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SOME NOTES ON JAPAN'S FOREIGN TRADE

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POLICY OF DEMOCRATIZATION AND SIGNIFICANCE
OF THE LOCAL ADMINISTRATION INVESTIGATION
COMMITTEE

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SOME NOTES ON JAPAN'S FOREIGN TRADE

Part I Short History of Japan's Foreign trade in the Pre-War Period

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I. Foreword

In tracing the history of Japan's pre-war foreign trade, the "Classified Annals of Japan's Trade," compiled by the Toyo Keizai Shimpo-sha (the Oriental Economist Co., Ltd.) has been most widely utilized.

According to the publication, the period between 1868 (1st year of Meiji) and 1934 (9th year of Showa) is divided into nine sub-periods, the characteristic features of each of these sub-periods being described as follows.

(1) 1868-1881 (1st year-14th year of Meiji).

This period witnessed a big confusion in the currency system due to the discrepancy in the price of gold and silver in Japan as compared with that prevailing in Western countries as well as the unrestricted issuance of inconvertible paper currency. The confusion entailed a drastic drop in the currency value, a sharp rise in commodity prices, an unfavorable trade balance and a continuous flow of gold and silver.

(2) 1882-1893 (15th year-26th year of Meiji).

During this period, the issuance of inconvertible notes was curtailed. In 1886, the silver standard system was adopted. Japan's foreign trade in this period showed an excess of exports.....a rare phenomenon.

(3) 1894-1903 (27th year-36th year of Meiji).

A period between the Sino-Japanese and Russo-Japanese wars. Japan received the payment of the war indemnity by the defeated China, part of which was utilized for adoption of the gold standard system in 1897.

(4) 1904-1914 (37th year of Meiji-3rd year of Taisho).

A period from the Russo-Japanese War to the World War I. Large amounts of foreign capital flowed into Japan during this period. The Japan-version of an industrial revolution, which had commenced during the preceding period, now came to a standstill, foreign trade balance continuing in imports excess.

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(5) 1915-1918 (4th year-7th year of Taisho).

This period covers the duration of the World War I. For a second time since the start of Meiji, Japan's foreign trade continued a favorable balance. The period, however, lasted for only four years.

(6) 1919-1921 (8th year-10th year of Taisho).

In the spring of 1920, Japan experienced a big business recession. While foreign trade showed big imports excess, the stock of specie handed over from the preceding period enabled Japan to meet overseas payments. With respect to gold and silver, trade balance remained in imports excess.

(7) 1922-1929 (11th year of Taisho-4th year of Showa).

Foreign trade remained in unfavorable balance. Foreign exchange saw a drastic decline. In 1929, the gold embargo was lifted.

(8) 1930-1931 (5th year-6th year of Showa).

The gold standard system remained in full force. Embroiled in the worldwide economic crisis, Japan, too had to experience an unprecedented difficulties.

(9) 1932-1934 (7th year-9th year of Showa).

In 1931, gold embargo was again enforced, which heralded the subsequent foreign exchange decline and the expansion of exports.

The amounts of exports and imports in these succeeding periods are as shown below.

(1) Japan Proper and Karafuto				(2) Japanese Empire (including overseas territories and special trade)			
	Exports	Imports	Excess of Exports (+) of Imports (-)		Exports	Imports	Excess of Exports (+) of Imports (-)
1	302,243	379,888	-77,645	1	302,243	379,888	-77,645
2	699,006	629,192	+69,814	2	699,824	635,022	+64,801
3	1,915,605	2,267,568	-351,963	3	2,065,712	2,563,162	-497,449
4	4,944,731	5,525,806	-581,075	4	5,311,204	5,971,421	-660,217
5	5,400,881	3,992,833	+1,408,048	5	5,729,073	4,268,968	+1,460,105
6	5,300,106	6,123,790	-823,684	6	5,694,163	6,726,972	-1,032,809
7	15,355,447	17,867,790	-2,512,343	7	16,292,287	19,501,386	-3,209,102
8	2,616,833	2,781,744	-164,910	8	2,771,494	3,018,416	-246,920
9	5,442,962	5,631,212	-188,250	9	5,759,285*	5,972,632	-213,347

* Note. Amount of imports of specially-designated commodities in 1934 (9th year of Showa) is estimated as the same as the preceding year. Based on "Classified Annals of Japan's Foreign Trade."

As is shown above, the classification into the succeeding periods, as fol-

lowed in the "Classified Annals of Japan's Foreign Trade," evidently places main emphasis on Japan's international payments, and changes in commodity prices and currency value related thereto.

The second classification followed by the afore-mentioned publication is based on the statistical trends of trade volume. Reference, in this connection, is made to the following table.

	1st period	2nd period	3rd period	4th period
	1873-1885	1885-1915	1915-1919	1919-1934
Aggregate volume of exports and imports	100 186.4	100 877.3	100 131.5	100 190.0
Value	100 132.4	100 1814.2	100 340.7	100 100.5
Price per unit	100 71.0	100 207.0	100 259.2	100 52.9

Based on the "Classified Annals of Japan's Foreign Trade."

While the amount for the first period registered at increase of 86.4 %, the increase in value remained at mere 32.4 %. This was because the price per unit of the trade commodities dropped by 29 %.

In the second period, the amount recorded an increase of 777.3 %, accompanied with an increase in value by 1714.2 %, mainly because of 107 % increase in the price per unit of export and import goods.

In the third period, the sharp rise in the price per unit is seen to have brought a bigger rise in the value than in the amount.

In the fourth period, the value remained practically unchanged in spite of 90 % increase in the amount. This was due to a sharp decline of 47.1 % seen in the price per unit.

Thus, it is seen that the method of classification into periods, followed in the "Classified Annals of Japan's Foreign Trade," is based, firstly, mainly on short-term fluctuations in the balance of payments, and, secondly, on long-term changes in the trade volume. Namely, the classification, in both cases, is based on quantitative changes in foreign trade, and, so long as the publication in question is a statistical study, this should be considered just and proper.

It is needless to say, however, that such quantitative changes are a result of the structural changes of Japan's economy in its relation to world economy. Accordingly, for a correct tracing of the growth of Japan's foreign trade, a thorough comprehension of its quantitative changes in relation to the changes brought about in the structure of Japan's economy would seem necessary.

II. Foreign Trade in Initial Stages of Capitalism.

According to the classification tried in the "Classified Annals of Japan's Foreign Trade," the initial stages cover the first and second periods.

In the first period, the Meiji regime, among others, undertook a land reform and measures for encouraging the inflationary trends, which, combined, worked for the accumulation of domestic capital, paving the way for the subsequent growth of capitalism in Japan.

In foreign trade, Japan was experiencing an import excess. Terms of trade transactions were highly unfavorable for Japan. It was only in the second period that the foreign trade balance turned to export excess and terms of transactions were improved, when capital accumulation by dint of foreign trade was made possible.

Through the first and second periods, thus, Japan saw a so-called uracumulation of capital, the process of which, however, was considerably different from what it had been in some of the advanced Western countries, for Japan's economy, belatedly participating in world economy, had inevitably to endeavor for capital accumulation under various forms of political and economic pressures made to bear upon her by the Western countries.

Japan entered into normal trade relations with foreign countries, for the first time, through the Japan-America Treaty of Amity, 1854, and the Japan-America Treaty of Friendship and Commerce, 1858. During the 1850s, the capitalist economy in Western countries had already reached a stage of maturity. The Industrial Revolution started by England in 1760-1770, had completed itself during the first half of the nineteenth century and with England and France as the leaders, and closely followed by Germany and America, the Western Powers, in their role of advanced capitalist countries, were heading toward their respective expansion on a worldwide scale.

Until Japan was opened to foreign trade in 1854, she had been in a state of complete seclusion from the outside world for three centuries, under the feudalistic rule of the Tokugawa Shogunate. This, unavoidably, forced Japan to lag far behind some of the European and American countries.

This, however, does not at once signify that Japan's erstwhile feudalistic society did not harbor any seedlings for a subsequent capitalistic growth. While, superficially, Tokugawa's rule extending for three hundred years, apparently, was stable, its foundation had continuously been shaken by the growth of commodity economy, the intensification of contradictions inherent in the feudalism and an incessant series of farmers' riots. Tokugawa's Shogunate rule, thus, was destined to collapse sooner or later, as it was found to be a great obstacle in the way of the inevitable evolution of human history. Of

course, it may even be said that the very policy of national seclusion had been intended as a means of postponing the day of final liquidation of the Tokugawa system. This should be considered the very factor which, on the heels of the opening of the country to foreign intercourse and the consequent flow into the country of Western goods, resulting in the rapid growth of commodity economy, aided to intensify the contradictions of the feudal system to such an extent that the Tokugawa Shogunate, in the form as it was then, could not hope to maintain its sway any longer. Coupled with the internal disturbances was the pressure brought to bear upon Japan at the hands of the Western countries. Japan's opening of her country to foreign trade, originally, was not the result of her own requirement, but was a result of coercion by foreign powers, who desired that Japan be opened to them as a market, in a broad sense, for their merchandise. The combined pressure of these contradictions, both internal and external, eventually forced the Tokugawa Shogunate to collapse, replaced by the Meiji regime.

The Meiji Restoration, however, could not follow the pattern of the Western bourgeois democratic revolutions, which aimed at a drastic eradication of the feudalistic heritage and placing powers in the hands of the newly-rising bourgeoisie. The Meiji reform had some feudalistic mechanisms left unchanged. But, it should be noted that the renovation of Meiji truly ushered in a modern Japan, which quickly had to trace its steps along the road of modern capitalism. Thus were the initial stages of the Japanese version of capitalism entered into. With many points of dissimilarity with the Western patterns, some of its salient features may pertinently be explained in the following lines.

