit to Japan revealed the fact the ESS officials were supportive of ECAFE reports being shared and made available to international agencies. In discussing the shortage of geologists in Southeast Asian region for training facilities in Ceylon, Burma and Pakistan where the Japanese had surplus in it, they evaluated the actual shortage of Japanese geologists by the US standards, against the enthusiasm found among the Japanese for working abroad to meet the needs of the region.<sup>178</sup> Besides, they have explored cooperative work in utilizing Japanese laboratory facilities for sample analysis, Japanese lignite research in iron and steel industries and make some equipment available from Japan. What more important in the visit was that SCAP did not object or deny access to the Japanese side who wished to meet with the ECAFE delegation. Since then, ECAFE had close contact with Scientific and Technical Administration Commission (STAC) which was established in January 1949.<sup>179</sup>

The Japanese policy makers reacted with favor this policy and started to take this matter into with utmost cautious steps so that no unpleasant anti-Japanese sentiment would be created during the travel of these technicians. To cope with the foregoing aims, the Japanese government had decided to set up a Council for Travel Abroad of Technicians composed of representatives from the respective Government agencies concerned, with the Ministry of Foreign Affairs having the primary responsibility and thus to achieve an effective operation of this work. Matters pertaining thereto were being handled by the General Affairs Section, Control Bureau, Foreign Ministry, where more details may be obtained upon inquiry.<sup>180</sup>

In order to educate and remind those who wished to travel abroad for this purpose in view of the resentment over Japanese in Asian region, the Ministry of

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<sup>178</sup> A handwritten memo by SCAP officials regarding Dr. Li's visit to Japan. It was also indicated in the memo that Dr. Li, despite his Chinese origin, had indicated anti-communist, and was Colombia trained. FSP 3749.

<sup>179</sup> STAC was established with aims to a) consider and act on reports or recommendations made by the Scientific Council of Japan; b) select matters which were to be referred by the Government to the Science Council of Japan for consultation; c) execute international governmental matters concerning science and technology; and d) function as liaison and coordination of matters related to science and technology which were under the jurisdiction of the government administrative agencies. It was also argued that this commission, powerless by itself, was designed to help in untangling what was seen as an almost hopeless level of overlapping interest and activities in the various ministries. Dees, 1997: 171.

<sup>180</sup> *Jiji* release, October 6, 1949. FEC 0829.

Foreign Affairs published a guidebook on what were the procedures to travel abroad.<sup>181</sup> The Japanese was warned of the widespread resistance on Japanese entry into their territory. Singapore, for instance, rejected visa entry to Japanese technical advisors to SCAP to attend ECAFE session in Singapore in order not to arouse and remind its people of the Japanese atrocity imposed on their family during the war. Besides, there were still a deep hatred and hostility by the local people towards the Japanese prisoners of war in Singapore.<sup>182</sup> Even after the signing of peace treaty, in theory, the anti-Japanese feeling was not easy to be erased. Also in Indonesia, the government curbed Japanese migration into Borneo, Sulawesi and New Guinea mainly because of the bitter experience during Japanese occupation, and the fear that Japanese migration might be an impediment to raising the living standard of the Indonesian people.<sup>183</sup> It was no doubt that Japanese laborers were widely used in land development of Asian countries in prewar years like in the development of some agricultural industries such as in Davao of the Philippines, and China. This situation, nevertheless, would not be likely to happen again, not only because Japan itself was lack of such man power, but because of the hatred towards Japanese in these area which would not likely to be improved easily.<sup>184</sup>

In such negative situations, travel abroad of these Japanese technicians was regarded as important for the economic expansion for Japanese economic self-sufficient through export of technology and machineries. Thus, efforts were taken to promote further the role played by the Japanese technicians. As what ECAFE had been pursuing in utilizing Japanese technical know-how for the industrialization in its Asian member countries, the Japanese still felt that underdeveloped Asian region, still lacked higher level of technology standard and facilities as on of the prerequisite in accepting Japanese technology.<sup>185</sup> This however, could be improved by first importing foreign assistance from more advanced countries. To a huge extend, the UN as well as the US

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<sup>181</sup> Gaimusyo Kanrikyoku Somuka, 1950.

<sup>182</sup> Gaimusyo Kanrikyoku Somuka, 1950: 7.

<sup>183</sup> Gaimusyo Kanrikyoku Somuka, 1950: 8.

<sup>184</sup> Gaimusyo Kanrikyoku Somuka, 1950: 17.

<sup>185</sup> The report identified that for implementation of development projects, two main categories of assistance is required. The first one is knowledge on technology, scientific and management, in found in the fields of medical, education, health, communication, infrastructure and construction, public amenities, survey on natural resource and long-term development planning. The second one is capital assistance for the production including machineries and facilities and the establishment of enterprises. Both these two categories closely related to each other but first technical assistance should come first. Gaimusyo Kanrikyoku Somuka, 1950: 11.

assistance, could do a great help to facilitate these prerequisite in promoting demand for Japanese technicians and technology in the Asian region. In this sense, the Japanese benefited indirectly from the implementation of the US Point Four program and the UK Colombo Plan.

Industrialization in ECAFE region was an important phenomenon to Japan's economy and its economic relations with ECAFE region. This was because with improvement in economic situation of the less developed Asian countries, it would promote more export from Japan. Hence, the Japanese policy makers thought that Japan, to a permissible extent would cooperate in the economic development of these countries through sending good technology and technicians.<sup>186</sup>

The promotion of Japanese technical assistance helped to share burden of the US commitment in the economic development and peace in the Asian region. In 1949, in his return from observation tour to the Far Eastern countries, Walter Hupper, observed that if the Asian countries could forget their hatred towards the Japanese, these countries would be able to march in great steps economic development even without assistance from the US. This was because the Japanese possessed ability and technology to assist development in Asian region, which would be available and in proximity to the Asians, rather than getting it from afar. Nevertheless, Hupper received a standardized answer that it was not possible for them to forget the atrocity created by the Japanese army, and thus local people would not likely to cooperate with the Japanese.<sup>187</sup>

Japanese policy makers in MOFA thought that it was time when "we should *hansei* (repent) on how heavy crimes we have committed."<sup>188</sup> That technicians traveling abroad should be reminded that they "carry a big responsible" for they not only showed the world Japanese high technology, also built up trust on Japanese products.<sup>189</sup> Perception and attitude towards the Japanese would be improved, through the behavior of these technicians through their sincerity to help the economic development of the Asian countries.

Besides, not only problems of accepting Japanese which stood in the way of the sluggish condition in Japanese export, quality of Japanese products was another point which the Japanese had to tackle in order to expand export markets to Asian region.

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<sup>186</sup> Gaimusyo Kanrikyoku Somuka, 1950: 24.

<sup>187</sup> Gaimusyo Kanrikyoku Somuka, 1950: 24-25.

<sup>188</sup> Gaimusyo Kanrikyoku Somuka, 1950: 25-26.

<sup>189</sup> Gaimusyo Kanrikyoku Somuka, 1950: 30-31.

SCAP officials pointed out that the Japanese had to improve on the quality of goods. On March 11, 1950, Nippon Times published an editorial captioned 'The "Know-How" Needed' which echoed the points of view of ESS so precisely. After discussing the fact that production had been increasing to a gratifying degree, the editorial pointed out that a substantial part of the goods produced for export had not found buyers and was languishing in warehouses. It then went on to say: 'What the Japanese manufacturers must face squarely is that the days of selling inferior goods at ridiculously low prices were gone forever. The foreign markets had tightened with intensified competition on a quality basis the general rule. Japan could not export on a competitive scale except by offering better quality at the same price or by selling goods of equal merit at a lower price than her trade rivals... But what must be emphasized equally at this stage was the introduction and application of industrial techniques – for Japan could not abreast of the intensified competition for world markets with out-of-date approaches and backward knowledge...' <sup>190</sup> Nakayama argued that the *kogyo gijyutucyo* was set up to coordinate among the ministries, research institutions and researchers, so as to promote the standardization of the quality of Japanese goods, enable to endure world market competition as Japan could no longer survive with the low quality of productions as in the prewar years. <sup>191</sup>

Furthermore, Advisory Mission from the US had been dispatched from time to time to aid in the economic reconstruction of Japan. Among those, findings of some mission revealed the low level of Japanese technology. In April 1949, the Army Department sent Fredric Pope to observe chemical factories in Japan. Pope revealed that there were yet rooms for improvement in the defects in chemical industries. In February 1951, in order to explore more possibility on Japan serving as the factory for the Far East region, a mission was sent to Japan. However, the mission was disappointed at the quality of Japanese production of armament, which could not be purchased for security use. <sup>192</sup>

The Japanese economists shared an expansive definition of science with many SCAP officials, regarded science was the best path to future international amity as well as to democracy at home. <sup>193</sup>

In 1951, ECAFE passed another resolution calling for increased supply of

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<sup>190</sup> Dees, 1997: 229.

<sup>191</sup> Nakayama, 1995: 40. Nakayama, 1986: 37.

<sup>192</sup> Nakayama, 1994: 128.

<sup>193</sup> Hein, 2004: 108.

technical assistance and the provision of experts and technicians to underdeveloped countries in the ECAFE region. It has been suggested that member countries make prompt requests for technical assistance, including aid require by them for work projects recommended by the Commission itself.<sup>194</sup> This further opened up rooms for Japan's participation through its technology diplomacy towards approaching ECAFE region.

### Conclusion

India played a pivotal role in speeding up the process of policy making occupation which allowed travel abroad of Japanese technicians which had then enabled a return of Japanese through integration at lower level diplomacy. No one could predict what exactly would happen "if there were no such Indian efforts". But one could argue that the process would have been slower than it had happened in 1949. Firstly, the travel abroad of Japanese technician would be eventually permitted as a part of the US effort in promoting Japanese involvement in international and regional activities, especially since the announcement by McCoy at FEC in May 1949. Secondly, the return could ultimately come true after Japan regained sovereignty, and after Japan had normalized relations with Asiatic countries individually.

Furthermore, even though Japan was strongly supported by the US which initiated and pushed through many policies to open up ways for Japan's reentry into international contact and activities, these policies not necessarily must be obeyed and accepted by the recipient countries, especially those from Asiatic region. Asiatic countries could easily deny Japanese entry into its territory regardless of Japanese occupation policies. In such situation, what determined Japan's reentry was the 'invitations' from the recipient countries. Thus, likewise, this invitation from Asian region, bore more significance and implications to Japan, rather than just a call *per se*. In a way, this call also served the intentions of the Japanese and the US well as these ideas of using Japanese technicians should not be proposed from this direction as it would be misunderstand as a form of "underground mission' for another war through high technology.

As a result of this 'Call', economic relations between Japan and ECAFE region developed at a high speed with exchanges not only in goods but also in human resources.

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<sup>194</sup> March 8, 1951. NAA, A1838, 383/1/2/4 Part 2.

The usage of Japanese technology for the economic development of ECAFE region stemmed from their own expectations towards Japan and not through proposal of the US or the UK. This call also facilitated and allowed the implementation of Japanese diplomacy through technology as envisaged by economic planners such as in the technology committee. However, their aims were different.

Furthermore, the relations developed through Japanese technicians and technical exchange was supported by the occupation forces. SCAP and the US allowed Japan to develop its scientific and technical level, not only for Japan but also for the peaceful usage in Asian region for many purposes. Even though it was not easy to quantify and pinpoint, direct and indirectly, before and after the change of US policy towards Asian region in light of the outbreak of the Korean War, the US had helped to equip Japan with more capability in production and technology, which was to be channeled to the ECAFE region, through financial and technical assistance throughout the implementation of economic programs in Japan. This was another form of early economic cooperation among the US, the Japanese and the ECAFE region.

## CHAPTER FOUR

### ECAFE's Quest for Regional Economic Cooperation with Japan

This chapter examines the development of Japan's economic relations with ECAFE region focusing on trade problems in years since 1948. It will start by examining the economic visions and directions set by ECAFE in its resolutions. Even though the relationship developed rather smoothly, there were resistance to Japanese goods, competitions and threat created by Japan's economic recovery. However, there were also some cooperative aspects of the relationship. Japan and ECAFE tackled common issues confronting economic relations between them, in their pursuit of a coordinated regional economic development with Japan's involvement. Dollar shortage problems, and the absence of US Marshall Plan for Asia were the main impediments in economic relationship between ECAFE region and Japan.

Japan's economic relations with the Southeast Asian region entered a new wave of promotion in late 1940's, on the common assumptions, was connected to the US Cold War considerations<sup>1</sup> since 1949 after China became Communist, and the windfall created by the outbreak of Korean War in mid-1950. Thus, this chapter examines the development of economic relations between Japan and the ECAFE region by focusing on years before that. Although both economic-political factors are indispensable, this chapter tries to focus on the economic interests of the actors, and leaves aside the political and diplomatic problems. This is because relations in years prior to 1949 could be well characterized, not so much by the political consideration but more by economic calculations.<sup>2</sup> In this regard, instead of paying attention to the US Cold War policy, this chapter tries to emphasize the role of SCAP's economic officials who followed economic approach.

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<sup>1</sup> For work on this issue refer to Schaller, 1985, Borden, 1984. For reference on the economic policies towards Asia during occupation, refer also to Hagiwara, 1978; Nakaoka, 1981.

<sup>2</sup> The relations between Japan and ECAFE until 1952 can be divided into mainly two stages. The first stage covers early years where economic considerations were more predominant. The second stage, which started from around late 1949 was more characterized by political considerations. However, there was no exact demarcation line. Political settings in the Far East changed drastically, when China fell to the Communist regime in late 1949 and when Korean War broke out in June 1950. It was also in 1950's that the urgency of proceeding to Japanese peace treaty regained momentum. The US taking the lead of SCAP, earnestly transformed a Japan-Southeast Asia economic connection in replacing Japan-China connection in 1951 following a major declaration by General Marquat.



## 4.1 Path to Cooperation

### 4.1.1 ECAFE Resolutions on Economic Promotion with Japan

Promotion of trade between ECAFE and Japan gained more momentum after private trade embargo on Japan was lifted in August 1947 and also the gradual resumption of bilateral trade with Japan through trade agreement took place.

In responding to these new developments in trade relationships, issue on the contribution of the Japanese economy to the reconstruction and development of the ECAFE region was discussed at the 3<sup>rd</sup> Session of ECAFE in Ootacamund, India, in connection with the establishment of a Trade Promotion Section in June 1948. The Ad Hoc Committee on Trade Promotion of ECAFE urged Asian countries to maximize their trade with Japan. In the draft resolution, ECAFE recommended to the occupation authorities that "Japan's trade and industrial plans should be adjusted to the needs and requirements of the economic development of member and associate member countries of the region."<sup>3</sup> Interdependence between ECAFE regional countries and Japan was explored. It was pointed out that one of the reasons was that the prospects of supply sources for capital goods from former colonial masters were on the wane. In contrast, Japan showed prospects of expanding production of capital goods to effect a greater export surplus within the next few years.<sup>4</sup> For this reason, utilization of Japan's capacity became a matter of primary consideration.

Despite the sluggish postwar economic condition of Japan, ECAFE recognized Japan's potential economic capacity.<sup>5</sup> Japan had the necessary potential to manufacture during the next few years a substantial quantity of consumer, producer and capital goods for export to the other countries of Asia and the Far East and to thereby contribute substantially to stabilization programs and industrial development in the region. In order to operate effectively towards this end, Japanese industry must import, primarily from sources within the region, the basic raw materials in which Japan was deficient. Simultaneously, certain financial arrangements must be made to facilitate the flow of trade between Japan and countries of the region. Regional governments faced some dilemma. For instance, it was reported that Japan's preparedness to reopen its export trade to Malaya was well received by the Department

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<sup>3</sup> Resolution E/ 639.

<sup>4</sup> Interim Report and Recommendation on Industrial Development by the Working Party, E/CN.11/82, May 6, 1948, p.86.

<sup>5</sup> Interim Report and Recommendation on Industrial Development by the Working Party, E/CN.11/82, May 6, 1948, pp.92-94.

of Industry and Commerce of the Malaya Union, as long as the Japanese war potential was sat on.<sup>6</sup> However, although they acknowledged the fact that Japan in the future would supply quite a proportion of Asia's needs because of its highly efficient manufacturing country; shadows of the devastating war capacity of Japan still haunted local people's minds. A less sentimental but pragmatic thoughts also existed in ECAFE regional countries. Senator Tomas Confesor of the Philippines was probably the first economically-minded public official to suggest developing the Japanese market as a potential outlet of the Philippines's sugar production. He believed that resumption on trade relations with Japan on a scale approaching normalcy would be profitable for sugar market in Japan.<sup>7</sup> There were indications that while public sentiment in the Philippines was generally still strongly against a renewal of pre-war trade relations with Japan, certain top-level policy makers favored the adoption of a "more realistic" attitude towards Japanese trade.<sup>8</sup>

Taking into account the rehabilitation of regional members' economy through industrialization, ECAFE put high hopes into Japan's economic recovery. This region was lacking the basic capacities - the "know how", capital equipment required, and the financial resources - necessary for realizing their plans. It would be possible for Japan to produce capital goods in amounts substantially in excess of their current output, if key raw materials from this region become increasingly available to Japan. From this increase, countries of the region may draw imports of capital goods in significant quantities, with which to accelerate their own industrial development. Hence, the great task in Japan, therefore, was to revive industrial production, through an increase in raw material imports, which would make possible the production of a substantial volume of goods for export, notably to countries of the region, where they could promote recovery and industrial development.<sup>9</sup>

These resolutions served interests of certain ECAFE members only. Trade with Japan was important only to countries which had higher industrial level than the other "backward" countries. It was unlikely for these "backward developing countries" to propose promotion of trade with Japan, as a rational choice. Hence, here, it was obvious that there were this minority few countries which were "powerful" - in terms of

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<sup>6</sup> *The Straits Times*, August 11, 1947.

<sup>7</sup> *The Malaya Tribune*, August 16 1948, p.5.

<sup>8</sup> *The Malaya Tribune*, October 4, 1949.

<sup>9</sup> "Interim Report and Recommendation on Industrial Development by the Working Party", E/CN.11/82, May 6, 1948, pp.92-94.

economic power, industrial technology power, political power - namely India, Pakistan, the Philippines, which found more interest in Japan's economic power for their own economic development. The resolution thus, was either too visionary for all the member countries, or just a means to serve interests of several selected actors. However, they were not the sole powers to form such policies. In preparing a policy concerning Japan, these Asiatic countries could not have acted unilaterally without first consulting with Japanese side. Thus, attitude of SCAP officials was not a less decisive factor in this case. In fact, in such situation, it seemed that SCAP's intention to get Japan back to the economic system of this region, as a means to overcome Japan's domestic problem, could be more forceful than the pull forces from ECAFE side. Sherwood Fine, Economic Advisor to SCAP, since the beginning argued with the rationale of "interdependency" between Asian region and Japan for future type of regional economic structure. He intended to make Asiatic countries aware of what Japan could contribute to them in a rational thinking. However, to the Southeast Asian countries, it could be "dependency" to Japan; whereas to the Japanese two tier structure of economy, Southeast Asia was just a part of its "interdependency" aspect, as the supplier of natural resource to maintain and boost Japan's industrial sectors. "Interdependence" as in Deutsch's definition, refers to two components or units consists in the probability that a change in one of them or an operation performed upon one of them will produce predictable change in the other.<sup>10</sup> However, interdependence between ECAFE nations and Japan not necessarily represents a balanced one as we shall see in later part of this thesis.

In the absence of a "Marshall Plan" for Asia, increased trade with Japan indeed became the most hopeful means of accelerating industrialization of the region.<sup>11</sup> Other than those negative attitudes towards commitment in ECAFE, some of these great powers, especially the United Kingdom, were opposed also to the promotion of trade with Japan, at least until 1950. The US was not keen on contributing to the economic development of the region through multilateral channels. Therefore, bilateral assistance through the Point Four Program was carried out after 1949. As the tempo of Cold War escalated since 1949, trade between Japan and the ECAFE region was viewed as a strategy in US containment policy towards the spread of communism in Southeast Asian countries. The USSR was aware of the threat posed by Japan's expanding trade with the region. However, its opposition was regarded as not more than a propaganda

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<sup>10</sup> Deutsch, 1978: 198.

<sup>11</sup> Wightman, 1963: 235.

slogan aimed at opposing its Cold War rivals in ECAFE. The Australian however, was not satisfied that Japan be given such emphasis, and that Japan should not have full preference over other countries of the Far East in imports of raw materials and in general economic assistance. Australia warned that "there is a danger that ECAFE might give too much emphasis to building up Japan as an industrial supplier in the immediate future and may weaken the influence in FEC of countries such as Australia, New Zealand and U.K which must give full weight to security and other long term considerations."<sup>12</sup> The home office then instructed that the foreign offices should keep in close touch with British Commonwealth colleagues to follow such development in line with Australian national interests.

Debates at the Fourth Session of ECAFE held in Lapstone, revealed further the different stances of member countries with regards to Japanese economic contribution to this region. When ECAFE recommended that member countries promoted further trade with Japan, the USSR and the Philippines opposed it. As a nation occupied by Japan during the war, the Philippines was opposed to the efforts in bringing up Japan's economic level to those in prewar years before Japan completed its reparation debt.

John J. Dedman, Minister of Defence and Post-war Reconstruction, Commonwealth of Australia, argued that Australia's attitude on this question was dominated primarily by the consideration of security. Australia had a good reason to fear the resurgence of Japan's military capability because it experienced the bitter attack by Japan during the war, which itself had not enough resistance against it. He acknowledged that Japan had manufacturing capacity and considerable unused capacity for many of the goods urgently needed in the region, but was short of raw materials. The Aussies had no wish to suppress Japan's standard of living, but at the same time they did not wish to further any action which would rebuild the basis of a war economy or result in the kind of economic predominance over Asia which Japan had previously enjoyed. The co-ordinated economic development of the region as a whole, particularly in the industrial field, would be a substantial safeguard against a recurrence of Japanese aggression. It was Australia's view that countries of the region should obtain the benefit of Japan's manufacturing capacity, within prescribed allied policy limits, and at the same time build up their own industrial capacity to counter

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<sup>12</sup> From Department of External Affairs to Australian Commission in New Delhi, May 28, 1948, NAA,A9879, 9121/19.

Japan's predominance.<sup>13</sup>

Despite the US reluctance in giving aid to this ECAFE region, member countries from the Southern far, such as India and Pakistan continued to lobby for US aid. C.C. Desai of the Indian delegation thought that US should be more concerned with what was happening in Asia at present than in the Western Europe.<sup>14</sup> He wholeheartedly agreed with the Chinese delegation about the desirability of concrete and effective aid for Asia on the lines of what America was doing for Western Europe. He voiced out India's hope that there should be a similar development of trade between India and America as there was between India and the UK, but the dollar difficulty stood in the way. With regards to the utilization of Japanese industrial potential, India agreed with the view suggesting that Japanese industrial revival should not be such as to make it a potential aggressor. But subject to this, the utmost possible use should be made of the Japanese potential in supplying the capital goods requirements of the region, for, so long as there was unused industrial potential in Asia, one could not say with any justification that the region was not receiving sufficient aid from European and American countries. Hamidul Huq, representative of Pakistan, urged the manufacturing countries to formulate a system of priorities based on the needs of the different countries of this region. In order to speed the progress of the region, the Commission should lay down the principles for the formulation of such priorities. He considered the question of technical assistance and training as vital and suggested that efforts should be made to provide this assistance.<sup>15</sup>

R. H. Whitman of the US delegation, confirmed US stance trade between the region and Japan must be revived for the benefit of the region.<sup>16</sup> He pointed out that the FEC had determined that Japan should not be deprived of industrial capacity, for peaceful as opposed to military production, which would make it impossible to meet its consumption needs on the basis of the standard of living of 1930-34. At present,

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<sup>13</sup> ECAFE, 4<sup>th</sup> Session, Summary Record of Thirty-fifth Meeting, held at Lapstone, Australia, Monday, 29<sup>th</sup> November, 1948, at 3p.m, E/CN.11/SR.44\*, November 30, 1948, pp. 6-7.

<sup>14</sup> ECAFE, 4<sup>th</sup> Session, Summary Record of Thirty-fifth Meeting, held at Lapstone, Australia, Monday, 2<sup>nd</sup> December, 1948, at 10a.m, E/CN.11/SR.49\*, December 4, 1948, pp. 3-4.

<sup>15</sup> ECAFE, 4<sup>th</sup> Session, Summary Record of Thirty-fifth Meeting, held at Lapstone, Australia, Monday, 2<sup>nd</sup> December, 1948, at 10a.m, E/CN.11/SR.49\*, December 4, 1948, p. 6.

<sup>16</sup> ECAFE, 4<sup>th</sup> Session, Summary Record of Thirty-fifth Meeting, held at Lapstone, Australia, Monday, 2<sup>nd</sup> December, 1948, at 10a.m, E/CN.11/SR.52\*, December 4, 1948, pp. 7-8.

Japanese industry was operating at only half of the allowed capacity. There was therefore ample scope for the extension of Japanese production within the policies laid down by the FEC. The FEC had also established the principle that Japanese trade should be conducted on a multilateral basis and that it should not discriminate in its selection of markets or sources of supply. His country was firm on the opinion that a Japan which was self-supporting on a minimum standard of living was necessary to the security of the Far East. Surely a hopelessly submerged people could not develop the democratic institutions so necessary for permanent peace. For this reason, he reiterated that it was necessary that Japan must trade but trade should develop on a mutually beneficial basis without in any way allowing Japan to dominate the area. It was clear that the development of trade had so far been only on a bilateral basis. The question was on how Japanese trade relations could be put on a multilateral basis. Failure to develop trade on such a basis was not due to any position taken by SCAP. He was certain that SCAP would welcome any steps to be taken for greater freedom between Japan and countries of the region. He felt that ECAFE should determine what concrete steps could be taken to provide that the Japanese requirements could be met by the countries of the ECAFE region so that Japan's industrial capacity should be available for the use of the region. His government viewed with sympathy a suggestion made by the Working Party for the exploration of the possibility of utilizing dollars, provided by the US in other aid programmes, for procurement of commodities from Japan which were in short supply and of which Japan could make relatively early delivery. The US would be willing to assist in such arrangements.

B.N. Adarkar, representative of India examined the three methods suggested by the US for the expansion of trade with Japan with a view to the full utilization of Japanese productive capacity for the industrial and economic reconstruction of the ECAFE countries.<sup>17</sup> The first method was that countries of the region should make larger supplies of raw materials available to Japan. The countries concerned were unable to do so because of their inability to expand production. They in turn depended upon the supply of capital goods which they could not get. There was therefore a vicious circle. The second method was that of having multilateral trade agreements. There were serious limitations to the utility of this method. He referred to the payment agreement between SCAP and the Sterling Area and said that trade between India and SCAP had

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<sup>17</sup> ECAFE, 4<sup>th</sup> Session, Summary Record of Thirty-fifth Meeting, held at Lapstone, Australia, Monday, 4<sup>th</sup> December, 1948, at 10a.m, E/CN.11/SR.52\*, December 4, 1948, p. 9.

resulted in a favorable balance for India of 14 million dollars. India was herself seriously short of dollars and therefore could not spare this surplus for the benefit of other members of the Sterling Area. A multilateral arrangement of this type could not result in the desired expansion of trade with dollar countries. The third method was the utilization of facilities provided by World Bank or other agencies for the financing of import of capital goods from Japan and other countries requiring dollar payments.

The Australian moderated its consideration on this matter. Now, the Aussie realized that Southeast Asian was actually in an urgent situation to increase export of raw material more than Japan in need of importing them. In the same opinion with the US delegate who believed that Japan needed to trade with the Southeast Asian region to sustain a self-supporting Japan on a minimum standard of living to contribute to the security of the Far East. The Australian delegate said that "in some cases Japan represented virtually the only market for some of the raw materials produced in Asia and the Far East" and Japan offered the opportunity for an increase in exports of the region, "which was one of the basic requirements for recovery." In return, he emphasized that "Japan could supply many urgently needed capital goods".<sup>18</sup>

It should be stressed that the Australians' attitude towards Japan was dominated primarily by consideration of security and they had no desire to suppress standards of living in Japan as this could "only breed discontent and produce political which might well constitute a fresh danger to the stability of Asia as a whole."<sup>19</sup> The Australian made it clear at ECAFE that they did not desire "to further any action which would rebuild the basis of a war economy in Japan, or result in a continuance of the kind of economic predominance over the Asian area which Japan enjoyed in the past." It was also the hope of Australia that "the countries of this region should obtain the benefit of Japan's manufacturing capacity, within prescribed Allied political limits, and at the same time build up their own industrial capacity to counter Japan's predominance." This was where the ECAFE should play a positive role to promote "mutually advantages trade between the ECAFE region and Japan".<sup>20</sup>

ECAFE Sessions could not escape the dogging of Cold-War powers factions. In

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<sup>18</sup> Report on the Forth Session of the ECAFE held in Lapstone, November 29 to December 11, 1948, NAA, A5009, A7/10/4 Part 1.

<sup>19</sup> Address by the Australian Minister for Defense and Postwar Reconstruction, the Hon. H.H. Dedman, M.P., at the opening of the 4<sup>th</sup> Session of the ECAFE, Lapstone, Monday November 29, 1948. NAA, A5009, A7/10/4 Part 1.

<sup>20</sup> Report on the Forth Session of the ECAFE held in Lapstone, November 29 to December 11, 1948, NAA, A5009, A7/10/4 Part 1.

retrospect, unnecessary time was spent listening to the Cold War debates between the two blocs as compared to the direct address to regional economic problems and solutions. The USSR spoke for the developing Asian countries and attacked every motion of the US-UK bloc. The clash was especially tensed during the Fifth Session of ECAFE in Singapore. The UK representative warning to the Asian countries about the prospects and competition from Europe in their new industries; was criticized by the USSR as a "Capitalist Bogey" deed. USSR claimed that this act of the UK and US to scare the Asian countries and make them buy steel and metal from the US when they could have developed all those raw materials they needed domestically.<sup>21</sup> USSR also told the plenary in Singapore that he did not want recognition of Japan's war-time co-prosperity sphere idea to exist in Asian region, when the Session was discussing a resolution on trade between Japan and ECAFE which could help economic rehabilitation of the region.<sup>22</sup> Not only was the US, its allies such as the Philippines was no exception of USSR attack as being exploited by the US to the detriment of that country. In refuting these unfounded allegations, the Philippines then challenge the USSR to make her technical and industrial experience available to the Philippines instead.<sup>23</sup>

However, sometimes, the Soviet's critique was for the good of the Asian members concerned, which was manipulated by the Western masters for their own good. The Soviet delegates also pointed out one-sided judgment of ECAFE committees. For instance, K.V. Novikov of the USSR urged the utilization of internal resources for economic rehabilitation. But the report on Trade promotion, the satisfaction of the main industrial needs of the ECAFE region had been placed in a dependent position on the utilization of the Japanese economy.<sup>24</sup> On other occasions, USSR criticized the report of the working party on industrial development as it completely ignored the need for the development of heavy industries.<sup>25</sup> "For instance, with regard to Malaya, it was proposed mainly to develop agriculture, whereas Malaya possessed resources of high quality ore which would be useful in the industrial development of not only Malaya but of other countries of Asia and the Far East. Industries in the ECAFE countries were developed weakly or one-sidedly. The weak development was characterized mainly by

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<sup>21</sup> *Straits Times Report*, October 14, 1949. NAA, A1838, 383/1/2/4 Part 2.

<sup>22</sup> From New Delhi, October 28, 1949. NAA, A1838, 383/1/2/4 Part 2.

