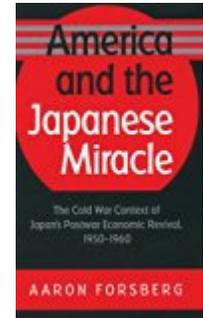


Aaron Forsberg. *America and the Japanese Miracle: The Cold War Context of Japan's Postwar Economic Revival, 1950-1960.* Chapel Hill and London: University of North Carolina Press, 2000. xviii + 332pp. \$45.00, cloth, ISBN 978-0-8078-2528-0.



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Japan's Postwar Economic Recovery

Aaron Forsberg's in-depth assessment of the economic and security relationships between Japan and the United States in the first decade and a half of the post-war period began as an inquiry into the American effort to promote Japan's economic reconstruction after World War Two. This comprehensive analysis is a revision of the author's dissertation, but also incorporates new information from recently declassified documents at the National Archives and Records Administration (NARA).

In his first chapter Forsberg explicates his thesis about the interrelationships of American and Japanese economic policies in the post-war era. His book focuses on three themes: 1) The prominence of the Japan's economic recovery as an objective of American foreign policy. 2) The numerous ways in which United States policy and "other external variables" worked to Japanese advantage, often in ways not fully evident at the

time. 3) The profound undercurrent of friction in the U.S.-Japanese relationship precipitated by protective tendencies on both sides and a proliferation of disputes over trade and investment. American foreign economic policy toward Japan was, he contends, inseparable from the broader Cold War strategy of both the Truman and Eisenhower administrations. The development of Japan as an anti-Communist ally began in 1948 and the outbreak of war in Korea on 25 June 1950 accelerated the urgency to strengthen Japan and deny the Soviet Union and the People's Republic of China access to Japan's industrial base and her exports. The fragility of the U.S.-Japanese alliance in the 1950s is underscored by American concerns that Japan might seek an independent course in the Cold War much like India. Both Japan and the United States focused on remedying Japan's ever expanding trade deficit and integrating Japan into the Western trading bloc, exemplified by the 1953 U.S.-Japan Treaty of Friendship, Commerce, and Navigation that served to normalize trade for the first time since 1939. Likewise, the American government did not wish to provoke a Japanese balance-of-payments crisis by forcing Japan to ab-

sorb more imports than it could afford to buy. The thinking at that time was that the Japanese economy would ultimately become more like that of the United States but that it would lag behind for a long time.

The abrupt rise and strength of the Western European and East Asian (read German and Japanese) trading partners in the 1960's, Forsberg comments, was an "unpleasant surprise for Americans." Friction between the United States and its European trading partners was paralleled in Japan, although the cross-investment linking the American and Western European economies eased tensions because each power had a voice in the other's system. The phenomenal growth of the Japanese postwar economy is notable -- a 55-fold increase from 1946 to 1976 -- what Forsberg characterizes as the "Japanese Miracle." The author also states that one contribution of his book is to carry the story of U.S. policy toward Japan forward past the end of the occupation in 1952, "a topic that has attracted strikingly little scholarly attention" (p. 13) he asserts. [1]

Forsberg next considers the American efforts to contain Communism. He begins by assessing the work of Dean Acheson (Truman's Secretary of State), John Foster Dulles (Ambassador to Japan and later Eisenhower's Secretary of State), and Dean Rusk (Assistant Secretary of State) in developing America's national policies toward Japan and the two Chinas. Negotiations with Japanese Prime Minister Yoshida Shigeru, and the impetus for action caused by North Korea's attack on South Korea are documented. Shigeru feared that if Japan were rearmed Japanese soldiers might be used as mercenaries, and therefore sought to protect Japan from potential external aggression. In Europe, for example, there was also friction between the United States and the Federal Republic of Germany over German rearmament, but Germany and Japan took distinctly different courses to reconstitute their economies and military. President Truman's firing of General MacArthur on 11

April 1951 was followed by two signal events -- a U.S.-Japan bilateral security treaty and Japan's peace treaty with 48 nations both signed on 8 September 1951. Hence, a confluence of political and economic forces exacerbated by the Cold War "grown hot" in East Asia necessitated the winning of Japanese loyalty through economic recovery and concessions. Nonetheless, although the Cold War brought the United States and Japan together in many ways it would divide these nations on other issues.