(a) Usually, foreign trade in the embryonic stages of capitalism will develop a brilliant commercial competition by utilizing the vast colonial system, and, thus, will aim at accumulating capital on a major scale. In the case of Japan, however, there were no colonies to make use of, and, on the contrary, Japan herself was allotted the role of a market for foreign capitalism, and, moreover, the formations of production, as were available then, were still engrossed in feudalistic relations. This resulted in the continued import excess for Japan's foreign trade during the 1868-1881 period, except two years, 1868 and 1876. Accumulation of capital during this period, thus, had to be achieved through a series of domestic measures, including a land reform and encouragement of inflationary trends. The readjustment of the monetary system, successfully executed subsequently, enabled Japan's foreign trade to register a favorable balance between 1882 and 1889, with the terms of transactions, too, being steadily improved. Japan, for the first time, could hope for an accumulation of capital by dint of her foreign

trade. A checkup of the commodities traded reveals that all ranges of capitalistic commodities, whether they are consumption or production goods, were imported, while only such locally-produced, souvenir-like items as raw silk and tea were exported.

(b) The European countries and the United States, combined, accounted for 70-80 % as the countries of destination in Japan's foreign trade, while trade with Asiatic countries, which later were destined to rise to the positions of principal countries of destination as far as Japan's foreign trade was concerned, was still negligible.

(c) A predominating portion of Japan's foreign trade was conducted at the hands of foreign firms.

(d) The customs duties, on the other hand, were imposed both on exports and imports, to the amount of 5 % *ad valorem*, by virtue of the provisions of the Treaty of Commerce of 1858 and the Agreement on Revised Tariffs of 1866.

III. Foreign Trade in Period When Capitalistic Foundations Were Consolidated.

This period roughly corresponds to the third period as mentioned in the above-quoted "Classified Annals of Japan's Foreign trade." The period in question saw the process of industrial revolution and of the adoption of the gold standard system, on the basis of which, the Japanese capitalism was consolidated more or less firmly. Japan had to take part in the intense international competition, lagging far behind the advanced Western Powers, and, thus, was compelled to make up for her inferior technical levels with a lower wage of labor. Even with cheap labor as a weapon, however, Japan's exports were unable to adequately meet the bigger import requirements arising out of a rapid economic growth, and Japan's trade balance, except several years during the World War I, was destined to register a chronic state of import excess. Such peculiarity in the structure of Japan's foreign trade, it may be noted, was first made manifest in this period.

In the capitalistic setup, generally, foreign trade is conducted on the basis of price and the labor cost constituting its sublayer. Commodities produced at lower cost may be exported, while those produced at higher cost may be imported. The so-called theory of comparative productive cost is the result of an attempt to classify the circumstance involved herein.

It should be noted, however, that the structure of the comparative cost is determined within the framework of economic development of a particular country. Generally, it may be conceded that an industry which has witnessed a further development under the capitalistic system is enabled to produce

at a low cost compared with another which has failed to achieve that extent of growth. And, as the former naturally is expected to produce more than the latter of lesser development, the former will be unable to find a sufficiently big market at home, and, consequently, will be forced to go out for competition on a foreign market, with its lower cost as a weapon. Furthermore, the raw materials produced home will be found inadequate to feed it, with the result that it will have to import from abroad whatever raw materials it needs.

What, then, was the situation of Japan?

The Meiji reform failed to completely eradicate the feudalistic heritage in agriculture which was allowed to remain more or less intact, and the structure of the comparative cost, due to the persistent unbalance in the growth of various industries, had to assume a peculiar shape.

First, it should be pointed out that, as agriculture permitted the old systems to be retained, the unbalance between agriculture and industry became especially striking. Thus, Japan's dependence on foreign trade had to become high in the sense that more advanced industrial products were exported while less advanced agricultural products were imported. The case of the spinning industry may be cited to illustrate this. The industry, rapidly growing big, turned to export its products, cotton yarn and cloth while raw cotton had to be imported as a raw material to feed it. Thus, the industry's dependence on foreign trade, both ways, became increasingly higher.

Secondly, cheap labor supplied by Japan's farming districts aided in reducing the wage cost of her products and implement her competitive power on foreign markets. The low wage cost comes either from a high labor productivity or from a low money wage level. In the case of Japan, the low money wage level has invariably accounted for such a situation, and, even in case that wage level was raised by dint of an improvement brought into labor productivity, the level remained sufficiently low in comparison with what prevailed in foreign countries.

Thirdly, the characteristic feature of Japan as a newly-rising capitalist country consisted in her peculiar trade setup of exporting consumption goods, mainly fibre products, and importing production goods, military supplies and munitions.

Different from what it had been for the period of a little more than twenty years following the Meiji Restoration, the foreign trade in this period was undertaken by the capitalistic industry itself as the principal driving force. Together with this, it was felt that a revision of the old unequal tariffs was urgently required; effort exerted for the purpose for a long period of years eventually culminated in the initial revision of the treaties in 1899, which,

though incompletely, established Japan's autonomous position in regard to tariffs. This, considered in conjunction with the adoption of the gold standard system in 1897, may make it reasonable to call this period one of consolidation of the capitalistic setup in Japan.

IV. Period of Transition to the Monopolistic Capitalism to the First World War.

The period corresponds to the fourth and fifth periods according to the classification followed in the "Classified Annals of Japan's Foreign Trade," mentioned above.

In the fourth period, the industrial revolution in Japan began to face a standstill, and, coupled with worldwide business depression, the exports had a difficulty in realizing further expansion, the trade balance presenting a highly unfavorable aspect. To add up, to this, the sustained drive to expand exports led to worsen the terms of transactions, which had managed to keep a tendency of becoming more favorable in the foregoing period.

With the World War I breaking out at this juncture, the stalemate being faced by the industrial capital gave rise to a tendency toward capital monopolization, although such was still in an embryonic stage.

It goes without saying that the transition of Japan's capitalism to a stage of monopolistic capitalism was largely affected by the then-prevailing international situation. In the advanced capitalist countries of the world, the tendency toward such monopolization was in evidence already in the 1870s, and, in the sphere of international economy, likewise, transition to a division of the world by force from the old liberalism was to be noted. By the first years of the 20th century, the African Continent had largely been divided into colonies of the European Powers, while, in Asia, a bitter competition took place among Britain, Russia and the United States, centering around China, in the wake of the Sino-Japanese War, 1894-1895. Seen on the worldwide scale, the period immediately before and after 1900 could be called the time when world capitalism underwent a transition to a stage of monopolistic capitalism.

Following her victory in the Sino-Japanese War, Japan had Formosa and Liaotung peninsula ceded to her, and had embarked upon her forceful inroads into Korea and Manchuria. In 1904, a conflict about Korea and Manchuria led to a war between Japan and Czarist Russia. Prior to this, the government-run Yawata Iron Works had started operation in 1901, and, in 1906, immediately following the Russo-Japanese War, the railways in the country were placed under State management, and an Imperial decree promulgated in the same year provided for the establishment of the South Manchuria Railway

Company. This was followed by the inauguration of a cooperative for export of cotton cloth to Manchuria, and, in 1910, Korea was annexed to Japan. These events, occurring in succession, amply indicate that the time was steadily moving into a period of capital monopolization.

The following factors may probably be cited as the reasons for the successful transition to a period of capital monopolization after barely ten years following the consolidation of the capitalistic institution in Japan.

First should be cited the fact that the advanced Western capitalist countries surrounding Japan had earlier completed their respective process of transition to monopolization, and, therefore, Japan was in a position to hurriedly prepare for it. Secondly, Japan's capitalism, from the peculiar condition of its growth, had from the outset required a foreign market for industries, because the domestic market was too small for the purpose.

Thus, capitalism in Japan had to move to a stage of monopolization while it was still immature, a full-fledged monopolization taking shape only after the first World War.

In the fourth period according to the classification in "The Classified Annals of Japan's Foreign Trade," it is stated Japan's economy had to import foreign capital amounting to ¥ 1,800,000,000, and, thus, it is evident that Japan used to be a capital-importing country instead of a capital-exporter.

During the World War I, while the Western Powers, engrossed in war, had no time to turn their eyes to the Asiatic market, Japan could make a determined and monopolistic advance into the markets in not only China and the southeast Asiatic areas but also in Africa, which resulted in a spectacular growth of Japan's foreign trade. This period, corresponding to the fifth period in The Classified annals of Japan's Foreign Trade," witnessed, for the first time after a long interval, a state of excess receipts over payments in her foreign trade balances.

Outstanding in the changes brought in the economic setup of Japan during the particular period, should be noted a marked advance of industrial mechanization keeping pace with the growth of such modern heavy industries as chemical, shipbuilding, electric and mining industries. At the same time, the trends for enterprise monopolization continued to become more and more manifest. And, it was only natural that such change in the economic structure should be copied in the foreign trade situation. To exemplify this, the export merchandise came to include more finished goods than semi-finished ones (e.g. cotton cloth rather than cotton yarn), while less items of heavy chemical products were imported.

V. Post-War crisis and the Period of Recovery Therefrom.

(1) Period of Post-War crisis.

This period corresponds to the sixth and seventh periods as mentioned in "The Classified Annals of Japan's Foreign Trade," which states:

"Through both periods under review, the amount of exports in value (annual average) registered a certain increase. On the other hand, the increase in the imports was more than double the amount for the preceding period. The result was such a big import excess, the like of which had never been seen before nor would it likely be seen again in the future."

The terms of transactions, however, not entirely unfavorable, presumably because of the after effect of the business boom recorded during the first World War. It was noted, however, that further continuance of business depression was likely to usher in conditions where the terms of transactions were inevitably to turn more unfavorable for Japan.