<sup>23</sup> ECAFE meeting, March 6, 1951. NAA, A1838, 383/1/2/4 Part 2.

<sup>24</sup> ECAFE, 3<sup>rd</sup> Session, Summary Record of Thirty-fifth Meeting, held in Ootacamund, India on Thursday, 10th June, 1948, at 10a.m, E/CN.11/SR.39\*, June 29, 1948, pp. 9-10.

<sup>25</sup> ECAFE, 3<sup>rd</sup> Session, Summary Record of Thirty-fifth Meeting, held in Ootacamund, India on Friday, 11<sup>th</sup> June, 1948, at 10a.m, E/CN.11/SR.41\*, June 29, 1948, pp. 6-8.



the handicap of colonial policy of industrially developed countries, keeping the countries of this region as sources of raw materials, cheap labor forces and markets for the sale of their own industrial goods. The economic progress of the ECAFE countries required the development of national industries, including heavy industries, utilizing their rich natural resources and plentiful manpower. While stress was laid in the report for the guaranteeing of foreign loans which might be invested for the development of these countries, no guarantee was foreseen that these loans would not act detrimentally to the national sovereignty of the countries receiving such loans. Stress was also laid wrongly on the development of heavy industries in Japan to the neglect of other countries in the region."

In order not to be condemned by USSR and thus assisting them in winning the developing countries over the "neo-colonialism" slogan against the US, US seemed to have given way to accepting industrialization of the developing Asiatic nations, though it was not to their favor in years before. It was alleged that the predominantly agricultural based Asian countries were in a grossly inferior position compared to predominantly industrialized countries because of their insecurity upon depending on export of raw materials. Hence they strived to industrialization beginning from the development of iron and steel and chemical fertilizer industries. The USSR contended that the highly industrialized western nations were stifling the aspiration of backward nations to industrialize in a ruthless effort to maintain export markets. The Soviet delegate denounced the International Bank as an American imperialistic tool whose arbitrary requirements for detailed project justification were designed to discourage industrial progress. The Soviet delegate was insistent in his efforts to present the USSR, as the sole big nation protector and advocate of the backward nations. It was observed that there was a keen determination among the predominantly agricultural Asian countries to bring about increased industrialization as rapidly as possible and if the US were to keep on pouring cold water on their efforts, the USSR would win them to its side. Though the final Conference resolution, dealing with trade of the ECAFE nations and Japan acknowledged its complementary character and stated positively that an increase in such trade would be highly advantageous to both Japan and the ECAFE nations, was passed and it was deemed to be a signal victory for the US and SCAP,<sup>26</sup> it

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<sup>26</sup> Memorandum from Sherwood Fine, "Singapore Meeting of the "Committee on Industry and Trade" of the ECAFE, October 20-29, 1949 and Fifth Session of ECAFE, October 12-19, 1949. B'237 1-4-1.

should not be taken for granted.

#### 4.1.2 Japanese Economic Recovery Plans and ECAFE Region

In the course of implementing more lenient policies towards the international trade policy of Japan, SCAP lifted the ban on private trade in August 1947. Furthermore, when Washington instructed SCAP to stabilize the Japanese economy and get Japan back on its feet, a SCAP-wide effort was launched to help Japan become self-supporting. The Natural Resource Section (NRS) worked hard to increase the production of coal and the efficiency of agriculture, fisheries and forestry. The Economic and Scientific Section (ESS) helped in various ways to improve industrial production.<sup>27</sup>

In order to reform and to rehabilitate the Japanese economy, ESS urged that attention be given to the importance of technological development. Noting that continuous technical development was essential to success in an industrialized economy, O'Brien pushed once again the idea that Japan's scientific expertise should be focused on the solution of 'grave and immediate' problems. His memo also stressed the importance of accelerating industrial standardization, and the desirability of taking steps to mobilize the inventive capabilities of the Japanese people.<sup>28</sup>

Economic Stabilization Board (ESB) policy planners started to form economic planning in the same direction. In order to rehabilitate the Japanese economy, long term export planning to secure Japanese power of obtaining foreign resources was deemed important by the ESB policy planners. In the first draft of policy planning on long term export<sup>29</sup> dated July 17 1947, the Trade Section of ESB postulated a strong dependence on coal for national production and staple export industries. Their concern was more on the procurement of staple natural resource to generate energy for production, which they obtained from the Far Eastern countries, mainly China. Even in the face of the political instability in China, there was not any shift of procurement source to Southeast Asian countries, and they continued to anticipate the political situation in China to be stabilized by 1950 because they had a great dependence on coal imports from China. On the other hand, they foresaw Japanese exports of consumer goods to South and Southeast Asia would improve as the special supply recovered. Another draft of Five-Year Export Plan was produced in the same month on July 22 1947.<sup>30</sup> Maintaining the same stance as the previous report, it further emphasized the

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<sup>27</sup> Dees, 1997: 338.

<sup>28</sup> Dees, 1997: 249.

<sup>29</sup> *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 24, Tokyo: NIRA Sengo KeizaiSeisaku Shiryo Kenkyukai, 1995.

<sup>30</sup> *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 24, Tokyo: NIRA Sengo

prospect of balancing its deficit in import through gradual improvement in export, for example, a gradual increase of export to Australia and India will be balanced by the import of cotton and wool from those countries. As a result, in 1948, ESB put forward a Five-Year Plan, counting on triangular trade through which Japan could cover its deficit with North America by earning dollars in South-East Asia.

In early 1948, ESB finalized a Five Year Plan for Economic Reconstruction.<sup>31</sup> Inaba Hidezo, was in charged of the developing plan. This plan set the objective of economic recovery at the development based on the heavy-chemical industries. This was because since the end of war, Japan had been facing huge shortage of food and since then, it had been depending on assistance from the US. Dependence on the US aid made Japan vulnerable as there was no guarantee that this aid would continue for long. Therefore, it should be an urgent task for Japan to develop its export industries up to ten times of the present productivity to build a self-sufficient economy, at the time while US foreign aid was still made available to Japan. Nevertheless, this plan was not an easy task to achieve because of Japan's inadequate foreign currency in exporting natural resources, infrastructure problems, low production in textile industries; lag in economic recovery in the Asian market and the low purchasing power of the Asian countries; control in free and trading pattern, and low labor production which result in high and uncompetitive price. Despite the gap between vision and reality, the planners were optimistic that this plan would not only cope with the demands of its Asian markets, which were going through industrialization, it would also enable more efficient usage of domestic resources. In other words, this grand strategy was to build national power, even though the focus was shifted from the military forces to wealth.<sup>32</sup> However, because this plan contradicted Dodge Plan on the issue of inflation, it was not officially accepted. This vision, nevertheless, was inherited and became a central theme in Japanese industrial policy since 1950.<sup>33</sup>

However, the difference in Japanese thinking about their perception on the difference between industrial developments in postwar years as compared to the prewar years. Gao argued that even though the strategic view of the economy continued to

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KeizaiSeisaku Shiryo Kenkyukai, 1995.

<sup>31</sup> Confidential documents of "*Nihon Keizai fukkou go-ka-nen keikaku*", 1948.1.10, *Keizai Antei Honbu Choki Keizai Keikaku Kanjikai: "Nihon Keizai Fukkou Keikaku ni Tsuite"*, *Keizai Antei Honbu*, 1948.3.23; "*Nihon Keizai Fukkou Keikaku Daiichiji Shian no Gaiyou*", *Keizai Antei Honbu*, 1948.3.30, vol. 8.

<sup>32</sup> Gao, 1997: 167.

<sup>33</sup> Gao, 1997: 169.

influence the state industrial policy, the war time focus on developing heavy-chemical industries was carried on in the 1950s but was given new meaning. It no longer aimed at producing weapons, but rather at optimizing the industrial structure of the economy in order to maximize Japan's gain from international trade. This was because Japan needed to survive the tough international environment by pursuing the comparative advantage in production technology. This policy distinguished Japanese developmentalism clearly from those developing economies that focused on either exporting natural resources or substituting imports.<sup>34</sup>

In ESB, *Taigai Keizai Kankei Kenkyukai*, was formed to study issues pertaining to Japanese economic stabilization and rehabilitation in the international economic order. This study group based their strategy on solving the Japanese economic problems through the international organizations such as ITO and Bretton Woods institutions. <sup>35</sup> In their series of discussion, they stressed on the importance of studying economic relations with the Asiatic region. In this regard, Okita recognized that reports of ECAFE was an indispensable source. Besides, he was also concerned about Japan obtaining food and coal from Southeast Asian region which were politically instable.<sup>36</sup>

The study group also stressed the importance of exporting Japanese capital goods and chemical industries. It argued that as compared to the prewar trade, the new postwar trading pattern showed that export of cotton production would be decreased, as exports of machinery would gain momentum. They knew that they still need to persuade SCAP officials and to gear up the nation for this direction. These officials could have received the signal from the development in ECAFE region that there were great demands for Japanese machinery goods as they proceeded on industrialization.<sup>37</sup>

With concern to improving balance of trade income balance in Japanese external trade, Tsuru Shigeto urged for a study new possibilities other than the present trade priorities. He raised the question of whether Japan's trade with Northeast Asian was indispensable, and whether Japan should remain in the dollar bloc. Okita further urged that Japan should start looking more to the south Asiatic region, i.e. ECAFE region.<sup>38</sup>

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<sup>34</sup> Gao, 1997: 180.

<sup>35</sup> "Taigai Keizai kankei Kenkyukai", by Keihon Kikakubu Chosaka, 1948.9.16, vol. 25.

<sup>36</sup> "Taigai Keizai Kankei Kenkyukai, Dai Ikkai", 1948.9.30, vol. 25.

<sup>37</sup> "Taigai Keizai Kankei Kenkyukai, Dai Nikai", 1948.10.14, vol. 25.

<sup>38</sup> "Taigai Keizai Kankei Kenkyukai, Dai Sankai", 1948.11.4, vol. 25.

The ESB officials also recognized that the Japanese economy had a high dependency on food and natural resource for its industries from abroad. These variables affect very much how their economic plans could meet the targets set. They were most concern about how the restrictions in foreign trade were lifted, how free exchange in payment could be performed, how fast the political-economic turmoil in Asian region could be improved; how possible could Japan be treated indiscriminately after the peace treaty was signed; how Japan could escape the big effect as a result of fixed exchange rate; and how Japan could obtain foreign aid for the deficit in trade balance.<sup>39</sup>

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<sup>39</sup> "Keizai Saiken no Mokuhyo", p.264-265. Vol. 8.

## 4.2 SCAP's Middle Person's Role

In the course of making economic policies, ESB officials kept close contact with SCAP. Good relationship was developed among SCAP economic officials and ESB officials.<sup>40</sup> SCAP was the main source of information on economic conditions and development in Asia which were indispensable factors in the Japanese policy making process. In Asian economic matters, officials in the ESS and NRS in SCAP played the role of the "middle-person" between Japan and ECAFE, i.e. not only controlled the flow of information, but also advised on and influenced policy making process.

Until 1949, there were barely any chances or arrangement for direct contacts between ECAFE officials and ESB officials. All information had to go through SCAP before being utilized or crystallized in ESB economic policies. There might be a gap of misunderstanding because it was difficult for both sides to understand each other's policy and actual situations. However, they were fortunate to have SCAP officials who had a chance in comprehending the needs of both sides.

In September 1948, Emerson Ross, Deputy Executive Secretary of ECAFE who was formerly a SCAP official; led a visiting delegation to Japan to study the capacity to produce certain capital goods in Japan with the intent of studying the structure of the complementary trade relations between Japan and the ECAFE regional members.<sup>41</sup> Understanding situations in Japan and ECAFE regions, Ross referred to the problem of financing Japan's production of capital goods, as the requirements of Far Eastern nations for such goods would exceed in value the industrial raw materials which those countries could ship to Japan for the production of those goods. One of the suggestions made was to urge the Industrial Bank, Export-Import or private banks to extend loans to Far Eastern nations. Furthermore, a suggestion was made as an attempt to solve this problem through permitting the exchange of technicians<sup>42</sup> for training in Japan and

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<sup>40</sup> By tracing diary entries of Okita, it is found that records of contact were frequent between officials like Tsuru Shigeto, Aki Koichi, Okita Saburo on the ESB side; Fine, Turnage, Levine, Ackerman, Morrow and others on SCAP side. Entries in Okita Diary.

<sup>41</sup> The delegation of this visit consisted of other members from China and India. They were Dr. Shih of China's National Resources Commission and Chairman of ECAFE's Industrial Development Working Party, Mr. Sen of India's Ministry of Agriculture and Chairman of ECAFE Agricultural Requisites Committee, and Mr. Lin, Vice Minister of China's Ministry of Agriculture and fertilizer export. Sebald to Secretary of State, October, 4, 1948, FSP 186.

<sup>42</sup> Ross utilizing his position supported this idea from ECAFE and tried to convince his colleagues in SCAP in relaxing restrictions on Japanese technicians to go abroad. Until June 1949, there were no directives in occupation policy which allowed Japanese technicians to go abroad or Japanese factories to receive foreign trainees. In June 1948, an ECAFE resolution (E/CN.11/177) was passed on Technical Assistance in Economic Development, to promote

expatriating Japanese technicians to go abroad for such purpose.<sup>43</sup> This point of request was definitely pushed by the Indian and Chinese representative in the delegation, as the demand for technical exchange could only be made by regional countries such as India and China where their industrial capacity could absorb Japanese technical assistance.

At the same time, information about the ECAFE visit was discussed at the Toranomon-kai gathering, a study group which consisted of technicians from the various ministries.<sup>44</sup> Issues raised at the visit were also discussed at the Research Group on Foreign Economic Relations (*Taigai Keizai Kankei Kenkyukai*) which was formed in ESB on September 16 1948.<sup>45</sup> This research group met twice a month and tried to research on problems faced by Japan in the international economic system. As trade with Asian countries was of the utmost importance, it was difficult for the policy planners to obtain information except through ECAFE. This study group recognized that it was time for Japan to develop its export through industry or capital export. Markets in Asian countries no longer depended on textiles and it was time to shift to machinery and chemical industries. They believed that Asian countries earnestly endeavored to build up its economy, there was a drive to import more machinery.<sup>46</sup> Japan in this sense should change its trade policy from exporting consumer goods to exporting machinery. This was because now that Southeast Asian countries achieved certain level of economic development, they could afford to demand machinery goods from Japan.

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exchange of technical assistance in the region. In September, 1948, Lokanathan wrote to SCAP representing the interests of regional members for exchange of technicians. However, this request did not bear fruit until mid 1949. Refer to letters of Lokanathan to Sebald dated 17 September 1948, Sebald to Lokanathan 12 November 1948, Lokanathan to Sebald 7 March 1949, Lokanathan to FEC 7 March 1949, Check Sheets from G1 to ESS 5 October 1948, ESS to G1 16 October 1948.

<sup>43</sup> From Memorandum from Emerson Ross to General Marquat, *Report on ECAFE Mission to Japan, 22-29 September 1948*, in attachment in restricted dispatch from W.J. Sebald to the Secretary of State, *Subject: Transmission of Report on ECAFE Mission to Japan*, October 4, 1948. FSP 186.

<sup>44</sup> *Okita Diary* 1947-1949, entry September 24, 1948.

<sup>45</sup> Members of the Research group consisted of Tsuru, Yukawa, Nagai, Akaishi, Hara, Kitamura, Inaba, Hamada, Enomoto, Okita, Oota, Nagasawa, Enoki, Kasa, Kojima, Goto. 'Taigai Keizai Kankei Kenkyukai Gijiroku, Dai 1 - 11 Kai, Keihon Kikakubu Chosaka', *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 24, Tokyo: NIRA Sengo Keizai Seisaku Shiryo Kenkyukai, 1995.

<sup>46</sup> 'Taigai Keizai Kankai Kenkyukai Gijiroku, Dainikai, 1948.10.4, Keihon Kikakucho Chosaka' *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 24, Tokyo: NIRA Sengo Keizai Seisaku Shiryo Kenkyukai, 1995.



The Japanese planners were more encouraged and confident in carrying out their dreams as in the *report* which now obtained the same sympathetic views from ESS officials. William Turnage was one of the key persons who had frequent formal and informal consultations with Okita and other ESB officials. Turnage who had access to data and information because of his position as the Chief in the Statistics and Research Division, ESS advised the Japanese of the urgency in building up a self-dependent economy. Turnage was involved in the preparation of the ECAFE Industrial Working Party's interim report which proposed planning of industrial development in Asia by taking the Japanese economy into consideration, at the ECAFE 3<sup>rd</sup> Session in Ootacamund in June 1948. He especially drew the working group's focus and interest upon the essential role Japanese economy must play in the industrialization of Asia.<sup>47</sup> He convinced the Working Party of the capacity of Japanese industrial production that "the principal problem confronting Japan [was] not one of development *per se*, but rather one of how to obtain adequate supplies of raw materials to feed the existing industrial plant," could be resolved through foreign trade with ECAFE region.<sup>48</sup> On the other hand, he advised the Japanese ESB planners to first promote their machinery export or other facilities before importing raw materials from the Asian countries.<sup>49</sup> Besides, he was concerned about the Japanese effort in boosting national production of coal. Observing that ECAFE regional countries were still agriculturally based, Japan could cooperate in the distribution of comparative advantage. Postwar food shortage was an unresolved problem, the origin of social unrest, and would be a stepping stone for the expansion of Communism in this region. Not being swayed by waves of cooperation in industrialization process, Turnage urged other cooperative rooms for Japan and the ECAFE region. Turnage believed that the key to Japanese economic development could be found in the food production of Asian countries.<sup>50</sup> His knowledge and experience of the situation in Japan in agricultural standard could have been input into ECAFE's expectations towards Japan in the agricultural field.<sup>51</sup> Turnage later

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<sup>47</sup> Letter from Col. Keen to Sebald (DS) dated 20 April 1948. FSP 2369.

<sup>48</sup> *Background of the ECAFE Resolution on the Contribution of the Japanese Recovery to the ECAFE region (prepared for the US delegation to the General Assembly of UN)* 10 September 1948. FEC 1706.

<sup>49</sup> 'Taneji shi to no Kaiken no Ken', *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 24, Tokyo: NIRA Sengo Keizai Seisaku Shiryo Kenkyukai, 1995.

<sup>50</sup> *Okita Diary*, 1945-1949, entry October 2 1949.

<sup>51</sup> Lokanathan pointed out the high expectations on Japanese assistance in Asian agriculture development, during his visit to Japan with Turnage in June 1949. Details will be discussed later.

played an important role between ECAFE and Japan after being seconded to serve the Secretariat of ECAFE in 1948. Turnage's contribution was not only confined to serving ECAFE and SCAP. He also influenced or shared similar opinions with ESB officials such as Okita. In fact, Turnage's relations with Okita was good that he told Okita when he was leaving to serve ECAFE, that Okita was his 'most enjoyable companionship'<sup>52</sup> when Okita bided him farewell on his departure to serve ECAFE. They both identified their shared dreams pertaining to Japanese economic recovery, its close relations with neighbouring Asiatic countries and Asian development.

Besides Turnage, his colleague, Levine from the Research and Planning Division of ESS, was another SCAP officials which had close contact with ESB officials. He played important roles when Turnage was away to serve ECAFE planning. When the ESB officials in the Research Section was troubled by the negative factors from outside situation which had resulted in the sluggish export of Japanese goods, Levine made some important points to realized these officials to tackle their problems. A report produced by Okita's office pointed out that of most of the reasons which hampered Japanese exports were the slow development in Asiatic economies, the ban on importing Japanese goods by certain Commonwealth countries and the influence of the US economies.<sup>53</sup> Thus, Japan could not do much but to wait for a change in situations, such as the improvement in the instability of political situations in the Far East improved which would then allow economic development to take place. Levine argued back to the report urging the Japanese officials not to be too pessimistic about trade with Asiatic region, referring to the ECAFE region. He instead, presented an outsider but objective view that most of the reasons was due to the negative image about the Japanese because of the war, and the bad quality of Japanese products in prewar years. He emphasized that the Japanese urgent task was to improve on the quality of its products more than any other countries.<sup>54</sup> Furthermore, he corrected the wrong perception of the planners by thinking "that the "left over" of textile for export would be redirected to domestic market". The Japanese economic planner should not take this passive way, and instead of left-over be redirected to domestic market, it should acknowledge that the domestic market were in great demand of these products. Japan had to gear up in

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<sup>52</sup> *Okita Diary*, entry 1948.10.18.

<sup>53</sup> "Tenkanki Keizai no Bunseki, Yushutsu wo Sayu Suru Kaigai no Shoyoin", *Keizai Antei Honbu Kanbo Chosaka*, 1949.8.1, vol. 2.

<sup>54</sup> "Tenkanki Keizai no Bunseki'ni taisuru ESS Chosa Kikakubu Revain oyobi Syaron shi no Hihan", *Keihon Sosakanbo Chosakacho*, 1949.8.20, vol. 2.

the spirit that no matter how difficult the problems were, there was no way out except promoting export.<sup>55</sup>

At the Working Party on Industrial Development and Trade Promotion Meeting of ECAFE in Bangkok from 28 March to 6 April 1949, again promotion on trade with Japan was encouraged. In responding to that, SCAP representative, Theodore Cohen indicated "Japan's potential export capabilities in capital goods and machinery for both rehabilitation and development purposes up to an average of \$200,000,000 annually in the next five years, equipment which could be had for Asiatic raw materials and foods."<sup>56</sup> This was because Japan's industrial capacity was earnestly put into high productivity plans. Although reiterating the inability of Japan to grant credits while being supported by U.S. appropriations, he suggested this time, the use of Japanese engineers in project planning for the type necessary to secure loans from the World Bank. Because of the declining trade with China, a shortage of raw materials caused low productivity. The principal limiting factor for such low productivity lay in raw materials and food stuffs available to Japan. Hence, it was in this respect that the ECAFE countries could exercise a considerable influence on the mutual beneficial utilization of Japanese goods to develop the region.

Now that SCAP officials had started to boost Japanese industrial policies, which in the past three years were idle because of strict controls, P. S. Lokanathan, the Executive Secretary of ECAFE, was receptive enough in carrying out his first anticipation about Japan's contribution in terms of industrial level to the region. His vision now started to come into picture. However, there were problems and uncertainties to be dissolved before these relations could actually be fostered. In mid-1949, members of the ECAFE Secretariat, Lokanathan and Turnage, visited Japan in preparation for ascertaining the possibilities of expanding Japan's production of capital goods for export in exchange of food and raw materials from countries of the region. A meeting between Lokanathan and Japanese economy planners was arranged by SCAP for the first time.<sup>57</sup> Okita was among the other ESB officials who attended the

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<sup>55</sup> "Tenkanki Keizai no Bunseki'ni taisuru ESS Chosa Kikakubu Revain oyobi Syaron shi no Hihan", Keihon Sosakanbo Chosakacho, 1949.8.20, vol. 2. In Okita's memo, Levine had stressed that there was a need to create pressure to export. Okita Diary, entry around 1949.7.23.

<sup>56</sup> Memorandum from Theodore Cohen, Special Assistant to Chief of ESS, 15 April 1949. ESS(H) 01538.

<sup>57</sup> Until then, Japanese participation in meetings with foreign authorities was very much controlled by SCAP until mid 1946. Along the road to the gradual gaining of autonomy so as

meeting.<sup>58</sup>This was a good opportunity to enquire into matters concerning the economic situation in ECAFE which until then remained to a certain extent uncertain by only judging on data information. To the ESB officials, ECAFE served as a place where they could receive information on the economic development of its regional developing members, with which these officials could incorporate them and put into consideration of their economic policies.

Faced with the food shortage problems in the Southeast Asian region, Lokanathan assured the Japanese with an optimistic view, that though 1948 export of rice in Indochina, Thailand and Burma was less than in the pre-war years, it was anticipated that this whole situation would improve. He explicitly put forth his disappointment to the former colonial powers and expected a replacement role of Japan. He argued that in the technical aspects, such as fertilizing, irrigation system of Asian countries could be improved to produce more crops, Japanese technical assistance in agriculture needed to be promoted, to replace those taught by the former colonial powers.<sup>59</sup>

In Okita's record and memo written during the period of Lokanathan's visit, an evaluation after meeting discussed the matters of great concern such as the industrialization problems in the Asiatic region, where Japanese technicians would be Japan's biggest resource.<sup>60</sup> Besides, Japan would take up the following measures such as to collect information on the resources in Asiatic region, training of technicians in

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to be able to be self-reliance first in the economic sense, there was an urgency of allowing more direct contact and involvement in dealing with matters especially concerning foreign affairs. Prime Minister Yoshida sent a request to SCAP to allow more participation and involvement, contact between the Japanese officials and the trading partner in signing agreements. 'Yoshida Syusyo kara no Yosei Jiko 1949.9.5', *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 25, Tokyo: NIRA Sengo KeizaiSeisaku Shiryo Kenkyukai, 1995.

<sup>58</sup> Two meetings were held, one on 30 May and another on 1 June, 1949. At the first meeting, presents were Lokanathan, Turnage (from ECAFE secretariat, a former SCAP official in ESS Statistic and Research Division), Levine (SCAP ESS), Noda Nobuo (Vice president), Horikoshi Teizo(Keidanren Secretary General), Sato Busaburo, Inaba Hidezo, Okita, Ando. 'Lokanesan oyobi Taneji Shi to no Kaidan Yoshi, Keihon Kanbo Chosakacho Ki', *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 25, Tokyo: NIRA Sengo KeizaiSeisaku Shiryo Kenkyukai, 1995. At the second meeting, presents were Lokanathan, Turnage, Horikoshi Teizo, Tsuru, Okita, Saeki, Goto, Ando, 'Kokuren Ajia Kyokuto Keizai Kaigi Jimukyokucho Rokanesan Hakase to no Kaikeinki (ni), Keihon Kanbo Chosakacho Ki' *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 25, Tokyo: NIRA Sengo KeizaiSeisaku Shiryo Kenkyukai, 1995.

<sup>59</sup> 'Lokanesan oyobi Taneji Shi to no Kaidan Yoshi, Keihon Kanbo Chosakacho Ki', 'Kokuren Ajia Kyokuto Keizai Kaigi Jimukyokucho Rokanesan Hakase to no Kaikeinki (ni), Keihon Kanbo Chosakacho Ki', *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 24, Tokyo: NIRA Sengo KeizaiSeisaku Shiryo Kenkyukai, 1995.

<sup>60</sup> Okita Diary, entry 1949.5.30.

Japan, and research on the prospect of food production and development of raw materials. As a result of the meeting, Japanese views on Asian economy and a trading plan with ECAFE region was encouraged.

Lokanathan's visit was significant in the sense that it had opened another phase of ECAFE work to stimulate trade with the region by immediate bearing on Japan's recovery. He had also voiced ECAFE's acceptance of Japan's re-entry into this region through more Japanese participations (accompanying SCAP representatives) in discussing matters of regional economic planning in future ECAFE meetings.<sup>61</sup> As a result of this permission made public, a Japanese technical adviser<sup>62</sup> was sent accompanying SCAP observer to the ECAFE Sub-commission on Iron and Steel held in Bangkok in August 1949.

At the 5<sup>th</sup> ECAFE Session in October 1949, a resolution was adopted indicating that the reconstruction of Japan "should not be allowed to prejudice the peace and economic progress of the region."<sup>63</sup> This appeared to be a move to curb the uncontrollable expansion of trade as urged by the resolution passed at its 4<sup>th</sup> Session in November 1948, which recommended the ECAFE countries "to continue to explore the possibilities of maximizing their trade with Japan."<sup>64</sup> However, it indeed was originated by a perceived fear than a response to the actual bad impact as a result of increasing trade with Japan. This resolution was raised by the Soviet delegation and moved by Australia. It originated from a proposal of the Philippines which read that "care should be taken in the reconstruction of industries in Japan that that country will not again become a menace to world peace."<sup>65</sup> Ten members of the nations voted for the clause and none against it. Back during the Session in Lapstone, Australian Immigration Minister A.A. Calwell warned the resurgence of Japan which would become a certainty in the international politics setting.<sup>66</sup>

This in great part was due to the threat felt by ECAFE members towards the

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<sup>61</sup> Press Release by Lokanathan, June 2, 1949. ESS(B) 15584.

<sup>62</sup> Mitsui Takichi, an iron and steel metallurgist who was the Chief of Production Section, Iron and Steel Bureau, Ministry of International Trade and Industry, accompanied SCAP delegation to the meeting. Takichi spoke English to a fair degree. Informal Memorandum for from Mauriss M. Class, Industry Division of ESS to C Verity, Production and Utilities, *Representative for ECAFE Conference (Sub-com on Iron and Steel in Bangkok)*, August 12, 1949. ESS(A)09439.

<sup>63</sup> Refer E/CN.11/221.

<sup>64</sup> Refer document E/CN.11/170.

<sup>65</sup> Refer document E/CN.11/170.

<sup>66</sup> *The Malaya Tribune*, December 1, 1948; *The Malaya Tribune*, December 8, 1948.

rapid recovery of Japan's economy brought about by trade with ECAFE region, in great part due to the great volume of trade after signing trade agreement with the Pound-Sterling Area. What was remarkable in Japan's domestic production was the output of its pig iron, steel and machinery, which started to be boosted up by the "priority plan", that in 1948, coal production reached 33.7 million tons, 24% above that in 1947. Japan's penetration into Asian development of infrastructure also became a competition to the former Colonial masters. Of instance, a contract of US\$700,000 worth of Japanese railroad equipment was signed with the Siamese railroad developers.<sup>67</sup> This was a striking competition against the British which as the Japanese tender managed to under-cut the British by 25%.<sup>68</sup> Apparently there was a contradictory dilemma among the ECAFE regional members towards Japan's trade re-entry into this region. Because of the threat of Japanese market and the competition in Asian region created by ECAFE's policy, the UK and French whose influence in the region was challenged by the promotion of Japanese markets, protested against the implication in ECAFE's report that Japan was the only source of supply of capital goods for ECAFE region.<sup>69</sup>

SCAP officials in this part served as defender for Japan against these bashing with their convincing speeches and assurance of the developing countries of ECAFE region about peaceful development of Japanese production capacity. Fine, defended and promoted Japan's stance in the ECAFE session, by stressing a continuation of his believe in the interdependence relations which he first spoke at ECAFE two years ago. Fine urged the ECAFE nations to step-up their food and raw material productions and maximize their import-export trade with Japan, if they wanted to reduce the current dollar shortage and speed up their industrialization programmes.<sup>70</sup> Japan needed all the foodstuffs, especially grains and raw materials available from the ECAFE region to feed her growing population and industrial needs and could supply metal products and machinery which the ECAFE countries badly needed but could not buy due to dollar shortage to build up their industries. Japan had considerable manufacturing capacity which just lied idle because of lack of demand from the ECAFE nations. The economic rehabilitation and advancement of the ECAFE nations, would serve by effecting a

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<sup>67</sup> *The Malaya Tribune*, April 12, 1949.

<sup>68</sup> *The Dawn*, November 18, 1949.

<sup>69</sup> Report of the Australian Delegation to the ECAFE in Bangkok, Second Session of Committee on Industry and Trade, 9 to 12 May 1950. NAA,A9879, 9121/7.

<sup>70</sup> *The Malaya Tribune*, October 18, 1949.

maximum of trade within the region. Japan could play an important role as a fabricator of raw materials procured from the region. Therefore, Japan should be permitted and encouraged to use her industrial resources for the economic development of the region.

### 4.3 Tackling together Common Problems

#### 4.3.1 ECAFE Region Endured Dollar Shortage in Japanese Trade

The US-Japanese trade pattern formed by the US which aimed at helping the war-torn Japan, by supplying goods and food from the US, later resulted in an unintended result. This origin of the dollar gap not only made Japan inescapable from the US ties, pose a threat to Japan's future integration into the Asian region which was traditionally consisted of soft-currency traders. The dollar gap became more unhandled issue and both Japan and ECAFE regional members sought ways to solve this problem.