With chapter three Forsberg reviews America's Cold War strategy, inter-allied tensions over reparations, Japan's application for membership in GATT (General Agreement on Tariffs and Trade), the necessity of retaining the Japanese Emperor as a figurehead, the two-China policy, and distinctions between German and Japanese economic reconstruction. Rejuvenating foreign trade required a reformation of the Japanese industrial structure so that 325 Japanese companies were scheduled for the "deconcentration" of their economic power but fewer than a dozen small firms were actually dismantled. The chapter also relates how America dealt with leftist Japanese activities, the prevention of a general strike in January 1947, and thwarting Soviet Communist expansion. The Anglo-American postwar rivalry, Australian suspicions of the Japanese, and French concerns are considered. American policy sought to stimulate the Japanese economy by reducing Japan's reparations burden and building ties with Southeast Asia, but the reparations issue was a source of considerable dissension among the allies. The Southeast Asian nations (particularly the Philippines and Burma) were less willing than Australia, New Zealand, and the Republic of China to forego their claims against Japan. The Truman administration's preliminary support for Japanese accession to GATT aroused opposition in spite of Ambassador John Foster Dulles's best diplomacy. In the end, the United Kingdom, Australia and New Zealand dissented on Japan's admission to GATT. However, during the 1950s economic ties

between Japan and the West would increase at a dramatic rate but economic relationships between Japan and the Chinese mainland remained attenuated.

Forsberg's fourth chapter focuses on the impact of Korean conflict which transformed the content and structure of economic relations in East Asia. He also characterizes American and British China policies, writing that the governor of the Bank of Japan called U.S. spending "divine aid" and stating that the Korean War's impact on Japan was "an equivalent of the Marshall Plan in Europe." And he further reports that U.S. military expenditures in Japan averaged \$550 million per annum from 1950 to 1960 (pp. 84-85). The U.S. and U.K. became "reluctant allies," in part because the latter had a great economic stake in China; for example, Britain embargoed exports to North Korea but not to the People's Republic of China. The prospect of allied firms supplying Communist armies with war materiel that would be used against American soldiers in Korea was, as Forsberg puts it, "disconcerting," and resulted in an embargo of 102 items (e.g., the Mutual Defense Assistance Control Act of 1951, PL 213, 16 October 1951).

The Korean War was a major event in the American foreign policy of containment, and its impact on East Asian international relations would serve to demarcate ideological polities for several decades. One result was that the United States and Japan became economically closer while the war disrupted Japan's furtherance of economic ties with the Chinese mainland. At the same time, the formal American military occupation of Japan ended quietly in April 1952 and the Japanese sought membership in COCOM (Coordinating Committee for Export to Communist Areas). On the latter issue the U.S. Departments of Defense and Commerce were opposed initially to Japanese participation while the British sought to create a separate Far East Committee (CHINCOM) within COCOM in an attempt to control Japan. The

upshot was that Japan joined COCOM in September 1952 and continued her plans to restore the nation to a position of economic equality in the world. American pressure on Japan to restrict trade with the People's Republic of China offered the Japanese the unique opportunity to request (and receive) greater opportunities in the American domestic market.

With the transition to the Eisenhower Republican presidency in 1953, both the United States and Japan refocused their attention on Japan's trade with the West, leading to disputes over trade policies that Forsberg documents in Chapter Five: *The Fight over Trade Policy, 1953* (pp. 113-135). Although Eisenhower continued the strong Cold War anti-Communist position of the Truman administration, unlike most other Republicans he favored free trade. Of immediate concern was Japan's ballooning foreign trade imbalance and America's perceived need to revise the U.S.-Japan security treaty but maintain Japan's loyalty during the Cold War. Forsberg carefully documents Republican differences of opinion (Senate versus House, Taft versus Dewey, nationalism versus internationalism), the anti-Communist hysteria, and the roles of Senators Joseph McCarthy and Eugene Millikin. He also reports on the actions of the Intersessional Committee on Japan, the role of the U.K. Board of Trade, and the offer made to Japan of provisional membership in GATT, as well as behind the scenes negotiations. In 1954, 27 GATT member nations invited Japan to participate but without formal voting rights. The chapter ends with an assessment of the Randall Commission's majority and minority reports that recommended foreign trade policies to the president and the Congress in 1954.