It was a matter of course that the post-war crisis seen in Japan was closely related to the worldwide crisis felt by capitalism.

While the first World War was still in progress, the Soviet Union came into being as the world's first Socialist country. The fact was significant because it ushered in a new age in the world's history, where a Socialist system and a Capitalist system would share its respective existence on the globe, a situation characterized by the contemporary people as a crisis for the capitalist system or a crisis for the entire world.

Capitalism in Japan, which had been allowed to register a rapid and spectacular growth owing to a number of favorable conditions during the global war, proved actually the weakest in the world capitalist system, and was able to enjoy a business boom for only a year after the close of the war, for, with a brief period of widest speculations as the last mark reminiscent of the fast-receding prosperity, Japan was destined to play the role of the harbinger of the subsequent post-war economic crisis engulfing the entire world.

The post-war crisis was kicked off by the record decline of the stock market in March, 1920, the repercussions quickly spreading to America and England. There, however, the crisis could last for only a brief period: it was tided over. World capitalism soon freed itself from the post-war confusion, and, from about 1923, most of the Western Capitalism countries could greet a period of relative stability.

The situation was somewhat different with the plight of Capitalism in Japan. Amidst the intensified international competition on the Asiatic market, where European commodities began to flow with increasing rapidity, the

weaknesses of Japan's capitalism had to be exposed. Her exports faced a serious stalemate. Subsidizing loans from the government proved inadequate to let Japan's economy tide over the business recession which chronically remained to harass Japan's foreign trade through the post-war years. In the wake of the bank panic of 1922 and the great earthquake disaster of 1923, similar government loans were advanced, which, however, tended to encourage concentration of capital, entailing the decline and collapse of many small and medium-sized enterprises which had mushroomed during the first World War, while, on the other hand, spurring further strengthening of the sway of the financial magnates.

The spectacular increase of imports after the 1923 earthquake disaster brought the unfavorable trade balance to the unprecedentedly enormous figure of more than ¥ 640,000,000. The accumulation of such conditions of post-war economic instability was mainly responsible for the big financial panic seen in 1927.

While most of the World Powers, following the end of the 1914-18 war, successively returned to the old gold standard system, Japan alone had to lag behind. Indeed, she had to decree gold embargo in 1917, and, in the midst of the sustained economic instability, had to see her foreign exchange greatly fluctuate. The situation was made even worse as a sequence to her political confrontation with the United States. For her, the time for lifting the gold embargo was not yet in sight.

The financial panic in 1927 for a time apparently postponed the time for lifting its gold embargo indefinitely. In the light of the consequence it entailed, however, it did speed up the time. The capitalist financier attempted to complete a process of industrial rationalization on the capitalistic basis, by lifting the gold embargo. In the meantime, the Hamaguchi Cabinet, on the Minseito party ticket, was organized. The new regime, at the hands of Junnosuke Inoue, its Finance Minister, took deflationary measures, favorable to capitalist financiers, while in the field of diplomacy, its Foreign Minister, Baron Kijuro Shidehara, adopted a policy of conciliation and cooperation with Britain and the United States. Through the Yokohama Specie Bank, gold bullion was exported with which to buy foreign capital, while the Anglo-American markets granted to Japan loans aggregating ¥ 100,000,000 in value.

The lifting of gold embargo decreed in January, 1930, was significantly carried out in the midst of the great worldwide crisis, which brought the post-war period of relative stability to an end. The determined step brought in its wake an enormous flow of the specie, which amounted to ¥ 275,523,000 during 1930, and ¥ 433,100,000 during 1931, while, at the same time, it

worked for a sharp drop in commodity prices, a drastic wage cut as well as for a trend toward industrial rationalization, which mainly aimed at added burdens of labor. This inevitably resulted in a vast horde of the unemployed. The industrial crisis, coupled with the agricultural crisis, added to its intensity, while the farming districts suffered from an aggravated condition of poverty and destitution.

Keeping pace with the progress of the world crisis, the currency system of the world faced a grave menace. Spurred on by the moratorium imposed on foreign bonds by Germany, Britain, in september 1931, moved to suspend her gold standard system, which, together, meant a serious threat to the standard currencies. In Japan, the situation was utilized in certain quarters for "dollar purchases," which, in turn, prompted the flow of the specie. The situation aggravated to such an extent that, in December that year, less than two years after the gold embargo was lifted, the government was forced to place gold under embargo for a second time. This was immediately followed, on the part of the government, by a shift to an inflationary policy from the deflationary it had hitherto followed. Japan's foreign exchange rate against the American dollar, as a consequence, declined to \$ 28.12 against ¥ 100, in 1932, and \$ 25.23 in 1933, from \$ 48.87 in 1931.

Fluctuations in Exchange Rate Against Pound Sterling and Dollar up to Lifting of Gold Embargo.

Years	Exchange Rate Against ¥ (1) (Shilling-Pence)	Exchange Rate Against ¥ (100) (Dollar)	Remarks
1913-14 average	2- 0.302	49,305	Before the war.
1915-18 "	2- 1.332	50,190	Excess receipts during war (gold embargo, Sep. 1917).
1919-23 "	2- 3.674	49,017	Trade balance turns to unfavorable (gold embargo lifted in America, June, 1919.)
1924 "	1-10,773	41,978	Vast import excess after earthquake (earthquake, Sep. 1, 1923).
1925 "	1- 8,273	40,801	Preparing for lifting of gold embargo (Trend for return to gold standard).
1926 "	1-11,140	46,856	
1927 "	1-11,408	47,425	Financial crisis, counter-measures taken (policy for gold embargo lifting collapses).
1928 "	1-10,907	46,457	
1929 "	1-10,755	46,070	After July, gold embargo lifting prepared for.
1930 "	2- 0.342	49,367	Gold embargo lifted on January 11.
At par	2- 0.582	49,846	

(Note): Based on "Development of Japan's Industry and Foreign Trade," compiled by the Mitsubishi Economic Research Institute.

(2) Period of Recovery from World crisis.

This period corresponds to the eighth and ninth periods of "The Classified Annals of Japan's Foreign Trade"

During the eighth period, Japan's exports and imports showed a sharp decline, due to the prevailing worldwide economic crisis, while, in the succeeding ninth periods policies of dumping were adopted in an effort to tide over the crisis, which forced the terms of transactions to extremely deteriorate.

As indicated in the statistics below, the indication for recovery in the volume of trade was simply a result of dumping in terms of price, exchange rate and wages.

Meanwhile, big capitalists embarked on a movement for cartel aiming at production curtailment and agreement on sale price and exports. Responding to the move among the major capitalists, the government undertook to launch upon a policy of "industrial rationalization," which brought about, in rapid succession, the enactment of the Law for Control of Important Industries and the Law for Industrial Cooperatives, and the revision of the Law for Export Cooperatives, in 1931, and that of the Law for Commercial Cooperatives, in 1932. This shows that the State intervened in the movement for cartel, where concentration of and monopolization by, capital, was subsidized and encouraged. With the Manchurian Incident and the second embargo on gold as a turning point, capitalism in Japan entered into a new era, which was generally known as one of semi-wartime system, which, substantially, meant, economically, a State monopoly, and, politically, emergence of fascism.

These new trends could not but be reflected on foreign trade. Japan's foreign trade in 1930, when worldwide crisis was intensified, witnessed a drastic decline both in exports and imports, owing to a decline of exports of raw silk to the United States, inactivity of trade with China due to a sharp drop in the price of silver ingot, rise in the exchange rate on the heels of the lifting of the gold embargo and the decline in the domestic purchasing power entailed by the enforcement of a deflationary policy. Compared with the 1929 level, the percentage of exports for that particular year stood at 33.1 % and that of imports at 30.2 %. The amount of exports standing at ¥ 1,147,000,000 and that of imports at ¥ 1,236,000,000 for 1931, signify that the volume of Japan's foreign trade had receded to the level of 1917, fifteen years preceding. This, again, was just a half of what the trade volume was in 1925, when it stood at the highest level, amounting to ¥ 2,306,000,000 for exports and ¥ 2,573,000,000 for imports. It should be noted, however, that, in spite of such a sharp decline in value, quantities both of exports and imports did not register any drastic decrease, the decline in value being evi-

dently due to a sharp decline in the price of each of traded merchandise. Especially striking was the drop in the export price. The terms of transactions during the period under review showed a marked deterioration, and there were indications that an era of genuine dumping had set in.

In 1932, however, Japan's foreign trade indicated strong signs that it was

Volume of Exports and Imports in Value and Indices for Quantity and Unit Price.

Years	Value (¥ 1-million)			Quantity Indices (1928-100)		Unit Price Indices (1928-100)	
	Exports	Imports	Excess	Exports	Imports	Exports	Imports
1929	2,149	2,216	- 68	111.2	104.8	98.0	96.2
1930	1,470	1,546	- 76	102.6	92.1	72.7	76.5
1931	1,147	1,236	- 89	105.8	102.2	55.0	55.1
1932	1,410	1,431	- 21	125.0	100.9	57.2	64.6
1933	1,861	1,917	- 56	138.1	104.6	68.3	83.4
1934	2,172	2,283	-111	163.4	111.6	67.4	93.1
1935	2,499	2,472	+ 27	185.3	116.9	68.4	96.3
1936	2,693	2,764	- 71	202.5	128.4	67.5	98.0
1937	3,175	3,783	-608	210.7	136.5	76.4	126.2

(Note): Based on "Chronological Table of Foreign Trade" prepared by the Finance Ministry, and indices for foreign trade volume as investigated by the Yokohama Specie Bank.

