

THE KYOTO UNIVERSITY ECONOMIC REVIEW

MEMOIRS OF THE FACULTY OF ECONOMICS
IN THE KYOTO UNIVERSITY

VOL. XLVIII, NO. 1-2 APRIL-OCTOBER 1978 Whole No. 104-105

CONTENTS

**Japanese Capitalism and Foreign
Trade 1945-1970 (II)**

Kazuichiro ONO 1

**The Position and the Character
of the Large-Scale Farming
in the United States (I)**

Isshin NAKANO 22

**Condition of the British Workers
in the Latter Half of the
Nineteenth Century**

Kozo KIKUCHI 49

PUBLISHED BY

THE FACULTY OF ECONOMICS, KYOTO UNIVERSITY

SAKYO-KU, KYOTO, JAPAN

THE KYOTO UNIVERSITY ECONOMIC REVIEW

MEMOIRS OF THE FACULTY OF ECONOMICS
IN
THE KYOTO UNIVERSITY

VOLUME XLVIII NUMBER 1-2 (APRIL-OCTOBER 1978) WHOLE NUMBER 104-105

JAPANESE CAPITALISM AND FOREIGN TRADE 1945-1970 (II)

—JAPANESE TRADE UNDER THE FIXED
EXCHANGE RATE SYSTEM—

By Kazuichiro ONO*

III Major Markets of Japan

1. Trade between Japan and U. S. A.

(1) Structure of Export towards U. S. A.

Until the middle of the 1950's, the Japanese export towards U. S. A. was mainly composed of textile and miscellaneous goods, with light machinery which is durable consumer goods playing a secondary role, and they as a whole were characterized by labor-intensive goods manufactured in smaller businesses. The share of U. S. A. in the export market was small compared with that of Southeast Asia (see Table 15¹⁾). On the other hand, the import took the form of agricultural products (cotton, wheat), industrial materials and capital goods (machinery). This corresponds to the stage in which native industry or light industry was being recovered, established and transformed into an export industry, and with this as a medium the protection of domestic market for heavy and chemical industry as well as concurrent intrusion into the Southeastern Asian markets was undertaken, which provided

* Professor.

1) Ono, K., "Japanese Capitalism and Foreign Trade 1945-1970" (I), *The Kyoto University Economic Review*, Vol. 47, No. 1-2, Apr.-Oct. 1977, p. 47.

Japan with a foothold to pursue the basic process towards the establishment of heavy and chemical industry. However, since the end of the 1950's the export of light machinery (transistor radios, sewing machines, binoculars, cameras) composed mainly of household electric appliances increased by leaps, and since 1963-1964 with the increase of the export of iron and steel and heavy machinery the importance of capital-intensive goods was gradually enhanced. This also indicated the shift of the importance in the export towards U. S. A. from former goods manufactured by smaller enterprises to those by larger enterprises, or the change of the trade structure in this aspect. Nevertheless, what characterized the Japanese industries are the fact that the goods manufactured by larger enterprises depended to a great extent on the utilization of extraordinary workers or on smaller subcontract enterprises.

Japanese export towards U. S. A. showed an annual average increase of 17% for the period of 1960-1965 and 24.8% for 1966-1971, which figures exceeded the increase of the total export, respectively of 15.8% and 19% in the same periods, with greater importance of U. S. A. in the Japanese export. The mainstay in such an increase of export towards U. S. A. was the remarkable increase in export of heavy and chemical industrial products, above all, machinery and instruments, which replaced the stagnation of traditional export of textile and miscellaneous goods and so on. The percentage of heavy and chemical industrial products in export towards U. S. A. was 75.5% in 1971 and this figure exceeded 74.6% being ratio of heavy and chemical industrialization of total export. The Japanese share in the U. S. A. import increased from 4.7% for 1956-1958 to 13.5% for 1968-1970 and to 15.9% in 1971, and ranked the second next to Canada. However, the increase of export towards U. S. A. of machinery and instruments depended on only a few varieties of durable consumer goods.

Now let us look back the past hundred years of the world trade. For a start the world trade where textile had been dominant underwent a transformation with the advent of iron and steel, railway and shipbuilding, and then it has developed into automobiles and electric appliances and machine products of big industry of twentieth century from inventions and product-development in the end of previous century. Such a change has also continued after the World War II, for example, in electronic instruments, petrochemistry, and plastics.

Since the beginning of this century the change has brought a continued increase of the share in the world trade in the three major fields, i. e., machines, transportation machines and instruments and chemical goods. As aforementioned, the Japanese export towards U. S. A. intended to equalize or horizontalize to a level which these developed countries had already attained. Therefore, Japan had to newly entry in the existing fields of industry as a new comer. Whether iron and steel or shipbuilding, the leading commodities of the Japanese postwar export was in heavy industry, traditional of Europe and U. S. A. It was a pursuit after industries which had become relatively inferior, based on low wages: and was a process of seizing its share in the world market. Introduction of larger-sized equipment units, pursuit to the international standard, increase of capital equipment ratio per capita (even though it was through the introduced techniques) and increase of

labor productivity thereby will be fulfilled, it will be self-evident that relatively low wages should result in further decrease of wage costs, thus leading to a strengthening of the international competitive power. Current export of labor-intensive light machinery mainly composed of household electric appliances is not free from such a characteristic. Moreover, the problem is that the export tends to enlarge with an explosive increase of export of a few varieties of leading commodities, with the degree of concentration for the largest ten items being 60%.

It must also be noted that these growth-leading industries for Japan depend very highly on U. S. A. (Tables 18-A, B, C).

However, this does not bear witness to the frailty of the international competitive power of Japan (readers may be reminded of the Japanese cotton industry which was successful in defeating Lancashire cotton industry in the past). Nevertheless, we must point out that it tends to invite frictions with the existing markets and that it has such a structure as will give rise to antagonism because of protective policies of the other countries. Wide-ranged self-regulation or strengthened control of dumping is an expression of the

Table 18-A. Transition of Structure of Export to U. S. A.