Take India's case as an example. India stretched its purse string to trade with vested interest with Japan since 1947. Besides Japan, India also had a great volume of trade mainly for food with the US. However, since 1948, India faced problems in its economic relations with other Commonwealth countries. A Financial Times Editorial strongly criticized India's bilateral trade agreements with non-sterling countries, namely the dollar bloc including Japan.<sup>71</sup> The Joint Anglo-Indian Consultative Committee concluded that India had not made greater use than had been expected of dollar conversion facilities and that India was using up her free sterling at a greater rate than had been anticipated. The British were antagonized because India's essential materials normally supplied to Britain were being diverted to non-sterling countries under bilateral deals at a time when they were urgently needed in Britain and other parts of the sterling area.<sup>72</sup> Such practices seemed to go against the basic principles at present governing the conduct of sterling area countries – namely that in framing import and export policies, participating countries should have regard of the dollar position in the sterling area as a whole. They should, in particular, take all reasonable steps to satisfy the needs of the other sterling area countries for essential goods. Because India had infringed on the solidarity of the sterling group, it was warned that if it insisted on its present attitude, it may eventually find that “she is retarding her own recovery and is endangering her place high on the list of applicants for exports of essential goods from other sterling countries.”<sup>73</sup> Knowing that India had a lot to lose if it were only to pursue the short-term benefits from trading with Japan, India chose to

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<sup>71</sup> U.P. Financial March 1, 1949, ESS(C)06118.

<sup>72</sup> U.P. Financial March 1, 1949, ESS(C)06118. India had a large reserve of sterling balances obtained during the war production years. The Indians counted on this a great deal to obviate probable deficits in the balance of trade at this stage of development when industrialization necessitated the import of capital goods, which could not be compensated for by a proportional increase in the value of exports of raw materials and primary goods.

<sup>73</sup> U.P. Financial March 1, 1949, ESS(C)06118.



consolidate its economic survival with the Commonwealth group. In 1949, India chose to remain within the Commonwealth.

India was confronted with limitations on trade with Japan, a hard currency trading partner. In order not to upset further its former colonial master and not to put itself at risk in the commonwealth group, India had to control its spending on dollar trade, especially with Japan. On the other hand, India tried to maintain trade with Japan even at the expense of some unforeseen losses so as to maintain cordial relations with the SCAP and Japan. In cotton trade for instance, India's export to Japan dropped from the peak US\$ 23,883,548 in 1948 to US\$ 7,685,727 in 1949.<sup>74</sup> This was because to the Indian policy makers, it was no longer in their interest to export any short staple cotton to Japan with a view to replace it by dollar cotton of medium or long-staple.<sup>75</sup> India realized that earning dollars from Japan was only a contingent possibility.

In an attempt to solve the current problems underlying in trade between Japan and ECAFE region, ECAFE passed a resolution of trade with Japan and dollar shortage in April 1949.<sup>76</sup> It resolved that the Executive Secretary should assist to arrange the supply of data regarding the commodities available from time to time for export from Japan to countries of the ECAFE region and vice versa and the mutual import needs of these countries and of Japan; to endeavor to the fullest extent practicable to secure data in such form and detail as will best assist the planning of the production, or importation or use of the commodities concerned; and to draw attention to any new trade possibilities which the countries of the ECAFE region and Japan can utilize to mutual advantage. In order to alleviate the dollar shortage, it resolved that the Executive Secretary shall also consult with the IMF, the IBRD and any expert sub-com that may be set up to deal with specific fields of industry.

Concerning the dollar shortage problem, there was a split in opinion between ECAFE and Japan. To solve the worldwide dollar shortage, which also became a hindrance in Asian-Japanese trade, Lokanathan urged a thrifty spending on US dollar among the Asian region, and argued that freedom from dollar constraint was better than being constrained through commitments. Lokanathan urged Japan to procure more from the Asian region than to depend on US import.<sup>77</sup> This would not only solve

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<sup>74</sup> Data on Imports of Japan, ESS(B)13981.

<sup>75</sup> "Brief given to K.N. Kaul", NAI, 14(22)EA/49.

<sup>76</sup> E/CN.11/AC.11/6.

<sup>77</sup> 'Lokanesan oyobi Taneji Shi to no Kaidan Yoshi, Keihon Kanbo Chosakacho Ki', *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 24, Tokyo: NIRA Sengo KeizaiSeisaku Shiryo

the dollar problem, but also provided a multiple trading base for Japan's economic rehabilitation. Lokanathan's inward looking opinion was of course aimed at helping the Asian countries. However, Lokanathan's criticism could be perceived as his attempt in building a regional economic bloc which would exclude US through lessening dollar influence. It was also hoped that by shifting Japan's emphasis to ECAFE region, it would strengthen the region's bargaining power against the US.

In contrast to Lokanathan's view that Japan should minimize dependency on the US economy, the Japanese policy planners hoped that this problem could be solved with an expansion of US assistance, similar to GARIOA and EROA, to other Asian nations.<sup>78</sup> This was a good choice of promoting Japanese exports by upgrading the purchasing ability of the Asian nations. Japanese leaders viewed close US-Japanese relations as inevitable for Japan's economic and political survival. Japan under the premiership of Yoshida, was well known for its pro-US stance. This was because Yoshida believed, from his experience and career as a diplomat in the 1930s, believed that the future of the Japanese economy would be determined by Japan's relationship with the US and UK. From his historical analysis, Japan economically prospered well after the Meiji Restoration to the end of the 1920s, because it cooperated closely with the US and UK in international politics. Japan suffered until it lost in the World War II, when it abandoned this policy after the Manchuria Incident, and allied itself with Germany and Italy and became involved in a reckless war with the US. Looking at the changing pattern of trade in postwar years, in 1947, 92% of Japanese imports came from the US and only 6% from Asia. Meanwhile, Japan shipped only 12% of its exports to the US and 66% to Asia. Given this pattern, Japan had to ensure its position in international economy by becoming an ally of the US.<sup>79</sup>

In fact, the dollar gap problems not only posed a crucial obstacle to the reintegration of Japan, but to the stability of the whole postwar economic edifice. This was because when Japan lost its main sources of inexpensive imports from its former colonies, it had to import from a longer distance with higher prices, i.e. from the US. Thus, the Japanese needed to export and get paid in dollars in order to repay their creditors in dollar.<sup>80</sup> In such circumstances, it was far beyond the ability of Japan to

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Kenkyukai, 1995.

<sup>78</sup> 'Yoshida Syusyo kara no Yousei Jikou' *Keizai Antei Honbu Sengo Keizai Seisaku Shiryo*, Vol. 25, Tokyo: NIRA Sengo KeizaiSeisaku Shiryo Kenkyukai, 1995.

<sup>79</sup> Gao, 1997: 201.

<sup>80</sup> Hein, 1990: 151.

shift drastically from trading in dollar.

The progressive forces among the economic policy planners, however, presented a different argument about US dependency with a different political implication. They saw the world system as consisting of two opposing blocs with a neutral area between, and they held that Japan should locate itself in that area. For the moment, the progressive forces believed that for political independence and national security, Japan must sever its ties with the US.<sup>81</sup>

It should be remembered that Japanese economy in the postwar economic planners was tilted towards directions of not excluding the US economy but rather cooperate with and complement it while at the same time linking with the economies of other Asian countries; for this would be beneficial equally to the US, Japan and other Asian countries.<sup>82</sup> The report further analyzed that even though "the US will ultimately benefit more from following the direction of multilaterally linking its economy with those of Asian countries, admitting the division of labor among them, than from bilaterally linking its economy with individual Asian countries", this was "desirable from the viewpoint of prompting the prosperity of the world as a whole". Thus, Japan wanted an increased in dollar assistance by the US.

The ESB officials in Okita office of *chosa-ka* suggested some measures to solve dollar shortage problems in ECAFE region. In a situation when Japanese dollar trade could not be met by the Asiatic nations not in the dollar bloc, a foreign purchase system of ERD should be implemented in colonial areas of Asiatic region to promote import on Japanese goods. Besides, they suggested that the US dollar assistance to Japan, be used by the Asiatic countries to increase Japanese export.<sup>83</sup> In a way, the Japanese intention to expand economic relations with Southeast Asian region through its industrial capability in return for raw materials was met when development in ECAFE confirmed this point.

SCAP officials and their counterparts in the State Department, however, initially did not envision locking Japan to the dollar. Joseph Dodge acknowledged that the occupation had tied Japan almost exclusively to the US economy but regarded it as abnormal. In his major public pronouncement in March 1949, Dodge mentioned that it was "not the historical pattern of Japanese foreign trade and may not and probably

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<sup>81</sup> Gao, 1997: 202.

<sup>82</sup> Special Survey Committee, 1992: 93.

<sup>83</sup> "Taigai Keizai Kenkyukai Zantei Hokoku Kotsu An", 1949.2.15, vol. 25.

should not be the pattern of the longer term future".<sup>84</sup> Even though Dodge did not deny the importance of substantial China trade to Japan before 1950, the US National Security Council on the other hand assumed a potential shift from trade with China to Southeast Asia. In December 1949, NSC 48/1 reported that Japan would undoubtedly wish to maintain normal political and economic relations with the Communist bloc, and that "Japan's economy cannot possibly be restored to a self-sustaining basis without a considerable volume of trade with China". However, it stressed the importance of developing export markets for Japan in Southeast Asia to lessen Japanese economic dependence on China.

The US stance on the solution of dollar shortage was that, instead of the US pouring dollar assistance in trade between the ECAFE region and Japan, US was taking action to permit imports into the US and to simplify customs procedures and eliminate unnecessary barriers to imports. The US preferred to deal this question on a bilateral basis. In September 1950, the US negotiated with several countries, including India and Indonesia, for reciprocal tariff reductions under the GATT arrangement. Furthermore, on the ECAFE regional members' part, the US suggested that ways to improve the dollar position were through improving agriculture and industry; to remove political and other barriers to intra-area trade which was of particular importance in view of the complementary character of the Japanese economy with the rest of the ECAFE region; and to expand exports to both the hard currency area and the rest of the world.<sup>85</sup>

ECAFE seek to find solution on how to increase Japanese industry production of capital goods for export to the ECAFE region without involving additional US aid for the purchase of additional raw materials for to increase its production of iron and steel. In addition to that, one more problems they had to solve was that could the under-developing nations of ECAFE physically absorb large additional quantities of capital goods. Apparently, they knew the answer and the dim prospect in promoting actual capital goods trade with Japan. SCAP noted that the export of Japanese machinery and equipment to ECAFE region had been insignificant which was disadvantageous to both Japan and the region, and Japan sought the opportunity to utilize idle capacity to obtain urgently required industrial materials and food from the

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<sup>84</sup> Gaimusho Tokubetsu Shiryoka, ed., *Nihon Senryo oyobi Kanri Juyo Bunshoshu* (1949), III, 29-33, in Dower, p.419.

<sup>85</sup> Report of the Australian Delegation to the ECAFE in Bangkok, Second Session of Committee on Industry and Trade, 9 to 12 May 1950. NAA,A9879, 9121/7.

region.<sup>86</sup>

This coincided with the Japanese policy that Japanese *Boeki-cho* predicted an increase in trade with the Southern market based on a report on 1949 export produced by Economic Stabilization Board. This report predicted that it was difficult for Japanese goods to penetrate into Southern market because of their shortage in US dollar, they proposed that Japan could first obtain permission from World Food Committee to utilize GARIOA funds in purchasing food supplies from Southern market and thus strengthen their purchasing power on Japanese goods in due course.<sup>87</sup>

In such a shortage of dollar trade, the ECAFE region continued to solve this problem instead of giving up trade with Japan. Main reasons had been because Japan was an important supplier of goods for their economic development, in terms of price and the availability as compared to their former colonial masters. Besides, materialistic reasons, there were also reasons for long term and future benefits as demonstrated by India's case. In around 1949, India also realized that trade with Japan benefited Japan more than India. It realized that the Indo-Japanese trade had made a much greater contribution to the revival of Japanese economy than to the Indian economy, because the supplies had been very largely of consumer goods which were freely available from other countries as well, while the dollar liability attached to the supplies meant a definite strain on India's foreign exchange resources.<sup>88</sup> The Indian Liaison Office in Japan convinced its home government that relations with Japan should be viewed more in long-term calculations for the benefit of India's national interest. The logic behind this was that "it will be noticed that in the future world economy, Japan would definitely loom large in view of her industrial potential; in fact trade with Japan has become a matter of great economic importance to a number of countries not only of the East but also of the West." The Indian Liaison Office suggested to its home office that future policies on relations with Japan should be examined and viewed in the light of

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<sup>86</sup> Report of the Australian Delegation to the ECAFE in Bangkok, Second Session of Committee on Industry and Trade, 9 to 12 May 1950. NAA, A9879, 9121/7. More suggestions were presented at the Sixth Session of ECAFE held in December 1950, that dollar shortage could be met by ways such as eliminating political and economic barriers to non-dollar trade; promoting trade with Japan as a market for products of the ECAFE region and as a source of capital goods, increasing trade between ECAFE region and Europe, improving production and marketing practices in both agriculture and industry, increasing exports to hard currency area and using grants and loans from Europe as well as from dollar area. Monthly Report No.6, 1950. NAA, A9879, 9121/24 Part 2.. This apparently implied a shift from import oriented to export oriented economies among the ECAFE developing countries.

<sup>87</sup> *Asahi Shimbun*, November 2, 1948.

<sup>88</sup> "Brief given to K.N. Kaul", NAI, 14(22)EA/49.

this background to cooperate with SCAP on Japan's economic revival. It pointed out that: "As Japan is turning a new leaf after its surrender in 1945 and as it is a country of great industrial potential, the development of its various economic activities should be a concern of primary importance to the Indian mission in Japan. Any help – direct or indirect which India is able to offer to this country in its efforts to build its own economy on a self-supporting basis would not only be appreciated by Japan but would be instrumental in opening a new chapter for close trade cooperation between these two outstanding countries in the Far East". If India offered help to SCAP for tidying over these temporary difficulties either in the form of finance or in the form of supplying essential raw materials, it would not only facilitate the conduct of such operations at the hands of the SCAP but would also react very favorably towards creating an opinion in this country that "in the hour of her need, India stood by Japan and helped her to stand on her own legs".<sup>89</sup>

#### 4.3.2 Quest for a Marshall Plan for Asia

##### *ECAFE's Effort*

Despite the diversity of needs for economic development, the ECAFE member countries of the developing economies shared common desire for industrialization to attain higher standard of living for their peoples. Conscious of their relative inferiority in this regard to the Western countries, they were positive that this situation could be improved rapidly by a large-scale foreign assistance in the form of Asian recovery programme. On the one hand while they looked to Japan for capital goods and other urgent equipments as the Western countries indicated inability to facilitate these needs, ECAFE was persistent in welcoming foreign aid, especially from the US.

From the beginning, ECAFE had hoped for an extensive US aid to the regional countries as it was rendered to the European countries under the Marshall Plan. This hope, though first voiced by President Roxas of the Philippines in 1947, was denied by the US delegates. To the great powers as the donor countries, ECAFE regional countries were expected not to depend on external financial aid but learn to self-help by utilizing its national domestic resource to the utmost. However, the biggest problem of foreign trade with Japan – the dollar shortage problems – awaited external financial assistance, especially from the US, for solution.

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<sup>89</sup> 'Activities of the Trade Section of the Mission', NAI, 532 CJK/49.

India believed that Industrialization was the key to economic development for Asiatic countries. India believed that the urgent problem that Asian countries faced was the slow productivity capacity, agriculture and industrial. India believed that industrialization should proceed in the Asiatic countries. However, the limiting factor was the lack of capital equipment.

At ECAFE 3<sup>rd</sup> Session, the Industrial Committee advice increase in Japanese export to Asian countries. Lokanathan urged that it was more appropriate for Asian countries to procure from countries nearer than from far. It was desirable to allocate distribution of Japanese industrial reparation; because Japan's industrial productivity after reparation settlement had close relations with Asian countries procurement from Japan.<sup>90</sup> Indian representative, John Mattai strongly voiced out the need for US aid and the ECAFE commission discussed the practicability of an Asian Marshall Plan.<sup>91</sup> However, on the third day, when India's wish to obtain US aid was not committed well by the US representative, it further criticized the inadequacy of US concentrating in Asia as compared to its attention in giving material aids to Western Europe. Indian representative further threatened to request aid from the USSR for the economic development of the Far East.<sup>92</sup>

As from the perspective of the peace and stability for the region, H.H. Dedman, The Australian Minister for Defence and Postwar Reconstruction, urged at his address to the opening of the Fourth Session of ECAFE in Lapstone, that a coordinated approach was needed to set the process of recovery in motion and remove the barriers to increased production and trade. He pleaded for "a sustained effort to reach a settlement of political differences in Asia and the Far East, and simultaneously, an effort by the highly industrialized countries to meet the essential needs of the region for economic reconstruction and development."<sup>93</sup> He further explained his idea of open regional approach not only to confine to inter regional but outside region, that such "a coordinated approach is necessary to set the process of recovery in motion and remove the barriers to increased production and trade. ... new and extensive markets would be opened for the products of the countries outside the region and the world's supply of raw

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<sup>90</sup> *Asahi Shimbun*, May 14, 1948.

<sup>91</sup> *Asahi Shimbun*, June 3, 1948.

<sup>92</sup> *Asahi Shimbun*, June 5, 1948.

<sup>93</sup> Address by the Australian Minister for Defense and Postwar Reconstruction, the Hon. H.H. Dedman, M.P., at the opening of the 4<sup>th</sup> Session of the ECAFE, Lapstone, Monday 29 November 1948. NAA, A5009, A7/10/4 Part 1.

materials and manufactured goods would be increased.”

A Marshall Plan for Asia worth 5 to 10 billion dollars was proposed at the Session.<sup>94</sup> ECAFE regional leaders such as the Indians, continued to urge the US to look more seriously into this region, instead of the Europe. It could be observed that the ECAFE Asiatic members became very united when it comes to pursuing this common interest among them through ECAFE. However, again and again, ECAFE regional members were turned down by the US. This was because the US preferred to contribute assistance on the bilateral basis for direct gains in bilateral relations, US had no comprehensive plans for this region which did not guarantee a return. State Department Southeast Asian officials believed that American diplomacy was at a disadvantage when confronted at ECAFE by a unified and ambitious Asia. The US could be more persuasive if it confronted each of the weak nations individually and made bilateral agreements.<sup>95</sup> When the United States completely rejected this idea together with the idea of channeling any financial assistance through ECAFE, India's hopes were dashed to the ground. Wightman goes on and maintains that this unfulfilled expectation severely crippled the belief that the Asian countries could obtain more from the West by acting together rather than individually and was the first major setback for the regional cooperation.

Whether it was a strategic or a genuine attempt, a means or an ultimate goal, Lokanathan in 1950, suggested that a U.S fund be rendered to the developing countries to purchase goods from Japan. In other way of saying it, Japan was used as a middle channel in bridging the reluctant U.S. for financial assistance. This could be argued as a strategy because until 1949, one of the “major objectives” of US economy policy in Southeast Asia was “to increase production of food and needed exports for Europe and Japan.”<sup>96</sup> Moreover, the US concern was to help Japan establish its erstwhile trading position through helping the Asian countries re-establish their markets, or the US prepared to bear the cost as a continuing drain against the US and its resources.<sup>97</sup> To the US, the real objective in Southeast Asia was to increase raw materials production and exports, and that aid was only a means to this end.<sup>98</sup>

Receiving the favorable responses from SCAP and the efforts put through

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<sup>94</sup> Forth Session of ECAFE, report by David Maynard, FSP 185.

<sup>95</sup> Borden, 1984: 113.

<sup>96</sup> Borden, 1984: 114.

<sup>97</sup> Borden, 1984: 116.

<sup>98</sup> Borden, 1984: 116.



preparing for promotion of trade with Japan, Lokanathan gave a further punch hoping to intensify further injecting Japanese capital goods to this region. In April 1950, Lokanathan sent a personal and confidential letter to Sherwood Fine, with an aim to ease further the existing financial problems.<sup>99</sup> Lokanathan seek possibility of increased US aid to Japan for long-term credits to ECAFE countries, besides other alternatives such as giving dollar credits for to ECAFE region for purchasing Japanese goods. He argued in a common benefit tone among ECAFE-Japan-US. He explained that if capital goods could be moved quickly from Japan to the ECAFE region, the effects would be beneficial to all concerned. As the ECAFE region would speed up its economic development and increase its exports of essential products to Japan, Japan would speed up its mutually beneficial trade with ECAFE and consequently reduce the US burden of supporting Japan.<sup>100</sup> Lokanathan regarded this urgent, as he also sent the same content to other SCAP economic officials: Robert West, W.E.Reid, John Logan, Merrill Gay, Emerson Ross, Harlan Cleveland and Edwin F. Staton. It should be noticed here, that instead of continue urging US assistance to ECAFE region, Lokanathan had changed his plead for US assistance to be rendered to Japan instead. This apparently was due to the fact that it would be more persuasive to use the Japan card in channeling US economic assistance to this region, in view of the priority given to Japan in US policy making as compared to the ECAFE region.

Repeated efforts were made on the part of the ECAFE Secretariat to suggest ways in which the Counterpart Fund<sup>101</sup> in Japan could be used to accelerate trade between Japan and the ECAFE nations. The Secretariat even presented SCAP observer at the 6<sup>th</sup> Session, a confidential Secretariat paper indicating specific recommendations for use of the Counterpart Fund which if adopted by SCAP would be most advantageous for both Japan and the ECAFE region.<sup>102</sup> The SCAP observer expressed reluctance to comment in detail upon proposals on the score that the Secretariat was "getting involved in an area completely beyond their competence."<sup>103</sup> Though acting in most cordial relations with ECAFE all this while, Fine refused to discuss this separately with ECAFE, as it would leave a room for further interruption of the formulation of

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<sup>99</sup> Lokanathan to Sherwood Fine, April 22, 1950.

<sup>100</sup> Lokanathan to Sherwood Fine, April 22, 1950.

<sup>101</sup> Counterpart Fund or GARIOA was a type of US funding for Japan's economic rehabilitation. It was an account of nonconvertible yen derived from sales in Japan of official American aid imports and authorized imports of certain primary commodities.

<sup>102</sup> S.M Fine Memo for Record, June 29, 1950, ESS(E)08401.

<sup>103</sup> S.M Fine Memo for Record, June 29, 1950, ESS(E)08401

American policy plans for this region. However, Borden saw Lokanathan's suggestion as one which was welcomed by the US officials.<sup>104</sup> He argued that SCAP was delighted when Lokanathan suggested the use of counterpart funds as coordinated aid because this implied that the Southeast Asians, despite their fear of Japan, and they had turned to Japanese trade to help solve their dollar gap and supply problems in 1950.

### *Japanese Effort*

The Japanese received direct dollar grants and loans from the US to revive its foreign trade. In 1948, Japan was allocated a total of 165million dollars and 180 million dollars for the following year, under the US Economic Recovery to Occupied Area (EROA) allocation. In contrast to the initial US policy which deter Japan from reviving its heavy industries but concentrate only on its light industries such as textiles and consumer goods; by middle of 1948, the American reverted to build up Japan's economy based on heavy industries, emphasizing on machineries for export markets. As for where to sell these products, there were still uncertainties depending greatly on the prices and the quality of the Japanese products. Asian market was identified as the solution, mainly due to the great demand voices and pressure from ECAFE throughout the years of formation.

The Japanese while on the one hand recognized the fact that they could not depend for a long-term foreign assistance from the US, on the other could not help developing on its own without assistance from the US. Similar to the ECAFE countries, Japan had emphasized in their rehabilitation plans in 1947 and 48, the importance of government investment and foreign government aid.<sup>105</sup> *Keizai Doyukai*, for example, published a report on July 2, 1948 which shared most of the key assumption of ESB economic plan but stressed even more emphatically the importance of US foreign aid in achieving self-sufficiency by 1953.<sup>106</sup>

When ECAFE proposed an Asian Marshall Plan, the Japanese officials in ESB saw this with objectivity. This was because they viewed that in order to implement their interim economic stabilization plan, such as to curb inflation and solve import problems on raw materials, an Asian Marshall Plan would benefit Japan as well.<sup>107</sup> They viewed that Japanese recovery could not be considered separately from the situation in Asiatic

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<sup>104</sup> Borden, 1984: 200-201.

<sup>105</sup> Hein, 1990: 145.

<sup>106</sup> Hein, 1990: 145.

<sup>107</sup> "Chukanteki Keizai Antei Keikaku no Kihon Hoshin", vol. 8, p.272.

region. They had also devoted considerable effort to get assistance from abroad especially from the US and had lobbied hard for funds. However, the Japanese officials were still very uncertain about how this Marshall Plan would take shape.<sup>108</sup>

On December 19, 1948, the Economic Stabilization Program was released to make the Japanese economy self-sufficient. One of the main aims was to stabilize the Japanese economy which was hit by inflation due to the increase in production since 1947. With the "Nine points", this program envisaged an austerity program in achieving a stabilized economy with the following measures, 1) achieving a true balance in the consolidated budget, 2) strengthening the program of tax collection 3) rigorously limiting credit extension 4) establishing an effective program to achieve wage stability 5) strengthening price-control programs, 6) improving foreign trade and foreign-exchange controls, 7) improving the allocation and rationing system, particularly to the end of maximizing exports, 8) increasing production of all essential indigenous raw material and manufactured products, 9) improving the food-collection program.<sup>109</sup> The main features of the program were curtailment of all loans and credit, a balanced national budget, and abolition of the government subsidies and loans that had protected Japanese industry from harsh rigors of the free-enterprise system.

These combined measures in Dodge Line was a meant to call for more competitive export industry that could eventually pay for imports to Japan, making the country "self-sufficient." Instead of depending on the "two stilts" holding up the economy – government subsidies and the US aid – the aim of "self-sufficiency" was to reintegrate Japan into the world economy rather than to separate from it. The stabilization plan could make Japanese goods cheaper, but it could not create markets for them. The Japanese government commented in late 1949 that it was no longer "raw materials and capacity but effective demand which determines the level of production."<sup>110</sup> In other words, there were no other choices which Japan could take but to export to the less developed nations in ECAFE region.

In January 1949, Joseph Dodge arrived in Tokyo and started the implementation of the so-called "Dodge Line" with an objective to curb inflation and to gear Japan's industry to production for export. Dodge regarded the Japanese economy at this time as a "stilts" economy that stood on two feet: the private sector depending

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<sup>108</sup> Okita Diary, entry 1948. 12.2.

<sup>109</sup> Fearey, 1972: 220-222.

<sup>110</sup> Hein, 1990: 154-155.

heavily on government subsidies, and the Japanese government depended heavily on financial aid from the US. In this "stilt economy" 70% of consumer prices were supported by government subsidies and about \$400 million of the annual budget of the Japanese government was provided by the US.<sup>111</sup> To end this situation, the Japanese state had to take effective measures to eliminate inflation to implement austerity in domestic consumption, curtailment of public works and services, restrictions on wage increases and reevaluation of irrationalized small and medium enterprises.

The implementation of the Dodge Plan created a completely new environment for the Japanese economy, which required a drastic change in Japanese industrial policy. In the managed economy, as Okita in 1949, pointed out, industrial policy had been driven by the principle of resource mobilization, which regarded production as the top priority and treated cost as a second issue. Without promoting efficiency, Japanese companies would never be able to compete internationally. Without promoting exports, moreover, the Japanese economy could never balance its international payments because Japan, as a country with few natural resources, had to import massively.<sup>112</sup>

The Japanese state responded to this challenge aggressively by replacing the inward orientation that dominated the managed economy with an outward orientation toward international competition.<sup>113</sup> Promoting exports was regarded as the top priority for state industrial policy. The Ministry of Commerce and Industry and the Board of Trade were merged to form the Ministry of International Trade and Industry. The establishment of MITI signaled the rapid departure of Japanese industrial policy from the managed economy.

In the state industrial policy, prominent *kancho economist* Nakayama Ichiro's view prevailed against those who stressed an inward looking economy. This shift from the inward orientation toward the outward orientation marked the beginning of the ideological transition of Japanese developmentalism from the managed economy toward the trade version. This also meant that Japan needed to take the problems of dollar shortage seriously to secure trading partners in the Southeast Asian region. Then, a huge amount of US aid to this region would be needed like what the US did for postwar recovery in Europe.

As an effort to promote Japanese exports to the Asiatic countries, in September

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<sup>111</sup> Gao, 1997: 170, 177.

<sup>112</sup> Gao, 1997: 177.

<sup>113</sup> Gao, 1997: 180.

1949, Yoshida urged the US to allow the use of GARIOA and EROA fund in purchasing food and other materials from non-dollar countries. This was because the Japanese saw the slump in Japanese export was contributed by the poor purchasing power of the Southeast Asian countries. In using the US fund of those programs to buy from Southeast Asian region, this would increase their dollar purchasing power to buy Japanese goods.<sup>114</sup>

Export of industrial plants was encouraged by MITI. It was argued that export of machineries was a major element in postwar economic development and trade promotion. Instead of just exporting light industrial machineries, Japan had to plan more on exporting heavy industrial machineries such as industrial plants, in responding to the uplifted economic level of the Southeast and Far Eastern countries.<sup>115</sup> An Export Bank (renamed Import-Export Bank in 1952) was established in 1950 to promote exports and nurture strategic industries, to provide long-term export credit and the Development Bank in 1951 to provide capital to key industries, such as the electric and shipbuilding industries. <sup>116</sup>

The US policy makers stressed the political importance of Japan in the battle against communist spread in the Asian region. In mid-1949, Dodge announced that Japan be made an important border area in the world-wide clash between Communism and Democracy, and that only a self-supporting and democratic Japan could stand fast against the Communists.<sup>117</sup> In January 1950, Dodge informed the National Advisory Council in Washington that "it is probable that the development of our future Far Eastern policy will require the use of Japan as a springboard and source of supply for the extension of further aid to the Far Eastern areas."<sup>118</sup>

In January 1951, at the height of the war boom, the ESB warned that "Japan's economy is still being supported by US aid amounting to hundreds of millions of dollars per year and is far from being self-supporting. Therefore the highest objective of our economic policy should be the attainment of a self-supporting economy and we should do our utmost so that we may quickly be able to get along without foreign aid." Three months later, the ESB published a plan for post-treaty Japan estimating that Japan

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<sup>114</sup> "Yoshida Shusho Kara no Yosei Jiko", 1949.9.5, vol. 25.

<sup>115</sup> "Puranto Yushutsu Sokushin Yoko An", Tsusho Kikai Kyoku Sangyo Kikaika, 1950.3.28, Vol. 25.

<sup>116</sup> Gao, 1997: 181.

<sup>117</sup> Dower, 1988: 419.

<sup>118</sup> Dower, 1998: 419.

would still need at least \$140million US aid in order to balance its foreign-exchange account.<sup>119</sup>

### *US Reluctance*

The hope for an Asian Marshall Plan lingered after Octacamund Session of ECAFE that American might still extend help if only she could ascertain with some clarity the extend and the form in which it would be required. Thus the Industrial Development Working Party pushed ahead to get a blueprint of some kind even though it could not be expected to cover all details in the short time it was allocated. But despite this the US had shown that there had been no considerable change in its Asian economic policy.