Fluctuations in Foreign Exchange Rate

Years	Against New York (Dollar)	Against London (Shilling-Pence)	Against Paris (Franc)
	Average (per ¥ 100)	Average (per ¥ 1)	Average (per ¥ 1)
1929	46.07	1-10.8	11.62
1930	49.37	2-00.3	12.51
1931	48.87	2-01.9	12.35
1932	28.12	1-07.2	7.04
1933	25.23	1-02.4	5.07
1934	29.51	1-02.1	4.49
1935	28.57	1-02.0	4.33
1936	25.95	1-02.0	4.83
1937	28.81	1-02.0	7.15
1938	28.50	1-02.0	9.88
1939	25.98	1-02.1	10.32
1940	23.44	1-02.0	10.46

(Note): Based on the investigation by the Tokyo Bank.

about to regain its former shape, registering an increase of 23% in exports and 16% in imports, as compared with the preceding year. The amount of import excess, standing at ¥ 21,000,000, it is noted, was the minimum figure

ever registered after the first World War. On the other hand, Yen's exchange rate against the American dollar continued to decline, it sometimes coming down to the level of \$ 25 against ¥ 100.

The decline in the exchange rate was unfavorable for imports while it was a factor encouraging for exports. In 1933, the Law for the Control of Foreign Exchange was promulgated. Early that year, America was beset by a financial panic, which led to a gold embargo in March and a series of inflationary measures. The yen, however, was then linked with the pound sterling, and, on that account, could be stabilized on a low exchange rate. The stability at a low rate of mere 40 % of the value at par led the export prices to decline despite the high price level prevailing on the domestic market, and prompted the Japanese goods to make inroad on the world market. In 1934, both exports and imports surpassed the level as prevailed in 1929, and, in 1935, the exports amounted in value to ¥ 2,499,000,000 and the imports to ¥ 2,472,000,000, the former easily surpassing the 1925 level and the trade balance recording a favorable turn which had not been seen since 1918. The remarkable expansion of Japan's foreign trade was accused internationally as a result of social dumping launched with the low wage as a powerful weapon. The accusation was on the ground that Japanese merchandise made inroads on the world market at the sacrifice of her workers.

The following table shows the contemporary structure of Japan's foreign trade.

Striking about the increase in the exports was the fact that the percentage of machines, minerals, metals and chemicals substantially grew. This is presumed to have been indicative of the re-organization of Japan's economy into heavy from light industries, prompted by the requirements of the Manchurian Incident. In spite of this, the fact should not be over-

Exports and Imports as Classified into Items (in %)

Items		1929	1931	1934	1936
	Total volume of exports	100.0	100.0	100.0	100.0
E	Fibre products	72.0	66.1	60.3	58.3
x	Minerals & metals	4.2	5.8	7.3	7.6
p	Machines	1.8	2.6	5.8	6.5
o	Chemicals	3.2	3.5	4.7	5.8
r	Foodstuffs	7.5	9.0	8.0	7.6
t	Others	11.3	13.0	13.9	14.2
s					
	Total volume of imports	100.0	100.0	100.0	100.0
I	Fibre materials	33.2	32.1	41.5	39.5
m	Mineral oils*	7.6	10.4	8.9	10.7
p	Minerals & metals	12.7	8.3	13.8	14.9
o	Machines	8.8	6.6	6.3	5.5
r	Chemicals	8.6	7.8	10.2	8.0
t	Foodstuffs	14.2	13.9	8.6	10.0
s	Others	14.9	20.9	10.7	11.4

(Note): Based on the "Chronological Table of Foreign Trade" compiled by the Finance Ministry.

* Including non-ferrous minerals.

looked that manufactures of medium and small-scale industries, including electric bulbs, matches, rubber products and bicycles, comprising merchandise included in item "Miscellaneous" in foreign trade classified tables, actually occupied the position of representative export items. Fibre products, meanwhile, continued to occupy a virtual majority of the exports. That these merchandise, in the face of sustained accusations about exchange or social dumpings, could play a vital role in acquiring foreign currency, with which to buy war materials, should be viewed with a special importance.

In 1933, Japan's cotton textiles, on the strength of cheapness, took the hegemony from British manufactures. In the volume exported, Japan led the entire world; Japan-made textiles, in spite of hightariff barriers, advanced to vast markets in China, southeast Asiatic regions, east Africa and South America. This inevitably brought about a bitter competition with foreign Powers, which, in turn, prompted the division of world into blocs, as witness the Ottawa Agreement of 1932.

In 1936, Japan's exports began to show signs of decline, big export industries, like spinning and rayon industries, were forced to curtail their operation. The import items, on the other hand, clearly indicated the effect of the Manchurian Incident with an increased percentage for non-ferrous metals and minerals, mineral oils, mineralmetals, chemical materials (including pulp, raw rubber, etc.). Corresponding to the position of fibre products in the export items, which continued to occupy a majority of the exports, imports of fibre materials continued on an unabated scale. Reflecting the prosperity in the munitions industry again, more internal combustion engines, metal and wood engineering machines, rather than spinning machines, came to be imported during this period.

VI. World War II and State Control of Foreign Trade.

This period is not included in the "The Classified Annals of Japan's Foreign Trade," where 1932 is the last year referred to.

Following the outbreak of the second World War, Japan's foreign trade took a trend for diminution, this being clearly indicated in figures from about 1941. The table below shows a comprehensive trade balance in the period under review.

As early as 1931 there were indications that capitalism in Japan was gradually coming under State control. Strengthened trade control and the formation of bloc economy were obvious manifestation of the tendency.

The development of the Manchurian Incident brought Manchuria into spotlight, which was destined to play the part of the supply source of materials and of a vast market for Japanese merchandise. Japan's exports to Manchuria,

1935-42 Comprehensive Balance and Balance in Yen-Bloc,
Foreign Markets. (Unit: ¥ 1,000,000)

Years	Total			Yen Bloc			Foreign Market		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1935	2,499	2,472	+ 27	575	350	+ 225	1,924	2,122	- 198
1936	2,693	2,764	- 71	658	394	+ 264	2,035	2,370	- 335
1937	3,175	2,783	-608	791	438	+ 353	2,384	3,345	- 961
1938	2,690	2,663	+ 27	1,166	564	+ 602	1,524	2,099	- 575
1939	3,576	918	+658	1,747	683	+1,064	1,829	2,235	- 406
1940	3,656	3,453	+203	1,867	756	+1,111	1,789	2,697	- 908
1941	2,651	2,899	-248	1,659	855	+ 804	992	2,044	-1,052
1942	1,793	1,751	+ 42	1,513	1,222	+ 291	280	529	- 249

(Note): Based on the "Chronological Table of Foreign Trade," compiled by the Finance Ministry.

including Kwantung Province, which occupied mere 6.8 % of Japan's foreign trade volume in 1931, rose to 18.5 % in 1936, surpassed only by America with 22.6 %. Keeping pace with the increased investments for exploitation of untapped resources in the area along the South Manchuria Railway Company, a "Japan-Manchuria bloc economy," mainly intended for military purposes, was brought into being.

With outbreak of the China Incident in 1937, Japan's economy was placed under State control, comprehensively and drastically, and foreign trade, likewise, was similarly affected. In January, 1937, several months prior to the start of the Incident, the Law for Foreign Trade Control, formulated in 1933, was revised, as a result of which a special sanction by the Finance Minister came to be required for foreign exchange amounting to more than ¥ 30,000 per month. However, this measure, in essence, was nothing less than a measure for indirect import restriction for the purpose of preventing an impending collapse of the exchange market in consequence to the worsening trade balance in 1936. To sustain the exchange market, the specie export was commenced from March that year. In July, with the start of the war with China, the Finance Minister was empowered to prohibit any foreign exchange amounting to more than ¥ 1,000 unless he issues a special grant for such. In December, the amount was further reduced to ¥ 100. Prior to this, in August the same year, a Law for Adjustment of Foreign Trade and Domestic Industries was promulgated, which virtually ushered in a period of fullfledged and direct foreign trade control. In response to this, the Law for Export Cooperatives hitherto in force was replaced by a Law for Foreign Trade Cooperatives, followed, in September, by a Law for Emergency Provisional Measures regar-

ding Export and Import Goods. In October, it was actually put into force following the promulgation of the Regulation on Provisional Export and Import Sanctions, which, together with the "Law for Provisional Capital Adjustment, a control legislation in the sphere of capital, constituted two of the wartime economy, and, in this sense, were closely related to the National Mobilization Law, comprising the State programs for material mobilization, nationwide rationing, control of consumption and labor, enforced in July, 1938.

Ever since the great crisis of 1929, the world economy, despite occasional fluctuations, failed to recover prosperity, and, as early as the latter part of 1937, had to face another impending crisis. As clearly indicated in the already quoted tables, Japan's total exports, which amounted to ¥ 3,175,000,000 in 1937, dropped to ¥ 2,690,000,000 in the following year, registering a substantial decrease of ¥ 485,000,000, 93.3 % of which, amounting to ¥ 477,000,000 in value, was occupied by fibre products, including raw silk, cotton, rayon, silk and woollen textiles. The imports, also, registered a decline during the same period. Characteristic of the import condition, then, was the comparative increase of the imports of mineral oils, iron ore, machines and other war materials against a drastic decline of the imports of materials for three major export industries, including cotton, rayon pulp and wool. This - no doubt, the direct consequence of the enforcement of the above-mentioned Export and Import Provisional Measures - however, entailed diminished exports, which, darkening the prospect for obtaining foreign currency, was liable, it was feared, to make difficult further active import of the badly-needed war materials.

The circumstance gave birth to the "export-import link system." The Foreign Exchange Revolving Fund, founded in 1938, was intended to implement it in respect to the required fund. Under the system, export of certain designated commodities would guarantee the import of a fixed amount of raw materials needed for their manufacture, on the one hand, while, export of commodities by using such materials was made obligatory on the other. For the purpose of acquiring as much foreign currency as possible, the exports to the Yen bloc regions were exempted from the application of the system, while domestic consumption of imported materials, except for special purposes, was banned.