The sixth chapter considers the qualified success of the Eisenhower administration in integrating Japan into the Western nations trading bloc. The expansion of Japanese access to foreign markets required the cooperation of other powers in addition to the United States as Congress contin-

ued to debate the trade issue. Economic crisis in Japan (a record trade deficit of \$1.3 billion in 1953), the French military defeat at Dienbienphu in Indochina, and the fear of Communist aggression were factors in the revision of a "buy American" policy and the Customs Simplification Act of 1954 (PL 480, Agricultural Trade and Development Assistance Act -- sometimes referred to as the Agricultural Surplus Disposal Program). PL 480 facilitated enhanced U.S.-Japan agricultural trade and was, as expected, unpopular in other agrarian nations, notably Canada and Australia. Japan's overtures to relax controls in the People's Republic of China-Japan trade met with mixed reactions in America, while Britain and the United States devised separate plans to solve Japan's trade deficit. Interestingly, the British plan was leaked to the press and was discarded.

The Trade Agreements Extension Act of 1955, a result of efforts by GOP Speaker Sam Rayburn and Democrats from economically-depressed areas of the United States, was a key variable in Japan's trade negotiations and the bilateral economic negotiations Japan had with 17 countries. Eventually, Japan became a full member of GATT but with some codicils. Forsberg concludes that American tariff negotiators were "surprised at the depth of Japanese economic nationalism (p. 162), and a relatively balanced set of agreements were reached, with cotton textiles figuring heavily in the negotiations as Japan's foreign trade was re-oriented westward. There is a great deal of supporting economic data in this chapter that should be of interest to economic and business historians.

Forsberg then reviews briefly direct investment beginning with Townsend Harris in 1858 through the beginning of American involvement in World War Two and the freezing of economic assets in July 1941 ("Peal Harbor" is an unfortunate typo, p. 171). The author considers import and export restrictions and how both the Americans and Japanese used the Cold War to press

home their separate economic and political agendas. Forsberg reviews the postwar occupation during which Japan's military services and zaibatsu were dismantled but that the ministries associated with economic affairs survived essentially intact. He reports that the only area when foreign firms established a significant presence in the Japanese economy was in the petroleum industry (p. 175). Likewise, the bilateral negotiation of the Treaty of Friendship, Commerce, and Navigation in April 1953 had the effect of ratifying Japan's legal framework and would enhance foreign investment. (Relevant excerpts of the treaty are found in an appendix, pp. 241-243.)

Although the American government maintained, according to Forsberg, "a passive role" and there were tax abuses by American firms, multinational corporations such as Chrysler and 3M became agents of economic change by transferring capital, technology, and managerial skills to Japan. At the same time the Soviet bloc expanded trade credits to third world countries such as Egypt, Syria, India, Afghanistan, and Indonesia. The author also documents the roles of the Japan Productivity Center (organized in 1955) and the Asian Productivity Organization (formed in 1961) in technology transfer and Japan's failure to welcome private investment capital in the 1950s. Among his examples are the corporate experiences of Parke-Davis, Studebaker, Singer Sewing Machine, General Foods, and Coca-Cola. Forsberg writes that "the individualistic business culture of the U.S. was the perfect, if unwitting complement to Japan's corporatist order and nationalistic industrial policy" (p. 190). The Japanese government and business were usually able to present a common front on economic policy matters -- America was unable to do this.

In the eighth chapter Forsberg documents the huge surge in Japanese exports to the United States that began in 1955 and continued through the 1970s, growing at an average rate of ten percent per annum. In addition, the quality of Japa-

nese exports improved and production was geared to cater to an American market (garments, toys, consumer electronics, etc.). The differences between U.S. and Japanese concepts of capitalism are also considered. An immediate result was trade friction as Japanese goods competed directly with American manufactures and awakened trade protectionism in the United States.