The US stated that vast sums could not be loaned to Asia as long as this area remained in a state of unrest and that in any case industrialization should not be allowed to run too far above of agricultural improvement. There had been criticism in India of the US for not seeing the world economic equilibrium cannot be restored without the economic uplift of what are called backward areas in the East. It was now being urged that Asia was as ready as Europe for "a blood transfusion to rehabilitate itself", that the US should throw off the attitude of indifference towards the west which it has developed, and that the very thought of communism spreading through the area should make it do so. It was also argued that disorders in certain parts of the vast ECAFE region provided no reason for delaying financial aid to the entire area. Insofar as India was concerned it was claimed that it had overcome many difficulties in the past 18 months and maintained a high degree of stability. Moreover India was in a position to benefit by help; it had long since broken way from the restriction of a colonial economy, had possessed a well-organized capital market of its own which had reduced its dependence on foreign borrowings in the past and had wiped out its external debts. None of these things, could be said of other Asian nations in this region.<sup>120</sup>

The US had been given bilateral assistance to some Asiatic countries such as the Philippines and China, besides Japan with purpose of assisting their postwar economic rehabilitation. The US argued its reluctance in responding to the wishes of the ECAFE region which anticipated US assistance for their industrial development,

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<sup>119</sup> Hein, 1990: 221-222.

<sup>120</sup> From Australian High Commission in India to Ministry of External Affairs, December 16, 1948. NAA,A5009, A7/10/4 Part 1.

despite the fact that the US rendered aid to few countries, that "The assistance programs now in existence in China, the Phil, Korea and Japan are the result of the rehabilitation efforts because of destruction due to war and not of a type contemplated by the Industrial Development Working Party which advocates industrialization base on the national economic plans for FE countries. Nor is it contemplated that this Government will unify these assistance programs or convert them into a development plan for Asia and the Far East."<sup>121</sup>

In 1948, the US thought it necessary to review its policy towards Asia and the Far East. Views on the US aims, and type of involvement were divided among the officials in the Department of State. On the one hand, the US wished to minimize its commitment in Asian region, but on the other hand it feared that the vacuum left by the US and the other Western colonial powers would leave a big chance for the communist to fill in.

Melville H. Walker of the State Department, justified the US importance in Asian region from the Cold War political perspective that with the consequences of the withdrawal of the Western colonies and threat of advancement of Communist regime in Asiatic region, the US needed to redefine its "political objectives in these countries, and in the economic facilities at our disposal for exerting a positive leadership". As recent Communist-inspired developments in the Netherlands Indies, Malaya, and Burma attested, in the absence of such US leadership and positive support, the vacuum may well be closed by a political orientation to Moscow. An integration of Far East economies under Soviet direction in the next one or two decades, both in the military and industrial supplies which they could produce and in their deprivation to us of essential strategic material, would be a grave threat to the security of the US."<sup>122</sup> In this situation, the US was being called upon to deal more directly with the legitimate aspirations of the government and peoples of these areas, and not regard their problems as merely incidental to those of their former "metropolitan" powers.

Walker pointed out that in developing this program, the principal emphasis should be based upon restoring or increasing production of goods essential for Far East recovery and world trade. The US should reduce aid in financing programs facing

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<sup>121</sup> Position Paper Regarding Item 5, ECAFE 3<sup>rd</sup> Session, "Interim Proposal of the Working Party on Industrial Development for Asia and the Far East", FEC(B)1478.

<sup>122</sup> Draft by Walker, "Comments concerning draft memorandum, "A US program for Far Eastern Recovery and Reconstruction", September 30, 1948. FEC(B)1478. From Walker to Wilfred Malenbaum and Roswell Whitman, date unclear. FEC(B)1479.

deficits such as that in China Aid Program but maintain those which served military or political considerations and "goods needed for industrial purposes in the US and for export to Japan and to European countries participating in Europe Recovery Program". Such an approach would be intended to affirm Far Eastern participation in US efforts to promote world economic recovery. This US intention, he continued, was "to provide a sufficiently broad framework for recovery and steps towards economic development of Far East as to render more acceptable to Far Eastern nations the efforts of the US to rehabilitate Japan to a self-sustaining basis."<sup>123</sup>

Finding himself in consent to the views of Walker, Whitman, however, contested that the US should instead define the US economic objectives in a broader definition so as to "restore economic health".<sup>124</sup> He referred to the term used by Marshall, that "it is logical that the US do all it can to help restore economic health to the world, without which political stability and peace cannot be assured. Our policy is not directed against any country nor any doctrine but against famine, poverty, despair and chaos. Its purpose should be the rebirth of active economy throughout the world in order to create political and social conditions where free institutions can exist." In the Far East, revival of production and trade was regarded as the chief of keys to restoration of economic health. To solve this problem, the US could assist by providing minimum necessary revival of production and trade in food, coal and other basic raw materials for production.

Whitman also saw urgency for the US to make up its regional plan because SCAP was asking for additional rehabilitation assistance from the US. The budgetary problem was whether to grant another annual US grant of \$250,000,000 to seek other solution such as financing Japan's exports to other areas. In such a situation, while on the one hand, revival of intra-regional trade was more difficult since it involves parallel development of sources of raw materials, productive equipment and markets, all of which had to be interrelated in the planning stage, the financing stage and the operating stage, he argued, in this connection, that "the Japanese problem must be emphasized. This was the not because it is par excellence the problem which could not be solved without regional planning."<sup>125</sup> A proper plan would, include consideration of

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<sup>123</sup> From Melville H. Walker to Wilfred Malenbaum and Roswell H. Whitman, date unclear, FEC(B)1479.

<sup>124</sup> "Further comments on the Problems of Far East Recovery", by Whitman, October 1948. FEC(B)1478.

<sup>125</sup> "Further comments on the Problems of Far East Recovery", by Whitman, October 1948.



the politico-military action which would be required to achieve it.<sup>126</sup>

In around October 1948, the tentative conclusion was made that the US assistance would be furnished to the Asian region. The idea was that, "unless or until condition of peace or political equilibrium have been established within Far Eastern countries, U.S programs of economic aid or development for such of those countries as desire it should be confined to providing supplies financed by grants or credits through bilateral negotiations with recognized government agencies or, if and when necessary, with private non-governmental, or quasi-governmental agencies, for the purpose, of developing existing potentialities of production which would, in the short run, maximize exports or minimize imports. Further, except where vital US political or military interests can be proved to require that other type of economic assistance be given to particular FE countries (e.g. Financing of food imports for Japan), all US appropriations, grants, and loans should, for the time being, satisfy this standard."<sup>127</sup>

The debate continued to decide what form of solution should be for the similar aid. There was a concerted view on making Japan the focus point of development and as the engine of development for the whole of Asian region. This was "Not only from the viewpoint of China, but of the objectives in Japan, the Soviet Union should take positive action to assure movement of goods between these areas and elsewhere in the Far East, and to prevent the USSR from controlling and integrating that production and trade. Not only must the US bring pressure to get military supplies to North China, but it might press the Chinese government to give a much greater measure of economic autonomy in that area."<sup>128</sup>

However, this purpose must be pursued with great precautions due to the suspicious attitude of the Asian countries towards Japan. It was admitted that, in some respects the US economic aid to Japan had complicated rather than facilitated Japan's re-entry into normal economic relations with the rest of the Far East. Some of the other FE countries had resented, for sentimental or political reasons, what they have regarded as the undue solicitude shown by the US towards Japan, subordination of their interests and problems to those of Japan. Thus, they were determined to oppose

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FEC(B)1478.

<sup>126</sup> "Further comments on the Problems of Far East Recovery", by Whitman, October 1948.

FEC(B)1478.

<sup>127</sup> Secret Draft, "A US Program for Far Eastern Recovery and Reconstruction", date unclear (around October 12, 1948), FEC(B)1477.

<sup>128</sup> Draft by Walker, "Comments concerning draft memorandum, "A US program for Far Eastern Recovery and Reconstruction", September 30, 1948. FEC(B)1478.

such plans in making Japan "the workshop of Asia". Furthermore, US financial aid to Japan created obligations which place Japan in the dollar bloc, thereby complicating Japan's trade relations with soft currency areas. On the other hand, Japan could serve as the keystone to solve the existing problems of the South East Asian region. It should be realized that, Japan "was a natural market for a substantial proportion of the raw material exports of the rest of Asia. Its cheap machinery was well adapted for export to FE countries taking the first steps towards industrialization. Prewar Japan recognized this logic and put it to aggressive use. Far Eastern countries must be assured that there will be no resurgence of that motive."<sup>129</sup>

Instead of looking to the US, ECAFE region should look to Japan for capital goods needed. "Without making the development of the Japanese economy the concern of ECAFE or the integration of the revived Japanese economy with other FE countries, this Government, however, looks upon trade between Japan and other FE countries with favor and it may be desirable at this time that this matter be duly underlined so that FE countries may be encouraged to look to Japan for need capital goods."<sup>130</sup>

The US idea then transformed into taking measure of using the Asian powers to solve their own problems. A possible way to resolve the Asian region through Asian powers was stipulated in Carwell's proposal. He argued that "In the preparation of a Far Eastern Program, two polar points may be used, namely Japan and India, to illustrate the range of variations in Far Eastern economic development." Compared to Japan where the Asiatic countries suspected, the Asiatic countries were in a position somewhat more akin to that of India rather than to that of Japan. Moreover, Western European and other Asiatic countries, and the US were desirous of securing basic and strategic materials. He reasoned also that in every case, "there is a desire on the part of the Far East nations to direct their trade to hard currency nations. New triangles may be encouraged, let us say, in which India may be in a position to supply consumer commodities to other Asiatic countries who may supply materials in return for rubber, tin or tea to the US, UK and other industrial countries". Thus, it was possible in this way for India to have a positive balance of trade with the less developed countries of Asia, although maintaining a negative balance with hard currency countries. Such a pattern could be slow to emerge due to the disruption of trade in the Far East caused by

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<sup>129</sup> Secret Draft, "A US Program for Far Eastern Recovery and Reconstruction", date unclear (around October 12, 1948), FEC(B)1477.

<sup>130</sup> Position Paper Regarding Item 5, ECAFE 3<sup>rd</sup> Session, "Interim Proposal of the Working Party on Industrial Development for Asia and the Far East", FEC(B)1478.

the war, "may be given guidance and inspiration in an integrated Far East program planned by and under the guidance of the US". On the other hand, a triangular arrangement, whereby FE countries, supply raw materials to Japan and in return import consumer and manufactured goods, may be financed by the US to cover current deficits. There was no doubt that the contribution to Japan could be considerably reduced as imports from Japan could exceed exports to Japan. He hoped that "the successful operation of this type of trade pattern which can contribute considerably to the recovery of production in the Far East would greatly reduce the annual contributions that would have to be made by the US. Such trade pattern could be developed with other countries in the Far East and Western Europe."<sup>131</sup> However, this idea did not come into immediate real action.

China hand in the Department, Butterworth was concerned about the urgency of an coordinated aid to the Asian region to solve the economic problems in Japan, as suggested by Draper. Nonetheless, he thought that the situation in Asian countries were not stable enough to utilize a coordinated US aid. He agreed that with the idea shared by the majority in the Department, that the markets of Asia provide an effective demand for Japanese exports in order that Japan may become self-supporting. The desire of Asiatic countries for industrial growth achieved through US aid comparable to that being extended to western Europe often underlies reports to the effect that a "Marshall Plan " was being formulated for Asia and the Far East. There were indications that Asiatic members of the ECAFE were now actively attempting to work out a coordinated plan of industrial development for the ECAFE area conceived as a necessary prerequisite to the receipt of aid for this purpose.<sup>132</sup>

Such measures would be of most immediate and obvious economic advantage, to the US as well as to Asia, if applied to the partial reestablishment of natural economic relations between Japan and the rest of Asia. However, undue emphasis upon reestablishment of trade with Japan would vitiate other important objectives of the US in Asia, and an attempt to promote the economic recovery of Japan through mere provision of dollars to other Asiatic countries with which to purchase Japanese exports would, of course, be tantamount to robbing Peter to pay Paul. Nevertheless, steps to promote the trade of Asiatic countries with Japan, as one aspect of their efforts to

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<sup>131</sup> From Joseph Carwell to Melville K. Walker, "Preliminary Proposal for an Economic Coordination Program for the Far East", October 14, 1948, FEC(B)1478.

<sup>132</sup> From Butterworth to the Acting Secretary, "Question of Coordinated US Economic Aid for Asia and the Far East", October 27, 1948, FEC(B)1479.

increase exports and imports generally, could appropriately be taken, or encouraged by the US in connection with the unilateral extension of aid to various Asiatic countries.

Followed by the proposal of Butterworth indicating the political and economic factors which rendered a "Marshall Plan" approach to the problems of the Far East undesirable, Nitze proposed an alternative solution. He concluded that, "despite the preceding observations, there may be certain measures which, within the limitations imposed by political circumstances in Asia, could be undertaken to effect some increase of production in Asiatic countries and of the trade of those countries, both among themselves and with other areas of the world." He suggested that the US aid could be used for specific projects in certain Far East countries (particularly India, Pakistan, Ceylon and Siam), along with the projected extension of technical assistance to these countries, if US political and economic objectives in the Far East were to be attained.<sup>133</sup>

Nitze urged for the implementation of this assistance by stressing the threat of Communist to the region. "It seems clear that the Communists are attempting to capitalize on this movement and to convince the Asiatic masses that in Communism lies their only hope for overthrowing the old order and achieving social and economic progress". He urged that "a more positive policy should be developed which would identify us in a constructive manner with the aspirations of the Asiatic masses" that "in the political field this would mean encouraging and supporting friendly indigenous forces to the greatest possible extent consistent with an orderly withdrawal of foreign authority and power" and "in the economic field it might involve a substantial program of technical training and the furnishing of technical information as well as such economic assistance as can be prudently and most usefully utilized under present conditions". Since this area was generally lacking in trained personnel and knowledge in the field of governmental administration as well as in that of engineering and production techniques, a training program at a relatively modest cost should produce a far greater benefit than large programs of capital imports". Besides, he argued that the US should "bring about a widespread knowledge that our aims are constructive and in the real interests of the Asiatic masses and that we do not have imperialistic aspirations or propose to exploit the area for selfish economic gains. We should clearly state our hope that ultimately the countries of this area will be independent with truly democratic governments cooperating with other parts of the world through the UN."<sup>134</sup>

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<sup>133</sup> From Nitze to the Secretary, March 23, 1949, FEC(B)1479.

<sup>134</sup> From P. H. Nitze to Butterworth, Satterthwaite and Labouisse, "Coordinated Policy for

When the Cold War in the Far East became more tensed, the State Department also started to consider more earnestly the possibility of carrying on "political warfare" against unfriendly areas by means of economic pressures.<sup>135</sup> Davis argued the importance of creating some apparatus which could be used to apply economic leverage on Chinese Communists to exact political conditions. It was agreed that US export licensing should be used to prohibit exports of direct military utility, and to control trade in certain important categories of industrial materials or equipment.

Finally, a policy was approved by the Department of State on May 25, 1949, to make clear US policies with respect to South and East Asia on economic aspects. It had to be noted that this policy was crystallized before the formation of Republic of Chinese Communist.<sup>136</sup> It was defined clearly the countries in the "South and East Asia" was expended to cover the Far East, South and Southeast Asia and Afghan for the geopolitical strategy of the US.<sup>137</sup> No concrete plans took shape at this moment due mostly to the US reluctance to commit in Southeast Asia in such an unstable condition.

The atmosphere of Cold War was tensed with the attacks of USSR's political propaganda and the replies and countercharges by the U.S. and U.K. throughout the 5<sup>th</sup> Session. Fine after observing the situation in ECAFE, urged the US to have a more solid policy towards ECAFE. In the absence of US policy towards Southeast Asia, Fine, all the while more concerned with the economic approaches, this time tried to convinced the US government with a political analysis<sup>138</sup> about trade promotion between Japan and ECAFE Southeast Asian region. He urged that the "US should have a more solid policy towards ECAFE" as there was "a vacuum of leadership existing throughout the Far East."<sup>139</sup> He argued that "with the rapid deterioration of the general prestige and position of the western European metropolitan powers in Asia and the emergence of a number of weak, fledgling national states, there is no effective predominant power, no

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the Far East", November 22, 1948, FEC(B)1479.

<sup>135</sup> From Magill to Butterworth, Top Secret: "US Policy with Respect to the Far East", December 8, 1950, FEC(B)1480.

<sup>136</sup> From Spiegel to Barnett, June 7, 1949. FEC(B)1481.

<sup>137</sup> Countries defined under this term were: Japan, India, Ceylon, Pakistan, Afghan, Malaya, Siam, Burma, Indo-China, Indonesia, China, Korea and the Philippines.

<sup>138</sup> Memorandum from Sherwood Fine, "Singapore Meeting of the "Committee on Industry and Trade" of the ECAFE, October 20-29, 1949 and Fifth Session of ECAFE, October 12-19, 1949. B'237 1-4-1.

<sup>139</sup> Memorandum from Sherwood Fine, "Singapore Meeting of the "Committee on Industry and Trade" of the ECAFE, October 20-29, 1949 and Fifth Session of ECAFE, October 12-19, 1949. B'237 1-4-1.

genuine leadership to counter-act the widespread and insistent Communist aggression." Currently, the USSR was "steadily filling this vacuum" and with the strength of "local Communist parties", it was likely that there would be a "growing sense of the inevitability of the Communist conquest of all Asia."<sup>140</sup> Fine added, that "the U.S. cannot secure its political and military objectives in Japan if it is to ignore its interests in the Far East as a whole." Fine suggested the use of Japan's industrial resources, which contain considerable idle capacity to be used as a "logical beginning for a program to assist Asia in improving living standards and accelerating the pace of industrialization of backward nations," to strengthen the "ties with the US and the development of resistance to Communist aggression."<sup>141</sup>

As a result, the US State Department gradually changed its attitude towards ECAFE. It also began earnestly to consider linking Japan and Southeast Asian countries with US economic influence. The main motive behind this commitment was the Cold War consideration which was widely shared by the State Department officials.

Facing US reluctance in committing a coordinated plan, Lokanathan reviewed the strategy of ECAFE for economic development. He rebuilt the morale of development, at the time when all the western powers turned down ECAFE request for an Asian Marshall plan, reconsidered the strategic for regional economic development. He recognized that it was a mistake of ECAFE to look for too much outside help whereas self-help was a law applicable to nations as well as individuals.<sup>142</sup>

#### 4.3.3 Korean War Economic Cooperation Mirage

When the Korean War started in June 1950, the US was forced to make Japan factory to serve its military demand for the war. Although not part of the original Dodge Plan, economic remilitarization of Japan became the nearest choice in reality. Japan would response to the special procurement of the US military demand. This new "US-Japan economic cooperation" tied up further Japan's economic growth to the US economic and military program, and its external economic expansion was diverted away from continental Asia- away from China – and towards a triangular integration with the US and Southeast Asia.<sup>143</sup>

Just as Japanese economy was suffering from the result opposite to the original

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<sup>140</sup> Memorandum from Sherwood Fine,

<sup>141</sup> Memorandum from Sherwood Fine,.

<sup>142</sup> *Hindu*, Madras, November 7, 1949. NAA,A5009, A7/10/4 Part 2.

<sup>143</sup> Dower, p.491.

aims of Dodge Line, where industries suffered bankruptcy and resulted rampant unemployment, Korean War broke out in time to put a stop to the deterioration. Japan benefited from the Korean War in the form of a huge amount of hard currency created by special procurement orders for military goods and services from the US. In 1950, the amount of special procurement were \$149 million and it increased to \$592 million \$824 million in years 1951 and 1952 (Economic Planning Agency 1990b; 134). At the same time, Japanese exports which had been slow in for the past few years due to various factors found in the overseas markets and domestic production line, increased from \$510 million in 1949 to \$820 million in 1950 and \$1.3 billion in 1951.

Even though SCAP was reluctant to commit in official communication to the ECAFE about the US policy towards this region, their keen interest in forging a close ties between Japan and Southeast Asia was shown in the US policies in the 1950s. Through 1948 and 1949, Japanese business and government representatives, the Army, SCAP and others pressed for rapidly expanding Japanese-Southeast Asian trade as a key to recovery.

One group of historians argues that Japan's problem was the reason which made the US consolidate its policy to merge Japan and ECAFE region. By early 1950, Japan's problem had to be addressed directly, and Southeast Asia was the obvious place to begin. Schaller revealed, the desirability of economic ties between Japan and Southeast Asia was one of the few points on which the State Department and US military leaders could agree. Although many officials remained deeply pessimistic about developing such ties, discussions about economic aid centered more on the East Asian region and less on each separate country. American policy increasingly was designed to work regionally to tie Japan and Southeast Asia together.<sup>144</sup> The form of integration suggested was through combining economic, political, and military objectives in Asia which was pioneered by Under Secretary of the Army Tracy Voorhees, the concept of coordinating military and economic aid within Japan.<sup>145</sup>

Another argument rested on the urgency to curb communist spread in Asiatic region. The rise of red threat in Asiatic region forced the US to think more earnestly into considering strengthening Japan's economic survival with the Southeast Asia. The State Department then came up with several proposals of schemes, such as coordinated aid and a "Yen Fund proposal" to solve the current problems faced by Japan and ECAFE

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<sup>144</sup> Schaller, 1994: 212-233, Borden, 1984:125-129.

<sup>145</sup> Hein, 1990: 217.

region. ESS officials recommended that credits be taken from counterpart funds in order best to "create an area economy" (integration), and to divert charges of US imperialism, since the aid would appear to be from Japan.<sup>146</sup> Kenneth Morrow, head of programs and statistics for ESS, favored the use of a yen fund which would be extended to the Southeast Asia to spend only on Japanese goods.

The Japanese were rather reluctant to rearm when the US proposed to them. Yoshida, was caught in a dilemma, on the one hand did not want to put the whole nation in rearmament, and on the other did not want to go against the US which would put Japan at more vulnerability to the current threat. Ultimately, the US decided to use troop expenditures in Japan and military expansion in Asia to provide coordinated dollar markets for Japan, Yoshida decided that by proposing that the arms production from the idle arsenals be used as Japan's defense contribution in return for guaranteed dollar markets for the arms, Japan would escape from the necessity to rearm.<sup>147</sup> In June 1950, MacArthur and Yoshida made plans in early June to reactivate Japan's military plants to support American military intervention in Asia.

With the Japan's involvement in producing war procurements for the US, the US began to treat the need of "economic cooperation" which would provide Japan economic incentives and dollar gap subsidies in the form of war orders and American sponsorship in Southeast Asia, in return for Japanese adherence to American policies in Asia, especially the non-recognition of China.<sup>148</sup>

Japan was geared towards industrial production line. It was revealed in January 1951, that the Japanese government rejected the report prepared by the *Jiritsu Keizai Shingikai* (Deliberation Committee for a Self-Sufficient Economy) which emphasized on textile production. The report was regarded to be bearing "little relation to reality".<sup>149</sup> The development in the Far East forced the economic planners to admit the fact that Japan's future economic growth would be based on the promotion of machinery industries, rather than the light-industries. Referring back to discussion in the above section, the once envisioned but turned down policy plan of Inaba Hidezo in the five year economic plan, now slowly visualized. On February 19, Marquat, Chief of ESS instructed ESB to adjust Japan's industrial production plans in order to

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<sup>146</sup> Borden, 1984: 137-138.

<sup>147</sup> Schaller, 1997.

<sup>148</sup> Borden, 1984:149-150.

<sup>149</sup> Dower, p.420.



accommodate America's expanding demand for armament.<sup>150</sup> Later on, in March, *Keidanren* (Federation of Economic Organizations) committee on economic cooperation with the US, drafted an economic cooperation plan.<sup>151</sup> This plan was aimed at attaining Japanese economic self-reliance, providing economic bases for Japan's security and its cooperation with the UN, and emphasized the importance of US-Japanese economic cooperation in strengthening the solidarity of the free nations in Asian region.

Another reason which prompted further Japan's decision to cooperate with the US was when trade relations between Japan and China were banned in May 1951 with the adoption of a UN resolution calling for a strict embargo against China. As a result, trade volume between Japan and China dropped drastically. This made MITI devote more energy with Southeast Asia. In January 1952, Yoshida appointed a top-level Supreme Council on Economic Cooperation (*Keizai Kyoryoku Saikokai*) with the charge of studying the triangular nexus.<sup>152</sup> Dower further explained that this incident made the US officials in Tokyo, especially in ESS, and Washington to embark on an intensive studies ranging from grand overviews to detailed investigative reports on the specific, usually extractive, enterprises in south and southeast Asia in which Japan was most interested.<sup>153</sup>

In Tokyo, the most active proponent of economic cooperation with Japan was Kenneth Morrow. In 1950, when ECAFE requested for a special liaison officer taking charge of relations between Japan and ECAFE, in view of escalation of relationship since 1949, Morrow was appointed at the Liaison officer for Japan. Morrow lobbied incessantly for Japanese economic interests, especially procurement orders and aid to Southeast Asia that would be tied to purchases in Japan. In July 1951, Morrow led a joint American-Japanese mission to Southeast Asia to "investigate prospects for increasing the flow of raw materials to Japan." It sought opportunities for "Japan to supply machinery, heavy equipment, consumer goods, and technical aid" in exchange for commodities. In public the US were "anxious not to overemphasize the rearmament procurement side of these plans" as it "could easily be misinterpreted as a US conspiracy to revive Japanese leadership of a Great East-Asia Co-Prosperity Sphere

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<sup>150</sup> Yamamoto, 1977: 410-411.

<sup>151</sup> '*Nichibei Keizai no Kyoryoku Taido ni Kansuru Iken An*', 1951.3.13. vol.2, pp.483-491." *Nichibei Keizai no Kyoryoku Taisei ni Kansuru Iken*', 1951.3.15, vol. 2, pp.506-516.

<sup>152</sup> Dower, 425-426.

<sup>153</sup> *Ibid.*

with the added drive of U.S. backing.” However, it was obvious that the mission hoped to acquire raw materials vital for the maintenance of US garrison troops and facilities.<sup>154</sup>

In February 1952, in a reply from the Japanese government to the US demand, the Japanese decision to cooperate was further stated in a report titled, “Establishment of a viable Economy and Promotion of Economic Cooperation”. This report testified that Japan “would promote and tighten her economic cooperation with the US, Southeast Asian countries and other democratic countries in order to contribute to their defense production and economic development to the US government”, “Japan will contribute to the rearmament plan of the US, supplying military goods and strategic materials by repairing and establishing defense industries with the technical and financial assistance from the US, and thereby assure and increase a stable dollar receipt” and “Japan will cooperate more actively with the economic development of South East Asia along the lines of the economic assistance programs of the US and the economic development of South East Asian countries and thereby increase the imports of goods and materials from this area and thereby improve the balance of sterling trade”.<sup>155</sup>

While the Japanese were occupied with production to meet the US war procurement, problems of Japanese normal export to world market still remained to be solved. Despite great demands from the US war industries, problems of unbalanced dollar trade with the US still existed. In order to solve this problem, the Japanese officials believed they should strive to substitute export from dollar bloc by those from non-dollar bloc. In such a situation, Okita again emphasized that Japan should look to develop trade with Asiatic region as its natural sphere for economic survival.<sup>156</sup> They had to export machineries instead of textile products.

The Japanese officials also saw Japanese export of industrial capital to ECAFE as a form of cooperation with the West. This was because the US and UK had an urgent task to lift living standard of this region so as to secure political stability. Regional economic development schemes such as Point Four and Colombo Plan were carried out to serve those purposes. Okita regarded this development as a great opportunity for Japan to play a role in Southeast Asia through cooperating with the US in a form of US-Japanese cooperation. In his idea, Japan could export capital goods while the US

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<sup>154</sup> Schaller, 1997: 52-53.

<sup>155</sup> Dower, 427. Also refer to ESB document ‘*Nihon Keizai no Jiritsu Tassei to Keizai Kyoryoku no Suishin ni Tsuite*’, 1952.1.30, Vol. 2, pp. 623-635.

<sup>156</sup> Okita, 1951.12 *Nihon wa Keizaiteki ni Kaigai ni Shinshutsu Shiuruka*. (speech)

gave financial aid to this region. Besides, he thought that this would also secure Japan a permanent and not temporary market for its industrial capital.<sup>157</sup>

With the outbreak of war, it was generally argued that it realized the US-Japan-Southeast Asia economic nexus similar to that in ECAFE's and Japan's requests. Many regard that it was the Korean War which had given birth to the outcome. However, Hein presents a slightly different interpretation. Hein argues that this general policy to integrate Japan and Southeast Asia economically with US aid was actually still on the drawing board or in only the first stages of implementation when the Korean War began. She argues that the idea of Japanese rearmament and the designation of Japan as producer of manufactured goods for Asia, were developed before 25 June 1950, and were not a response to the war. Rather, they developed out of the deeper problems of reconstructing the shattered Japanese trade structure and of containing communism in Asia.<sup>158</sup> It should also be remembered that the US decision was also in a way contributed by the demanding situations in ECAFE region voiced out since its inception, which had awaited such concrete plans.

Certain ECAFE members reaped profits from the war outbreak, through the increase of Japanese procurement. The US Griffin Mission aimed at giving assistance to strategic Southeast Asian countries to serve US security purpose in this region.<sup>159</sup> Demands arising out of the Korean War were credited with sustaining the rapid advance in iron and steel production in Japan. By mid 1951 production of pig iron and ferro-alloys was 18 percent above that for the second half of 1950. The revival of Malayan iron ore production – almost exclusively within the last 18 months – continued with totals 30% above those of the previous 6 months.<sup>160</sup> On the other hand, it was realized that these demand for war was not for normal industries which would also sustain even after the war mirage was gone. Furthermore, what was worrying was that measures would have to be prepared to adjust to the end of war economic boom. ECAFE, in this sense, continued to research and study on the aspects of normal economic relations with Japan, looking for the sustainable and genuine economic relations as it had cherished since before.

With regards to the US concept itself, Yamamoto aptly observes that it was

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<sup>157</sup> Sankei Shimbun, 1951.4.23.

<sup>158</sup> Hein, 1990: 219.

<sup>159</sup> Refer to Hayes, 1971.

<sup>160</sup> *New York Times*, January 21, 1952. NAA, A9879, 9121/24 Part 2.

merely words, slogan which was abstract and without real substance.<sup>161</sup> He argues that the US actually did not consider economic cooperation with Japan as any new big plans but thought of it as a way to give Japan various opportunities under existing plans and programs. He explains further, that the US had some vague ideas or long-range visions about the alignment of Southeast Asian region with Japanese industrial power, but the policy-makers were confronted with the urgent, short-term task of fulfilling the US needs, such as in the case of war procurement. So, in other words, this triangular economic integration created under the war mirage, could not exactly be equated to the longer term cooperation as in what the Japanese and ECAFE region had been pursuing.

At its Sixth Session in 1950, ECAFE published a report titled "Problems and Prospects for Promotion of Economic Development of ECAFE region through Increase of Trade with Japan". This report emphasized again the importance of regional trade and interdependence between Japan and ECAFE and made suggestions to solve slump in trade through measures such as credit plans. However, this concept did not materialize immediately, because of Japan's reluctance to cooperate. To be more specific, it could be argued that it was not Japan's reluctance but inability to cooperate because of its own economic problems. However, Kouno sees the irresponsible Japanese reaction to Asiatic region, also in years to come, came from its choice to align itself with the US rather than with the Asiatic countries which were still hostile in their relations with the new born Japan as demonstrated in issues like reparations and peace treaty.<sup>162</sup> US factor remained the biggest determining force in relations between Japan and ECAFE region for the following years, even though at times, Japan also signaled its autonomous to the US, with the Southeast Asian cards in hand.