Together with the measures for promoting exports to the "Third-national" market under the link system, similar measures were taken for the Yen bloc regions. On the basis of the Material Mobilization Programs enacted in November 1938, plans of development in North China and Central China were under way, and the Japan-Manchuria bloc economy, unavoidably, developed into a triangular bloc economy among Japan, Manchuria and China, this being principally for the purpose of securing materials for Japan's muni-

tions industry. And, for this, vast quantities of both materials and capital for exploitation were required.

Japan's trade with the Yen bloc regions during the period under review invariably ended in a favorable balance, while that with the third-national market continued unfavorable balance sheets, the tendency being steadily intensified from the start of the China War up to 1941.

Under the Circumstance, the export of consumption goods to the Yen bloc areas had to be curtailed. In September, 1939, the Ministry of Commerce and Industry promulgated a decree concerning control of exports to Kwantung Province, Manchoukuo and China, which was intended to directly restrict the volume of exports to the Yen bloc. Its effect, however, was counter-balanced by the Price-Stop Decree, enforced on September 18, that year, which made even bigger the discrepancy in prices on the domestic market and in the Yen bloc regions.

In September, 1939, hostilities started between Germany, and Britain and France. In September, 1940, the Tripartite Military Alliance was signed among Japan, Germany and Italy, while the conflict between Japan and the United States, being intensified ever since the abrogation of the Japan-U. S. Treaty of Commerce in January, the same year, came to the fore after Japanese invasion of the northern part of French Indo-China. This was immediately followed by American announcing embargo of scrap iron and steel to Japan. In July, 1941, the Japan-French Indo-China Joint Defence Agreement was concluded, followed by Japan's advance into the southern part of Indo-China. This was immediately answered by Britain and the United States in the form of a freezing of Japanese assets as well as embargo of petroleum. In this way, the hostilities in Europe and the war in the southeast Asiatic regions were closely intertwined to each other, to develop into a virtual global conflict.

With the start of the Pacific War in December, 1941, Japan's trade with the third-national market came to a virtual standstill, and was confined to French Indo-China, the Philippines, Dutch East Indies (Indonesia), Thailand and the occupied areas in the South - a form of international trade contemporarily known by the name of the Greater East Asia Co-Prosperity Sphere.

State control of trade, in the meantime, was further strengthened. Earlier, in May, 1941, the Trade Control Decree was promulgated, and, in the following year, the Trade Control Society was formed as a relevant executive organ. This developed into a better-organized entity, *Koeki Eidan* (Foreign Trade Corporation) in March, 1943.

The Pacific War forced Japan's foreign trade to drastically curtail its scale and scope. The trade volume for 1942 was about a half of what it

was for 1941, the year of the start of the war. Even Japan's trade with the Yen bloc regions showed signs of becoming smaller.

Exports and Imports as Classified into Countries of Destination.
(Unit: ¥ 1,000,000)

Countries	1942			1943			1944			1945		
	Exp.	Imp.	Bal- ance	Exp.	Imp.	Bal- ance	Exp.	Imp.	Bal- ance	Exp.	Imp.	Bal- ance
Total volume	1,793	1,752	41	1,627	1,924	-297	1,298	1,946	-647	388	957	-568
Kwantung	422	41	381	317	39	278	258	29	228	51	12	39
Manchuria China	1,091	1,181	-90	983	1,283	-300	859	1,660	-801	320	842	-522
Sum	1,513	1,222	291	1,299	1,322	-23	1,016	1,689	-673	371	854	-483
French Indo-China	144	224	-80	97	132	-35	22	22	-0.5	2	0.3	1.6
Thailand	66	167	-100	88	49	37	11	10	1	3	0.1	3.0
Philippines	1	7	-6	30	55	-25	37	17	20	1	1	0
Dutch E. Indies*	16	13	3	56	100	-44	40	66	-27	4	0.6	3.4
Burma	4	12	-7	13	5	8	10	6	4	0	0	0
British Malaya	0	2	-2	15	82	-67	17	65	-48	0	42	-42
British Borneo	1	7	-7	3	19	-16	5	12	-7	0	0	0
Germany	39	40	-1	15	121	-106	0.6	10	-9	0	3	-3

(Note): Based on "Foreign Trade Table" compiled by the Finance Ministry.

* now Indonesia

VII. Characteristic Features of Japan's Pre-war Foreign Trade.

From the tracing in brief of the development of Japan's foreign trade since the early years of Meiji, as described in the foregoing pages, it may probably be said that the characteristic features of Japan's trade in pre-war years consisted in its dependence on the advanced Capitalistic countries and its aggressive inroads in Japan's colonial areas and subordinate countries. Such, indeed, was a faithful reflection on foreign trade of the aspects of capitalistic institutions which witnessed a peculiar growth and development in Japan, while, at the same time, such was a destiny for the Japanese version of Capitalism which, lagging behind the Western Powers, had to take part in Competition on the international market at a time when world capitalism was gradually entering into an imperialistic phase of development.

The structure of Japanese trade merchandise and trade market in the pre-war years may be summarised as follows

(1) First route.

Raw silk was exported, and, cotton, crude oils and high-class machineries were imported. Japan's trade with America, had the pattern of the backward nations.

Raw silk, a purely Japanese-produced trade item, used to occupy an important place in Japan's pre-war exports, next only to cotton textiles. In this sense, it was a virtual "starting point" of Japan's trade, while, on the other hand, it, as a luxury item, had to depend on the business fluctuations in America. Japan's export of raw silk was undertaken on the basis of obsolete production relations and methods, and, for the expansion of her economy, Japan had to depend to a large measure on more advanced Capitalist Powers, which could supply her with whatever raw materials she was in need of.

(2) Second Route.

Cotton textiles were exported, and, in return, raw materials for heavy industries, including iron ore, pig iron, non-ferrous metals, aluminium, raw rubber, etc., were imported. Japan's trade with the Southeast Asiatic countries was, in substance, a mixture of the pattern of the developed nations and that of the backward nations.

From the fact that most of these areas constituted European, mainly, British colonies and subordinates, Japan's trade with them inevitably was tinged more with an imperialistic hue. In the intense competition with the Lancashire spinning industry fought in these regions, Japan's weapons could be found only in low wages in her spinning industry and the support of medium and small-scaled enterprises in her textile industry. In this respect, Japan had to assume the role of a backward nation.

(3) Third Route.

Fibre and heavy industrial products were exported and foodstuffs and raw materials for heavy chemical industry was imported. Japan was principally engaged in trade with Manchuria and China (trade with Korea and Formosa comes under this category). Japan's trade, here, had the pattern of the advanced nations, which was an outward expression of the rapid growth of Japan's capitalism, which had to start belatedly, lagging behind some of the Western Powers, while, at the same time, it should be noted with special attention that these areas, Korea and Manchuria, served as factors to stimulate further growth of Japan's foreign trade during this period. Japan's advance, however, was made possible on the sacrifice of the livelihood of local people and on the monopolization of regional resources, and, on this account, was destined to face a bitter and wide-spread racial resistance.

Part II Post-War Problems of Japan's Foreign Trade

I. Balance of Payments.

It is needless to point out that international payments consist of current accounts and capital accounts. Compared with capital accounts, current accounts are of more importance, and, in current accounts, balance of trade constitute an item of such manifest importance that the situation of the balance of trade will often indicate the comprehensive situation of a country's balance of payments. In this sense, our analysis of Japan's trade condition will start with a brief description of the situation of her international payments.

The year 1953 offers an interesting instance. In this year, the Korean War ended with an armistice, and this started a business recession in America. Many probably still remember a statement made by a noted Soviet economist, Professor Valga, to the effect that the business recession will be certain to develop into a worldwide economic crisis. Amidst such business decline, Japan's balance of payments condition likewise witnessed a turn to the worse. The White Paper on Foreign Trade published by the Japanese Government in 1954 said to the following effect:

"In 1953, Japan's foreign trade failed to see any remarkable recovery in exports, on one hand, and saw a substantial increase in imports, on the other, which, naturally, resulted in big import excess, while income from special procurement recorded a slight decline as compared with the preceding year. Such decrease in income and big increase in payments unavoidably forced the condition of Japan's balance of payments in 1953 to register a big-scale unfavorable balance for the first time in several preceding years. The situation, indeed, is such that no easy optimism will be warranted."

Note: White Paper on Foreign Trade, 1954, p. 7.

The excess imports in 1953 amounted in value to about \$ 950,000,000, which, coupled with excess payments in freightage and insurance charges, would come up to about \$ 1,000,000,000 in deficit. This, even covered with \$ 800,000,000 gained by special procurement orders, still left a deficit in foreign currency nearly amounting to \$ 200,000,000. To counter this, need of suppressing imports and encouraging exports through a policy of deflation was not only stressed but was actually put into practice. Only two years after this, another White Paper on Foreign Trade, 1956, in part, stated as follows:

"Foreign Trade in 1955 continued in a highly satisfactory condition. Exports registered a big stride upward even surpassing the level of the preceding year, which was sufficiently satisfactory, while imports remained generally on the same level as the preceding year, which resulted in big gains in foreign

exchange despite a decrease in special procurements. The fact that such gains were made possible on the strength of foreign trade payments alone should be noted with special interest especially since Japan had made it one of her major goals to establish an autonomous economy not aided by special procurement."