(Unit: %)

	1956-1964	1965-1971
Total	100.0	100.0
Foodstuffs	7.3	2.3
Textiles	23.3	10.9
Clothing	8.4	4.5
Chemical goods	1.8	2.4
Non-metallic materials	6.1	2.7
Ceramics	3.0	1.5
Metals and metallic products	16.7	21.3
Iron and steel	9.5	15.2
Metallic products	5.8	5.0
Machines	19.7	46.9
Television sets	0.8	5.1
Radio sets	5.1	4.7
Automobiles	0.5	10.4
Motorcycles	1.0	4.6
Scientific optical instruments	n. a.	2.9
Tape-recorders	1.3	3.8
Miscellaneous	25.0	13.5
Plywoods	4.4	1.1
Toys	4.9	1.3
Heavy and chemical industrial products	38.3	70.6
Light industrial products	54.4	27.1
Miscellaneous	7.3	2.3

The Bank of Japan, *Monthly Bulletin* (in Japanese), Oct. 1972.

Table 18-B. Degree of Dependence on U. S. A. of Major Product Export (1968)
(Unit: %)

Commodities	
Heavy and chemical industrial products	31.0
Machines and instruments	28.0
Television sets	74.7
Transistor radio sets	55.5
Tape-recorders	58.7
Automobiles (ex. parts)	31.1
Metallic goods	45.2
Iron and steel	46.8
Chemical goods	10.8
Light industrial products	34.0
Textiles	25.0
Non-metallic mineral products	41.7
Other light industrial products	46.3

Ministry of International Trade and Industry, *The White Paper on Trade and Commerce* (in Japanese), 1969, p. 97.

Table 18-C. Share of Japanese Major Products in the Import of U. S. A. (1971)
(Unit: %)

Items	
Cotton and synthetic fabric thread	23.5
Cotton textiles	21.8
Synthetic fiber textiles	64.7
Ceramics	59.9
Steel, plate	43.2
Steel pipes and joints	57.3
Business instruments	37.4
Television sets	77.7
Radio sets	65.9
Passenger cars	18.8
Motorcycles	82.8
Clothing	21.9
Cameras	76.4
Tape-recorders	81.0
Miscellaneous goods	20.1

The Bank of Japan, *Monthly Bulletin* (in Japanese), Oct. 1972.

Table 19. Advancement of Developing Countries in the U. S. Market

(Unit: %)

		Japanese share in import	Share of other countries in import			
Total import	1965	11.3	Canada	22.6	Great Britain	6.6
	71	15.9	Canada	28.0	West Germany	8.0
Clothing	1965	35.1	Hong Kong	27.7	Great Britain	4.0
	71	22.0	Hong Kong	28.3	The Republic of Korea	12.9
Plywoods	1965	40.4	Formosa	15.8	Philippines	14.5
	71	20.7	The Republic of Korea	37.1	Formosa	21.6
Toys, dolls	1965	53.1	Hong Kong	23.1	Great Britain	6.7
	71	29.5	Hong Kong	34.8	Mexico	9.3
Footwears	1965	81.7	The Republic of Korea	5.9	Hong Kong	2.8
	71	33.3	Formosa	30.7	Italy	13.9
Umbrellas and parasols	1965	75.3	Hong Kong	18.3	Italy	4.0
	71	42.6	Hong Kong	26.8	Formosa	21.4

JETRO, *The White Paper on Overseas Markets* (in Japanese); referred from *Monthly Bulletin of Financial Statistics* (in Japanese), No. 251.

above. This is also the reason why U. S. A. urges Japan to liberalize the import of superior and highly technical products, i. e., electronic computers, of which U. S. A. is proud, as well as some agricultural products.

In addition, export of machinery mainly composed of durable consumer goods can not help being affected by the fluctuation of disposable personal income which is connected with the American business trend. Moreover, besides the competition with Europe in the American market, export of textile and miscellaneous goods, which still accounts for 25% of the total export towards U. S. A., has already faced the attack from developing countries with greater intensity and the possibility of such an intense attack is now enlarging (refer to Table 19). It can be said that traditional commodities themselves, which used to be in comparative advantageous position, are now facing a crisis. At the same time, this will indicate that the Japanese capital export will tend to the export industries of these developing countries towards developed countries, and this tendency will enlarge such a direction or domination over these export industries. The rapid increase of export in 1971, though it was supported on one side by the temporary factors of intensify inflation and of adjusting foreign exchange (in expectation of devaluating dollar) in U. S. A., and even rather aggravated friction and contradiction.

(2) Structure of Import from U. S. A.

Now let us study the import. As Table 20 shows the structure of import from U. S. A., since 1965 the import of textile materials has decreased, while that of foodstuffs and of machinery has increased. As a whole, the import of agricultural products and of industrial

Table 20. Structure of Japanese Import from U. S. A.
(Unit: %)

	1956—1964	1965—1971
Foodstuffs	12.3	16.6
Fabric raw materials	10.6	2.9
Raw metallic materials	12.5	6.0
Other raw materials	18.4	22.0
Soy beans	6.4	7.1
Lumber	3.0	8.6
Mineral fuels	10.8	11.4
Coal	5.9	8.9
Crude oil	0.4	0.2
Petroleum products	4.4	2.1
Chemical products	8.5	7.8
Machines	19.7	24.3
Miscellaneous	7.0	9.0
Non-ferrous metals	1.7	1.6
Total	100.0	100.0
Raw fuels	52.4	42.3

The Bank of Japan, *Monthly Bulletin* (in Japanese).

materials accounts approximately for 60% of the total import from U. S. A. Japan not only depends on U. S. A. for almost all the industrial materials except wool but even for agricultural fodder, so that agricultural materials which will support agriculture. This is the characteristic of the postwar period different from the prewar period. The aforementioned rapid decrease in the ratio of food self-supply of Japan since 1960 was clearly a consequence of the above (the ratio of food self-supply calculated on the carolie basis decreased from 83% in 1960-1961 to 61% in 1971-1972).