## Conclusions

Notwithstanding short term difficulties in trade, ECAFE region viewed trade with Japan full of optimistic for its long term gains. Through examining the limitations on the short term the difficulties hampering the policy, ECAFE Asiatic countries was well aware of the long term economic gains through Japan, at the expense of the difficulties they faced. This was well demonstrated in Indian policies which balanced off its lose and the gain which it will reap in the future. Cold war regional politics further made the relationship more complicated since 1949. However, it was the cold war factor,

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<sup>161</sup> Yamamoto, 1977: 417-418, 424.

<sup>162</sup> Kouno, 2002: 226-227.

which in the final analysis made the US concreted its policy in merging Japan with the ECAFE region, thus in a way responded to the calls from ECAFE. A similar form of economic cooperation took shape in a triangular connection among US-Japan-Southeast Asia cooperation in 1950s. The push and pull factors from Japan, ECAFE and SCAP, managed to influence the future development of economic relations even though it failed to produce an immediate result due to Washington's resistance.

This chapter also showed us that interactions became closer between ECAFE and Japanese policy makers under SCAP's middle person's role. Notwithstanding the difficulties in actual economic imbalanced relations, and the psychological threat posed by Japan's revival in military as a result of its economic revival, the relations maintained as they had a common interests in each other. ECAFE and Japan had sought together to solve the problems existing between the two economic blocs, by persuading the US for a comprehensive coordinated assistance for mutual benefits. Even though their pursuant did not meet great success, the signals sent by ECAFE in accepting and the intentions shown by the Japanese to advance to Southeast Asian market, no less were taken into considerations by the US Department of State. Furthermore, SCAP's continues diplomacy in reporting the urgency helped to persuade Washington to interrupt further in solving the economic problems between ECAFE region and Japan, in non-political way.

Also with regards to the triangular economic relations among US-Japan-Southeast Asia, scholars argued that this triangle took form since the 1950s, when the US earnestly considered a policy in connecting Japan and Southeast Asia for strategic and economic purpose in light of the escalation of the Cold War. The pull factor from ECAFE, as this chapter discussed above, also suggests that the idea of a triangular cooperation plan took form in the ECAFE region before a similar US policy was stressed in the 1950s. The Asian proposed structure delineates the attempt of India in pulling together the region on a self-development plan. What India was trying to form, was the triangular structure of cooperation among India-Japan-Southeast Asia. The Indian vision was to channel the aid of Japanese technology to develop Indian industries which would then generate the intra-regional trade of the region as a whole. In this interpretation, this paper thus put forth a new question to be studied, namely how the US fitted into the Indian focused concept of regional economic cooperation.

Despite India's view on its disadvantages as compared to what Japan gained from its Indian trade, India sustained its economic relations with Japan. After China

turned communist in July 1949, it was a more urgent task for India to keep Japan in its democracy pawn and to prevent Japan turning into communist. The role of Indian Political Liaison office in Tokyo had become more important in this regards.<sup>163</sup> From the Asian realpolitik perspective, India wooed by both by China and Japan, made it tilting towards Japan more than to the Chinese in the calculation of the three power game in the region.<sup>164</sup> India believed that if it throw its weight on the Chinese side and deny opportunities to Japan in South-east Asia, Japan would be invited to go Communist in order to exploit the possibilities of Chinese trade. This would then lead to victory for Communism first in Southeast Asia, and then in India. In this sense, India thought it essential to keep Japan to the democratic side, as it was the only way to maintain India's democratic system. On the other hand, the extent of that leaning should not be so great as to endanger peace with China with whom India had differences but no basic military conflict. India believed it had a mission to adjust its foreign relations that the Asian triangle could be kept in stable equilibrium with Japan on the democratic bloc, China on the communist, and India as the balancing non-alignment. What more realistic was that India foresaw the opportunities and open door in Japan, that their economic interests in Japan outweighed that in China.

In terms of the economic aspect, ECAFE, as well as India, pursued its long term interest in getting Japan into the Asian economic orbit – with an attempt to separate Japan from the dollar domination.<sup>165</sup> At the Asian regional political sphere, Japan served as a vital force to India, helping to strengthen its influence and political platform in the region, after India had recovered its postwar economy through industrialization with importations of Japanese capital goods and technology.

Furthermore, India's relations with the Japanese could also be seen as a kind of strategic thinking in channeling the US aid to India. Since its independence, India had been seeking the US aid through bilateral means and also multilateral means through ECAFE.<sup>166</sup> However, many reasons made US reluctant to give aid to India, among those, the most important factors had been Indian's insistence on maintaining

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<sup>163</sup> NAI, 485 C.J&K/49.

<sup>164</sup> "*Nihon Indo Kan Gaikou Kankei Zakken*", MOFA Diplomatic Document, Reel A'0124.

<sup>165</sup> P.S. Lokanathan, the Executive Secretary of ECAFE, declared on his second visit to Japan that Japan should look to the rest of Asia and not to the US for its economic life. Even though P.S. Lokanathan was not in a position to speak but for ECAFE, because of his Indian nationality his idea could be regarded as a common opinion among the Indian policy makers. "Fortnightly Report contains from Indian Liaison Mission Tokyo, Japan", NAI, 485 C.J&K/49.

<sup>166</sup> For study on India-US relations in US aid, refer to Boquerat, 2003.

its non-alignment and not a US bloc country, also because India was situated at the periphery of the Asian Cold War importance. Thus, Japan could serve as the bridge in channeling US aid, not directly to India perhaps, but indirect forms such as tied aid for Japanese products or for Japan for procuring from India or the Southeast Asia.

Even though striving for under different motives and rationales, Japan and ECAFE endeavored to channel US foreign assistance to existing economic problems standing in between them. They both acknowledged the fact that US was important in their relations. However, notwithstanding the reality that it was not possible to exclude the US factors in Japan-ECAFE regional economic relations, ECAFE strived to include Japan into regional economic sphere by separating it from the US influence. This idea, however, remained a common belief which persisted in the region for the next fifty years. Their effort was supported by SCAP economic officials. Current studies suggest that the US tried to link Japan to ECAFE region with US foreign assistance, so as to separate Japan economic dependence on the Communist sphere in the Far East. However, this chapter showed that Japan and ECAFE region approached for the US aid not in the Cold War perception but more on the rational of actual economic backlash between them. In fact, to be specific, ECAFE initially urged for an Asian Marshall Plan since 1947 though not for the purpose of purchasing Japanese goods. It was around 1949 that ECAFE region started to plead for a US aid in connection to trading for Japanese goods. The same consideration and idea was found in SCAP's officials, who thought this measure urgent for Japan's immediate economic problems, rather than the Cold War threat. Besides, Even though the shared dreams between Japanese and ECAFE did not materialize, their ideas sure influenced the US perceptions in their regional planning in the 1950s.

The fact that the US chose not to commit in ECAFE in the form of an Asian Marshall plan could be understood in terms of its political significance. One of the reasons could be that pouring money into a multilateral cooperation did not guarantee the direct gain of its policy towards Asian region. Furthermore, US did not intended to transform ECAFE into another battle field of the Cold War, by creating competition with the USSR in giving external aid by which the aid would not be rewarding to the US. However, Korean War produced a form of "cooperation" even though it was more of to serve the short-term benefits of the US but this "magic" might give hopes for genuine development in years later.

## CHAPTER FIVE

### Japan's Re-entry into Southeast Asia –ECAFE Admission

Relations between Occupied Japan and ECAFE developed well from the exchange of goods through trade, to exchange of human resource through technical assistance. This was a good sign for furthering the ultimate goal of Japan's reentering into ECAFE regional community after gaining its independence.

Despite the fact that development of exchange activities in goods and human resource in the lower level politics took place rather smoothly, as concerning representative in ECAFE at higher level politics, Japan had yet to obtain a recognized position. For the first two years, SCAP took over Japanese representation at ECAFE meetings. Thus, it was about time for Japan to regain its direct representation and to acquire membership at ECAFE to enable direct participation in the regional economic development.

As discussed in the previous chapters, while there were opposing voices with regard to promotions of economic relations with Japan, strong proponents spearheaded by ECAFE members such as India and ECAFE officials such as Lokanathan, opened up ways for Japan's return to regional economic sphere.

This chapter examines how Japan regained its international involvement at ECAFE meetings, by looking at the supportive roles of the US, SCAP, and with ECAFE assistance.

#### 5.1 Occupation Policies Gave Way to Japan's Return to the International Society

In this section, we shall look at both roles of the US officials in Washington and SCAP in Tokyo. Further to discussion in chapter three on US proposals for traveling abroad of the Japanese at lower level politic and non-official level, the US also proposed a policy decision to allow Japanese attendance at inter-governmental conference. The US supported Japan's re-entry into international relations because it was stated clearly in the Basic Post-Surrender Policy that the occupation would help "the people of Japan in their own interests as well as those of the world at large to find means whereby they may develop within the framework of a democratic society and intercourse among themselves and with other countries along economic and cultural lines that will enable them to satisfy their reasonable individual and national needs and bring them into permanently peaceful relationship with all nations".



Moreover, as Cold War intensified, Japan was expected to play the role as the bulwark against Communist spread to the Asian region. It was not wise to isolate Japan from the international and regional society. This would not only provide chances to the USSR to spread propaganda about the exclusion of Japan, it would also force Japan more to the Red Camp with no other better choices. Winning Japan to the Free World would be the prime objective of the US cold war containment policy.

As for a long term and not very prominent factor, Japan's resumption of international role in the Asian region would be in the interest of the US to counter check the Asian solidarity championed by Indian. As it was always a perceived fear of India, Japan's potential in emerging as an economic power in Asia, would challenge Indian hegemony in the Asian regional politics.

In order to give Japan more freedom to resume international relations, the US proposed a policy decision at FEC on Japanese attendance at inter-governmental conference.<sup>1</sup> The US suggested that SCAP should be allowed attendance in a non-voting capacity at inter-governmental conferences to which he was invited. It also suggested that SCAP had authority to permit his staff to be accompanied by Japanese technical advisers if their attendance was acceptable to the host country.

This was because the US understood that all members of FEC were agreed on the desirability and, in fact, on the necessity of providing SCAP affirmatively with authority to attend inter-governmental conferences of interest to the occupation of Japan, and in the capacity of an observe, and to be accompanied as necessary by Japanese technical personnel, if acceptable to the host government.

The UK objected to the US proposal, arguing not on the basis of Japan's capacity but on SCAP's authority. The UK was afraid that this policy would strengthen the authority of SCAP, which would imply that SCAP was a government with full sovereign powers, where in actual nature SCAP was merely the agent of eleven countries of the occupation and not a government.<sup>2</sup>

Further to the above attempts in expanding Japan's capacity in formal foreign relations, the US proposed plan which would permit the Japanese to open offices similar to consulates in major world ports to establish trade contracts and protect other Japanese interests.<sup>3</sup> However, officials believed that these "semi-diplomatic"

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<sup>1</sup> FEC policy paper FEC300, FEC300/1, FEC(B)1592, FEC(B)1593.

<sup>2</sup> Memorandum from Borton, May 12, 1948, FEC(B)1593.

<sup>3</sup> FEC 346 - Japanese agency traveling abroad, FEC(B)1592.

establishments in foreign countries to handle trade relations which the Japanese would be permitted to establish would not be actual consulates until the peace treaty was signed, they would perform many of the same functions.<sup>4</sup>

The Australian delegation, however, was more concerned about the activities of such Japanese agencies, that restrictions should be applied to the agencies that "before leaving Japan such agents should be instructed to refrain from engaging in propaganda or subversive activities of any kind. Any agent failing to observe these instructions should be immediately recalled."<sup>5</sup> However, British Embassy Counselor Hubert Graves appealed to FEC that the UK had serious doubts at the wisdom of the US proposal to permit Japan to play a bigger part in international affairs because it appeared to give the Japanese sovereignty rights which they should not enjoy until a peace treaty was signed.<sup>6</sup>

Different from the UK, India supported these notions.<sup>7</sup> India believed that for the past two years Japanese government had been functioning smoothly under a new democratic constitution and that it should be the aim of FEC to provide opportunities to the new Japanese Government to accept gradually international obligations. These proposed policy decision would be the starting points for the Japanese government to enter into the field of international relations. India opposed to the double standard of some of the FEC countries which had established precedents in the similar matters to the former enemy countries of Europe and not to Japan before a conclusion of treaty of peace with Japan.

However, even though anticipating that the US proposals would enhance commercial relations between India and Japan, India did not wish to offend FEC. Vaidyanathan, the Indian delegation to FEC informally advised the US official that India was still reluctant to issue such invitations for Japanese agencies in the face of the fact that "India was still at war with Japan". He advised that as it was merely a procedural problem, India would response if such request came from SCAP first, as a

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<sup>4</sup> *Nippon Times*, December 24, 1949, FEC 817.

<sup>5</sup> FEC346, Australian comment, FEC(B)1592.

<sup>6</sup> *Nippon Times*, January 7, 1950, FEC 817.

<sup>7</sup> Appointment of Japanese Official Agents Abroad for Trade Purposes (FEC345/2), Appointment of Japanese Official Agents Abroad for Handling Civil Status and Property Matters (FEC346/2), Japanese Participation in International Agreements and Conferences (FEC347), FEC restricted Document, Indian Statement at 180<sup>th</sup> FEC meeting, January 19, 1950, FEC817.

friendly gesture to SCAP.<sup>8</sup> It was indeed a mere procedural problem, as in the Indian government had since long being supportive and favored more liberal policy to Japan's resumption in international relations. This was because Japan needed to be self-supported and not again become menace to the world.<sup>9</sup>

When FEC rejected US proposal for sending of Japanese trade agencies as a result of a Soviet veto on January 12, 1950, the US forced through this policy by issuing interim directive. This interim directive authorized the Japanese governments to establish Japanese agencies in New York, San Francisco, Los Angeles, and Honolulu to perform trade and consular functions in 21 February 1950. Under this provision, other nations were also invited to take the same step in facilitating the Japanese overseas agencies. The opening of Japanese Government Overseas Agencies (JGOA) was received well by some of the Asian countries. The Indian government, especially expressed that it had "always been anxious to see that the economic rehabilitation of your (Japan) country is achieved in the shortest possible time," and that the opening of JGOA would contribute towards this end.<sup>10</sup> They believed that this would future promote trade with Japan, and to strengthen the amicable relations with the Japanese. However, it was again, there was a clear demarcation line, drawn to only recognize the economic function of the Agency and not its diplomatic authority.<sup>11</sup>

The last thing the US achieved in its strive to reinstall Japan's international involvement was its policy decision for Japanese representations at international conferences. Because the question of Japanese participation in technical conferences and agreements were a constantly recurring one and because US knew that a majority of the FEC recognized the desirability of Japan's participation in such conferences, in February 21, 1950 the US issued an interim directive to SCAP authorizing him "to permit Japan to participate with other nations or groups of nations in such international agreements, conventions and conferences of a technical character as Japan may be invited to enter into, accede to, or attend, and as the Supreme

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<sup>8</sup> Memorandum of Conversation by David K. Eicheler with Vaidyanathan, February 15, 1950, FEC 1393.

<sup>9</sup> From DA to SCAP, Travel outside of Japanese commercial representatives (FEC 293/11)], November 3, 1948. Reel 318.

<sup>10</sup> From K.K. Chettur to Ohta Ichiro, Vice Minister of MOFA, January 12, 1951. "*Nihon Indo Kan Gaikou Kankei Zakken*", MOFA Diplomatic Document, Reel A'0124.

<sup>11</sup> From Seki to Yoshida, November 16, 1950. "*Nihon Indo Kan Gaikou Kankei Zakken*", MOFA Diplomatic Document, Reel A'0124.

Commander shall consider to be in the interests of the occupation.”<sup>12</sup> However, a condition followed where the Japanese representatives should be instructed to refrain from engaging in propaganda or subversive activities of any kind. This policy gave approval to greater participation by the Japanese in international conferences instead of acting as advisers to the SCAP officials as in the past.

The Japanese since then actively responded to international invitations. In May and June 1950, for instance, Japan was expected to take part in six international conferences on technical matters<sup>13</sup>, while in September the same year, six Japanese attended International Conference of the Institute of Pacific Relations in Lucknow, India.<sup>14</sup>

The US seemed to have acted in haste to grant a gradual but at a high speed Japan's resumption of international relations. This was mainly because of the escalation of cold war in Asia, and the urgency of ending occupation on Japan that the US executed its right to issue interim directive to order out its policy against FEC opposition. In order to counter criticisms of these unilateral acts of the US government, SCAP assured that all such agreements would be made with the “passive” approval of SCAP.<sup>15</sup>

These policies enabled Japan not only a chance to be known to the outside world, it provided chances for Japan to participate in international gatherings. In 1951, Japanese representatives though on an observer basis, attended the ECAFE session in Lahore, opening up the path to Japan's admission into ECAFE regional society.

SCAP too, without slightest doubt, had been supportive to Japan's representations at international conference. However, different from their colleagues in Washington offices, SCAP officials had been acting with great cautions so as not to provoke any anti-Japanese sentiments. The difference between them was that while the US officials in Washington boldly made open policies on Japan's return to international society, SCAP on the other hand, acted cautiously in implementing those policies as well as to observe and take reactions of the opposite countries seriously. The US officials both in Washington and in Tokyo, though, conceived the difficulties faced by the Japanese to be accepted into international community. The US could make many

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<sup>12</sup> FEC Document, Interim Directive Regarding Japanese Participation in Technical Agreements and Conferences, Serial No. 110, February 21, 1950, FEC 817.

<sup>13</sup> FBIB, April 14, 1950, FEC817.

<sup>14</sup> Kyodo News, September 27, 1950, FEC 817.

<sup>15</sup> *Stars and Stripes*, February 24, 1950, FEC 817.

policies in FEC, and "no matter what position the FEC takes any government may still refuse to enter into relationships with Japan or deny Japanese access to its territory."<sup>16</sup>

Problem concerning Japan's relations with international organization through SCAP was a controversial issue debated at FEC. Since 1947, the US had repeatedly pressed the reluctant FEC to grant the Japanese freedom, under SCAP's supervision, to travel abroad both as private individuals and as government officials, especially before the signing of peace treaty. FEC discussed the matter of representation of Japan at International Conferences with a proposal presented by the New Zealand representative.<sup>17</sup> Discussion at FEC in 1946 revealed that matters on Japan's "external relations" were discussed only in aspects of educational, scientific, religious, and cultural or welfare nature. Japanese external relations in the diplomatic, political and commercial field, however, were specifically left out in the discussion.<sup>18</sup>

Invitations to Japanese to attend non-governmental (professional, cultural, religious, labor, etc.) conferences had generally been extended directly to the Japanese organization concerned.<sup>19</sup> As for inter-governmental representatives, before a concrete policy issued by the FEC, there were cases of SCAP representative attending inter-governmental conferences. These representations came about in three cases as a result of invitations issued directly to the SCAP. Firstly, the invitations were issued to SCAP through the US Government, secondly, it was a result of US initiative, and thirdly, it was a result of SCAP initiative.<sup>20</sup>

SCAP representation managed to by-pass FEC authority in attending two ECAFE conferences. One was at the First Session of ECAFE held in June 1947, in Shanghai, and the other at the Second Session of ECAFE held in November-December 1947 in Baguio. Attendance of SCAP officials at both sessions, though without Japanese national advisers, were responses to invitation of the ECAFE secretariat extended through the US government. SCAP officials, Emerson Ross and Frank Pickelle were sent as assistants to US representatives to attend the First Session. Invitation of the later session was sent to SCAP directly because of ECAFE's new provision for a

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<sup>16</sup> United States Encouragement of Japanese Participation in International Relations, August 18, 1949, *Department of State Bulletin*, Vol. XXI, p.307.

<sup>17</sup> FEC-236.

<sup>18</sup> Refer to discussion in Steering Committee No.4, on 20 August 1946, 26<sup>th</sup> meeting, Memorandum from Samuel S. Stratton, June 18, 1947, FEC(B)1594.

<sup>19</sup> Secret Document on Notes on Japanese Representation at Inter-Governmental Conferences, March 9, 1948, DRF Information Note #150, FEC(B) 1593.

<sup>20</sup> Secret Document on Notes on Japanese Representation at Inter-Governmental Conferences, March 9, 1948, DRF Information Note #150, FEC(B) 1593.

representative from SCAP attendance to its conference due to the urgency of including Japan in its regional economic planning. As discussed earlier on, it was also because of SCAP's view that ECAFE was important as a source of information to Japan's economic planning vis-à-vis its economic relations with this region, as soon as ECAFE which legitimized consultation relations between ECAFE and SCAP, SCAP officials accepted the invitation and attended the Second Session of ECAFE convened in Baguio in November 1947.<sup>21</sup> General MacArthur acting on his general executive authority anticipated the importance of building a good relationship with ECAFE for Japan even after post-occupation,<sup>22</sup> sent a high ranking official, Sherwood M. Fine<sup>23</sup>, Economic Adviser to ESS to represent SCAP at the Conference. His judgment was in harmony with the US proposal to FEC to permit Japan resuming progressively the normal rights of a sovereign state.<sup>24</sup> It could be argued that it might have been MacArthur's autonomy, emphasizing the necessity of an early permission which had speeded the formation of a policy with this regard. As a result, it was a policy victory for Supreme Commander and the United States, when FEC granted MacArthur blanket authority to send Japanese abroad to attend inter-governmental conferences on the condition that the Japanese were acceptable to the host country of the conference.<sup>25</sup> On June 9, 1948, FEC gave SCAP blanket authority to send Japanese abroad to attend inter-governmental conferences accompanying SCAP representatives. It was reported

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<sup>21</sup> Check Sheet from DS to CinC, G1, G3, ESS, AG, October 23, 1947. FSP2369.

<sup>22</sup> This was because at since early 1947, MacArthur believed that the occupation would come to an end soon, as the primary aims to demilitarize and democratize Japan had been achieved. Japan was now ready to depart as a democratic country. Refer to MacArthur announcement in March 1947. His prediction was countered by a prolonged occupation when John Kennan of the Department of State, asserted that Japan was not ready to be left independent because of the raging of Communism in the Asian region.

<sup>23</sup> Sherwood Fine, was born in 1914 in New York. He attended New York University, Harvard University, Columbia University, majoring in Economics. Before World War Two, Fine worked with the US Treasury Department. After the war ended, he joined GHQ in October 1945 as the advisor to the Head of Economic and Scientific Section and to the Head of Foreign Trade Division. Different from opinion which believed that cessations in economic purge and zaibatsu dissolution could contribute to high economic growth, Fine believed that there were other more important factors which would contribute to economic growth. For instance, Fine believed that import of specialists on economic statistics and management skills could help Japan and the fund for economic reconstructions was necessary. Hence, he was also involved in getting the GARIOA fund for Japan occupation fund. Takemae: 2002: 213-217.

<sup>24</sup> At that time, members of the FEC were still struggling to agree upon formulae which would allow the Supreme Commander the minimum privileges of attendance at international conferences. This U.S. view was presented by U.S. representative, General McCoy. Blakeslee, 1994: 87.

<sup>25</sup> *Nippon Times*, June 12, 1948, *Stars and Stripes*, June 23, 1948. FEC(A)0829.

that this was a policy victory for MacArthur and the US and a defeat for those countries which wanted SCAP to secure FEC approval for each case as it came up.<sup>26</sup> This paved the way for future FEC approval on sending Japanese abroad. Effect of the Commission's decision was to give its formal blessing to procedure which the US had adopted on a temporary, unilateral basis. FEC sources said it was the US firm intention to handle the matter unilaterally, which forced the commission to decide it might as well give its formal approval. MacArthur also was using the same unilateral technique under interim directive from the US Government to send Japanese businessman on economic missions to India and Pakistan.

Early involvement with ECAFE in SCAP's judgment could be interpreted in its line of policy shed and narrowed down to considering just for Japanese economic recovery. There was a great realization of the perceived facts that future Japanese economy could not be separated from the well-being of the Asian region.

With regards to the sending of Japanese officials accompanying SCAP officials to ECAFE meetings, there was a concerted view about the possibility in it, despite the fact that interests and concern behind this issue varies among SCAP sections. ESS saw, from the operational point of view, that sending of Japanese national to assist SCAP observer to ECAFE conference had been desirable. However, DS took a more prudential attitude that they sounded out the probable reaction out in ECAFE side, while seeking opportunity to send Japanese officials.<sup>27</sup>

Even though to a large part, the delay in sending Japanese representatives was due to the absence of FEC directives for Japanese to attend international conference before June 1948; another reason was SCAP's judgment in sending Japanese, based on the nature of the meetings and nations that meetings were held.<sup>28</sup> Logistic factors were considered by SCAP because some ECAFE countries were still hostile to entry of Japanese nationals entering their country to attend ECAFE meetings. For example, when the fourth ECAFE Session was held in Lapstone, the Australian government had expressed its ban on Japanese entry. In the next Session in Singapore too, Singapore

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<sup>26</sup> *Nippon Times*, June 12, 1948, FEC 0829.

<sup>27</sup> Check Sheet from ESS to DS, May 6, 1948. FSP 187. Letter from Sebald, Chief of Diplomatic Section to Lokanathan, May 8, 1948, asked for confidential comments on both as to the desirability and the probable reaction of the various members of ECAFE about the Japanese experts as technical advisers to representative of the SCAP. FSP 187. Also refer to Check Sheet from DS to GS info ESS, G2, G1, NRS, CTS, May 12, 1948. FSP 187.

<sup>28</sup> Check Sheet from DS to ESS, September 23, 1949. FSP2369.

also was reluctant to issue visa to Japanese entry.<sup>29</sup>

There was a tacit consent between ECAFE and SCAP on Japan's participation in ECAFE's meeting which would contribute to early psychological acceptance by the region for Japanese peace treaty.<sup>30</sup> SCAP responded positively and had cooperated to seek for greater direct participation of the Japanese in those meetings. It was not until August 1949, at the First Sub-committee on Iron and Steel held in Bangkok, that the first Japanese technical assistant accompanied SCAP officials in attending ECAFE meetings. Sending of the first Japanese official to attend the Sub-committee on Iron and Steel in Bangkok was in large part due to the technical nature of the meeting and Japan's role was highly anticipated. Besides, it was also because the meeting was held in Bangkok. As a result of SCAP's vigorous effort in requesting for a directive to allow Japanese official in attending ECAFE conference, this was realized in 1949. At the First and Second Sub-Committee on Iron and Steel, Japanese experts accompanied SCAP observers to both the Committees.<sup>31</sup>

Japanese attendance at the ECAFE sessions made easy the opening up of direct contact for Japanese with the international society. Even though the Japanese were still controlled by SCAP for governmental contact with international organizations such as ECAFE, incoming contact addressed to Japanese institutions were allowed by SCAP. Especially in the international technical assistance program, knowing that the Japanese institutions were keen to get involved, ECAFE sought direct contact and agreement of Japanese institutions such as Science and Technology Advisory Council (STAC), to avoid delay and control by SCAP. ECAFE did not want to be delayed again by SCAP as in the case of requesting for Japanese technicians as discussed in chapter three. Furthermore, ECAFE had acknowledged Japan as an independent entity to make decision on these aspects. However, even though ESS shared the views of ECAFE for an increased Japanese participation in ECAFE programs, DS indicated that it was too premature to present the matter to the Japanese for formal consideration of the

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<sup>29</sup> Check Sheet from DS to ESS, September 23, 1949. FSP2369.

<sup>30</sup> Personal letter from Bill Turnage (ECAFE) to Marquat, September 28, 1949. ESS(F)01741.

<sup>31</sup> First Sub-Committee on Iron and Steel was held on August 28, 1949; Second Sub-com meeting was held on April 10, 1950. W.S. Vaughan from SCAP was accompanied by Mitsui Takitsu was the Chief of Production Section, Iron and Steel Bureau of Ministry of Commerce and Industry, and Nishio Shigeru was Professor of Economic Geology, University of Tokyo. Informal Memorandum from Maurice M. Class, Acting Chief, Industry Division of ESS to C. Verity, Director of Production and Utilities, ESS, August 12, 1949. ESS(A)09439.



principles involved.<sup>32</sup> David L. Putnam, senior officials of Scientific and Technology Division, ESS thought that since Japanese industrialists' representatives had expressed their eagerness to participate in the outgoing aspect of the international technical assistance at ECAFE conference, it was appropriate to direct the Japanese to assist by some means.<sup>33</sup> Japan's role as an assisting nation in providing services of laboratories, was emphasized in ECAFE letter to DS. DS might have tried to control and avoid giving blanket consent to such a request altruistic in nature, by the Japanese which might go against some of the US policies of only rendering aid to the economically and socially healthy neighbour countries.

ECAFE expectations towards Japan were further portrayed in its suggestion of Tokyo to host the 3<sup>rd</sup> Session of ECAFE Sub-Committee on Iron and Steel in the fall of 1950. Lokanathan reasoned this selection of venue because of the importance of the steel industry in Japan to the countries of the area. If this session were held in Tokyo, it would not only provide a good chance for the other member nations to visit Japan and observe the "newly changed" Japan, it also secure more commitment on the Japanese side towards cooperation in this aspect. DS thought it a desirable point of view of reviving Japan's connections for trade and international relations with other nations of Asia, but the present situation with war in Korean Peninsular made it difficult for Japan to accommodate an international conference.<sup>34</sup>

With the opening up of wider path for Japanese engagement and return to international conferences, besides attending conferences in Asiatic countries, there were also hopes for having Japan host some of these conferences. Nonetheless, SCAP thought it not timely before the conclusion of treaty of peace, and rejected the hosting of the Seventh Regional Economic Conference of Asiatic Nations in Japan, despite the desires of the Japanese Government.<sup>35</sup>

To SCAP and the Japanese policy makers, attending ECAFE meetings not only meant a lot for recognition, it also brought prospective chance to secure marketing of Japanese goods. Brigadier John. W. O'Brien, Chief of Scientific and Technical Division of ESS, while attended the ECAFE-UNESCO conference on education and scientific materials in Bangkok in December 1950, observed that since Japan's contribution in the

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<sup>32</sup> Memo for Record ESS Scientific and Technical Division, January 9, 1950, ESS(F)01742.

<sup>33</sup> Memorandum for Chief of Engineering and Patents Branch from David. L. Putnam, January 12, 1950, ESS(F)01741.

<sup>34</sup> Check sheet from DS to G1 through ESS, July 17, 1950, ESS(F)01916.

<sup>35</sup> FBIB, November 3, 1950, FEC817.

supply of education and scientific materials to the Far East countries was greater than that of any other Oriental country, there was a possibility of substantial increment in Japan's foreign trade in the items which were the concern of the Bangkok conference. O'Brien was accompanied by Japanese advisors, Ikeo Katsumi and Wada Shusaku<sup>36</sup> for this purpose. Indirectly, O'Brien thought that there should be increased opportunities for the development of economic, educational and scientific liaison between Japan and the other Far East countries.<sup>37</sup>

Both ECAFE and SCAP seemed to have tacit consent over Japan's participation in ECAFE's meeting which would contribute to early psychological acceptance on the region of the Japanese peace treaty.<sup>38</sup> SCAP and the Japanese government desired to continue to cooperate with the ECAFE Secretariat on an informal basis until such time as Japan was accepted as a member nation in ECAFE.<sup>39</sup>

SCAP policy resembled that of the US, though different in priority sequence. SCAP's attitude towards ECAFE was first driven by both economic and political consideration. At the beginning, it might be the former which determined more on SCAP's expectations in ECAFE in the sense of economic information and the possibility of finding a solution from this area to implement occupation policy in respect to economic recovery of Japan. After SCAP officials confirmed conditions for Japan's participation in ECAFE, they started to seek possibility to achieve political targets through ECAFE, for Japan's rapprochement into this region. In other words, at first, ECAFE fitted in as a justification of the lines of SCAP's economic recovery plans for Japan which involved foreign relations with Asian region. However, as economic relations functions in between bilateral relations in actual, ECAFE's role in this respect, except setting out visions and guidelines for promoting trade with Japan; could not be quantified. SCAP officials, especially those in ESS and Diplomatic Section (DS), had intentionally or unintentionally carried out diplomacy at lower level and attained substantial results in high politics. Uniquely, a political result, in the form of diplomacy, was produced through all these involvements with ECAFE, in mainly economic aspects.