Note: White Paper on Foreign Trade, 1956, p. 1

The prosperity was enjoyed and the business expanded. But the situation changed again. One year later the white paper of 1957 stated as follows:

"Balance of payment in 1956 could have the surplus of \$ 290,000,000, but the surplus decreased rapidly compared with the preceding year, because of the increase of import. Especially this tendency became remarkable in the latter half of the year and in 1957 the balance continued to show the large deficit"

Note: White paper on foreign trade, 1957 pp. 1-2

The three White Papers on Foreign Trade, quoted above, amply show that the situation of Japan's international payments are highly unstable and that the counter-measures adopted by the Japanese Government to meet it have been extremely extemporaneous. The authorities of the Japanese Government, as a matter of fact, have invariably evinced an attitude of pessimism as the balance of payment balance turned to the worse, and, as soon as a favorable balance was in witness, they reversed their attitude and voiced optimism. Below will be given a table of the balance of payments of Japan which were responsible for the series of the Foreign Trade White Papers as quoted above. The table pertains to the balance of payment situation as classified into various currency areas, as prevailed between 1951 and 1956, compiled on the basis of foreign exchange.

Table of the balance of Payments Situation (Unit: \$ 1,000,000) (Note: Based on foreign exchange statistics; * mark indicates a figure not amounting to \$ 1,000,000)

Years	Currency areas	Entire area	Dollar area	Sterling area	Open Account area
1951					
	Trade balance	-428	-678	134	117
	(Exports)	(1,296)	(302)	(563)	(433)
	(Imports)	(1,725)	(980)	(429)	(316)
	Freightage, insurance charges, etc.	116	124	- 7	- 1
	Special procurement, military spendings	585	578	7	0
	Net of current transactions	273	24	134	116
	Net of capital transactions	59	46	13	*

Currency areas	Entire area	Dollar area	Sterling area	Open Account area
Years				
Foreign currency received	332	70	147	116
<i>1952</i>				
Trade balance	-429	-599	65	66
(Exports)	(1,289)	(396)	(597)	(297)
(Imports)	(1,718)	(955)	(532)	(231)
Freightage, insurance charges, etc.	- 31	- 11	- 22	1
Special procurement military spendings	824	806	18	0
Net of current transactions	364	236	61	67
Net of capital transactions	- 50	- 49	- 1	※
Foreign currency received	314	188	60	67
<i>1953</i>				
Trade balance	-945	-538	-303	-104
(Exports)	(1,156)	(481)	(314)	(361)
(Imports)	(2,101)	(1,019)	(617)	(465)
Freightage, insurance charges, etc.	- 57	- 39	- 28	4
Special procurement, military spendings	803	780	22	2
Net of current transactions	-199	206	-307	- 98
Net of capital transactions	5	3	2	※
Foreign currency received	-194	209	-305	- 98
<i>1954</i>				
Trade balance	-430	-644	156	59
(Exports)	(1,532)	(486)	(508)	(539)
(Imports)	(1,962)	(1,130)	(352)	(480)
Freightage, insurance charges, etc.	- 63	- 20	- 44	2
Special procurement, military spendings	603	575	21	7
Net of Current transactions	111	- 89	133	67
Net of capital transactions	- 11	- 3	- 8	※
Foreign currency received	100	- 92	125	67

<i>1955</i>				
Trade balance	106	-113	196	23
(Exports)	(1,954)	(759)	(729)	(466)
(Imports)	(1,848)	(871)	(533)	(443)
Freightage, insurance charges, etc.	-151	-70	-71	-10
Special procurement, military spendings	559	545	11	3
Net of current transactions	514	362	136	16
Net of capital transactions	-20	-3	-16	-1
Foreign currency received	494	359	120	15
<i>1956</i>				
Trade balance	-68	-81	40	-9
(Exports)	(2,403)	(1,098)	(905)	(375)
(Imports)	(2,470)	(1,179)	(864)	(384)
Freightage, insurance charges, etc.	-189	-55	-116	-14
Special procurement, military spendings	595	592	4	-
Net of current transactions	338	456	-72	-23
Net of Capital transactions	-45	-31	-14	※
Foreign currency received	293	425	-86	-23

As shown in the above table, the balance of payments in 1953 ended in excess payments, which evidently prompted the government authorities to make reference to an economic crisis in the Foreign Trade White Paper released in the following year. The alleged crisis began to ameliorate in 1954, and, in 1955, the foreign currency situation showed a still further improvement, a fact which accounts for the highly optimistic tone pervading the 1956 White Paper. The apparent prosperity, however, lasted for a brief period, for, after reaching a peak in 1955, the trend, again, was obviously downward, it persisting onto 1957, when the tempo for worsening was even further speeded up.

Needless to say, it is worthwhile to make a scientific analysis of the balance of payments situation as it fluctuates over a short period, and, on the basis of which work out effective counter-measures. It may not be denied, in this sense, that the series of trade policies adopted in post-war Japan have always failed to go abreast of the impending changes, and that, because of a poverty of adequate and proper measures on hand, the national economy of Japan had been forced to suffer a considerable loss during the several post-

war years. A thing which should be emphasized still more loudly in this connection is the utter inability of the Japanese Government to have available a long-term perspective of the situation, and, the complete lack, on their part, of an adequate policy to meet the situation. It may even be pointed out that the lack of a long-term perspective actually accounted for their failure in grasping the reality of the situation at hand. That an improvement seen in Japan's international payments in 1955 was hastily mistaken for a sign that her economy was beginning to stand on its own feet was not unrelated to such lack of a long-term perspective. Then, where should be found the salient features of Japan's balance of payments situation as seen from a point of view of a long-term perspective or from that of the structural setup of Japanese economy?

First should be noted is the fact that, through post-war years, Japan's balance of payments have chronically been suffering from excess payments, the resulting deficit being covered up with whatever Japan could garner from the precarious special procurement orders, with the year 1955 as the sole exception. Now, the special procurement, needless to say, works on an extremely precarious and unstable basis. Constituting special spendings out of the overall military expenditures of America, it naturally depends entirely on her specific desires and stands wholly out of the confines of any self-formulated policy Japan may be inclined to adopt. Moreover, it is unavoidable that it is bound to link up Japan's economy with the military economy of America. Of course, it would be too much to define the entire range of special procurement as

Japan's balance of Payment in 1936 (Unit: \$ 1,000,000)

Current transactions		Government grants	—
General exports (FOB)	1,016.4	Total (2)	36.9
General imports (FOB)	1,027.2	Errors and omissions (3)	— 5.6
(Balance)	(—11.8)	Surplus and deficit (1)+(2)+(3)	100.4
Other exports (FOB)	—	Capital transactions	
Other import (FOB)	—	Civilian	
(Balance)		Long-term capital	— 28.4
(Balance of commodity transactions)	(—11.8)	Short-term capital	— 34.5
Freightage, insurance charges	68.2	Total	— 62.9
Income from investments	50.4	Government	
Receipts from military Spendings	—	Long-term capital	— 14.9
Others	—33.9	Short-term capital	—
Total (1)	62.9	Total	— 14.9
Grants		Flow of gold	— 22.6
Civilian grants	36.9	Grant total	—100.4

spendings for military supplies, and, seen in this way, it would not be exactly reasonable to assert that the special procurement tends to "militarize" the entire scope of Japan's economy, although there is no denying the fact that the latter, through the special procurement orders, is closely related to the military economy of America. This is to say, in other words, that Japanese economy is constantly exposed to dangers and risks inherent in America's military economy.

It would be illuminating to be reminded of the fact that even in pre-war years, excess imports in many cases constituted a chronic phenomenon as far as Japan's foreign trade was concerned, which is eloquently illustrated by the figures.

Although Japan's balance of payments in pre-war years experienced a chronic adverse balance, the deficit used to be covered up with the non-trade income including freightage and insurance charges. Such extra items in the balance of payments, of course, were within the confines of the autonomous policy Japan would decide on.

Constituting the second feature of Japan's post-war foreign trade payments was the fact that the scope and scale of her foreign trade became much smaller as compared with what it was before the war.

Even in 1956, when the imports surpassed what they were in pre-war years, the exports barely amounted to 86 % of the pre-war figures.

Where dose, such structural features of Japan's foreign trade come from? To explain this, a brief description will be necessary of the post-war characteristics of Japan's and world's economy.

II. Japan's Economy and Foreign Trade

As is well known, Japan's pre-war economy depended much on her foreign trade. As far as figures show, however, her economy after the war depends less on foreign trade. It may be presumed that such a change has been brought about by a drastic change in both domestic and international condition. In spite of this, it should be pointed out that Japan's economy in post-war years inherits much from its pre-war shape in respect to her industrial and agricultural setup as well as the status of her population and natural resources. Thus, a glance will be made of the characteristic features of post-war economy

Comparison of Pre-War and Post-War
Foreign Trade Scope

	1934-1936	1950	1951	1952
Exports	100	29.6	31.4	31.4
Imports	100	32.8	48.3	54.2
	1953	1954	1955	1956
Exports	35.3	46.3	75	86
Imports	74.4	76.6	94	114

of Japan and her foreign trade in the form of a comparison between the pre- and post-war situations. First the extent to which her economy depended on foreign trade will be briefly reviewed.

Ratio of export and import to national income (%) (* 1955)

Country	Pre-War 1938		Post-war 1954	
	export	import	export	import
U.S.A.	5	4	* 4.8	3.8
U.K.	11	19	15.6	19
France	9	14	13.5	13.2
Italy	8	9	10.5	15.7
West Germany	—	—	19.5	17.1
Belgium	33	39	32.0	35.3
Japan	23	23	*11.0	13.5
Holland	22	30	*45.4	54.2

The White Paper on Economy released in 1956 explains the reason for such decrease in the economy's dependence on foreign trade, in the following vein:

“First, regarding imports, decrease of imports of cotton as a consequence to natural fibres being rapidly replaced by chemical fibres, and the reduction brought in the imports of finished and semifinished products due to Japan's capacity to supply machines, ammonium

sulfate, pig iron, glass and pulp, may be counted as directly responsible for it. Of course, the fact that the production of metal, machine and chemical industries have witnessed a remarkable increase as compared with pre-war years has amply covered up the drop in the imports. Compared with the case of importing cotton and manufacturing 1 yard of cotton cloth from it, manufacture of synthetic fibres from coal and carbide involves a far more expanded productive process, entailing a larger income. This proves of expanded production is a barometer of the extent to which heavy chemical industries will have grown, and this latter makes it able to depend less and less on the imports.