In 1971, the percentages for the major items of import of Japan from U. S. A. in the total import are as follows: wheat (52%), corn (56%), kaoliang (43%), soy beans (91%), scrap iron (70%), lumber (27%), coal (51%), business machines and instruments (59%), metal processing machines (35%) and aircrafts (99%).

Moreover, it is observed that the importance of U. S. A. in the Japanese import is now decreasing. This is because U. S. A. themselves are losing their reserve strength for export with lower ratio of self-supply on side of materials and with greater degree of dependence on other countries (here lies one of the main factors for raising of the current serious consciousness of crisis on resource problems in Japan today). However, this does not directly mean the decline of role of U. S. A. in the Japanese import of materials.

According to the customs clearance statistics, the Japanese import in 1970 from American enterprises abroad amounted to 3.05 billion dollars, accounting for 16.2% of the total amount of the Japanese import. The import from the U. S. mainland in the same year amounted to 5.66 billion dollars (29.4% of the total import). When these two figures are combined, the import related to U. S. A. is as much as 45.6% of the total Japanese import. Petroleum is an important item accounting alone for about 60% of the total import from American enterprises abroad. In 1970, the total Japanese import of petroleum amounted to 2.236 billion dollars, of which the direct import from the U. S. mainland being only two million dollars, i.e., 0.1% of the total import of petroleum, while the import from American enterprises abroad being 1.824 billion dollars, i.e., 81.6% of the total import of petroleum. It was already mentioned that the greater part of it was produced in the Middle East. The total Japanese import of iron ore amounted to 1.208 billion dollars, of which the import from American enterprises abroad being 528 million dollars (43.7%) and the import from the U. S. mainland being 49 million dollars (4.0%). When these two figures are combined, the percentage is 47.7% of the total import of iron ore. As to raw coal, the import from the U. S. mainland amounted much more (63% of the total import) than the import from American enterprises abroad being 25%. Both combined, the percentage is 88% of the total import of raw coal. As to copper ore, the import from the U. S. mainland accounted for only 1% of the total import, while the import from American enterprises abroad was 36.4%²⁾. Here we can not but be conscious of international monopolistic bodies led by U. S. A. being in overwhelmingly superior position for monopoly-controlled resources at least in the present stage. Truly they impose

2) Materials supplied by the Research Division of Mitsui Bussan Co. Ltd. See: "Japanese Import from the American Enterprises Abroad", *Monthly Bulletin of the Federation of Economic Organizations, Japan* (in Japanese), Nov. 1971.

Table 21. Ratio of Import of Major Agricultural Products from U. S. A. in Japanese Import

	1960	1968
Wheat	37	51
Rice	—	1
Corn	14	59
Kaoliang	—	81
Tabacco	86	59
Soy beans	97	83
Raw cotton	53	29
Tallow	91	86
Rawhide	70	78

The White Paper on Trade and Commerce (in Japanese); referred from Ino, Ryuichi, *Open System and Japanese Agriculture* (in Japanese), 1969, p. 148.

principal restrictions on the very fundamental conditions of production in Japan.

Though it is self-explanatory that the monopoly for mineral product resources is much stronger than that for agricultural product resources, it should be noted that the aforementioned change in the structure of imported resources caused the constitution of Japanese import of resources to be subject to greater restrictions from the international monopolistic bodies led by U. S. A. The birth of resources nationalism in developing countries will eventually reform such a structure but it still belongs to the future. Moreover, even in such a situation it is clear that it will not directly help stabilize the Japanese import of resources.

The import of machinery was mainly composed of metal processing machines and so on in 1960 due to our relatively inferior level of mechanical techniques and to the active plant and equipment investment. Since then, with the improvement of technological level (chiefly by means of introduction of foreign techniques and imported machinery), the domestic production advanced and reduced the importance of U. S. A. Recently, however, the import of machinery, such as large-scale electronic computers, which pertains to the circulation and management process of industries, that of industrial machines for introducing up-to-date techniques, and that of aircrafts, increased rapidly, and it is enhancing the importance of U. S. A. Thus, though the Japanese export towards U. S. A. has followed the course of heavy and chemical industrialization and of horizontal division of labor, raw materials which constitute a basic condition of process of production, as well as machines and techniques which are the core of process of production, are still being introduced. This is able to confirm the fact that the traditional economic foundation itself of the Japanese capitalism which is dependent on, or subordinate to, U. S. A. has not yet been changed. The tendency of excess Japanese exports over imports will give rise to strong protectionism in U. S. A. on one hand, and strong demands for liberalization of Japanese trade on the other. It will inevitably urge the Japanese capitalism to avoid frictions and instability which will arise from the market conditions. In addition, the birth of the resources

problems within U. S. A. herself, or her lower ratio of self-supply, will threaten the very conditions of reproduction for the enlargement of the Japanese capitalism dependent on overseas for most resources. The enlargement of loans, (in the form of reparations prior to this period), aids, or capital intrusion mainly directed for Southeast Asia since 1965, above all since 1968, is an expression of the correspondence or a full-scale start of organizing a structure for such a situation. This is a correspondence in a dimension different from that of the campaign for market conversion under the chronic excess of imports over exports or the dollar shortage. Yet it was in itself connected with the tendency to increase in the accumulation of foreign currency or the increase in surplus power of capital export which was supported by the Vietnam special procurement and it was also backed up by the need to replace U. S. A. in aids.

2. Southeastern Asian Markets

The shut-out from the Chinese market after the loss of neighboring markets in the postwar period and the dependence on American market made the Japanese capitalism decide to direct towards the intrusion into the Southeastern Asian markets which have traditionally geographical convenience.

It was not only combined with the need to secure a market bloc for traditional light industrial products and relatively inferior heavy and chemical industrial products, but also with the need to alleviate the then overwhelming dependence on import from U. S. A., or the chronic dollar shortage (so-called market conversion) and further with the need to look for stable markets for raw materials. The American policy of blockade against China (it was in a way a re-emergence of the Sino (China)-Japanese alienation policy, one of one-time those English traditional diplomatic policies towards East Asia), to which Japan had to be subject, forced Japan to seek her allowance for raw materials in still more remote places, and this continuously put pressure upon her international balance of payments, through the substantial red figures in income from marine transportation.