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<sup>36</sup> Ikeo Katsumi was chief of the Liaison Section of the Minister's Secretariat of the Japanese Ministry of International Trade and Industry and was engaged in increasing Japanese industrial production. Wada was formerly diplomatic attaché at the Japanese Embassy in Paris. From 1947, he had been with the Foreign Trade Bureau of the Economic Stabilization Board., FEC, GHQ Press Release, December 1950, FEC 817.

<sup>37</sup> FEC, GHQ Press Release, December 1950, FEC 817.

<sup>38</sup> Personal letter from Bill Turnage (ECAFE) to Marquat, September 28, 1949. ESS(F)01741.

<sup>39</sup> Check Sheet from ESS to DS, April 11, 1951.

While the US fought at the level of international policy makers at FEC in Washington, SCAP played a role as well at regional conference through ECAFE, on the propaganda of Japan's resumption of international roles. Out spoken high ranking officials in ESS such as Dr. Sherwood Fine for instance, fought for Japan's early resumption of economic and political relations with the region at ECAFE meetings.<sup>40</sup>

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<sup>40</sup> Takemae, 2002: 217-218.

## 5.2 Japan's Expectations

"It has always been our strong desire to join ECAFE in order that we make contributions to the Commission as well as to derive benefits therefrom," as recorded in the diplomatic documents of MOFA. It further explained their motives that "It has always been our strong desire to join in the ECAFE in order that we might be given an opportunity to collaborate with the Commission to the mutual benefit of all the countries concerned."<sup>41</sup> Japanese policymakers in the Ministry of Foreign Affairs(MOFA), regarded admission to ECAFE as a way to regain diplomatic green light in resuming and developing foreign relations with the Asiatic region. MOFA viewed this admission as important based on four merits.<sup>42</sup> Firstly, the admission could bring about closer politico-economic relations with the Southeast Asian countries. Secondly, by formally becoming an associate member, Japan got a chance to voice out her opinion, request and expectations, in the course of participating in development plans of member countries and while attending ECAFE conferences and through ECAFE Secretariat. Thirdly, Japan could have access to abundant information regarding economic situation of regional countries. Fourthly, technical assistance to regional countries could be carried out smoothly. Consequently, this would lead to greater future exports of capital goods to Southeast Asian countries.

All these reasons were not new and possibly except the first and second reasons, they were not impossible to attain before admission. ECAFE had functioned to serve the third and fourth reasons for the past years. Since its inception, the Japanese economic policy makers had obtained information and data of ECAFE through SCAP. It was also to a large extent owing to ECAFE's persistence, Japanese technical assistance through travel abroad of Japanese technicians were permitted at an early stage notwithstanding the strict control over Japanese traveling abroad to the Asian region. However, Japan had no voting rights at ECAFE sessions as an observer through SCAP representations throughout these years. Thus, now that the Occupation had come to an end, Japan needed to acquire such rights in the absence of the occupation power. Furthermore, by admission to ECAFE, Japan would be considered a member of the region in a politico-economic sense, and that such status would further enhance reacceptance of Japan by the Asian members.

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<sup>41</sup> *"Shinsei suru setsumeï"*, B'0045, vol. 1, p.0215.

<sup>42</sup> 'Ajia oyobi Kyokuto Keizai Inkkai (ECAFE) ni kansuru setsumeisho', 1952.1.10, B'0045, vol. 1, p.0206.

In a larger term, to the MOFA officials, ECAFE membership was regarded nothing but a mere official status in a UN organization in the Asian region. This served as a stepping board for Japan's admission to the United Nations membership. Another interest lied in the hope that Japan would regain partial and gradual reliance through the development of good relationship by participating in ECAFE projects. Besides, this admission could be used as a means where Japan could rebuild her relations with the other Southeast Asian developing countries on an uneven status, and enjoy a "donor" position with her advanced technology level. With the position as a "donor" country, Japan could build up prestige and develop further ties with the Western countries.

However, it would be short sighted just to look at reasons given by the Foreign Ministry, after all, there were also other ministry which were involved in dealing with ECAFE and weighed differently on its importance. To what extent these interests correlate to each other and were there contrasts of interests pertaining to this issue? If yes, what were they and how were they resolved or managed by the bureaucrat involved?

An important aspect which was not much research paid attention on was the importance of ECAFE in Japanese economic policy planning. ECAFE was the only regional organization which conducted survey and gathered data of the member countries. It was a vital source for Japanese economic planners, as discussed in previous chapters, to gather information from ECAFE and incorporate it into Japan's economic policy planning, because of its close connection with Asian economy. To the ESB policy makers, their early dream as revealed in the early economic plan would be justified and confirmed if Japan were to be admitted formally as a member of Asian community, to fulfill their dream of concretized economic ties and closeness with this region as they had anticipated in the Report in 1946. This would have been their long waited hope to confirm the reception of the ECAFE Asian region countries in working with Japan towards mutual benefit through economic aspects. The admission further gave confidence to the Japanese policy makers on their departure of "economic diplomacy", and the "technology diplomacy" to approach the Asian countries.

While the first and third dimensions showed that the political dimension were not an easy hurdle to cross before Japan gained more sovereignty and international status, and when the regional community was still sensitive at high politics concerning Japan; the second and forth dimensions better explained the reasons of why Japan should be and admitted to ECAFE in achieving mutual interests.

An important hidden factor in the admission was that through this multilateral approach to the Asian region, it was hoped that this could contribute to minimize tension as in bilateral relations between Japan and each of the Asian countries. Even though the effect could not be quantified or appear immediately as a direct outcome, the psychological effects from Japan's involvement and contribution through ECAFE would definitely be felt in the individual countries. An example showed this effect that, like how Thailand supported Japan's admission to ECAFE<sup>43</sup> due to their evaluation and recognition of Siamese-Japanese economic relations which had taken place in few years back before they cast a vote on Japan's admission. The same would apply, where Japan's admission would open more space for rapproaching relations with Asian nations, for instance, the Philippines, which were still rather strict in Japan's regaining foothold in its homeland.

Tomaru argued that from a UK observation that "probably ECAFE wants Japan to become a member more than Japan wants to become a member of ECAFE".<sup>44</sup> From what we have discussed so far, this observation was correct. However, there were still difficulties that the Japanese had to face in their application for membership.

As mentioned above, there were still dissenting sentiments found in the ECAFE regional member. The reluctance in accepting Japan's association with ECAFE with a member status was still found in a minority of ECAFE regional member. The Philippines, since the beginning had denied Japan's reentry into its territory due to the anti-Japanese sentiment among local people. Even though economic relations had been resumed in the lower level, they drew demarcation to allow only Japanese goods but not Japanese nationals, what more Japanese official status in the regional organization. The argument they produced was that Japan should not be granted such status before gaining sovereignty after signing the peace treaty. The Philippines took a harsh stance concerning Japan's status in international arena, mainly due to the brutality during the Japanese occupation over its local people. Furthermore, the Philippines was at rage with the settlement of reparation issues of the Occupation, where demands of the Philippines over reparations were not met and attended, after the US unilaterally call off the reparation policy in 1949.<sup>45</sup> In the case of the Japanese Peace Treaty drafted by the US which eliminated the terms on reparation obligation, and the terms of

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<sup>43</sup> Thailand supported the vote to admit Japan into ECAFE.

<sup>44</sup> Tomaru, 2000: 134.

<sup>45</sup> For an account on the postwar relations between the Philippines and Japan, refer to Yoshikawa, 1991 and Kesavan, 1972.

rearmament, the Philippines objected vigorously as this was totally opposite to its policy towards Japan. The US partially elevated the Philippines apprehension about the revival of a militant Japan by the signing of mutual defense pact with the Philippines in August 1951. The mutual defense pact between the US and the Philippines which was aimed at offsetting the Philippines opposition, asserted that "Each Party recognizes that an armed attack in the Pacific area on either of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common dangers in accordance with its constitutional processes."<sup>46</sup>

Nonetheless, to a big extent, Japan's admission was welcomed by most of the ECAFE regional members as there were overwhelming expectations regarding Japan's formal involvement through becoming a member of the Commission. This group of countries, starting from India as the most pivotal proponent, accepted Japan's regaining representation in regional sphere with different objectives. However, they shared the same hope on how Japan could contribute in terms of capital goods and technological know-how to the economic development of this region. This phenomenon of accepting back Japan evolved gradually over the past few years as discussed in previous chapters. While weighing the pros and cons of accepting Japan to this region, these Asiatic countries fought through these dilemmas. What more important was that their positive vision was strongly supported by the regional super powers, who totally relied on Japan's ability to balance off their political and economic interests in the Cold War framework in Asian region.

The Japanese diplomatic officials thought it timely to submit their application to ECAFE for approval in the coming session in January 1952. They regarded it timely as SCAP gave full support on this matter, and that P.S. Lokanathan, Executive Secretary of ECAFE, worked very hard to assist in whatever way he could.<sup>47</sup> The Japanese officials wanted to be admitted to ECAFE in conjunction to their achieving independence and start its new face in foreign relations.

Another factor which prompted urgency for Japan to join ECAFE was the

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<sup>46</sup> Mutual Defense Treaty between the Republic of the Philippines and the United States of America, *Department of Foreign Affairs Treaty Series*, Vol.II, (January 1953)p.14. Quoted in Fifield, 1958: 68. This was an early form of the Southeast Asian Collective Defense Treaty or Manila Pact. It should be noted that the US perceived its purpose was more to safeguard Asian region from the threat of communist attack than Japanese attack while the Philippines perceived the later threat.

<sup>47</sup> *Kosai-an: Kessai*, "Kokusai Rengo Ajia oyobi Kyokuto Keizai Inkai Kamei no Ken", January 11, 1952. vol.1,p.190-196.

hurdles it faced in joining Colombo Plan as well as the United Nations. For discussion on Japan's admission to United Nations, refer to Inoue article. I shall discuss briefly the situation of Japanese membership in regional institutions, focusing on Colombo Plan below.

The Cold War structure and the development further complicated Japan's entry into this region. Besides ECAFE, regional economic cooperation was designed through other various systems, such as the Point Four Program of the US, and the Colombo Plan of the UK. While the former program supported Japan's engagement in the regional cooperation through technical exchange (as discussed in Chapter 3), the later program, unlike ECAFE, was still a "closing door" to Japan's participation. A brief study on the Colombo Plan and its stance towards Japan's participation at that time would show more clearly the contrasting openness and objectivity of ECAFE in encouraging Japanese participation.

The Colombo Plan for Cooperative Economic Development in South and Southeast Asia was first held in Colombo in January 1950 during the first meeting of the Commonwealth foreign ministers. The aim of the plan was to extend external finance to member countries, to draw up periodic reports and to serve as a forum for the discussion of development problems in South and Southeast Asia. It was hoped that through supplying capital and countries receiving it, the common interest of the development would be met.<sup>48</sup> Since its formation, the aims of the founders were to bolster the non-Communist regimes in the area and for the political stability of South and Southeast Asia.<sup>49</sup> The inauguration of the Colombo Plan was one of the several instances of underlining the general weakness of the UN system of international economic cooperation, wherein concerted efforts in the economic and social fields were frequently embarrassed by political strategies of contestants in the Cold War. It was admitted that Colombo Plan was based not on sheer altruism, but on enlightened self-interest, to strengthen the political and economic foundations of non-Communist Asia.<sup>50</sup>

The initial members consisted of Ceylon, India, Pakistan, Australia, Canada, New Zealand, the United Kingdom (and Malaya, North Borneo, Singapore, Brunei, and

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<sup>48</sup> "The Colombo Plan for Co-operative Economic Development in South and South-East Asia," Report by the Commonwealth Consultative Committee, 63; in Singh, p.190.

<sup>49</sup> Singh, 1966: 207.

<sup>50</sup> In this regards, Colombo Plan excluded the USSR and China who were joining ECAFE. Singh, 1966: 181.



Sarawak through association with the UK). Southeast Asian countries were also invited to be the observers at Consultative Committee Meeting in 1950. Burma, Cambodia, Laos, Vietnam (State of), Indonesia and Thailand joined in under the observer category. In 1951, Cambodia, Laos, Vietnam and the US were admitted as members. The regional members constituted the area whose economic development and political stability it was the aim of the Plan to achieve, while the non-regional members, as also the regional members among themselves, had undertaken to assist the endeavors of those in the region.<sup>51</sup>

There were opportunities in economic cooperation as a long term planning of six-year was drawn up, covering development of this region. Similar to ECAFE, the Colombo Plan provided useful framework for donor members to promote their political and economic interests in the area, insofar as economic aid could help in this regard. Singh suggested also, that as it was a place for the non-regional members to develop friendly contacts with Asian countries, as so would it provide Japan with opportunity to reenter this region if Japan were to become a member.<sup>52</sup> While on the one hand admitting that the motivating force behind the idea of Colombo Plan was political, with concern for the stability of the regional member countries, the UK, being the master of Commonwealth found Colombo Plan a place to achieve its interests in this region.<sup>53</sup>

However, when the Japanese intention to join the Plan was relayed through Morrow's contact with the UK authority in 1951, the request was turned down.<sup>54</sup> Tomaru explained the reasons behind UK's rejection mainly as its fear of Japanese trade competition in Southeast Asia. Furthermore, Japanese involvement would also jeopardize the triangular trade between Britain, Southeast Asia and the US, and its

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<sup>51</sup> Singh, 1966: 187.

<sup>52</sup> Singh, 1966: 208.

<sup>53</sup> Tomaru analyzed that the UK had four purposes to achieve through Colombo Plan. First, it was in the UK Cold War strategy to reiterate the Western Powers' sincerity in regional economic development. Second, the British wanted to maintain its influence in Asia through and after political decolonization of her territories in Asia. Third, the British wanted to dissolve the suspicions of their colonial policy held among Southeast Asians, through economic means which the local population considered least obtrusive. Fourth, the aim of the Plan was to stabilize the Sterling Area trade with the establishment of a triangular trade similar to the prewar type between Britain, Southeast Asia and America, by developing Southeast Asian economies and thus solving the dollar crisis of the Sterling Area. Tomaru, 2000: 138-139.

<sup>54</sup> It was during the Morrow mission to the Southeast Asian region, to survey on procurement of raw materials that Morrow sounded out UK's view on Japan's admission to Colombo Plan.

presence would downplay the major role of which UK was "to be seen to play".<sup>55</sup> Japan, however, was not admitted as a member until 1954, after attaining membership in ECAFE. Thus, in late 1951, it was viewed important for Japan to be admitted into ECAFE as there were more supportive voices from the prominent actors, and hoped that this admission would contribute to Japan's admission in Colombo Plan.

In such a situation, knowing that the Southeast Asian region, instead of their colonial masters, wanted Japan to contribute to the development and peace of the region,<sup>56</sup> Japan might have viewed admission to ECAFE as the first step towards building mutual interdependence relations through economic cooperation and to meet their expectation on Japan.

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<sup>55</sup> Tomaru, 2000: 140-141.

<sup>56</sup> *Asahi Shimbun*, September 8, 1950.

## 5.3 ECAFE Admitted Japan

### 5.3.1 Asian Decision for Asia

As we have discussed in previous chapters, opposition voices on Japan's economic contribution came from the Asiatic members such as China and the Philippines, disliking the new kind of Japanese 'invasion' through economic. Furthermore, their people were not ready to receive back the Japanese because of the sad war memories. In addition to those dissenting voices, influential voices from non regional members such as the USSR, UK and Australia, were against too much emphasis on purchasing Japanese goods. This was because the Japanese would pose competition to their market in ECAFE region. As a result, policy making process at ECAFE was delayed in many cases. The Asiatic members of ECAFE blamed the non-regional powers that they have prevented the Asian nations from deciding for themselves on many matters.

The 7<sup>th</sup> Session of ECAFE in Lahore bore two significant meanings which contributed to Japan's pursuit of entering ECAFE society. First was the heightening of Asian sentiment in ECAFE politics against the Western members. Since its inception, Western members especially the UK, Australia, New Zealand, Netherlands and the US had been consistently voting down Asian wishes. Furthermore, ECAFE became the battlefield of Cold War warriors. The factions between big powers made the Commission an utterly sterile body. Unless the Commission was rid of the incubus of big power domination, or a more constructive attitude was adopted by them and the metropolitan countries, there was no prospect of the ECAFE becoming an effective instrument of Asian regeneration as was hoped at the time of its creation.<sup>57</sup>

At the 7<sup>th</sup> Session of ECAFE held in Lahore in January 1951, ECAFE passed resolution in which ECAFE decision could be passed without votes of the Western powers. The motion presented by Lokanathan, argued that "when the commission collectively reaches a decision by vote, especially on matters not directly involving countries outside the region, such a decision should in fact reflect the view of the members of the region or the majority thereof; and that a Commission decision reached because of the votes of non-regional members outweighs the votes of regional members, or most of them is anomalous and inappropriate. .. While it may not be desirable to make any formal change in the membership of the Commission, member governments

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<sup>57</sup> *The Hindu*, November 1, 1949. NAA, A5009, A7/10/4 Part 2.

might nevertheless wish to employ devices, formal or informal, to ensure that decisions of this regional Commission accurately reflect the views of non-regional members or at any rate the exercise of restraint in voting, especially on matters prominently concerning the region.”<sup>58</sup>

As a result, a memorandum, which later known as the Lahore Agreement or Convention, was submitted to the ECOSOC declaring that the member governments feel that it was time when clearer recognition should be given to the principle that member countries belonging to the region “should take their own decisions in the Commission on their own economic problems; and that in doing so they should take full account of the views of the associate members in the region, to be ascertained when not known by referring any specific resolution to a committee. In pursuance of this principle the member countries of the Commission not in the region would be willing, as a general rule, to refrain from using their votes in opposition to economic proposals predominantly concerning the region which had the support of a majority of the countries of the region.”<sup>59</sup>

Even though this agreement did not limit the action of the outside powers on political issues or on economic questions that did not predominantly concern the region, it advanced the status of associate members in the Commission by treating their views as if they were votes. Moreover, what more important was that it affirmed that ECAFE existed primarily to serve the interests of Asian members.<sup>60</sup>

This resolution was beneficial to Japan’s admission, because in a way, it would reduce the importance of the Soviet delegates even if they cast an opposition vote against Japan’s admission, as they were always opposed to most of the policies which were in favor or supported by the US bloc. By deducting the Cold war power game of the non-regional big powers, the admission of Japan later on, would be decided mostly by the Asian members, in accepting Japan’s admission.

Secondly, it was the first time the Japanese attended the ECAFE Session as technical advisers to SCAP officials. In the past, the Japanese could only attend sub-committee meetings of ECAFE. Even though Japanese were denied right to speak at the Session, it was the first step for Japan to start sounding out for its admission into ECAFE. At the session, Okita recalled that “not everyone we met echoed those

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<sup>58</sup> E/CN.11/278, Jan. 18, 1951. Wightman, 1963: 51.

<sup>59</sup> ECAFE Report to ECOSOC, 28 February 1951 – 7 March 1951, Doc. E/CN.11/306, April 16 1951, para 341. Wightman, 1963: 51-52.

<sup>60</sup> Wightman, 1963:52.

sentiments, and at the atmosphere at the conference was extremely tense. Dybert, Head of SCAP delegation, suggested that since we had come all the way as representatives of Japanese Government, we might be given an opportunity to say something. As Murata raised his hand and said "Mister Chairman", the Soviet representative raised a point of order, and there ensued an hour-long debate on whether or not the Japanese representatives should be given permission to speak. In the end, permission was refused.<sup>61</sup>

The fact was that Lokanathan, since early stage had suggested ECAFE's agreeing in accepting Japanese assistants accompanying SCAP officials while attending ECAFE meetings.<sup>62</sup> Lokanathan acted on his executive authority which was based on his own understanding which separated political from economic issues, in the name of the good of ECAFE region's development.

ECAFE officials welcomed Japan's admission. D.G. Pascur of the Industrial Division, even though a Philippine national, expressed that because of the importance of Japan's industrial capability, he welcomed Japan to be a member of ECAFE.<sup>63</sup> It should be remember that there was a difference between Philippine nationals representing the government of Philippines, speaking for the government, and Philippine nationals working for ECAFE under the UN charter. While most of the hostile perception towards Japan was found in the formers' speeches, the later were more objective in opinion and spoke for the good of the region from more of a neutral perception. However, to its dismay, the Japanese delegation came back from the session carrying the USSR opposition voice to the admission of Japan to the ECAFE region, with was concerted by the Australians and the Philippines.<sup>64</sup>

### 5.3.2 Asian Powers Support for Japan's Admission

Japan had longed to join as a member of ECAFE. However, because Japan was not a member of United Nations, it could not be admitted as a formal member. Nonetheless, it could be admitted as an associate member first. The difference between

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<sup>61</sup> Okita, p.69.

<sup>62</sup> The question of Japanese representation at international meetings was first suggested during visit of Lokanathan and Keen in October 1947, while meeting with SCAP officials. However, at that time, SCAP reassured Lokanathan that though the US favored sending of Japanese observers, FEC members might not share this view. Memorandum from Sebald to Secretary of State, October 24, 1947. FSP 2369.

<sup>63</sup> From Suzuki to Masuya, September 7, 1951, B'0045, vol.1.

<sup>64</sup> Summary by S.W. Radio News, March 6, 1951. NAA, A1838, 383/1/2/4 Part 2.

a full member and an associate member was that the former had voting rights at Plenary and Committee, while the later had not voting rights at Plenary Session but only at the lower level committee or sub-committee. The merit of an associate member was that it had the chance to participate in discussion which the observers had not. In 1951, as situation favorable for an early conclusion of peace treaty, it would be a good for Japan to be admitted into ECAFE as it marched on a new international relations after independence.

As early as in June 1951, when the draft of peace treaty was near to completion, US took Japan's admission to ECAFE more earnestly. In 1951, the US-Japanese Mission to Southeast Asia was asked to sound out Japan's admission into ECAFE.<sup>65</sup> The Morrow mission brought back to Tokyo news that the State Department should act immediately to make arrangement at ECOSOC Session to bring up proposal for Japan's ECAFE admission. Pakistan and Thailand were keen supporters of the US to propose Japan's admission.<sup>66</sup> However, this course of application failed because issue of Japan's membership in ECAFE was not able to be considered in ECOSOC session in 1951, due to a congested agenda at this Session. This incident would delay Japan's admission only in April 1952.

Another way for admission was to take a short cut to approach ECAFE directly, urging it to make modification in the ECAFE terms of reference in the January 1952 Session of ECAFE in Rangoon. Japan's admission could be made possible if a request would presumably suggest amendments to permit Japan's inclusion in the geographical scope of ECAFE and to accept Japan as an associate member.<sup>67</sup> It was suggested that an appropriate course of action on the part of the Japanese government would be to address a formal communication to the Executive Secretary of ECAFE in December 1951. In addition to requesting that the Eight Session(January 1952) considered a recommendation to ECOSOC providing for Japan's associate membership in ECAFE, the communication also requested that Japanese representatives be admitted as observers to this Session and its other sub-committee meetings. Lokanathan was approached on this issue during his visit to Japan in early December, which was his routine duty to follow up Japan's economic recovery. After returning to Bangkok, Lokanathan made a decision to permit Japan taking this procedure whereby Japan

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<sup>65</sup> 'ECAFE Sanka to Nichibei Godo "misshon" ni kansuru ken' 1951.6.26. B'0045, vol. 1.

<sup>66</sup> 'ECAFE Kaigi Kamei Tetsuzuki ni Kansuru Ken', 951.9.11, B'0045, vol.1.

<sup>67</sup> Informal Memorandum, around October 21, 1951. B'0045, vol.1.

could be admitted as a member of ECAFE sooner than if it followed the normal route to wait for the ECOSOC meeting in 1954.

Japan submitted its formal application form to ECAFE on December 19, 1952. For the first time, Lokanathan extended invitation to Japanese officials to attend the Session as observers and not technical adviser to SCAP as in the previous years.<sup>68</sup> With great pleasure, Togo Fumihiko, Chief of the second section of Economic Affairs Bureau of MOFA thanked Lokanathan for his efforts done on Japan's behalf for the admission. Not to disappoint Lokanathan, Togo also assured him that the representations to the Session and committee meetings from Japan would be fully officials and competent from the ministries concerned. He also indicated that the delegation consisted of officials "including Okita whom you know very well."<sup>69</sup>

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<sup>68</sup> In previous cases, a non-member country was not allowed to send observers to ECAFE session. Nepal was denied sending its observers to ECAFE session in 1948 before becoming an associate member. This time, for Japan's case, Lokanathan had used his authority to allow Japanese officials to replace SCAP's position as in the past represented Japanese government on observer status. This decision demonstrated Lokanathan's keenness to Japan's admission and his favor in responding to Japan's demand, which had forced him to over act on his competency. Another interpretation of Lokanathan's action was that Lokanathan simple misinterpreted a cable from the UN Legal Department which even though had no objection over such invitation, but in order to avoid any action that would expose the Secretariat to the charge of making a political judgment, the invitation should instead come from the Commission itself. Wightman, 1963: 33. Problems in credential were one which was to be tackled, in sending Japanese officials as observer replacing SCAP. Besides, there was uncertainty about how these Japanese would be received by the ECAFE members, if they were to attend the sessions without SCAP. The idea of the Japanese official attending the session not carrying the observers' status but under the lighter words of "representatives from Japan" was also considered to avoid unpredictable objections. This showed how that the Japanese hastily wanted to acquire ECAFE membership in conjunction with its auspicious independence in April 1952. Lokanathan too, thought it would be wise to fulfill his longtime dream of getting Japan into ECAFE for a more promising new beginning in Japan-ECAFE relations after April. SCAP too, of course would be cooperative enough to assist Japan to get back to the regional community. In his cable on December 29, 1952, Lokanathan further confirmed his decision to invite Japanese representatives. He concluded that it was his duty to invite Japanese government to participate in a consultative capacity and hoped that sessions of commission and subsidiary bodies would explain to these bodies the action he had taken, and hoped that they would confirm his action in welcoming observers from Japan. From Lokanathan, December 29, 1951. B'0045, vol.1, p.0186.

<sup>69</sup> From Togo Fumihiko to Lokanathan, January 10, 1952. B'0045.vol.1. The other Japanese officials in the delegation were, Shima Shigenobu, Special Assistant to Vice-Minister of Foreign Affairs, Hattori Hisaji, Japanese Government Overseas Representative in Rangoon, Suma Michiaki, Secretary of Ministry of Foreign Affairs, Okita Saburo, Chief Research Section, Economic Stabilization Board, and Inoue Makoto, Chief Trade Research Section, Ministry of International Trade and Industry. Okita and Tabata Shintaro, Chief of Iron Production Section MITI would attend Sub-committee on Iron and Steel. Okita and Takashima Setsuo, Public Utilities Commission would attend sub-committee on Electric Power. December 28, 1951, B'0045, vol.1, p. 0180.

In October 1951, the US government lifted the ban on Japan's direct contact with international organizations. With this, Ministry of Foreign Affairs acted promptly, with advice from the US officials, to convey their wish for an admission as an associate member in ECAFE, to Asian member countries. By December 1951, the Japanese government was authorized direct communication with the United Nations and its agencies on matters of mutual interests.<sup>70</sup> At the same time, MOFA sent note verbal to key ECAFE Asian member countries - India, the Philippines and Pakistan - to urge cooperation and support over Japan's admission to ECAFE at the coming session in Rangoon. Pakistan agreed to propose the amendment to include Japan into the geographical scope of the ECAFE.<sup>71</sup> The Pakistan proposal at ECOSOC in December stressed that it was necessary to recognize "the importance of Japanese economic potentialities and the need for realization of the objective of economic cooperation between Japan, on the one hand, and countries of the region on the other."<sup>72</sup> It was believed that "the continuation and intensification of mutual cooperation which has been established between Japan and her neighbours in Asia and the Far East to a certain extent would result in general rehabilitation of the economy of that region." However, the proposal was not passed and delayed to the next session in May 1952 due to some delay in responses from member countries.<sup>73</sup>

At the 8<sup>th</sup> Session of ECAFE held in Rangoon, the question of Japanese participation in ECAFE came up in the agenda as Japan applied for an associate membership. There were two aspects which were the main deterrent factors towards Japan's admission. The first one was the question of the admission of Japanese representatives as observers to each of the several meetings including the ECAFE

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<sup>70</sup> Niles W. Bond, to P.S. Lokanathan, December 7, 1951. B'0045, vol. 1.

<sup>71</sup> From Md. H. Farukhi, to Executive Secretary of ECAFE, December 5, 1951. B'0045, vol. 1.

<sup>72</sup> E/L.306, December 20, 1951. B'0045. vol. 1.

<sup>73</sup> Indian representative at ECOSOC proposed the delay in voting this proposal because they had not received response from home country. Even though India had been a strong supporter of Japan's admission into ECAFE since the past, when it came to formal procedure, India was as ever reserved and careful in not mixing up the politico-economic aspects. Furthermore, at that time, India was opposing the terms in the peace treaty of Japan and had resisted to sign while the economic sections of the treaty were still at dispute. For discussion on India and the peace treaty with Japan, refer to Murthy's article and Sato's paper. The delay in responding at this point from the Indian government could be deduced as an intentioned delay owing to the controversy with the US policymakers in the peace treaty. But it is not fair to judge at only at this gesture of India, as India's opposition to Japan's ECAFE admission. This is because we have shown in pervious chapters, that India wanted Japan's involvement in this region, and this expectation far outweighed the competition and threat posed by the Japanese influence.



plenary, and the second was to put forth the motion of the ECAFE plenary to recommend to ECOSOC the admission of Japan as an associate member of ECAFE; and the amendment of the ECAFE Terms of Reference so as to include Japan in the geographic scope of ECAFE, to include Japan in the list of associate members. The first problem was overcome when Lokanathan acting on his Executive Secretary capacity, authorized the attendance of Japanese observers at the 8<sup>th</sup> Session and other meetings. The later problem was one which Japan had to tackle to fight against oppositions from other ECAFE members. During the Lahore Session, it was observed Japan's admission to ECAFE was not received well by the other members. The delegation of the USSR, the Philippines, Australia and China took a strong stand against the admission of Japan to the ECAFE. The Philippines, declared that the admission would be equivalent to "making Japan enter the UN through the back door." The Russian delegate said it was impossible to admit Japan as long as the peace treaty was not signed.<sup>74</sup>

Japanese admission as an associate member of ECAFE was strongly supported by the US. This was viewed as another important task in its series of effort in promoting the return of Japan to normal international relations which started since years ago. Japan's admission into ECAFE was important in the sense that it provided fuller participation of Japan in international organizations such as those in FAO, UNESCO and ILO which Japan had been admitted. Admission into ECAFE carried more significant meaning to Japan, as it signified the receipt of Asian society towards Japan's postwar reentry into the regional society.

In light of the above, State Department thought it was time for Japanese government to go through appropriate channels in its application. In its memorandum dated December 1<sup>st</sup>, 1951, to the Executive Secretary of ECAFE, formally requested that ECAFE 8<sup>th</sup> Session considered making recommendation to ECOSOC providing Associate Membership to Japan<sup>75</sup> and that Japan's representatives be admitted as

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<sup>74</sup> News Articles from AP, March 5, 1951, FEC817.