“Such expanded process of production requires a high degree of investments. The heavy requirements for investments intended for the rehabilitation of Japan's post-war economy centering around the increased emphasis on heavy chemical industries, have tended to relatively increase the ratio of domestic demand as contrasted to export demand, which, again, has mainly accounted for the less dependence on imports. Domestic capital accumulation in pre-war years was less than such demand from abroad as exports, but, now, it amounts to double the exports. Accordingly, the production of heavy chemical industries, which has recorded a remarkable increase over the pre-war years, has been absorbed in the increased demand for investment as a consequence of increased investments, and in the increased demand for productive goods due to the expanded productive process. The fact that a major part of exports now is occupied by heavy chemical products with less cotton products exported, is reflected in the reduced dependence on imports through decreased im-

ports of cotton."

What the White Paper on Economy tries to stress is the fact that, in post-war years, Japan's dependence on imports decreased has been due to more emphasis being laid on heavy chemical industries, a circumstance which is manifest both in respect to imports and exports. The interpretation, probably, is correct. It would be erroneous to assume that a specific industry, for example, the fibre industry, will indefinitely depend on a certain specific material, for example, cotton.

In the makeup of imports of Japan in pre-war years, a large percentage was always occupied by raw cotton, which among others accounted for a high dependence on imports. With the development of synthetic fibres after the war, the imports of raw cotton decreased. It will also be conceded that the technical innovation carried out after the war prompted a heavier demand for investments, and, as a result of this, the ratio of the demand for exports dropped."

The present writer, however, would wish to point out an angle of the problem which the government's White Paper failed to refer to. It pertains to the fact that the White Paper, in mentioning the reduced dependence on foreign trade, completely ignored the problem of market. That foreign markets became smaller and narrower after the war to such an extent that endeavor for export could not but end in failure, may not be denied altogether.

Fundamentally, the need for foreign trade under a capitalistic economy arises from an unbalanced economic development in a specific country. Various industries, which reciprocally ought to offer markets, are, under free and unrestricted competition, allowed to achieve an unequal development, with the consequence that some of the more advanced industries cannot find an adequate market at home and unavoidably tend to turn for possible foreign markets.

For instance, when the fibre industry far surpasses agriculture in its growth, the industry will not be able to have enough materials available at home and, thus, will have to import large quantities of such materials. The industry, on the other hand, will find it impossible to find a sufficiently big market at home, and, naturally, will have to export much of its products. Even in case raw materials are imported because of a short domestic supply, the imports will have to be always considered in relation to the particular industry requiring such raw materials.

Here the need for foreign trade under capitalism is apparent. Should a sufficiently big foreign market is not found at this juncture, it would be inevitable that the country suffers from unemployment and a lowered standard of living. In the light of statistical figures available in postwar years, the un-

balance among the industries is apparently much worse than in pre-war years. This ought, naturally, make the dependence on foreign trade higher. However, as a matter of fact, such dependence is actually less striking now. This is entirely due to the less foreign markets available. The apparent contradiction can be met only by a worsened situation at home relative to employment and the standard of living. The following table shed a light on this point.

Economic Index in Pre-War and Post-War Years.

	1934-36	1955
Net national income	100	149
Mining industrial production	100	189
Agricultural production	100	127
Volume of exports	100	75
Volume of imports	100	94
Consumption level	100	118
Population	100	130

In pre-war years, the status of agriculture and industry was unbalanced. Now, if the pre-war index for each of them is put at 100, respectively, the post-war index will become 189 for industry and 127 for agriculture, which amply indicates their respective unbalanced growth after the war. On the other hand, while the index for industrial production stands at 189, that for consumption lags at 118, showing a big gap. In the light of the situation, the need for foreign trade apparently must have grown even more; but, the fact is the index for exports stands at mere 75 and that for imports at 94, as compared with the 100 pre-war index. Such manifest drop in the country's dependence on foreign trade, as pointed out earlier, is due entirely to the smaller foreign markets available, which, again, should effect the situation of employment and standard of living at home. While the figure for employment is lacking in the foregoing table, a manifest lagging in the consumption level is only too apparent in the light of the index figures for consumption, population, and industrial production, which stand at 118, 130 and 189, respectively.

While, as shown above, Japan's dependence on foreign trade has been coming down during the past ten years after the war, it, again, is tending to rise keeping pace with the recent growth of Japan's economy, and this, apparently, is because the growth of her capitalistic economy is entailing a parallel increase of the unbalance among various productions. First to be pointed out in this connection is the unbalance seen between industries and agriculture, on the one hand, and between industries and mining, on the other, which, together, tend to increase Japan's imports of foodstuffs and raw materials

Regarding the increase of imports in post-war year, the White Paper on Economy explains as follows:

"The increase of imports of raw materials has been especially remarkable in metal ore, rubber, oil seeds, raw hide, fibre materials and non-metal ore, in

Import Ratio of Principal Commodities (%)

	1934-36	1953	1954	1955	1956		1934-36	1953	1954	1955	1956
Rice	19	12	14	10	7	Bauxite	—	100	100	100	100
Wheat	23	56	61	61	62	Salt	65	75	80	78	78
Barley	1	26	38	33	45	Phosphate	100	100	100	100	100
Sugar	97	95	95	96	96	Raw rubber	100	100	100	100	100
Soya beans	69	50	57	61	61	Cotton	100	100	100	100	100
Coal	11	10	7	6	8	Wool	100	100	100	100	100
Coaking coal	—	32	28	26	27	Rayon pulp	81	27	27	22	24
Crude oil	94	95	95	96	97	Abaca	100	100	100	100	100
Iron ore	93	80	81	78	81						

the order mentioned. The increase has kept pace with the increase of industrial production. The increased production of cotton yarn, woollen yarn and super-phosphate lime, leads to a proportional increase of imports of cotton, wool and phosphate rocks. Again, an increased production of iron, steel and eating oils will increase the dependence on the imports of raw materials needed for their production, often with that the percentage of the import increase surpasses that of the production increase. In the field of fuel, likewise, more crude oils had to be imported. During the past six years, the industrial production has doubled, while the increase of consumption

Export Ratio of Principal Commodities (%)

	1934-36	1953	1954	1955	1956
Fibre					
Cotton yarn	4	2	3	3	3
Cotton textiles	76	33	40	38	36
Rayon yarn	17	10	9	9	8
Rayon textiles	70	40	40	44	48
Woollen yarn	8	2	7	4	3
Woollen textiles	13	3	8	9	11
Raw silk	73	24	29	30	24
Silk textiles	22	10	14	16	23
Ordinary steel	5	7	11	14	6
Machines					
Ships	—	30	51	68	72
Ordinary automobiles	—	4	3	4	5
Cotton spinning machines	—	19	49	37	19
Cotton weaving machines	—	23	50	49	29
Sewing machines	—	59	85	85	78
Cameras	—	16	16	22	31
Clocks & watches	—	6	5	11	29
Chemical products					
Ammonium sulphate	7	26	21	19	21
Caustic soda	2	1	4	3	1
Synthetic dyestuffs	13	—	9	8	11
Others					
Cement	6	9	9	11	16
Porcelain	—	24	34	57	55

of imported raw materials has been more than 2.34 times—which indicates that Japan's industries continue to depend more and more heavily on the imports."

In post-war years, Japan's industries have developed more in the field of heavy industries, which is exemplified in the increasingly bigger percentage being occupied by the exports of heavy chemical products. Notable in this connection is the remarkable increase of exports of finished chemical products rather than that of semifinished ones.

Productivity and Wages in Iron-Steel and Steel Block

		U.S.A.	England	Japan
Productivity (Per person a month)	1951	13.89 ton	7.19	3.77
	1952	14.27	7.08	3.93
Wages (Per week)	1951	72.63 Dollar	25.48	12.17
	1952	74.60	28.00	12.57
Wage per ton	1951	22.41 Dollar	15.22	13.83
	1952	22.40	16.95	13.71

For an expansion of exports, reduction of the cost is usually resorted to. In seeking a foreign market, the industry should endeavor to lower its cost. A survey will now be made, based on the White Paper on Economy, 1953, released by the Japanese Government, of the labor productivity, wages and wage cost in the iron and steel industry and the cotton spinning industry, two

of the most representative industries of Japan.

The above tables show that in the steel and iron industry, Japan's productivity stands at 27 % of America's and at 56 % of England's, respectively, while the lowness of Japan's wage level reduces her wage-per-ton level considerably below that of America and slightly below that of England.

Japan's labor productivity in the cotton spinning industry in pre-war years stood at about 50 % of America and about 70 % of England, respectively. The wages paid, however, were far below those paid in these countries and her wages per pound stood as low as 15 % of America and 24 % of England. After the war, the discrepancy in the labor productivity between Japan and America increased, while Japan's productivity stands above that of England. With a rise in wages paid in Japan, the discrepancy with England in wage has been reduced; however, in the discrepancy in the wage per pound persists to a considerable degree.