Moreover, import capacity of these Southeastern Asian countries was limited because of stagnant demand for primary products except petroleum, inferior ability of the regions to develop themselves and capital shortage in the postwar period. As was already mentioned, the export towards these regions had to enlarge taking advantage of a political tension in Asia, being dependent on the American aids, or dollar scattering, arisen thereof.

Also it is pointed out that Japan has frailty on her material base, and in finding a solution for this frailty, Japan always had the American economic power in mind and continued to assume the posture to depend on American aids, as is observed in the conception of Southeastern Asian development by drawing in American capital, which had been advocated since the Korean War, and in the conception of utilizing the GARIOA and EROA Aids Refundment Funds for Southeastern Asian development. The problems on need to secure, or develop, stable supply of materials, or in other words, on need of overseas investment, were brought up by the iron and steel industry as early as the beginning of the Korean War, and it was in itself carried out with the help of American capital as a link in the chain of Japan-U. S. economic cooperation. It must be noted that the so-called movement to convert from the American market itself was not undertaken with a

view to becoming independent on U. S. A. and that it was given by changing the American policy towards Japan so as to strengthen the Japanese iron and steel industry with the cooperation of U. S. A.³⁾

At the initial period (1955) of the high growth, more than half of the Japanese export towards Southeastern Asian markets was filled with light industrial products mainly composed of textile and miscellaneous goods, while heavy and chemical industrial products remained less than 40%. It is not before 1958 that heavy and chemical industrial products outnumbered light industrial products in percentage in the export towards these regions. If substantial light industrial products which are classified conveniently from a statistical point of view into the item of "miscellaneous" are included, it is not until 1960 that heavy and chemical industrial products substantially exceeded light industrial products in volume.

In 1960 the export of heavy and chemical industrial products towards these regions increased by 43% from the level of the previous year, and the percentage of these products in export increased to 55%. This increase was brought about by the marked increase of export of iron and steel, automobiles and ships. Among them, the increase of export of automobiles was due to the special procurement of the American Army Procurement Agency and the increase of export of ships resulted from the concentration of time of delivery of ships as reparation and subsequent economic aids to the Philippines.

These changes were concurrent with the reparation to these regions beginning with that to Burma in 1955, economic cooperation without compensation or donation, enlargement of export on deferred payments, initiation of official loans or official yen credit beginning in 1958, and the process of enlargement of aids through establishment of the Overseas Cooperation Fund. In the course of these processes, the hitherto inferior heavy and chemical industry has much more come to be established as an export industry (it is well known that the price of plants exported in such a completely tied loan or on deferred payments was unreasonably much higher than the international price).

Taking the intensification of the Vietnam War as an opportunity, the Japanese export enlarged further. It was in combination not only with the Vietnam special procurement but also with the escalation of overseas investment and aids by Japan herself replacing Great Britain as a partner of U. S. A. Especially during this period export related to the Vietnam special procurement towards the neighboring seven countries (e.g., the Republic of Korea, Formosa and the Philippines and so on) increased rapidly and the ratio of these even countries in the total Japanese export increased from 16.8% in 1964 to 21% in 1967. The ratio in the export of heavy and chemical industrial products to Southeast Asia as a whole increased from 57% in 1960 to 65% in 1965 and to 67.3% in 1967 (readers may note in comparison with these figures that the ratio of heavy and chemical industrialization in the export towards U. S. A. was 55%).

In addition, machinery accounted for 70% of the export of these heavy and chemical industrial products and the main body was composed of general industrial machines and

3) See: Ono, K., "Raw Materials Problems of Japanese Capitalism", *The Economic Review* (in Japanese), Sept. 1961.

Table 22. Regional Composition of Export of Machinery by Main Kinds (1969)

(Unit: %)

	North America (A)	Asia (B)	(A) + (B)	Total including others
Television sets	79.0	10.4	89.4	100
Transistor radio sets	61.8	15.2	77.0	100
Tape-recorders	66.0	11.8	77.8	100
Automobiles	45.1	22.3	67.4	100
Passenger cars	55.2	11.5	66.7	100
Ships	0.5	13.8	14.3	100
Industrial machinery	12.6	49.2	61.8	100
Light machinery	40.0	19.3	59.3	100
Light electrical machinery	32.5	30.5	62.5	100
Optical machinery	42.8	16.4	59.2	100
Heavy electrical machinery	19.4	44.6	64.0	100
Total	35.1	22.9	58.0	100

Ohuchi, Tsutomu, ed., *Modern Japanese Economy* (in Japanese), 1971, p. 72.

Figures calculated by M. Takahashi. Asia includes Western Asia.

plants. The main force was more of heavy machine equipments than of light machines, but this is not so in the export towards U. S. A. (see Table 22). We may not need to point out again but this process meant a new evolution and development of the struggle for market redistribution by Japan in Southeast Asia.

The enlargement of Japanese export was, in other words, the enlargement of import from Japan in these regions. The import from Japan increased from 17% in 1965 to 25% in 1969. Since 1968 the import from Japan has exceeded that from U. S. A. ranking in the first place (see Table 23).

As to the import from Southeast Asia, on the other hand, the ratio of foodstuffs had been fairly high (about 25%) in the import till the middle of the 1960's but raw materials and fuel accounted for 70% in the later half of the 1960's, while the ratio of foodstuffs declined to 14% (see Table 24-A, B).