The author also examines light industrial goods and cotton textile production. In the United States, New England's textile production was threatened by competition from new mills in the American South as well as by Japanese imports. One result was the Japanese established "voluntary" export restrictions on cotton textiles (there was, of course, an escape clause), while the Eisenhower administration pursued a middle course between restricted trade and American anxiety. Japan looked aggressively to other markets beyond the United States and Taiwan but vigorously protected the home market. The author also examines the "China differential," Japan's import restrictions (especially on passenger automobiles, television sets, writing implements, and lemons), the two-formula import licensing, and Japan's hosting of the 15th session of GATT in 1959 and the repeal of trade barriers (Article 35). Forsberg concludes, "Japan was hardly a passive victim of trade discrimination. To a much greater degree than U.S. officials expected when Japan gained its independence, Japanese economic planners zealously protected favored industries from import competition. The nation's precarious balance-of-payments position afforded the perfect cover for such policies until the decade's end" (pp. 230-231).

In his epilogue Forsberg examines the 1960 revision to the U.S.-Japan Security Treaty of 1951 is explicated. Japan recognized its Cold War alliance with the United States was necessary for economic advantages but the military aspects remained unpopular in Japan. Forsberg writes that "ultimately American and allied prosperity, fueled by expanded global trade and cross-investment,

contributed to victory in the Cold War" (p. 235). He also notes that the original aim of the Japanese leadership was not to reorient trade westward but to focus on the People's Republic of China as a viable market. Nonetheless, Japan's economy surged forward into the 1980s. Today, the author characterizes the Japanese economy as vulnerable and that there is a sense of insecurity about the economic future. GATT would eventually be replaced by the World Trade Organization

Forsberg's assessment of postwar Japanese compares favorably with other major evaluations of this era. Among the best known recent syntheses of the history of this era are by Walter LaFebre, *The Clash: A History of U.S.-Japan Relations* (1997) and John Dower, *Embracing Defeat: Japan in the Wake of World War II* (New York: W.W. Norton, 1999). [2] Both of these volumes provide appropriate historical contexts but Forsberg's analysis of economic and business history within a political framework adds immeasurably to our understanding of the nuances of this era.

Turning to the standard works on the Japanese economy in the postwar era, Forsberg's use of primary source material and recently declassified documents provides a more up-to-date and thoughtful in-depth assessment of this topic, surpassing the book-length treatments by Allen, Cohen, Blaker, Kaufman, and Borden. Likewise, the English language treatises by Japanese scholars are now dated, e.g. Nakamura and Uchino. [3] Two recent volumes dealing with "island nation economics" deserve mention. [4] The first is the edited work by Etsuo Abe and Terry Gourvish entitled *Japanese Success? British Failure? Comparisons in Business Performance since 1945* which contains chapters from the two national perspectives on four basic themes: the analysis of government and business/industry relationships, management structures and styles, education and training, and finance. In addition, Kenneth Brown in *Britain and Japan: A Comparative Economic and Social History since 1900* assesses the same

two countries from the perspective of politically conservative governments, and business successes and strategies. He also looks at production, authority, and ritual. For the period of American occupation, Yoneyuki Sugita and Marie Thorsen have recently examined the role of Joseph Dodge in the political and economic recovery. [5]

Forsberg's book is only one of a series of volumes on this topic that have been published in the past eighteen months, but his treatise would appear to compare very well to the others -- Notable are Green and Cronin's edited volume and Smitka's edited compendium (1998), as well as Cuming's evaluation of United States-East Asian political relations and an edited tome prepared by Zemans and Kleingarten in which American and Japanese sociocultural policies are examined. [6] A splendid on-line source on American-Japanese diplomatic and economic materials housed at George Washington University also deserves attention. [7]

In sum, Forsberg's account of the Japanese economic resurgence during the early Cold War era draws upon traditional materials as well as newly declassified archival documents released by the American, British, and Japanese national archives. With these materials he is able to present new insights on the myriad of economic and national security issues that confronted the United States and Japan during the crucial decade of the 1950s. He provides compelling evidence that the American Cold War strategy and the United States commitment to liberal trade played a much larger role than had been acknowledged previously. American foreign policy, the fear of Communist China, and the fostering of economic interdependence between Japan and the United States were related variables that led the United States to develop a liberal trade policy in order to promote Japanese economic welfare. Forsberg contends that Japan's economic resurgence and U.S.-Japanese interdependence was not only facilitated by the Cold War but would have been

unimaginable in the absence of the Cold War. He also refutes the claim that the United States government sacrificed American commercial interests in favor of its military partnership with Japan.

