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Regional Integration, Collective Security, and Trade Networks : West German and Japanese Economies under Allied Occupation

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ABSTRACT

The first phase policy of the Allied Occupation of West Germany (1945-55) and of Japan (1945-52) was focused on demilitarization and democratic reform. From 1947 the policy aim was shifted to economic recovery and the establishment of self-sustaining economies, and then further transformed to 'cooperative developments' between these defeated countries and the U.S.-led world economy. After the onset of the Cold War, the occupation policy promoted the reconstruction of West German and Japanese economies in order to make them help contain the expansion of the communist regimes in Europe and Asia. However, there lies an utmost necessity to solve the 'dollar gap' then prevailing throughout the world, and to construct a collaborative world economy under the American leadership. To obtain this goal it was important to develop West Germany and Japan into the European and Asian 'workshop' each, and give them the central role of the regional economic integration respectively. Thus, the collective security and the trade networks are supposed to settle in parallel manner..

In Europe the occupation sewed the seeds of European integration by providing the Marshall aid and by creating the EPU. In Japan, in addition to the EROA fund, the U.S. has put a tremendous amount of military procurement order, and encouraged Japan to expand to Southeast Asia. After all it looks equivalent that the U.S. occupation reopened the way Germany and Japan so wanted to take but failed, to the *Grosswirtschaftsraum* and the Greater East Asian Co-prosperity Sphere. West Germany and Japan soon became 'workshops' of their own region, and the centers of Europe and Asia respectively. Dollar shortage was soon solved. It overshot to the 'Triffin dilemma'.

Key words : Regional Integration, Collective Security, Trade Networks, Dollar gap, Allied occupation of Germany and Japan.

* The Korean version appeared as chapter 5 of my book, *Globalization in Historical Perspective*, 1st ed., Seoul National University Press, 2007; it is excluded in the 2nd ed., 2012. I owe professor Albrecht Ritschl for Table 2.

I. Introduction

This paper compares the progress of economic recovery of West Germany and Japan after the World War Two and finds its implications for today. Particularly highlighted are the impacts of the occupation policy implemented by the Allies - in effect the US - on West Germany (1945-55) and Japan (1945-1952). In the beginning, the occupation policy focused on demilitarization and democratization. From 1947, the policy stressed the economic recovery of both countries, so they could support themselves ('Restauration' in Germany and 'reverse course' in Japan). Eventually, the policy visualized the cooperative development of the defeated economies on the one hand and the world economy led by the US on the other.[1]

In 1948, Japan and Germany started recovering from the enormous losses of physical and human capital. During the war, Germany and Japan lost seven million and three million people, respectively, and each lost almost half of its territory. Ten million people returned to Germany, and four million to Japan, worsening the problem of unemployment. The problem was already serious because the destruction of infrastructure had been severe and factory operating rates had been low. Through the United Nations Relief and Rehabilitation (UNRRA) and Government and Relief in Occupied Areas (GARIOA), the Allies provided Germany and Japan with relief but only at the subsistence level. The Allies did not help re-operate factories that had been used for military purposes in both countries. As the Cold War began, however, the Allies stopped meting out punishments (denazification and antimilitarism) except war crime tribunals, and set West Germany for containing communism in Europe and Japan for the same purpose in Asia.

Political, diplomatic, and military factors related to the Cold War lay behind the change in the goal of the aid from relief to economic recovery. And yet, the design of plans for aid, the implementation of the plans, and the effects of the plans were all ‘economic’ issues. Specific guidelines were also provided with certain economic goals for a specified period. For example, the goals of the Marshall Plan included a boost in production, an expansion of foreign trade, stabilization of domestic finance, and economic cooperation and development (Yang 2004: 197). Japan was also helped to prepare a basis for self-support by rehabilitating the economy, stabilizing prices, unifying exchange rates, and lending counterpart funds. Similarly, the US tried to address trade imbalances with West Germany and Japan by making Germany the European workshop and Japan the Asian workshop, the suppliers of manufactured goods, especially capital goods.

The Cold War played a significant role in changing the direction of the occupation policy. At the same time, the change was part of the US foreign policy; it wanted to see the recovery of the world economy and the expansion of markets. The shortage of dollars was serious, and multilateral trade was desperately needed. The shortage worsened because of the severance of trade between West Germany and Eastern Europe and between Japan and China. Hence, it was

[1] The Allies directly governed West Germany, while they indirectly did so for Japan through the Japanese government. The difference could make comparisons somewhat complicated. The purpose of this paper is, however, to find whether the occupation marked a discontinuous turning point or a continuous linkage chain in history. As far as the purpose is concerned, the difference little matters (Petzina and Ruprecht 1992, especially Otake’s paper therein pp. 75-98). The US had an experience of the occupation of Cuba after the Spanish-American War, and of Rheinland, Germany after World War One. With regard to the size of population and economy, however, the occupation of Japan and especially Germany threw a completely different challenge of international relations. It was inevitable that the US went through trials and errors such as an attempt of retaliatory deindustrialization in the beginning of the occupation (Zink 1957: 1-4).

necessary to rebuild the 'colonial' trade patterns by placing West Germany and Japan at the 'center' of the trade with Africa, South America, and Asia. Although this was the goal of the aid, 'packaging' it as part of the strategies for the Cold War made it easier to get the approval of the US Congress (Borden 1984: 3-6, 10-11).

In other words, behind the change in the occupation policy lay intentional and continual efforts led by the US to construct the open world economy. Because this idea bred the international economic policies for Germany and Japan, it is of interest to compare them. For example, similar factors triggered the fundamental changes that turned attention from the Morgenthau Plan to the Marshall Plan for Germany and from the Pauley Report to the Draper Report for Japan (Hardach 1985: 21).