However, the Japanese trade with Southeast Asia has been lowering its share both in export and in import since the beginning of the 1960's. With a few exceptions the balance of trade has generally showed chronic excess of Japanese exports over imports and the width of excess is bigger than the amount of Japanese investment or aids. Especially the widths of red figures of the countries without resources like the Republic of Korea, Formosa, South Vietnam, Singapore, and Thailand and so on, are enormous. From 1968 to 1970, the export towards the regions of Southeast Asia rather lowered its share from 34% in 1960 to 25% in 1970. On the other hand, the increase of import from these regions during this period exceeded the increased of the total import (21%) with the result that the percentage in the import increased approximately by one point (16%). However, it did not reach the level of the beginning of the 1960's (22%). It implies that, in spite of the increase of aids, export on deferred payments, loans or investments both by U. S. A. and

Table 23. Shares of Japan, Great Britain and U. S. A. in Imports of Southeastern Asian Countries
(Unit: %)

Imported from →		Japan	U. S. A.	Great Britain
India	1961—63	5.5	29.5	17.0
	1968	6.6	34.9	7.3
Pakistan	1961—63	7.0	36.8	17.1
	1968	11.0	30.2	12.2
Ceylon	1961—63	9.0	3.4	20.7
	1968	5.2	7.9	15.6
Indonesia	1964—67	27.5	11.2	3.4
	1968	23.1	26.7	2.3
Malay and Singapore	1964—67	16.6	7.4	19.1
	1968	21.7	10.7	14.8
Philippines	1961—63	17.7	44.1	4.6
	1968	27.5	32.4	4.2
Thailand	1961—63	30.7	16.5	9.3
	1968	37.7	19.2	7.0
Burma	1961—63	23.7	5.0	14.9
	1968	23.6	4.7	14.5
South Vietnam	1961—63	16.5	34.1	2.1
	1968	30.0	29.3	1.2
Formosa	1961—63	31.9	40.7	1.2
	1968	40.4	26.7	1.8
The Republic of Korea	1961—63	26.6	50.0	1.3
	1968	42.5	30.8	1.1
Hong Kong	1961—63	16.0	11.5	11.9
	1968	21.8	13.9	8.7
Australia	1961—63	5.9	20.8	30.1
	1968	10.8	26.4	22.1
New Zealand	1961—63	3.8	9.3	42.2
	1968	7.7	12.2	31.4

Note the decline of the position of Great Britain in the areas of the British Commonwealth of Nations. Also note that in a case of viewing from Japan the share in the Japanese export is at most around 3% even for the countries with especially high percentages.

The Bank of Japan, *International Comparative Statistics of Major Countries in Asia and Oceania* (in Japanese).

Table 24-A. Japanese Import from Southeast Asia (Unit: %)

	1965	1968	1970
Foodstuffs	25.5	19.2	14.8
Fabric raw materials	5.1	3.7	3.3
Raw metallic materials	23.9	21.1	19.4
Other raw materials	30.6	32.6	30.5
Mineral fuels	7.9	11.3	15.7
Processed products	6.6	11.4	15.4
Total	100.0	100.0	100.0

The White Paper on Trade and Commerce (in Japanese), editions for respective years.

Table 24-B. Japanese Import of Primary Products and Southeast Asia (1968)

	Ratio of import from Southeast Asia	Major supplying countries
Corn (livestock feed)	16%	Thailand
Raw cotton	7	Pakistan, India
Iron ore	28	India, Malay
Scrap iron	11	India
Bauxite ore	53	Indonesia
Copper ore	32	Philippines
Nickel	5	Indonesia
Salt	14	India
Natural rubber	97	Malay, Thailand
Copra	80	Indonesia, Philippines
Coal	1	
Crude oil	8	Indonesia
Lumber	39	Philippines, Malay

Yukizawa, Kenzo, ed., *Japanese Economy and Asia* (in Japanese), 1970, p. 134.

Japan, the effectiveness of these markets as the markets for sales or for materials in the process of enlargement of the Japanese economy is extremely restricted. Fundamentally, this extremely restricted effectiveness may be prescribed by the political instability in these regions, by the change in the structure of demand for primary products, especially by the stagnant export of Asian primary products. We should also note that it is restricted in a way by the American export of foods as aids. In this sense, recent Japanese aids of foods towards these regions assume the same character.

Recently, however, a change in the import from Southeast Asia has been observed and it should be paid attention to. The change is that light industrial products increased the ratio in the Japanese import from these regions (see Table 25).

The percentage of light industrial products in the import from Southeast Asia increased from 6.6% in 1965 to 11.4% in 1968, and to 15.4% in 1970. In addition, heavy and

Table 25. Ratio of Import from Southeast Asia and the Growth Rate (1970)

	Share of Southeast Asia in import	Average annual growth rate of 1968-70
Total import	16.0%	23.0
Foodstuffs	17.4	8.3
Fish and shellfish	49.3	38.5
Raw fuels	19.6	23.2
Mineral fuels	12.1	45.0
Lumber	45.6	20.5
Heavy and chemical industrial products	4.7	29.7
Non-ferrous metals	11.3	24.7
Semi-conductor elements	14.0	100.8
Light industrial products	23.8	58.8
Wooden products (ex. furnitures)	38.5	276.2
Textile products	41.5	49.4
(Thread)	58.4	27.0
(Cotton textile)	43.6	76.7
(Silk textile)	70.3	36.0
(Clothing)	55.6	129.3
Other miscellaneous products	10.5	77.7
(Furnitures)	14.6	82.6
(Articles for travel, bags)	33.9	73.2
(Toys and amusement goods)	7.3	56.0
(Artificial flowers)	98.4	32.9

The White Paper on Trade and Commerce (in Japanese), 1971.

chemical industrial parts like semi-conductor elements, appeared among the imported products. They are mainly composed of labor-intensive products like textile, miscellaneous goods, light machines and so on, with the Republic of Korea, Formosa and Hong Kong being their main producer-countries. The intrusion of these commodities based on abundant cheap labor in those developing countries will inevitably have a certain effect on the producers in Japan, namely smaller enterprises who bear most of the production, with weak management bases and high degree of dependence on export. It was already mentioned that the position of Japan declined in the competition not only in the Japanese market but also in the American market. It can be safely said that this tendency will possibly continue to have a greater effect helped by the preferential duties granted by developed countries by liberalization of the Japanese import and by enlargement of the frame of the Japanese preferential duties.