<sup>75</sup> The US wanted to convince ECOSOC that Japan was competent to participate constructively in raising the level of economic activity in Asia and the Far East and in maintaining and strengthening the economic relations of countries in Asia and the Far East both engage themselves and with other countries of the world. That Japan was already a member of the Food and Agriculture Organization, the United Nations Educational, Scientific and Cultural Organization, the International Labor Organization and the World Health Organization, with all of which the ECAFE enjoys cooperative working relationships, the Japanese Government desired to participate in the work of the ECAFE as an associate member of ECAFE. Confidential Security Information, Document of Department of State: Japanese Participation in ECAFE,

observers in ECAFE 8<sup>th</sup> Session and other ECAFE meetings.

US way of assisting Japan in its application to ECAFE membership was not a way which was agreed upon by its other allies. The UK had originally expressed a leaning toward the view that Japanese personnel could not be admitted as observers for Japan until the ECAFE plenary, followed by ECOSOC, had acted to admit them as observers for Japan. Of course, the UK did not see any difficulty with the view that Japanese personnel could be designed as SCAP observers. The UK felt that it is beyond the authority of ECAFE to take the action suggested by the US and the UK, would, if the proposal had strong Asian support, vote in favor, and would look to the US to reply to any objections which may be made by the USSR, India or others. The US thought that the British should not be pressed on this matter since fundamentally the question was one of the Asian members to decide.<sup>76</sup> Nevertheless, in the end, the British could not actually do much in opposing Japan's admission because it did not want to put itself in the opposite stance with Southeast Asian nations and be blamed as jeopardizing regional development.<sup>77</sup>

However, it was a consistent view of the US that any intergovernmental gathering had the privilege of admitting on an ad hoc basis the representations of a non-member government as observers. The US thought that this view should prevail at ECAFE, and it appeared that most of the other members of ECAFE agreed with this view. In this connection, the Department of State brought the views of the US to the attention of all regular members of ECAFE except the USSR. The US encouraged Asian delegation to take the lead in admitting Japanese observers, and in recommending Japan for associate membership. The response had shown overwhelming support for those views, and that Pakistan would take the lead in getting favorable ECAFE action.<sup>78</sup> The US actively cooperated with other delegations, particularly those from Asia, in bringing about the active participation of Japan in ECAFE.<sup>79</sup>

When the Pakistan proposal to include Japan in the ECAFE geographical sphere and to admit Japan as an associate member was put to the floor, the Philippines objected. The representative from the Philippines argued with disagreement that Japan

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<sup>76</sup> Confidential Security Information, Document of Department of State: Japanese Participation in ECAFE,

<sup>77</sup> For argument on this matter, refer Tomaru, 2000: 133-137.

<sup>78</sup> Confidential Security Information, Document of Department of State: Japanese Participation in ECAFE,

<sup>79</sup> Confidential Security Information, Document of Department of State: Japanese Participation in ECAFE,

had no proper status before regaining responsibility for its international relations, to apply for membership before the peace treaty was ratified.<sup>80</sup> India agreed to this point that Japan should apply when the treaty was ratified, even though ECAFE could first amend its terms of reference to include Japan into the geographical territory. Thailand representative strongly supported admission of Japan arguing that it was important to have Japanese representatives to attend the meetings of all technical organs of the Commission and the delay could not be tolerated. Thailand had developed trade relations with Japan and had signed a barter agreement, so it had no objection to voting on the Pakistan resolution. The US delegate, supported Japan's admission by arguing the de facto involvement of Japan in the UN organization. He argued that "Japan had been given responsibility in international affairs as far as commercial and social questions were concerned, although the peace treaty had not been ratified yet." "Japan had become members of the FAO, ILO, WHO and UNESCO and there was no question of legal propriety and no legal obstacles to the admission of Japan as an associate member of ECAFE." Vietnam supported with moral support for Japan's admission "in view of close intellectual relations between the two countries and in view of the necessity for greater solidarity between the various peoples of the world."<sup>81</sup>

Finally a resolution was adopted on January 29 recommending to the ECOSOC that Japan be admitted as an associate member of ECAFE.<sup>82</sup> Following ECAFE

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<sup>80</sup> The Philippines had consistently protested against Japan's resuming international relations before the signing of peace treaty. This was because the Philippines did not want to lose its bargaining power on giving Japanese peaceful resumption in return for Japan's repaying its war debt in the form of reparation. The Philippines had not changed its stances that its government felt reluctant to approve travel of Japanese abroad before Peace Conference in the 1948 FEC policy on travel of Japanese commercial representatives. At that time, the Filipino representative at FEC pointed out that devastation committed by Japan was still fresh in minds of Filipinos and anti-Japan feeling prevalent in the Philippines did not warrant admission of Japanese and even the policy was approved, the Philippines would not allow Japanese to enter its territory. From DA to SCAP, Travel outside of Japanese commercial representatives (FEC 293/11), November 3, 1948. Reel 318.

<sup>81</sup> E/CN.11/SR.91, January 29, 1952. Also, Vietnam was shown a forgiving stance at the San Francisco Conference. At a plenary session on September 7, 1951, Prime Minister Tran Van Huu, after referring to the human and material losses inflicted upon his country by the Japanese, welcomed the reconciliation aspects of the treaty and asserted, "We shall neglect no effort toward contributing to the rebuilding of a sober, industrious Asian nation alike Japan, convinced that the Asiatic should be the main artisans of their common prosperity, that they should count on themselves to banish all imperialism, and that, in the establishment of a new world order, Asian solidarity is as necessary as European solidarity." Department of State Publication, 1951:314.

<sup>82</sup> The first part of the Pakistan proposal to include Japan into ECAFE geographical scope was voted with unanimity. However, the second part of Pakistan proposal to admit Japan as an associate member of ECAFE, was voted with support by eleven, one objection and two

decision, at the ECOSOC meeting on June 10, 1952, terms of reference of ECAFE was amended to include Japan in the geographical scope of ECAFE and noted ECAFE decision at Eighth session to admit Japan as associate member. Japan became an associate member of ECAFE at the ECOSOC meeting in June 1952.<sup>83</sup>

Lokanathan's effort in bringing closer Japan's path to be admitted as an ECAFE member was rewarded with good results at the Rangoon session. Lokanathan revealed his long pursued hope for Japan in his letter to Shima. "Since I joined ECAFE in 1947 I was looking forward to the day when new Japan would join ECAFE and make a most valuable contribution to the successful work of the Commission. I am one of those who believe that, with Japan's constructive cooperation, the countries of the region can look forward to a more rapid era of economic development. There is much that Japan herself can get from the other Asian countries both by way of economic prosperity and spiritual development. In my judgment, the next 25 years is going to see the speedy march of Asia in economic advancement, and it is of the utmost importance that countries should help one another in all possible ways. We in the ECAFE Secretariat have, if I may say so, developed a truly regional and international loyalty, and venture to think that the prosperity and development of every country in Asia is as dear to us as the development of one's own country."<sup>84</sup>

Lokanathan used its authority to bypass ECOSOC procedure to allow Japanese representative to attend the Rangoon session. Even though Lokanathan was a respected and responsible international statesman, he couldn't help breaking the procedural regulations of the UN provisions in his pursue for the good of ECAFE.<sup>85</sup> This was the second time he had taken steps to get Japan into ECAFE,<sup>86</sup> the first one was his effort in the amendment of terms of regulations to provide SCAP with status as observer in ECAFE meeting, thus allow Japan's participation in ECAFE planning since 1947.

In retrospect, Lokanathan had since the establishment of ECAFE, wanted to

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abstentions.

<sup>83</sup> ECOSOC Resolution 419 XIV, June 10, 1952.

<sup>84</sup> Lokanathan to Shima, February 3, 1952. B'0045, vol. 1, p. 0252.

<sup>85</sup> R. Ventakaram, former president of India, and chairman of P.S. Lokanathan Memorial Society, recalled that Lokanathan at times came into conflict with the UN Headquarters on the scope of activities of the ECAFE. However, he always asserted the rights of the ECAFE to formulate schemes of importance to the region and stood his ground. Lokanathan, 1994:4.

<sup>86</sup> Wightman pointed out that it was because Lokanathan had misinterpreted cables from ECOSOC, that he invited Japanese representatives to the Rangoon Session. Wightman, 1963: 33.

invite in participations of Japan into ECAFE. Based on his belief that Japan would be the engine of the development of this region, he had endeavored in earnest to formulate and negotiate plans with SCAP for Japan's economic participation in this region. Since as early as 1948, Lokanathan had suggested sending of Japanese technical advisor to SCAP to participate in direct discussion on technical aspects and planning during ECAFE subcommittee meetings. Further to that, Lokanathan worked to force through SCAP's policy on allowing Japanese technicians to travel abroad to help in Asian industrialization. Lokanathan's realistic economic vision on Japan reached its peak, knowing that Japanese economy was still not able to be independent from the US financial support; when he suggested a form of triangular coordination of linking US sponsored counterpart fund for Japan to Asian economic development.

It was time for Lokanathan not only to realize his own vision, but also to response positively for the sake of his fellow counterpart in SCAP's office and the Japanese officials whom he had met, who had been cooperative in the past few years and had shown great sincerity and dedication to ECAFE regional economic activities. There could be no other excuse for Lokanathan to be the first person in ECAFE who would do anything to assist Japan's admission into ECAFE, to help making an auspicious event for Japan to enter its relations with this region, when the occupation ended.

#### 5.4 Japan's Associate Membership and Okita Saburo

At the 8<sup>th</sup> Session of ECAFE, Okita was approached by Lokanathan and offered him a job in ECAFE. Okita recalled that Lokanathan remarked, "although Japan was to become a member country, there were no Japanese working in the office, and invited me to join the ECAFE staff."<sup>87</sup> Lokanathan's approach to Okita was not an incidental choice. It was true that Lokanathan hoped to put a Japanese official in his office, but this position could not be better filled by Okita. The reason of Lokanathan's choice could be due to his trust on Okita since their year long contact since 1949 when Lokanathan visited Japan. Other reasons could be the fact that Okita was involved in the economic planning of Japan, his approach to economic problems, his familiarity with resources and his personality. Through analysis of Lokanathan's philosophy and Okita's approach in development, it is amazing to find that they both share some similarities about elements and approach for development. Okita identified that in Japan's case of development, four pivotal elements were "self-help" effort, education, objectives of government policies and technology.<sup>88</sup> As an economist and an educationist, Lokanathan had been pursuing the goodness of those elements and incorporated them into his economic planning for his country and for the region to develop. It was also because of him upholding these key for economic success that he looked up on Japan for the crusade of economic development of this region, which he believed that developing countries should eventually go through industrialization as in the stages of development.<sup>89</sup>

Okita decided to take up the job because Prime Minister Yoshida scaled down drastically the power of ESB, and that it was time to hand over to his successor Goto Yonosuke. Furthermore, Okita had been interested in Asian Affairs since before the War.

From April 1952 to end of 1953, Okita served at the ECAFE headquarters located in Bangkok, as the first Japanese staff of UN. This was a very important challenge to Japan's effort in getting back to the international society. Besides Western officials from US and UK, Okita had to work together with representatives mainly from

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<sup>87</sup> Okita, 1983: 70.

<sup>88</sup> Okita, 1987.

<sup>89</sup> As discussed in Chapter two about the brief background of Lokanathan, from the oral history of Swaminathan, son of Lokanathan, he recalled that his father had been stressing the importance of education. In records of memorial tribute to Lokanathan, it was also pointed out that Lokanathan, despite his profession as an economist, was interested in the advancement of technology.

the Southeast Asian countries where some of them had negative image towards the Japanese, as a result of the psychological legacy of being war victim during the Japanese occupation.<sup>90</sup> He was posted at the Trade and Finance Division. This was the time when Okita had the chance to get to know matters on Southeast Asia directly by serving the ECAFE. As at that time, there were not so many government officials who were well versed in postwar Southeast Asian affairs, Okita was one of the pioneers on matters concerning the actual situation and development problems in Southeast Asia. As Okita had a chance to observe Japanese policy from abroad, and understand from the viewpoint of the Southeast Asian countries, he could pinpoint the perspectives not only of the Southeast Asian countries but also the international concerns at that time. In addition, what was more remarkable was the role Okita played by providing information and advice to Japanese policy makers directly in reports or indirectly through written articles in local Japanese newspapers. One month after Okita's posting at ECAFE, a book was published entitled "*Ajia keizai to nihon*" (Asian economy and Japan) with co-author Hara Kakuten, which provided some insightful information of postwar Asia.

At the same time, development in an economic sense in Southeast Asia remained a top issue in postwar Japanese foreign policy towards this region. "Southeast Asian" boom was created during the Yoshida Cabinet when Yoshida first announced in his policy speech in November 1952, that linkages with Southeast Asian countries should be promoted under the economy diplomacy to promote Japanese trade.<sup>91</sup> Consequently, "economic assistance", in Yoshida government's word was to restore diplomatic relations through reparations, promoting exportation of plants as the core of economic cooperation. Sudo Sueo described this as the beginning of Japan's postwar "*nanshin*" (move southward), which had seen the utmost efforts devoted to achieve "economic" foreign policy to Southeast Asia.<sup>92</sup> "Development" was regarded as a means to increase the developing countries' purchasing power through payment of reparations. Other means included development of resource, investment, setting up of joint enterprises, and the purchase by Japan for large quantities of raw material; all with an ultimate aim of increasing their buying powers on Japanese goods. So-called "Southeast Asian Development" in early 1950s aimed at increasing buying power of Southeast

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<sup>90</sup> Okita had a hard time at first with his Philipino co-worker at first, but the relations was improved later on. (Interview with Mrs. Okita, 2000)

<sup>91</sup> Watanabe, 1974: 245.

<sup>92</sup> Sudo, 1986: 35-37.

Asian countries over Japanese goods. Starting in the form of reparations, Japanese development assistance later was characterized by mainly serving the economic interests of Japan.

Throughout his stay in Bangkok, Okita observed a rather rushed and shortsighted policy in the way Japanese penetrated markets and procured resources in Southeast Asia. As Alan Rix mentioned in his paper, that for over 20 years or so since the beginning of Japan's aid in reparations and export-development programs; there had been not much changes in the aim of using aid to serve domestic purposes than to assist recipient development. According to him, this all rooted in the traditional belief that aid should provide a "return" to its donor and this mentality since the beginning had underpinned the future trends since the 1950s.<sup>93</sup> In this context too, Okita had warned that if Japan were to take short-term policies only to overcome economic slack, that would only bring about disappointment without understanding the actual situation of that country.<sup>94</sup> In Okita's view, it was inevitable that Japan's status in Asia as an "advanced industrial" country (*senshin kogyokoku*) had to export manufactured goods to cover for imports of primary resources from the developing countries in Southeast Asia. However, he analyzed the short-term benefit and long-term betterment of this trade structure. In considering the profit in the short-term prospect, the continuity of this trading pattern might be desirable but it might trigger a strong desire for industrialization in developing countries and conceive a nationalistic sentiment of anti-dependence on other economies.<sup>95</sup> This situation was highlighted by the dramatic scene of anti-Japanese riots which came into the picture in 1974 during Prime Minister Tanaka's visit to Southeast Asia. A rush in investment was not timely, and because of the diversity in characteristic of the region, more individual policies should have been carried out, adapting to the different conditions in Southeast Asian countries.<sup>96</sup>

Furthermore, with regards to the unilateral advancement of the US-Japan cooperation into the Southeast Asian resource, Okita and Hara warned that such kind of "Southeast Asia as a resource supplier" and "Southeast Asia as a market for Japanese goods" perceptions among the Japanese would result in some negative setbacks.<sup>97</sup> This was because while Japanese looked at Southeast Asia from "outside", and not putting

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<sup>93</sup> Rix 1996: 79.

<sup>94</sup> *Nihon Keizai Shinbun*, September 11, 1952.

<sup>95</sup> Okita, 1962c: 367.

<sup>96</sup> *Nihon Keizai Shinbun*, November 21, 1955.

<sup>97</sup> Hatano 1994: 220, 238(18).



themselves in the same circle, they would tend to make unilateral policies solely to serve its own benefit.

And as for how Japan should tackle this situation, Okita analysed that there was no fast and short approach to the development of Southeast Asia. In his view, due to the "economic backwardness" of the Southeast Asian nations, developing Asian economies takes a rather long-term calculation from 5 to 20 years.<sup>98</sup> The fact that Japan at that time lacked of expertise or specific agencies to look into this matter, Okita suggested that Japan first utilize the research of international organizations on the Asian problem, as he always did. Approaching international organizations with specialties in economic development such as ECAFE's might be an important start for Japan.<sup>99</sup> His early internationalist and pioneer character illustrated here by stressing the importance of direct first hand material and figures made an implication of an early internationalization and multilateral approach in tackling development problems in Southeast Asia. At around the same time, in the 1950s<sup>100</sup>, there were moves at the academic and corporate levels, to research Southeast Asian matters, which led to the forming of the Institute of Developing Economies (*Ajia keizai Kenkyusho*) in 1958 as a nonprofit organization. This organization was then reorganized into a semi-governmental body under legislation by MITI in 1960.

In analyzing Okita's early official writings about the role Japan had to play, there were not many divergences from the standard perception of economic policy planners at that time. In Suehiro Akira's categorization, this group of bureaucrats and members of the corporate world in the *Ajia Kyokai* (The Society for Economic Co-operation in Asia)<sup>101</sup>, a non-governmental organization, paid attention to the Asian

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<sup>98</sup> *Nihon Keizai Shimbun*, September 11, 1952.

<sup>99</sup> *Nihon Keizai Shimbun*, September 11, 1952.

<sup>100</sup> For further reference on the formation of other research initiatives on Southeast Asia, refer to Suehiro, 1997.

<sup>101</sup> *Ajia Kyokai* was one of the research organizations - among others such as *Ajia Mondai Chosakai* and *Ajia Keizai Kenkyujyo* (The Institute of Asian Economic Affairs) - on postwar Asia in the early stage of the development of this discipline. It was a non-governmental organization formed in 1954 April. It consisted of seven economic associations, namely *Ajia Keizai Kyoryokukai*, *Ajia Sangyokyoryokukai*, *Ajia Sangyou Gijyutsu Kyorokukai*, *Ajia Keizai Shingi Kaigi*, *Tonnan Ajia Chosakai*, *Nannyo Kyokai*, *Nannpo Norin Kyokai*. At its formation, Fujiyama Aiichiro was its chairperson. The main functions of this institute were to manage the dispatch and receiving of technical researchers to and from abroad under the Colombo Plan. Besides, it served as advisory organization to the government in solving reparation problems at early stage. Furthermore, it carried out various activities to study the Asian countries. "*Tonnan Ajia Keizai Kaihatsu Kenkyuhan*" (Study group on Southeast Asian economic development) headed by Okita was one of the seven study groups. Suehiro, 1997.

development plans as a part of the postwar Japanese economic recovery, economic independence and the industrial advancement.<sup>102</sup> In their concept, in order to assure or secure diplomatic normalization and markets for Japanese exports, first there had to be an early solution of reparation problem. Further to that, in order to participate in the Asian economic development plan, the means was through economic cooperation. This concept took shape in the late 1950s when "reparation, economic development and economic cooperation" formed the three pillars of the economic assistance in the Kishi Cabinet. In fact under the Kishi Cabinet when economic assistance to Southeast Asia became important and was institutionalized, Okita thought there was a need to improve the system on Asian research. This was because the outcome and the planning most of the time did not realized as planned because of many deterrent factors. Therefore, particularly, thorough research on matters regarding the promotion of economic assistance towards Southeast Asia was the most important assignment.<sup>103</sup>

Further to that, Okita, as a member of the Japanese delegation at the pre-Colombo Plan Conference recognized the fact that there were several stages in achieving development targets in Asia. The first and foremost concern at that time was to increase domestic income before being able to catch-up with other economies in other regions. To those newly independent Southeast Asian countries which tended to have a closed policy as a legacy of the decade-long colonial occupation, the Japanese delegation emphasized the importance of placing foreign assistance as the first priority in considering domestic development plan.<sup>104</sup>

Okita's perception with regard to relations with Southeast Asia, which has abundant resource, it was necessary to develop this area in order to achieve the above purpose. Furthermore, Okita, as well as others, assumed that if this region were to remain underdeveloped, it would not only hamper the overall progress of the international economic system but also posed a threat to regional and world security.<sup>105</sup> For this reason, it can be concluded that Japan's early 20 years of postwar development of foreign relations with this region could not stand alone without this vested interest.

Right after coming back to Japan in 1954, he was promoted to serve as a senior official at the Research Division of Economic Council Board. With his background and

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<sup>102</sup> Suehiro, 1997: 45-46.

<sup>103</sup> Hara & Okita, 1957:113.

<sup>104</sup> Okita, 1955: 70.

<sup>105</sup> Okita, 1962c: 301.

experiences in drafting governmental economic plans, Okita formulated the \$2000 million export plan in March 1954. In this plan, Okita set the aim at developing the 2-sided economy of Japanese economy - a combination of developed and developing countries - through exporting capital-intensive goods to less developing countries and exporting labour-intensive goods to developed countries. This ideas was criticized by the others as too idealistic but his accurate foresightedness was proven right when the target of \$2000 million export was achieved within two years. Okita's identification of Japanese economic problems and its potential was partly due to his observation from abroad. He could not have observed this had he not spent years living abroad serving in ECAFE.<sup>106</sup> Even though the plan was to serve strategic economic interest of Japan's export, it served both the demands of Western and Eastern countries. It cannot be denied that Okita placed Japan's relationship with the other developed countries as first priority, especially that with the US. This line of thinking in Okita did not change as long as the US-Japan relations remained unchanged. Japan's survival in both economic and security area depended a great deal on the US. However, Okita's role performed in Japan's diplomatic relationship seemed to have bridged the North and South; on the one hand emphasizing harmonious survival with developed countries, and at the same time emphasizing cooperation with developing countries. To Okita, it was essential to maintain good relations with developed countries with regards to the relationship with Southeast Asia and vice versa.

In April 1954, Sawada Renzo, Japanese permanent observer to the UN in New York had a meeting with Lokanathan in Bangkok. Lokanathan expressed that he wished that Japan could be soon admitted to ECAFE as a full member, so that ECAFE could acquire more services of Japanese officials to the Secretariat. He was satisfied with expatriation of Okita office, besides his ability in managing linguistic barriers. Lokanathan assured the Japanese with optimistic views that what hampered the employment of Japanese technicians to this region was not much the political barrier but more was due to the problems of language barriers. He was optimistic that there will be more increase in this employment when Japan became a UN member. Lokanathan pointed out that he was sure in the coming Asian Prime Minister Conference, Japan would be included in the conference due to the inevitable role of Japan in the regional economic development. Even though several hitches remained

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<sup>106</sup> Okita, 1983: 74-75.

between Japan and Asian countries, Japan had an important role in the long run. He admitted the importance of Japan being the bridge between the West and the East.<sup>107</sup>

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<sup>107</sup> From Sawada to Okazaki Gaisho, May 29, 1954, B'0045, vol. 3, pp.0116-0120.

## 5.5 Full Membership in 1954

Since Japan became an associate member, *ECAFE Kyokai* (Japan ECAFE Association) was founded in Japan, which consisted of members from Japanese business circles. Its main objectives were to spread knowledge of ECAFE activities in Japan, promote research along ECAFE lines, and collaborate with the Commission and other international organizations in exchanging and collecting information on the economic and social development of Asia and the Far East.<sup>108</sup> The Association promoted relations between Japan and the ECAFE regional members through the production of Japanese versions of the *Economic Survey and Bulletin*, including the reports of the Working Party on Economic Development and Planning, the *Mining Developments in Asia and the Far East* for distribution to its members and various departments of the Japanese government, and research institutions.

Both at home and in ECAFE, Japan took part more actively in ECAFE activities and planning. In April 1954, ECAFE mission consisted of representatives of several member countries visited Japan to study small-medium industries. In May 1954, for the first time, the ECAFE sub-committee studying hydroelectric development held its meeting in Tokyo because of Japan's advance in this field. Witnessing the escalation of Japan's involvement, and importance to regional development, the urge to be admitted to ECAFE so that Japan could have voting rights and be treated equally as other member countries, ran high among the Japanese policy makers. However, what was hidden under scene was Japan's dream of being admitted to the UN in its ultimate goal, and membership in ECAFE served as one of the measures to achieve that goal.<sup>109</sup> Japan further strived to attain full membership, with support from the US and Pakistan.

In 1953, at the initiative of Cambodia and Pakistan, a resolution was passed to "admit to membership those associate members who are responsible for their own international relations who apply to the Commission for membership."<sup>110</sup> The US and France jointly proposed further, the admission of Japan and other six associate members – Cambodia, Ceylon, Laos, Nepal, South Korea and South Vietnam – to full membership in ECAFE.<sup>111</sup> India voted for Japan, Ceylon and Nepal but remain

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<sup>108</sup> Wightman, 1963: 319.

<sup>109</sup> 'Ekafe Seishiki Kamei Mondai ni Tsuite', 1954, 2, 23, B'0045, vol. 3, pp.0129-30.

<sup>110</sup> E/CN.11/370, February 14, 1953. Resolution was adopted by ECAFE at its 10<sup>th</sup> Session in Kandy, Ceylon on February 18, 1954.

<sup>111</sup> Annual Report of the Economic Commission for Asia and the Far East, E/L. 504, April 23,

abstained from voting for the other countries, so as to remain non-aligned and not to be regarded as following the US say for the other nominees. It was apparent, that the US supported membership of the above nominees who were in the US bloc against fighting against the Soviet bloc in the Cold War setting in Asia. India could not vote for these governments as it doubted the credibility of whether the current governments at reign really represented the voices of its people and their independence was still in question at the UN council.<sup>112</sup> At the same time, India persisted on its policy to support admission of the Communist China, and criticized it unfair and unbalance if the US-French proposed countries were admitted and not China. The Philippines however, supported admission of South Korea, Nepal and Ceylon, but abstained from voting for the three Indochinese states. The Philippines of course, voted against Japan's admission because of the peace treaty with Japan was not signed yet.<sup>113</sup> Thus, the proposal was turned down because ECOSOC could not give membership to those which were not a UN member.

Good signs for improvement in conference negotiation were seen as the atmosphere of ECAFE sessions changed tremendously into more peaceful, as the Cold War tension in Asian region cooled down after the Korean War ceasefire. As the Soviet policy became less tensed, there were less attack on its motive of providing technical and financial assistance in terms of machineries and technology to the Asiatic countries. The US, gave more commitment to the efforts in stabilizing prices of raw materials such as rubber and tin, and had promised more supply of capital and technical assistance. This was aimed at counter balance the influence of the Soviet, as the US was suspicious and cautious to Soviet motives. The French, for example, among the other, continued to stress on the importance of Japan's medium scale industries and cottage industries, and its capital and technical importance to this region.<sup>114</sup>

On surface, Japan reasoned that admission to ECAFE was important to its involvement and contribution to the regional economic development. However, the real motive which MOFA did not reveal to public was that ECAFE admission was to serve purpose for Japan's admission to UN which faced continuous veto objections by the

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1953.

<sup>112</sup> From Sawada to Okazaki, "Concerning ECOSOC meeting on the issue of formal admission", 1954.4.30, B'0045, vol.3, pp0217.

<sup>113</sup> "Ekafe jyunkameikoku no Seishiki Sanka ni Kansuru Ken", From Takeuchi to Okazaki, 1953.4.30, B'0045, vol.2, pp.0086.

<sup>114</sup> From Ohta to Okazaki, 1954.2.11, B'0045, vol. 2, p.0260-0261.

USSR.<sup>115</sup> Emphasis on the initial motive for ECAFE admission shifted to stress more on Japan's UN admission than for enhancing economic cooperation. The MOFA officials might have seen no "rush" to be admitted to ECAFE, as Japan had actually participated in ECAFE activities and planning. They also realized that ECAFE "wanted" Japan more than Japan needed ECAFE at this point of time. Furthermore, they could easily be admitted to ECAFE after becoming a member of UN. The main problem they now faced was that their application to UN membership was continually vetoed by the Soviet. By taking the back door approach, Japan could gain more voice through becoming members of UN affiliated organization, including ECAFE. Doubtfulness remained as whether Soviet's agreeing on Japan's admission to ECAFE meant also a change in their policy in opposing Japan's admission to UN.

At the tenth session of ECAFE held in Kandy, Ceylon, Japan proposed to hold the next Session of ECAFE in Tokyo. This proposal was decided upon by the member countries. Now that Japan was to be the host of next meeting, it became more urgent for the Japanese to become a formal member by the time they host the ECAFE session in 1955. Japan proposed again for the resolution urging ECOSOC to consummate the acceptance of its associate member states as full-fledged members.<sup>116</sup> Pakistan reiterated the importance of Japan towards the economic development of this region while the US-French cooperation urged an early admission of Japan before the coming Session in Tokyo.<sup>117</sup> As a result of this plea, the Council announced that "the General Assembly had determined that Cambodia, Ceylon, the Republic of Korea, Japan, Laos, Nepal and Vietnam were eligible for membership in the UN," and agreed that they would be admitted as members of ECAFE.<sup>118</sup> Terms they had to bind to was that they should agree to contribute annually to the General Assembly budget even though they were not yet members of the UN.<sup>119</sup> By accepting this term, Japan was admitted as a full member of ECAFE in April 1954.

In March 1955, for the first time, the eleventh session of ECAFE was held in Tokyo, the year after Japan had been admitted as full member of ECAFE. For the first time, Japan attended the session with equal voting rights as the other member countries in

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<sup>115</sup> From Sato(Geneve) to Okazaki, Admission to ECAFE, 1953.6.20, B'0045, vol.2, pp.0120-122.

<sup>116</sup> ECAFE/SR.137, February 1954.

<sup>117</sup> From Sawada to Okazaki, "Concerning ECOSOC meeting on the issue of formal admission", 1954.4.30, B'0045, vol.3, pp0211-0212.

<sup>118</sup> ECOSOC resolution 517A(XVII), April 22, 1954.

<sup>119</sup> LEG 55/04, May 19, 1954. B'0045, vol.3, p.0042.

its own land. Hosting ECAFE conference enabled Japan to gain several advantages. As Wightman pointed out, hosting ECAFE session would not only allow the host government to demonstrate its regard for ECAFE, it also enabled other member countries to get to know the host country better, through visits and tours arranged during the session.<sup>120</sup> The second advantage was especially important to Japan in the course of its resumption of relations with the ECAFE regional members. Tokyo Session provided a good chance to enhance trusts from the other Asian regional countries through their visits to Japan. Regional conference being held in Japan, took place within 10 years, after Japan's surrender in the war, was a rather speedy development, as it signified Japan's regaining international status in the Asian bloc in postwar years.

### Conclusions

Push factors from Japan and SCAP was received by the pull factors from ECAFE, which materialized Japan's admission into ECAFE. However, Japan's admission to ECAFE could not have realized immediately after its independence, if they had no contact for the past five years. This can be proven by comparing how it was difficult for Japan to be admitted to Colombia Plan at the outset of its establishment in 1951.

We observed that in years towards the end of occupation, SCAP's actual concern and the development of interests shifted from economic to political to get Japan back to international arena. The supportive role of India was not much prevalent in the last stage of Japan's admission. This could be interpreted as the pragmatism in India's foreign relations with Japan, on the one hand showed supportive and on the other showed objections, so as to maintain its non-alignment stance. India's was confident with cards in hand, in playing an unattached role, as to balance off the power between East and West, North and South in regional politics.