Forsberg provides a detailed and well-documented scholarly assessment that is current and thought provoking. Therefore, his book is a significant contribution to the history of the post-World War Two era, especially American foreign policy, the Cold War, the Korean conflict, Japan's economic resurgence, U.S.-Japanese relations, and ongoing friction over trade and investment in the People's Republic of China. The volume is essential to the understanding of business and economic history as well as American-East Asian international relations.

Notes.

[1]. A pioneering study was Chalmers Johnson's *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford, Calif.: Stanford University Press, 1982). However, John Dower addresses this period in the revision of his dissertation published as *Empire and Aftermath: Yoshida Shiguru and the Japanese Experience, 1878-1954* (Cambridge, Mass.: Harvard University, Council on East Asian Studies, 1979) and in much greater detail in his compelling *Embracing Defeat: Japan in the Wake of World War II* (New York: W.W. Norton, 1999). The latter, not cited by Forsberg, is the 1999 National Book Award winner for non-fiction and received the 2000 Pulitzer Prize for general non-fiction

[2]. Two chapters in *The Clash: A History of U.S.-Japan Relations* (New York and London, W.W. Norton, 1997) by Walter LaFebre provide a useful overview of the postwar era (Chapter 9, To Create a New Japan: Reforming, Reversing, Warring [1945-1951], pp., 257-295; and especially Chapter 10, The 1950s: The Pivotal Decade, pp. 296-324). John Dower's *Embracing Defeat: Japan in the Wake of World War II* (New York: W.W. Norton, 1999) has a number of relevant chapters, the most

salient being Chapter 17, Engineering Growth (pp. 525-546) and the Epilogue (pp. 547-564).

[3]. G.C. Allen *Japan's Economic Recovery* (London: Oxford University Press, 1958); Michael Blaker *The Politics of Trade: U.S. and Japanese Policymaking for GATT Negotiations* (New York: East Asian Institute, 1978); William Borden *The Pacific Alliance" United States Foreign Economic Policy and Japanese Recovery, 1947-1955* (Madison: University of Wisconsin Press, 1984); Jerome Cohen *Japan's Postwar Economy* (Bloomington: Indiana University Press, 1958); Burton Kaufman *Trade and Aid: Eisenhower's Economic Policy, 1953-1961* (Baltimore: Johns Hopkins University Press, 1982); Takafusa Nakamura *The Postwar Japanese Economy: Its Development and Structure* (Tokyo: University of Tokyo Press, 1981; and Tatsuuro Uchino *Japan's Postwar Economy: An Insider's View of Its History and Future* translated by Mark A. Harbison (Tokyo: Kodansha, 1983).

[4]. Etsuo Abe and Terry Gourvish, editors *Japanese Success? British Failure? Comparisons in Business Performance since 1945* (Oxford and New York: Oxford University Press, 1997) and Kenneth Brown *Britain and Japan: A Comparative Economic and Social History since 1900* (New York and Manchester: Manchester University Press, 1998).

[5]. Yoneyuki Sugita and Marie Thorsen *Beyond the Line: Joseph Dodge and the Geometry of Power in U.S.-Japan Relations, 1949-1952*. Oyayama: University Education Press, 1999.

[6]. Among the recent publications are those by Bruce Cumings *Parallax Visions: Making Sense of American-East Asian Relations at the End of the Century* (Durham, N.C.: Duke University Press, 1999); Michael J. Green and Patrick M. Cronin, editors, *The U.S.-Japan Alliance: Past, Present, and Future* (New York: Council on Foreign Relations, 1999); Michael Smitka, editor, *Japanese Economic History, Vol. 5: Japan's Economic Assent: International Trade, Growth, and Postwar Reconstruction* (Hamden, Conn.: Garland, 1998); and Joyce

Zemans and Archie Kleingartner, editors, with Margaret J. Wyszomirski, Michiro Watanabe, et al. *Comparing Cultural Policy: A Study of Japan and the United States* (Walnut Creek Calif.: AltaMira Press, 1999).

[7]. This useful source is "The National Security Archive U.S.-Japan Project: Diplomatic, Security, and Economic Relations since 1960," a project directed by Robert A. Wampler at George Washington University in Washington, D.C. The resource is accessible at <http://www.gwu.edu/~nsarchiv/japan/usjhmpg..htm>

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