Owing to the decline of the Vietnam special procurement, export pressure on Japan from these regions will inevitably become stronger unless Japan herself finances the chronic red figures of these regions (offsetting by investments and aids) in this occasion. In addition, transfer of production bases to Southeast Asia as a self-adjustment to these situations, that is intrusion through capital export or subcontracting, is expected to advance further. The reality has already largely been heading towards the direction, and the aforementioned increase of import itself is in a way nothing but a consequence of the Japanese intrusion.

The existence of the gap between export and import, which arises from inferiority of import from these regions against enlarged export, is compelled to appear as a pressure on the trade towards these regions and to represent itself as a factor to augment much more instability in these regions. At the same time, it is obliged to intensify the criticism against Japan from these regions, of which recent boycott of Japanese goods in Thailand is an example.

Lastly, let us explain briefly about Oceania. The British Commonwealth of Nations adjacent to East Asia is now being subsumed within the Japan-U. S. A. economic bloc in Asia and the Pacific in proportion to the decline of English influence in Asia (as is demonstrated in the dispatch of troops to South Vietnam by Australia and New Zealand). The collapse of the old sterling bloc, or the weakening of the relation with suzerain Great Britain, went on rapidly in the postwar Asia since the latter half of the 1950's. It was also concurrent with the course along which Australia has become more and more the base that supplies Japan with materials (it is also premised on the joint investment for development by Japanese and American capitals).

The increased percentage of Australia in the Japanese import demonstrates the above fact. The country has come to be more important as a provider of mineral materials mainly of raw coal and iron ore, besides the traditional wool. Thus Japan is suffering from substantial red figures in the trade with Australia. In 1970, Southeast Asia and Oceania together grew up to be as big a market as the American market, with the Japanese export being 30% and the import 26%.

3. Socialist Markets

After the war, many authors cited before included socialist markets, above all, the Chinese market, as one of the major link of trade of Japan. However, the argument can not have been based on the assumption that these markets had really functioned as an indispensable link in the postwar process of enlargement of the Japanese capitalism. This is because the ratio of these markets remained coherently low both in quality and quantity under the regulation of COCOM, or especially under the control of the American policy of blockade against China. In 1971 when the list of articles under the embargo was drastically relaxed, the percentages for these markets still remained 4.8%, respectively, both in the total export and in the import (however, Japan took the second place next to West Germany in the trade with socialist countries and the first place in the trade with China). Nevertheless, the traditional authors must have regarded these markets as important, in the meaning showing a contradiction being that the markets have a new character and a possibility for development, but, that, in their turn, they are deprived of the possibility and rather are now under restriction. The contradiction that the trade taking advantage of adjacent markets, the Sea of Japan, the East China Sea, and the Yellow Sea has been under restriction was the very large factor to prescribe internationally the postwar Japanese reproduction. It also expressed clearly in the international setting the nature of the Japanese economy which, incorporated as a link of a chain of anti-communism military setup in Asia, and accomplished growth by following it faithfully. However, for the progress of heavy and chemical industrialization itself, non-discriminative enlargement is required

constantly as an economic logic and above all the intrusion into the Chinese market was intended, though it still remains to be a supplementary market to capitalist markets.

With a comeback to the United Nations by China in October of 1971, subsequent visits to China by R. M. Nixon, the President of the United States of America in February of 1972 and by K. Tanaka, the Prime Minister of Japan in September of the same year, as a turning point, the trade between Japan and China is coming into a new stage. However, it will depend on the course of confrontation between China and U.S.S.R. and on the basic posture of the Japanese capitalism itself whether or not the two countries will become stable and reciprocal markets. The visit to China by K. Tanaka was realized only after the visit to China by R. M. Nixon and even in the development of Siberia (Tyumen oil) joint development by Japan with U. S. A. was intended. These facts express clearly in themselves the Japan's self-regulation, or subordination to restriction, in this market⁴⁾.

Lastly, let us explain briefly the postwar international balance of payments of Japan.

IV Postwar International Balance of Payments of Japan

During the period of recovery from the postwar desolation (1946-1950), the export was not half as much as the import. Owing to the demolition of the mercantile marine, transportation also suffered from unfavorable balance of payments. What supplemented the

Table 26. Transition of International Balance of Payments after the War
(Unit: million dollars)

	1946-50 average	1951-55 average	1956-60 average	1961-64 average	1965-68 average	1969	1970
Balance of current account	145	105	23	△ 573	760	2,044	2,349
Balance of trade	△ 188	△ 393	93	14	1,966	3,718	4,439
Export	395	1,507	3,116	5,276	10,239	16,479	19,855
Import	583	1,900	3,023	5,263	8,273	12,761	15,416
Balance of invisible trade	△ 68	442	△ 16	△ 539	△ 1,062	△ 1,487	△ 1,861
Balance of transfer account	401	55	△ 54	△ 47	△ 143	△ 187	△ 229
Balance of long-term capital account	△ 16	15	28	184	△ 569	△ 642	△ 1,347
Domestic capital	△ 20	△ 22	△ 97	△ 343	△ 781	△ 1,892	△ 2,010
Foreign capital	4	37	126	527	212	1,250	663
(Basic balance of payments)	129	120	51	389	192	1,402	1,002
Balance of short-term capital account	—	22	△ 1	117	148	370	670
Errors and unaccountable	15	1	28	20	△ 22	217	327
Total balance	145	143	78	△ 251	318	1,989	1,999

The average amounts until 1968 are taken from *The Economic White Paper* (in Japanese), 1969. Basic materials are taken from the Bank of Japan, *Table of International Balance of Payments* (in Japanese).

4) Refer in detail on the trade between Japan and China to : Okamoto, Saburo, *The Theory on Trade between Japan and China* (in Japanese), 1971.

deficit was the favorable balance of transfer account, i. e., the GARIOA and EROA Funds, or American aids to Japan. The postwar process of recovery of reproduction got started here, and that decided the subsequent direction of Japan. During the period from 1951 to 1955, both export and import increased. However, the excess of imports over exports was enormous, and uninterruptedly the payments in transportation, insurance and others increased. What replaced the aforementioned aids in relieving the international balance of payments in this stage was the income from special procurement amounted to 700 million dollars annually succeeding to the Korean War special procurement, which is contained in balance of invisible trade. Recovery to or breaking the prewar level of production and process of expansion of the basic industries went along with the process of establishment of the bases for heavy and chemical industrialization, and this process was also supported by the special procurement in connection with the American policy to Asia.