Japan continued to obtain support from the US and ECAFE in its involvement in ECAFE. In the 1950s, Japan actively participated in ECAFE activities and planning. Before Japan turned to be the donor country in ECAFE in the 1960s, its involvement in ECAFE was aimed at gaining direct benefit from ECAFE.<sup>121</sup> Besides, what Japan could obtain through ECAFE was prestige, and international acceptance. This might be the first hidden priority, rather than economic interest through regionalism, as in the next

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<sup>120</sup> Wightman, 1963: 66.

<sup>121</sup> Kashima Kenkyujo, vol.32: 133.



twenty years, Japan refrained from taking any major commitment on regionalism move despite its ability for this position, and despite expectations from the regional members. It would be interesting to test if the real meaning of admission as demonstrated throughout the relations prior to Japan's admission, was comprehended and met in their relations after admission. Communication with ECAFE could be waning as resumption of relations between Japan and the Southeast Asian countries took place gradually in the 1950s as economic interest could be achieved directly through bilateral trade.

## CONCLUSION

Okita Saburo observed in 1951 that "in the Southeast Asian region, except in Malaya and the Philippines, feelings towards the Japanese was rather good in general, than expected."<sup>1</sup> These feelings and stances of the ECAFE region, no doubt, had changed over years, from those of rejecting the Japanese at the beginning, to accepting the Japanese back to their community over years of early postwar communications and interaction with Japan. Thus, it is no less important to look at the perspective from Southeast Asia in studying Japanese relations with this region, as what this thesis had endeavored to, to present a more comprehensive picture of the whole relationship. The US policies and the Japanese policies provide us partial understanding to the relationship with regards to Japan's relations with the ECAFE region, as it might not explain the changes of Southeast Asian stances towards Japan. "Pull factors" from the ECAFE region as demonstrated in the above chapters, contributed to an early return and acceptance of Japan to this region. These factors served as prerequisite not only for the US to implement policy to connect Japan with the Asian region, but also make rooms for the Japanese policy makers to pursue their postwar dream in economic diplomacy.

Through discussion on issues in chapters two, three, four and five, several patterns of relations were revealed. In chapter two, the relation was characterized by the visions, positive and forward looking in the postwar relations, to start on a clean sheet. The initial stage showed that relations between ECAFE and Japan were not totally shut out due to war consequences. ECAFE, or to be more specific, its Executive Secretary P.S. Lokanathan took initiatives in resuming the relations which had served to accommodate the Japanese wish for early resumption through trade. SCAP cooperated in this regards in view of the independent nature of relations between Japan and ECAFE region.

Chapter three revealed that the early return of the Japanese to the ECAFE region was made possible through calls from ECAFE region. This chapter further showed us it was India, the leading ECAFE member, which voiced out and push

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<sup>1</sup> Okita observation was made while attending ECAEF sessions in 1951 and 1952. In 1951, Okita felt that most Southeast Asian nations sympathized Japan based on their Asian sentiment which regarded Japan belonged to the Asian comity, and that Japan then was defeated in the war, demilitarized and put under foreign occupation. However, in the following year, he also observed that those sympathy was less felt, as Japan had gained independence, economically revived, and had shown to lean more to the US. Okita, 52.4.5, (*zadanka*).

through the policy on travel of Japanese technicians to this region, initially for the national interest of India. ECAFE region needed Japanese technology. The relationship showed a partial acceptance and call from ECAFE region, strictly confined to economic aspects. In other words, relations between Japan and ECAFE region developed through lower level politics. It is widely argued that the US was the prime mover of occupation policies on Japan's resumption in international relations. In addition to that argument, findings of this chapter explain that, Japan's resumption of international relations with Asian region through technicians was contributed and initiated by this "Asia's call".

Chapter four showed us that economic relations improved through increase of volume in trade. However, it was not always smooth without resistance to Japanese goods, competitions and threat created by Japan's economic recovery. However, there were also some cooperative aspects of the relationship. Even though striving for under different motives and rationales, Japan and ECAFE endeavored to channel US foreign assistance to existing economic problems standing in between them. They both acknowledged the fact that the US was important in their relations. However, notwithstanding the reality that it was not possible to exclude the US factors in Japan-ECAFE regional economic relations, ECAFE strived to include Japan into regional economic sphere by separating it from the US influence. This idea was a common belief which persisted in the region for the next fifty years. Their effort was supported by SCAP economic officials. Current studies suggest that the US tried to link Japan to ECAFE region with US foreign assistance, so as to separate Japanese economic dependence on the Communist sphere in the Far East. However, this chapter showed that Japan and ECAFE region proposed for the US aid not in the Cold War perception but more on the rational of actual economic backlash between them. In fact, to be specific, ECAFE initially urged for an Asian Marshall Plan since 1947, even though not for the purpose of purchasing Japanese goods. It was around in 1949 that ECAFE region started to plead for a US aid in connection to trading for Japanese goods. The same consideration and idea was found in SCAP's officials, who thought this measure as urgent for Japan's immediate economic problems, rather than for combating the Cold War threat. Besides, even though the shared dreams between Japanese and ECAFE did not materialized, their ideas sure had influenced the US perceptions in the US regional plan in the 1950s.

Lastly, chapter five concluded the development of the relations by showing how ECAFE region accepted Japan's reentry, to serve its regional economic development more substantially. By looking at the US and Japanese documents, we could only be

more convinced that this admission was supported for the political significance to Japan's resuming international status and reentry into the international society after independence in 1952. However, this chapter suggested that instead of this political significance, the ECAFE regional members had given in to Japan's reentry in view of Japan's contribution to their economic development, and by implying their partial misgivings towards Japan's war deed. Also this chapter suggests that Japan's admission should not be seen as just at the surface or merely a membership of ECAFE *per se*. There were more important implications in the membership as had shown by ECAFE expectations throughout the previous years. This relates to how Japan reacted to these expectations and rendered actual contribution to the meaning of reentry.

What consistently existed throughout the relations were the pull factors from ECAFE region, which had struggled against some resisting factors. Of course, there were also initially push factors from the Japanese side and push factors from SCAP and the US. Different from the existing studies which tend to look at two dimensional aspects in the relationships, this study, however, demonstrated the complicated forces and types of connection, created through the pull and push factors from the actors. The pull forces at certain time become stronger when the push factors were not operating, and at time, the pull forces reacted with cautions and reservation, when the push factors were too strong. There were times when both forces reactivated each other, and there were times when the intended purposes created an altered product from its mold of objectives. The forces did not move symmetrically, but balanced at certain extent along the asymmetric.

As we have examined in chapter two, resumptions through promoting economic relationship with Japan was first driven by the initiative of ECAFE Asian members as a means to achieve the vision of economic development of the region. Postwar Asian region were haunted by memories of intense devastation and atrocities committed by the Japanese wartime occupation which shut down doors of reentry for Japan. There were, even though a minority of them, interest groups which had overcome this dilemma and accepted the rationality of Japan's usefulness to their countries' economic development. In the similar direction, ECAFE, which functioned as a neutral regional organization, opened up slowly back door for Japan's contribution to the region. ECAFE, on the one hand subdued the rage of its Asiatic members against Japan, on the other hand spread with great circumspection the idea of promoting postwar economic development through trading with Japan.

This study revealed that the positive factors favoring economic relations came

not from all of the ECAFE members but from countries like India. India was the representative of the main pulling forces from ECAFE. It was also revealed that India had utilized both chances and situations through multilateral and bilateral diplomacy in supplementing the achievement of its national interests through chapters two, three and four.

Pull factors created spill over effect over resistance. No doubt, the policy on travel abroad of Japanese technicians was announced to respond to an "Asia's call" which then widen up Japan's "reentry" into this region. If this 'call' represented an early acceptance of Japan to the region prior to the conclusion of peace treaties, it was only made possible by countries which did not suffer direct Japanese invasion during the War, which had envisaged the promotion of economic relations with Japan. ECAFE took the lead in preparing a platform for the reentry of Japan into the regional economic development by its resolutions, while India spearheaded the requests for the use of Japanese technicians in the industrialization process of the region, starting from its own national need.

Pull factors made rooms for push factors. Another point from the observations is that Japan's economic advancement was induced by the fact that the ECAFE region was signaling green light and some of its members pulled hard for Japan's entrance through economic cap. It was also these expectations with strong back up of the Indian power that SCAP policy confidently formed towards allowing Japanese penetration into Southeast Asian market. Signals from ECAFE emphasizing their need of Japanese machineries and capital goods further brought about a change in SCAP policy. The urgent need of Japanese industrial machineries and not cotton products by ECAFE region persuaded SCAP in retrieving and reversing its initial policy in promoting Japanese textile industries and restricted productions of machineries. These positive aspects from the Southeast Asian, however, was not much discussed and evaluated, compared to the belief that it was the unilateral action of the US which promoted Japanese export of industrial goods. An important implications from this call was that since the request comes from Asian countries, this would deny the fear of Japanese forces spreading out to Asian region as in the "*Daitoa kyoei ken*", also denies the fact that it was a strategically US supported policy for Japan to penetrate into the Asian market.

Pull factors as a complementary force to push factors. As proven in Chapter three showed that, unlike the other policies concerning the travel abroad of Japanese personnel proposed and originated by the US, the travel abroad of Japanese technicians

was initiated from the Asiatic countries. While the US assented to the proposal as a part of its political considerations on Japan's re-admittance to the international society, SCAP was critical about the effects of this policy on the rehabilitation of the Japanese economy. The Asiatic countries, on the other hand, accepted Japanese technicians to help in the pursuit of their economic development in postwar years based on a practical and pragmatic consideration.

What these pull factors served was the interests of pull factors in assisting Japan reenter ECAFE region. Pull factors which were favorable to Japan's reentry to ECAFE region came in time for the Japanese economic planners. As discussed in Chapter two, three and four, the Japanese had been eager to re-enter the Asian markets for obtaining raw material and exporting Japanese products since end of the war and from the offset of the allied occupation. However, their initial attention was paid to the Northeast Asian region, i.e. to their former colonies due to proximity and abundant resource of primary product for Japan's industrial recovery such as coal and iron. Besides, their approach to foreign economic relations was very much self-centered and takes little considerations in the scars of war in ECAFE region. Furthermore, the Japanese policy planners looked at relations with importance and rely very much on economic relations with the US.

This study showed that relations between Japan and ECAFE region were merged by the middle person, the SCAP economic officials. SCAP officials were cooperative to ECAFE, had escalated ECAFE's faith in promoting trade with Japan. In order to carry out their occupation goals, at times SCAP acted on their own initiatives with a rationale different from that of State Department and FEC. What was significant was the role of SCAP which gradually established contact between the two, serving as the catalyst for a quick re-acceptance of Japan.

While most of the studies on allied occupation of Japan argue that Japan's relations with the ECAFE region was attributed to the US policies under the Cold War calculations, this study made clear that it was not necessary the US unilateral directive and control from offices in Washington which pushed through such direction. SCAP officials in Tokyo played an important role, because they had direct knowledge on what was needed by Japan through their closer contact with the Japanese officials. Furthermore, their direct access and contact forged through cooperative relationships with ECAFE enabled them to understand the needs and policies of the Southeast Asian region. Through connecting the expectations from ECAFE towards Japan's contribution to the region, and Japan's demand from the ECAFE region, SCAP officials played the

double-edge function to serve both ends. Besides, SCAP officials also advised their colleagues in Washington who were occupied with strategic political considerations, through their observations based on the economic survival approach for Japan and the Southeast Asian region.

SCAP's policy and attitude was the prime determining factor in the relationships between ECAFE and Japan. Had there been no supportive role of SCAP throughout these years, Japan's admission into ECAFE would not have been realized that soon. It was the initiative of SCAP officials, especially those in ESS and DS who strongly supported an early exposure of Japanese to proposed ECAFE activities (such as exchange in technology fields which was still banned at that time). Japanese were allowed to accompany SCAP officials to ECAFE conferences, prior to permission from FEC. This became obvious especially in years after 1948, in connection with Occupation policies becoming more lenient. Besides, there were also struggles for Japan's early return to international society, at FEC by US representative.

As a result of the influence both from ECAFE and SCAP, Japanese policy planners started to look into Southeast Asian region more earnest. There was a gradual shift from focus of markets from the Northeast to the Southeast. First, the Japanese had continuous access of economic data and the demands from ECAFE region (including Southeast Asia) through the SCAP. Second, ESB officials such as Okita, observed a huge and potential markets in the Southeast Asian region for Japanese machineries. Third, the shift became quicker as political instability in the Northeast turned rampant. Hopes of ECAFE region, stressing Japan's economic contribution to the region was nothing more relief than other, for the ESB officials to gain back confidence for their repenetration into Asian markets. ESB officials such as Okita Saburo, who viewed Japanese economic planning with ECAFE served as a place where the ESB officials could obtain and incorporate the pattern of regional economic development into their economic plans. Similar to ECAFE officials' concern, ESB officials anticipated a cooperation to serve their own economic interests.

A more detailed study at micro level reveals further that main forces of the ECAFE to resume relations with Japan came from the personality of Lokanathan who believed in the potential Japan had in boosting up the economy of this region. As an economist, Lokanathan looked at Japan with objectivity and hope. He headed a strong secretariat which pushed through plans for regional development through Japanese contributions. ECAFE resolutions which represented inspiration and action taken by a multiple voice, no doubt contribute to the development of actual bilateral trade

resumption. Lokanathan charismatic not only succeeded in bringing in Japanese techniques to this region, thereby assisted Japan's reentry; it also strived to reduce Japanese dependency on the US and create an economic orbit in Asia with Japan. Although there was a gap between reality and vision, Lokanathan's concept was gave Japan more confidence in the role it could play in the region.

On the Japanese side, it was the *kancho ekonomisuto*, represented by Okita Saburo, who made postwar Japanese economic policies which tilted towards developing good economic relations with the ECAFE region. Through studying Okita's personal records and dairies, it revealed that Okita as well as other Japanese economic officials developed good relations with SCAP economic officials. They were cooperative instead of always conflicting in the structure of the occupier and the occupied. ESB officials in such situation benefits a lot from cooperating with SCAP, as they not only obtain many scarce overseas information from SCAP, also relay their policies and wishes to the world (of course including ECAFE region) through SCAP. SCAP officials such as Turnage and Ross, not only advised the Japanese policy makers about the needs of ECAFE region, also convinced ECAFE region about the prospects of Japanese supplies to this region. Fine, at a high level, not only defended Japan from criticism

Lastly, these contacts developed trusts and network which was important in policy making process. These officials shared the same interests and approach in building a more substantial relationship between Japan and ECAFE region. This also explains to us why, when it was time to start Japan's direct involvement, Lokanathan was convinced that Okita was the best official to represent Japan in its Secretariat, to work out regional plans with Japan's involvement.

With regards to limitations of these pull and push factors, first, the pull factors was not complete. This work, recognized from the beginning that the term pull factor used in ECAFE did not necessarily represented the compulsory or autonomous voice of its members. It was complicated as while there were "positive" factors which promoted rapprochement with Japan, there were also "negative" factors or member countries which went against rapprochement with Japan. Recognizing this fact, the "spill over" effect emphasizing on the cooperative and Japanese contributions, was hoped to soften hostile views towards Japan. Effort of ECAFE, as we have examined, to a certain extend succeeded in achieving its vision and had brought about not only a tremendous increase in volume of trade between Japan and Southeast Asian region, also made ways for exchange of technical assistance. However, the process could have been very slow and the result was not easily evaluated. Normalization of relations between Japan and



several ECAFE regional countries, such as the Philippines, Indonesia and Burma, however, was still out of ECAFE's ability to solve through its economic approach.

Another limitation of the pull factors was that it was constricted to a limited aspect. Accepting Japanese technicians signified the development of exchange of goods between Japan and ECAFE region which developed further to the exchange of human resource. This "Asia's call", unfortunately did not go very far in symbolizing the acceptance of Japan back to the region as a whole. The Asiatic countries drew a clear demarcation line between economic and political implications. ECAFE and the Asiatic countries were pragmatic in receiving Japan back to this region for the interest of regional economic development. To borrow Nehru's words, "not only India, but the whole of this Asian region is full of vast resources, human and material and the question before us is how to yoke them together and produce results".<sup>2</sup> This was where Japan, which had a surplus in capital equipment and experienced technical personnel could come in for this specific reason. As for the spill over effect in the long run as a result of the travel of Japanese technicians to this region, over the psychological trauma of the Asiatic, this has yet to be examined. Even though the Indian calls might create criticism from its fellow Asian members, this move was important in paving the important stage in postwar economic relations with Japan, as an extension from importing Japanese goods, now importing Japanese techniques through technicians.

Pull factors from the ECAFE region was not able to bring Japan into its economic orbit from the dollar bloc. Recognizing its dependence onto the US and its indispensable relations with the ECAFE region, Japan found itself in a difficult situation in approaching the Asian region through its US backing. Iriye Akira analyzed that Japan avoided putting its relations at a zero-sum gain, as both were essential in it's pursue of national interests.<sup>3</sup>

In connection to the complicated relations among the US, Japan and ECAFE region, pull and push factors changed from seeing each other as counterparts to achieve a cooperative relations, to seeing each other as means of diplomacy with the other actor. While ECAFE region saw Japan as a bridge to channel US foreign assistance to this region, Japan saw ECAFE region as a platform for its future international relations. Difference in expectations defeated the genuine meaning of economic relations.

Even though this work tries to discuss pull and push factors based on the premise of economic aspects and approach, in some aspects of the relations, political

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<sup>2</sup> "Inaugural address at the 3<sup>rd</sup> Session of ECAFE", June 1, 1948, E/CN.11/SR.30.

<sup>3</sup> Iriye, 1994.

considerations prevails upright in the economic relations between ECAFE and Japan. We observed that the interests vary regarding Japan's admission to ECAFE. SCAP initially tried to link Japan to ECAFE because this would help rehabilitate Japanese economy further through economic relations with the ECAFE region, not only through trading of goods but also through Japanese technicians. The importance in economic wise became less obvious as the economic relations developed, and at the end of occupation, SCAP joined its colleagues in Washington to hope that Japan's admission would serve their interests in getting Japan back to international arena. The Japanese policy makers, at first saw ECAFE as the only source of information for their foreign relations, now see ECAFE as a platform for their representations and recognition at regional and international sphere. As for the ECAFE regions, their expectations in Japan was based on the hope that Japan's involvement in the regional development would contribute to their industrialization and economic development. This expectations continued on in ECAFE secretariat and in most of their member countries. Further to that, it could not be denied, at the time when there were signs of the emergence of the "AA bloc", some regional leaders could have seen Japan's admission to ECAFE, and to the region, aid in backing up the emergence of regional strength, through economic and industrial development.

Lastly, both push and pull factors which favored and encouraged Japan's reentry into this region brought about unintended results. Because of these "calls" inviting Japan's return to economic development in ECAFE region, and these "pushes" from the US encouraging Japan to penetrate into ECAFE region, plus the middle person's role of SCAP to "sound" and "campaign" for Japanese goods; there "leave no rooms" for Japan to move on its own in building relations with the region. In other words, these situation might create a stage for Japan to go straight into entering this region, without having a real chance to confront problems and solve them face to face with the ECAFE regional members. One of the unintended results, for sure, was the widening of gap in the unbalanced interdependence relations. Enjoying these 'privileges', one would doubt if Japan policy makers comprehended the real meaning of its reentry and worked to the expectations of these 'privileges'. While many criticized Japan's "self-centered" economic penetration into the region in the 1950s, one would doubt if this was an form of unintended and altered outcome of the push-pull factors in years before.

Lastly, a brief account would be made to think of Japanese relations with Southeast Asian region based on the Okita way of thinking, as he was one of the main

architect of Japanese foreign economic relations. Okita, practical in his idea of diplomacy, discussed Japan's foreign relations in the name of Japan's economic interest. Okita's perception was similar to donor self-interest of an aid-donor country and most of the time he put national economic interest in the first place. It is commonly argued that Japan's foreign aid for development was motivated by the pursuit of narrow self-interest, aimed at its promotion of exports. In addition to that, a secondary purpose of aid giving was the desire to show good faith to Western industrial nations. In this respect, I observed that self-interest element for considering national interest of Japan prevailed in Okita's idea too. However, that concern was not a narrow minded one. Differing from the early one-directional Southeast Asian policies marked by Yoshida's economic diplomacy, Okita took the stances of Southeast Asian countries into consideration as well. His ideas for the economic interests of Japan were not pursued to the extent of jeopardizing the healthy development of the Southeast Asian developing countries. Furthermore, even though Okita viewed the development of Southeast Asia from the perspective of resource consideration for Japan that revealed his practitioner stance rather than a theorist, it contributed to the aim of developing this region at last. Through observation at ECAFE, Okita had expressed his ideas in a long-sighted perspective, a well-balanced basis considering and admitting the practical problems in the relationship between Japan and Southeast Asia. His voice seemed to have been heard as Prime Minister Kishi in 1957, reversed Yoshida's approach to Southeast Asia.

### *Implication for Future Studies*

A look at the existing literature on Japanese relations with Southeast Asian region reveals that a relatively big amount gives emphasis on viewing from the perspectives from Japan or the US. However, this study has shown us that the missing part in the Japanese relations with Southeast Asia was the perception from this region. Furthermore, the unbalanced priority gives an unbalanced understanding of the whole picture. In a small way, this work has corrected the impression that Southeast Asia was more of the passive actor in relations between Japan and ECAFE region, especially when Japan was strongly attached with the US factors.

Besides, a study on the institutional role located at the forefront and "on the spot" would present a more detail understanding of a policy. Studies based on this approach have been conducted in examining cases of occupation policies. This approach was successfully used by Tomaru as in her work cited earlier, in studying the role played by 'on the spot' British colonial officials in contrast to the colonial officials in remote

home office. The result of this study also proved that SCAP officials reacted on to the immediate situation faced by Japan, taking different approach to problem from their colleagues in Washington. Thus, it again brings up the matter as whether the American SCAP officials moved by pursuing national interests for the US or for Japan?

Lastly, this study further stresses the importance of study on personal actor's role in policy making. This is especially important in studying the perception and motives behind certain policies as it would produce a more detail explanation of issue rather than by looking at the general policies. A study on Okita enables us to understand what actually happened at the real time, and how relations with Southeast Asia was conceptualized and formed in its postwar economic relations. Through its interactions, it helps us to link up the relationship through the activities of a personal actor.

#### *Matters to Look into Further*

First and foremost, as this thesis argues that ECAFE pull factors was generated by its expectations towards Japan's economic contribution to the region, it would be our next issue to study as to how these pull factors continued to function in the 1950s in the Japanese foreign relations with the Southeast Asian region? In addition to that, how far Japan managed to meet those expectations after becoming a member of ECAFE since 1954.

This study covers period when ECAFE-Japan's relations was shaped with SCAP as mediator, adjustor, and middle controller which had contributed to the relations. Thus it is the next issue to look into, as how the relationship developed after Japan gained independent, departing on its own in the journey without SCAP's "parenting".

This thesis suggested explored the view of looking at Japan-ECAFE regional relations through Indian's interest. Therefore, it should be explored further how the US fit in the picture presented by the Indian triangular relations between India-Southeast Asia, Japan and the US, in pursuing an Asian regional order.

Since this thesis stops at years when Japan regained sovereignty where it started to negotiate peace treaty for bilateral relations with ECAFE regional members, it would be interesting to further study the relations between the rise of bilateral relations and the waning of ECAFE's role with regards to Japan's regional participation.

## APPENDIX I

### PALAMADAI S. LOKANATHAN : CAREER BACKGROUND AND ACTIVITIES

1894	Born in Palamadai, Tirunelveli (Tamilnadu)
1894-1900	Primary school in a village school
1901-1909	Secondary School in Tirunelveli
1909-1911	MDT College, Tirunelveli (obtained Fellow of Arts degree for higher education)
1911-1913	St. Joseph's College, Tiruchy
1915	Joined Madras University
1917-1942	Lecturer, Professor, Head of Economics Department of the University
1929	Enrolled in London School of Economics
1930	Phd in London School of Economics
1933	Doctor of Science Published two books: "Industrial Welfare in India" and "Industrial Organization in India"
World War II (Wartime)	Honorary President of TUCS, (cooperative movement in South) the government of Madras seek his services for distribution of essential commodities fro the citizens of Madras.
1943	Established <i>The Eastern Economist</i>
1945	Joined Delegation of Indian Industrialists to the US and UK for postwar reconstruction of India
1947	Executive Secretary of ECAFE
1956	Established The National Council of Applied Economic Research, Director General (until 1966)
1976	Awarded medallion for services rendered to productivity by Cabinet Minister, George Fernandes
1972	Deceased at 77

Source: Compiled mainly from oral history by L. Swaminathan, eldest son of P.S. Lokanathan, from his correspondence with the author.

Note: Most of the activities and involvement of Lokanathan could not be traced with exact year. Also refer to discussion on Lokanathan in chapter two for more detail.

## APPENDIX II

### OKITA SABURO: CAREER BACKGROUND AND ACTIVITIES

1914	Born in Dalian, China
1921	Enrolled at Ohiroba Primary School
1927	Enrolled at First Metropolitan Junior High School
1931	Enrolled in First High School
1934	Entered Tokyo Imperial University, Engineering Faculty (Electric Engineering)
1937	Graduated from Tokyo Imperial University
1937.9	Entered Ministry of Communication
1939	Joined Syowa Jyuku
1939.6	Appointment in Beijing, in charge of electric power, North China Agency, Koain.
1942	Returned to Tokyo
1945	Ministry of Foreign Affairs, Research Bureau
1946.3	"Yoshida Lunch Group" Secretary
1947.6	Economic Stabilization Board, Head of Research Division
1949	Ministry of Commerce, Research Division
1950	Spent 2 months in Washington D.C. conferring with officials at the Department of Commerce and the President's Council of Economic Advisors
1952.4	ECAFE, as head of Economic Studies Section of the Trade and Finance Division
1953	Economic Council Board, Research Officer
1954	EPA, Economic Cooperation Section, Chief; later Director of Bureau
1956	EPA, Planning Bureau, Director
1957	EPA, Planning Department, Director
1958	Rockefeller Foundation invited him and his wife for a world tour to study foreign patterns of economic development 5 months, 23 countries
1960	Produced "Income Doubling Plan"
1962.5	EPA, Development Bureau, Director
1964.4	Japan Center for Economic Research (JERC) President
1965	UN Committee for Dev Planning (65-68)
1968.7	Economic adviser to Indonesia
1968.11	Pearson Committee (68.11-69.10)
1970.11	Attended ASEAN Economic Ministerial Conference in Tokyo
1971.8.31	Conferred Ramon Magsasay Award
1972.4	Delegate of Miki Takeo's Delegation to China for Normalization Process
1973.3	President of OECF (73-77)
1973.12	Delegate of Deputy PM Miki Takeo's Delegation to Middle East (8 countries)
1978	Appointed by Prime Minister Ohira to organize an Advisory Group on Pacific Basin Cooperation
1978.12.8	Established Forum 80
1979.11	Foreign Minister of Second Ohira Cabinet (79.11.9—80.7.17)
1979.12.2	Visited China with Prime Minister Ohira
1980.1	Visited Australia and New Zealand with Prime Minister Ohira
1980.7	Government Representative for External Economic Relations (80.7—end of 81)
1981.12	Advisor of MOFA
1982.4	Chairman of the Japanese National Committee for PECC
1982.4	International University of Japan, President
1984.12~	Chairman of the Govern. Advisory Committee on External Economics Affairs
1987.4	International University of Japan, Chancellor
1988.4	Chairman of Policy Deliberation Council for External Economic Assistance
1993.2.9	Passed away

Compiled by the author from sources: 『戦後四十年の足跡』 1987, 大来佐武郎氏叙勲祝賀会事務局 『志在千里 大来佐武郎追悼文集』 1994 大来佐武郎追悼文集刊行会

### APPENDIX III

#### Requests Received by ECAFE Secretariat for Japanese Technical Experts

##### India

Textiles – all types and leather	30
Mechanical engineering	24
Glass	17
General and electrical engineering	10
Timber and plywood	9
Distilling	8
Central Electric Commission	7
Chemicals	8
Paper	7
Rubber	6
Enamel	5
Ceramics	5
Tools	3
Shipping	2
Confectionary	1
Plastics	1
Paints	1
Printing	1
Vegetable oil	1
Scientific Apparatus	1

##### Pakistan

Manufacture of wire netting	1
Metallurgists for rolling mill	1
Manufacture of automatic telephone equipment-German or Japanese	1
Manufacture of wireless equipment including thermonic valves – German or Japanese	1
Seismologist	1
Banking – Foreign Exchange (Commercial banking)2, Exchange Control 1, Research and Statistics 4, Commercial banking 2	9

Source- Compiled from "United Nations Programme of Technical Assistance for Economic Development Report by the Executive Secretary", 6 September 1949, E/CN.11/200.

## APPENDIX IV

### Japanese Attendance at ECAFE Meetings

<p>29 August – 2 September 1949 Sub-committee of Steel Iron, ECAFE Bangkok</p>	<p>Technical Advisers to SCAP Observer: 1) MITSUI Takitsu Chief, Production Unit, First Section, Bureau of Iron and Steel, MITI 2) NISHIO Shigeru Professor, Economic Geology, Tokyo Univ</p>
<p>10-13 April 1950 Sub-Committee on Iron and Steel, ECAFE Calcutta</p>	<p>Technical Advisers to SCAP Observer: 1) MITSUI Takitsu Chief, Production Unit, First Section, Bureau of Iron and Steel, MITI 2) NISHIO Shigeru Professor, Economic Geology, Tokyo Univ</p>
<p>24 October – 4 November 1950 AD HOC Committee of Experts on Inland Transport, ECAFE Bangkok</p>	<p>Technical Advisers: 1) KANEMATSU Manabu, Employee, Japanese National Railway 2) SHIMA, Hideo Officer, Japanese National Railway 3) YOSHITSUGU Tshiji, Officer, Japanese National Railway</p>
<p>20-22 December 1950 Joint ECAFE/UNESCO Working Party on Educational Scientific Materials Bangkok</p>	<p>Technical Advisers 1) IKEO Katsumi, Chief, Liaison Office, Secretariate of MITI 2) WADA Shusaku Economic Stabilization Board</p>
<p>7-9 January 1951 Technical Conference on Flood Control, ECAFE New Delhi</p>	<p>Observers: 1) YANO Katsumasa, Chief, Planning Section ESB 2) SATO Seiichi, Chief, River Laboratory, Public Work Research Institute, Ministry of Construction 3) ITO Reiji, Director, Chugoku-Shikoku Regional Construction Bureau, Min of Construction.</p>
<p>22 January – 3 February 1951 Regional Conference of Statisticians, ECAFE Rangoon</p>	<p>Technical Advisers: 1) MINOBE Ryokichi, Standing Member of the Statistics Commission, PM's office 2) MURAK Shichiro, Foreign Exchange Policy Section, Financial Bureau, Ministry of Finance</p>
<p>28 February – 7 March 1951 7<sup>th</sup> General Conference of ECAFE Lahore</p>	<p>Observers: 1) S.H. Deibert, SCAP 2) MURATA Hisashi, Ministry of International Trade and Industries 3) MITSUI T, Ministry of International Trade and Industries 4) MORI H, Ministry of Foreign Affairs 5) Okita S, Economic Stabilization Board</p>
<p>29 January 1952 8<sup>th</sup> Session of ECAFE Rangoon</p>	<p>Observers: 1) SHIMA Shigenobu, Special Assistance to Vice Minister for Foreign Affairs 2) HATTORI Hisaji, Japanese Government Overseas Representative in Rangoon 3) SUMA Michiaki, Secretary of Ministry of Foreign Affairs 4) OKITA Saburo, Chief, Research Section, ESB 5) INOUE Makoto, Chief, Trade Research Section MITI</p>



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