Even since the pre-war days, Japan's low cost due to low wage level has

Productivity and Wages in Cotton Spinning Industry

		U.S.A.	England	Japan
Labor productivity (per person and hour)	Below No. 40 1932	5.6 pound	4.5	3.1
	No. 21 1951 (all laborers)	15.2	5.2	7.3 (*)
Wages (per person an hour)	1932	18.65 pence	9.90	1.64
	1951	132 cent	39	13 (*)
Wages per pound	1932	3.33 pence	2.20	0.53
	1951	8.6 cent	7.5	1.8 (*)

* ten big firms only

often been the target of attack by competing foreign countries. In post-war years, Japan has witnessed a substantial rise in the money wages paid. The level, however, has lagged below the similar rise in the labor productivity which, perhaps, explains the strong potentiality for competition still possessed by Japanese export commodities. The White Paper on Economy for 1957 roughly runs in a similar vein:

“..... The rise in the labor productivity has been so rapid which brought about a strengthened competitive power in price. While, in Japan, the rise in money wages has been quite remarkable, the rise of labor productivity has been still more remarkable Between 1951 and 56, the rise of money wages surpassed that of labor productivity in England, America, Germany and France, while, in Japan and Italy, the relation was reversed. Of course, it may not be denied that the improvement in the export competitive power was largely due to the reduction in the cost per unit resulting from advanced technique and the consequent improvement in the quality of the exported commodities. But, the remarkable rise in the labor productivity has reduced the cost per unit and tended to strengthen Japan's competitive power, may not be overlooked...” To illustrate this, the white paper lists the following table:

Tendency in Labor Productivity and Wages Paid (1956) (1951-100)

	$\frac{\text{Industrial production}}{\text{Employment}}$ (A)	Wages (B)	$\frac{B}{A}$
Japan	167	165	99
America	112	124	111
England	109	138	127
West Germany	126	136	108
France	136	145	107
Italy	134	123	92

Thus, Japan's economy, both in respect to exports and imports, is tending to depend more and more on foreign trade. This implies that Japan faces the problem of foreign markets with an increasing acuteness. In spite of this, Japan's dependence on foreign trade, as far as statistical figures are concerned, has apparently lessened in post-war years as compared with the prewar period. This contradiction will have to be explained by the fact that, in the midst of the post-war world political and economic situation, Japan has been forced to have less and smaller foreign markets available for her merchandise.

III. Foreign Trade and World Economy

One of the most striking phenomena in world economy after the end of the World War II is the emergence and expansion of the Socialist-domi-

nated markets. It should not, however, be hastily construed that the emergence of a Socialist market at once signifies less foreign markets for Capitalist countries.

That the Capitalist world markets have become smaller in a geographical sense is not incompatible with the assertion that, in an economic sense, the markets have, on the contrary, expanded. Actually, the expansion of world trade during the decade after the World War II has been substantially larger than that recorded during the decade after the World War I, which should imply that the contention that the world markets have been rendered smaller in a geographical sense at once signifies an economic diminution of the markets, is erroneous. Nor does the emergence of a Socialist market signify in itself that it can never make itself available for Capitalist economy. Apart from a period of economic confusion immediately following the Socialist revolution, the development of the Socialist economy gradually tended to offer a market for the Capitalist economy. This is amply proved by the insistent call made by the Socialist countries for the past several years on Capitalist powers for a peaceful co-existence and an expansion of the mutual trade relations.

The factor which is working to block the so-called East-West trade and prevent the desired expansion of international markets on the part of the Capitalist countries, is the policy of restricting trade with Socialist countries being pursued by the United States and some of its allies. As far as Japan is concerned, her trade with Communist China and certain other Socialist countries is placed under strict control ever since the outbreak of the Korean War in

Japan's Exports and Imports From Various Continents (%)

	Exports						Imports					
	1934-36	1952	53	54	55	56	1934-36	52	53	54	55	56
<i>Asia</i>	64	51	51	49	42	41	53	31	33	31	37	32
Neighboring countries	43	13	17	12	8	8	37	5	5	5	4	4
(China)	(18)	(*)	(*)	(1)	(1)	(3)	(10)	(1)	(1)	(2)	(3)	(3)
Southeast Asia	18	36	30	32	28	29	16	21	22	19	21	19
<i>Europe</i>	8	14	9	9	10	10	10	7	8	8	7	7
<i>N. America</i>	17	21	23	21	27	26	25	50	42	46	41	44
(U.S.A.)	(16)	(18)	(18)	(17)	(22)	(22)	(24)	(38)	(31)	(35)	(31)	(33)
<i>S. America</i>	2	3	5	10	7	5	2	2	5	7	4	4
<i>Africa</i>	6	7	10	8	10	16	3	3	2	2	3	3
<i>Oceania</i>	3	4	2	3	4	2	7	8	8	6	8	9

* below 0.5 omitted

1950. Considering the weight of Japan's trade for China in pre-war years, the

virtual closure of the Chinese market to Japan's trade after the war has evidently played a big role in reducing her dependence on foreign trade in recent years.

As shown in the above table, Japan's exports to China in 1934-36 occupied 19% of her total exports while the percentage dropped to mere 3% in 1956. Various reasons, of course, would be enumerated for such drastic change in the picture, one of the most important being the policy of restriction on her trade with people's China which the Japanese Government adopts in pursuance of the United States policy. In 1956, Japan's exports to new China totalled \$ 67,339,000 and imports \$ 83,647,000. Principal among the exported commodities were chemical medicines, yarns and textiles, while the percentage of the exports of such construction materials as metal products and machineries, urgently needed by China's economy, was negligible. This was because these commodities are included in the list of banned goods. The items of imports, on the other hand, include, among others, foods and materials for light industries, a low percentage being occupied by the imports of such items as iron ore, strong coking coal and table salt which are indispensably required by Japan's economy.

As another important characteristics of world economy after the end of the World War II should be mentioned a striking unbalance in the extent of growth among the Capitalist countries, the most striking being that existing between the United States and other Capitalist countries. This circumstance is eloquently exemplified in the so-called dollar shortage, which has amounted to such an extent that it is forcefully interrupting with further growth of world trade. Japan's case is no exception to this. Despite the unconditionally pro-American policy being followed by the current conservative regime in Japan, the existing unbalance between the American-Japanese exports and imports is proving a serious obstacle to further expansion of trade relation between the two countries. Japan's trade with America in 1956, for instance, included \$ 543,306,000 for exports and \$ 1,064,540,000 for imports, registering an import excess nearly amounting to \$ 500,000,000. To make the situation worse, there are indications that the United States will further strengthen the currently-imposed restrictions on the imports from Japan.

While the post-war decrease of Japan's trade with Communist China, on the one hand, and the expansion of her trade relations with America, on the other, is indicative of the prevailing economic situation of the world, several issues which are liable to have an important bearing on the future of Japan's foreign trade, may be pointed out in this connection. Reference will be made to the table shown below, compiled by M. Hideo Yonezawa of the China Research Institute.

These tables clearly show that the vital raw materials, listed there, which were imported mainly from China in the pre-war period, became to be imported

Imports of Iron Ore, Coal, Salt and Soya Beans from
China and America (% against total imports)

		1934-36	1950	1951	1952
Iron ore	China	34.0	18.7	1.3	0.8
	America	—	—	33.6	36.9
Coal	China	68.4	58.8	1.1	0.8
	America	—	13.9	70.9	79.3
Salt	China	38.6	8.6	0.2	0.1
	America	—	2.8	10.6	7.0
Soya Beans	China	71.3	56.5	2.6	0.4
	America	—	43.5	93.7	96.9

Import Price of Iron Ore, Coal, Salt and Soya Beans
(CIF, U.S. Dollars)

		Fe	1951 Average	1952 Average	1953 Average
Iron ore	China	(50%)	11.60	11.30	15.70
	America	(57%)	24.10	19.00	17.32
	India	(63%)	24.00	18.90	18.52
Coal	China		11.70	19.30	12.10
	America		29.80	22.18	19.61
	India		21.50	22.18	15.14
Salt	China		15.00	—	7.88
	America		22.00	—	—
	Thailand		15.70	12.90	11.77
	Italy		20.50	18.90	10.01
Soya beans	China		198.00	147.00	143.00
	America		144.77	131.83	119.83

from the United States after 1950 when the Korean War broke out. The price of these commodities, except soya beans is much cheaper imported from China than imported from America, as indicated in the table above.

It would not be pertinent, however, to assert, in the light of these figures, that Japan's trade should return to its prewar shape, for the conditions of trade of both the world and Japan have by now undergone a drastic change. On the other hand, again, the present status of Japan's trade could by no means be considered utterly normal.

First, to be pointed out in this connection, is the fact that the unbalance in evidence in the American-Japanese relations constitutes one of the biggest factors resulting the unbalanced state of Japan's balance of payments. In respect to the categories of commodities

and the cost involved, the major part of the imports from America could be presumably shifted to the imports from China. Now new China at the present moment follows the barter system as her foreign trade formula, and, therefore, the imports of so much volume will at once mean reciprocal increase of exports to a similar level, which will be highly instrumental to achieving the goal of balanced international payments.

Secondly comes the question of the cost of Japanese merchandise. Ever since the pre-war period, Japan's foreign trade could expand aided by low wages and low cost, the same conditions persisting in the post-war days, while the

issue is closely and fundamentally related to the structural organization of Japan's Capitalist economy, a tentative solution would be found in the imports of cheap-priced raw materials, and this, in turn, will inevitably bring the problem of China trade up to the fore.

Thus, the importance of Japan's trade with China in post-war years is obvious. The solution of the issue of China trade, however, will not lead to the solution of all other issues pending. Basically, the problems facing Japan's foreign trade comprise, domestically, the problems of the structural organization of her industries as well as the cost involved and, internationally, the problems of world markets with the issue of China trade included therein.