During the period of high growth (1955-1960), balance of trade approached an equilibrium, while red figures in incomes from transportation and investments which are held in balance of invisible trade increased. On one hand, balance of transfer account also suffered from deficit with the beginning of the payment of reparation. One factor which supplemented these deficits was the special procurements as it was before. On the other hand, an increasing tendency in inflow of capital should be noticed. As to the period from 1961 to 1964 when the dollar crisis became more serious and when liberalization of trade started and proceeded, the basic condition of balance of trade was similar to that in the previous period, while, in the invisible trade, payment for international investment income and for equivalent of introduction of techniques and so on, as well as the payment in transportation and insurance, increased markedly. In addition, special procurement was reduced to a half of the previous period (300 million dollars level), with the result that substantial deficit was incurred. As a whole the balance of current account was reversed from that of the previous period and it suffered from an enormous deficit. What relieved this deficit was the inflows of long-term and of short-term capitals. The period, in which advancement in industrial structure was realized and plant and equipment investment increased markedly, that is to say, the period of establishment of heavy and chemical industrialization were indeed made possible with inflows of long-term and of short-term capitals in this period chiefly from U. S. A.

In the above process, cyclical fluctuation was disregarded and during the period Japan experienced three occasions of the monetary restraints owing to foreign capital crises. The years of 1953-1954, 1957, 1961 and 1964 are the examples. They all arose from the expansion of import induced by the process of excess expansion of economy or of capital accumulation, and in every time adjustment through policies for monetary restraints was carried out. In these periods, the so-called "wall of international balance of payments" became an issue as a factor that retards the growth. This trend is explicit in that the foreign currency reserves of Japan had little by little amounted to 1.8 billion dollars in the 1960's, but for all that, they tended to decrease gradually since then (see Table 27). Hence also, the supreme emphasis on export expansion as a greatest factor to get rid of this wall and to support a continued growth formed a public opinion. (We should

Table 27. Transition of Foreign Currency Reserves
(Unit: million dollars)

	Foreign currency ①	Gold ②	①+②
1955	746	23	769
60	1,577	247	1,824
65	1,569	328	1,897
66	1,469	329	1,798
67	1,453	338	1,792
68	2,261	356	2,617
69	2,614	413	3,028
70	3,188	532	3,720
71	13,783	679	14,521

IMF, *International Financial Statistics*. The ratio of gold reserves in gold and foreign currency reserves in 1971 was 5.1% and it is the lowest among the developed countries. Foreign currency does not include IMF gold tranche and SDR.

also bear in mind that Okinawa which was separated from Japan in the postwar period brought always Japan proper enormous amount of dollar income, at the least more than one to three hundred million dollars annually throughout the 1960's.)

As to the period from 1965 of the Vietnam War to 1968, deficit in the balance of invisible trade augmented further and deficit in the balance of transfer account also augmented with an increasing trend of aids to Southeast Asia (reparation and aids without compensation). However, the balance of current account went into the large black because of that the substantial black-ink came about in the balance of trade. And the international balance of payments as a whole was also went into the black in spite of the enlargement of deficit in balance of capital account due to the increase of long-term capital export. Foreign currency reserves was also increasing with a bottom in 1967 and in 1968 it finally reached the level of 2.0 billion dollars. Both in 1969 and 1970 the deficit in the balance of invisible trade continued to enlarge and capital investment also increased drastically bringing about a substantial deficit. However, the black-ink came to arise in the balance of trade and it was enough to cover these deficits. This is what we call conversion or fixing to the basic condition in the black. In 1971 the foreign currency reserves increased drastically to the annual amount of 10.0 billion dollars with the movement of short-term capital. Recently (February 1973) the reserves is reported to be virtually more than 20.0 billion dollars. It goes without saying that such a change after 1965 was supported by the strengthened competitive power in export of the Japanese heavy and chemical industries which had been reserved in the previous period. Nevertheless, as was mentioned earlier, we should pay attention to the fact that the change was concurrent with the intensification of the Vietnam War. We should also note that the rate of foreign exchange had been fixed until the end of 1971 and that it had been supported by the expansion of the credit of the Bank of Japan in spite of the augmented black-ink figures in the international balance of payments and of the increased foreign currency

holdings (from 1968 to 1971 the ratio of overseas assets increased markedly in the assets of the Bank of Japan and it became the primary factor of the expansion of the credit of the Bank of Japan). In the long run, this means that the rate of foreign exchange which should have risen in accordance with the economic law, was placed practically in a lower position by supporting dollars with the credit of the Bank of Japan. In this viewpoint, it will be able to say that the expansion of export was performed through a forced maintenance of the low exchange policies (exchange dumping). This process which intensified inflation within the country was in a way the very process to propel strongly expansion of export or transformation of heavy and chemical industries into export industries.

It not only made pollution problems nationwide but also was a process, which invited from the western countries a stronger criticism of "pollution dumping" (it was in the sense that enterprises failed to bear the expenses to relieve pollution) as a new type of dumping from Japan. It was also the very process to enlarge and strengthen both internationally and nationally contradictions of the heavy and chemical industrialization of Japan.

Conclusion

When we say that the position of Japan in the world underwent a big change in the course after 1965, let us confirm the fact not only in her foreign trade and in her international balance of payments but also in her international indebtedness (balance of loans and debts) (see Table 28).

In 1967 long-term assets (overseas long-term investments) exceeded long-term debts in the international indebtedness of Japan, and in 1969 Japan became a creditor-country both in long-term and short-term assets. Since then, the width of excessed assets gradually expanded and in 1971 it doubled in a jump (ten times as much as that of 1968). By the end of November 1972, excess assets had increased by 48% from the level of the end of 1971, amounting to 19.766 billion dollars. The amount was drawing near to the level of 20.0 billion dollars and Japan has come to establish her position as a creditor-country. The aids to the developing countries amounted to 2.1 billion dollars in 1971, which is in the second place in the world next to U. S. A. with 7.0 billion dollars.

However, a conspicuous characteristics in the balance of international indebtedness of Japan is that, in assets, the short-term assets (foreign currency reserves which increased explosively over a short period being the main portion) had a greater ratio than the long-term assets by a difference of 10.0 billion dollars. This practically means that Japan controlled the intensification of inflation in U. S. A. from this aspect, and that it financed a part of the Vietnam War and of the capital export from U. S. A. The ratio of direct investment in long-term assets is still low and even if the direct investment increased, it is no more than 2.6 billion dollars, which is far below the level of investment in the prewar period (the loss of assets by corporations at the end of the war is estimated to be 16.6 billion dollars). Its level is much lower than the level of U. S. A. and that of Great Britain, which was respectively 70.8 and 18.6 billion dollars in their balances of investment in the end of 1969. Increased short-term assets included enormous short-term capital be-

Table 28. Balance of International Indebtedness of Japan, i. e., Foreign Loans and Debts (Unit: million dollars)

	1965	1967	1968	1971	1972
Assets					
Long-term assets	2,503	4,085	5,168	11,200	15,278
Direct investment	639	866	1,087	2,050	2,619
Export on deferred payments	1,315	2,200	2,775	5,300	5,577
Yen credit	287	655	893	2,450	3,859
Others	262	361	413	1,400	3,223
Short-term assets	4,697	5,196	6,827	20,515	26,798
Assets of foreign exchange banks (export usance)	2,549 (1,652)	3,105 (1,982)	3,828 (2,734)	5,200 (3,800)	8,302 (3,222)
Others	41	86	108	80	84
Foreign currency reserves	2,107	2,005	2,891	15,235	18,412
Total	7,200	9,281	11,995	317,715	42,076
Debts					
Long-term debts	3,927	3,880	4,717	7,540	8,117
Direct investment	522	598	651	1,050	1,195
External debts	708	669	789	1,070	954
Loan	1,915	1,925	2,403	2,670	2,508
Securities investment	231	275	504	2,450	3,159
Import on deferred payments	167	94	81	100	107
GARIOA, EROA	389	319	289	200	194
Short-term debts	4,404	5,600	6,267	10,800	14,193
Government and Bank of Japan	338	362	354	500	596
Foreign exchange banks (Import usance)	3,452 (2,035)	4,133 (2,211)	4,617 (2,302)	6,800 (2,500)	8,147 (1,430)
Others	614	1,105	1,296	3,500	5,450
Total	8,331	9,480	10,984	18,340	22,310
Net asset balance	△ 1,131	△ 119	1,011	13,375	19,766

Japan Economic Newspaper (in Japanese), March 15 and July 25, 1969 and Jan. 17, 1973.
 Figures are based on the research of major foreign exchange banks at the end of respective years, except for 1972 where the figure at the end of November are shown.

cause of uncertainty over currency, and not that the stability as an assets had not been secured. It is true that in the foreign currency reserves in Japan ranks the second in the world next to West Germany but the ratio of gold in composition of assets is overwhelmingly low (5%). In this sense, Japan has a greater instability than other developed countries.

Presently, the average ratio of gold in the reserves of gold and of foreign currency is about 30% throughout the world, but the ratio of Japan's gold holdings is below the average, lower than that of a developing countries such as the Philippines and so on. The weakness in the composition of gold holdings may be brought about either because Japan

did not demand the exchange of holding dollars into gold as a faithful cooperator in defending dollars or because she had the exchange controlled. This also expresses the frailty of her position in general as a creditor-country. Because of the depreciation of dollar, the fall in the real value of foreign currency reserves of Japan came to have the honour of being the highest in the world. It was a complete transfer of value to U. S. A. without compensation.

What is called the Smithsonian system once established in 1971 has already collapsed in the present time and the transition of the world economy from fixed exchange rate system into floating exchange rate system is now decisive (in February 1973, the re-devaluation of dollar by 10% was done, the transition of Japanese yen into floating exchange rate system came into force, and the revaluation of yen took effect after March the floating exchange rate system came to stay also in Europe). Internationally Japan is no longer allowed to keep the fixed exchange rate system or the low exchange policies which has supported the expansion of her export, and the competitive power in her export is now facing a serious threat also from this aspect. What with the intensification of inflation within the country and what with the pressure on the competitive power in export from foreign exchange, Japan is gradually expanding the overseas processing bases, and will have to expand much more hereafter her investment for developing resources as global problems of resources become more serious. At least until now, in spite of the increased investment for developing resources since 1965, the degree of dependence in major resources on foreign countries has not yet been liquidated or relieved by it at all. On the contrary, the degree of dependence has meanwhile been increasing. It is not yet clear how the process of expansion or the process of internationalization of the Japanese economy will affect her international balance of payments.

What is clear enough to be pointed out, however, is that it will become the process which will further augment frictions with U. S. A. and that at the same time it will become the process which will further intensify repulsion from Southeast Asia. For, in the case of Japan, combination with Southeastern Asian market bloc may expand a control over market bloc by Japan in trade and in investment, but it may not necessarily be combined with economic independence or industrialization of the other countries. On the contrary, greater dependence on Japan will definitely tend to have the aspects to control independence or industrialization (control over markets and expropriation of resources).

At the same time, it is also sure that it will be not the process which will certainly neither relieve inflation or raising of prices within the country (even if advancement and pressure of the open system should bring about increased import), nor lead to the process dissolving the low wages in Japan herself.

Since Japan depends on import of resources largely controlled by the international monopolistic bodies, raising of rate of foreign exchange tends also to induce subsequent raising of import price. On the other hand, because of the circumstances aforementioned, the possibility to overlay export price with an increase from raised exchange rate is limited especially in export to developed countries. Consequently, a tendency which will not lead to more advantageous terms of trade functions strongly. And, in the course of such pro-

cesses, the situation will probably be opened unexpectedly early when the so-called "constant black-ink balance theory" itself will have to be revised.