The literature on the recovery process of the German and Japanese economies during the occupation period mostly concerns the US foreign policy for Europe and Asia after WWII, especially policy related to the Cold War. Specifically, the literature concerns the backgrounds of the occupation policy, the system of collective defense, and the system of other military cooperation. Attention is also paid to how the US foreign policy evolved in bureaucratic and organizational ways. It is rare to find studies that focus on the complicated aid plans and the implementation of them. Only recently, attempts have been made to relate the economic goals announced in the economic aid as part of the occupation policy to actual achievements. Furthermore, much research has been done shedding light on either post-WWII Germany or post-WWII Japan, but little has been done for comparing the two countries.[2]

The paper proceeds as follows. Chapter 2 explains what the Allies considered before the end of the war to resolve problems inherent in post-WWII Germany and Japan and how the consideration proceeded in the beginning of the occupation. Chapter 3 illustrates how the initial policies, intended for denazification, demilitarization, and democratization, eventually were rolled back and how the goals were transformed into making both economies recover and support themselves. The section also briefly mentions how the economies recovered. Chapter 4, the main section of this paper, analyzes how trade expanded and its patterns changed. Illuminated is the tendency toward the prewar patterns and the characteristics of the regional integration. The last chapter considers the results of the economic recovery during the occupation and derives implications for the present. Every chapter has a perspective for comparing West Germany and Japan.

II. The Early Occupation policy

During WWII, the Allies, especially the US, considered building the open world economy led by the US, i.e., preventing a return to the bloc economies of the 1930s and securing markets for the US. The Bretton Wood system was established, and the GATT was created. The occupation policy for Germany and Japan were conceived within this framework. In the beginning, aspects of revenging the defeated nations were not absent in the policies.

The division of Germany was discussed at the Teheran Conference in November 1943, but the US Department of State had more moderate goals: demilitarization, denazification, democratic labor reforms, economic decentralization, and the reduction of reparations. The

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[2] Some attempts are as follows: Wolfe (1984), Hardach (1985), Krebs and Oberlnder (1997), Streeck and Yamamura (2001), Gough (2003), and Gilchrist and Williams (2004).

Morgenthau Plan of the US Treasury was more radical, which was determined at the Quebec Conference in September 1944. The plan considered dividing Germany, transforming it into an agricultural country, and taking reparations in the forms of forced labor and dismantlement of factories. Many parties, however, disapproved of the plan. It was decided at the Yalta Conference in February 1945 that the eastern part of Germany would be transferred to Poland and the four Allies divided and ruled the rest of Germany. It was also decided that a level of industry (LOI) for each industry would be set to limit production activities to 70-75 percent of the 1936 level. Capacities beyond the LOIs would be dismantled for reparations which amounted to 20 billion dollars.[3]

On the Asian side, the Allies considered placing China at the center of the US interest and eliminating the Japanese hegemony. At the Cairo Conference in December 1943, issues about the post-WWII territory of the Japanese Empire were discussed. After agreeing the terms of capitulation at the Potsdam Declaration in July 1945, the Allies excluded the policy of divided rule in the Joint Chiefs of Staff directives of November 1945 and decided to operate the Japanese government. The Far Eastern Commission including the Allies acted as an advisory committee, but essentially the Japanese government carried out administrative works under the supervision of MacArthur, Supreme Commander of the Allied Powers (SCAP). The Pauley Report, which set out the guidelines, was not as radical as the Morgenthau Plan. The report set 617 million dollars for reparations and considered land reforms, labor reforms, and the dissolution of zaibatsus.[4]

Because addressing starvation and diseases was urgent, however, the demilitarization and payment of reparations were not strictly enforced. Food was supplied through relief in various forms (UNRRA and GARIOA), and punishments (denazification, antimilitarism) and democratic reforms were tried. In Germany, large banks and firms were separated, cartels were broken up, and labor unions were promoted.[5] In Japan, more comprehensive democratic reforms were carried out, including the dissolution of zaibatsus, anti-trust laws, agrarian reforms, the promotion of labor movements, and educational reforms (Nakamura,T. 1979, 1993; Kim 1991: 255-268; Kawai 1960: 183-200; Nakamura,M. 1995).

It is uncertain whether the early policies facilitated the economic recovery. Positive or not, it appears that the overall effect was small. The denazification and antimilitarism had little substance and eventually came to a halt. The payment of reparations and dismantlement of the excess capacity beyond the LOIs were not enforced as planned, and the LOIs themselves continued to be adjusted upward. The dissolution of zaibatsus, economic decentralization, and de-cartelization must have had adverse effects on efficiency by reducing economies of scale. On the other hand, they enhanced rationalization by promoting competition. After some time, however, economic concentration reappeared in a new form of kombinat; cartels in Germany and

[3] The record exists that Roosevelt and Stalin exchanged a joke about executing fifty thousand German officers (Neumann 1967: 137) at the Yalta Conference. More details on the occupation were discussed at Potsdam in July 1945 (see Feis 1960). The Morgenthau Plan, which represented the Treasury, was held in check by the Department of State, which stressed the economic rehabilitation of Germany (Berghahn 1986: 91; Clay 1950: 18-19). The LOI for each industry was determined by its relationship with military. For the stance of the UK, see Cairncross (1986) and Turner (1989).

[4] See US Department of State(1946) and SCAP(1949)

[5] Separation and decartelization could be regarded as part of Americanization (Berghahn 1986: 84-110). General chemical groups including IG Farben were broken up, and the vertical integration of coal and steel was abolished. The 6 largest banks were broken up, and the operation area of each bank was limited to one state (Clay 1950: 327). For the new foundation of labor unions, see Bernecker (1979).

keiretsus in Japan were less rigid. The reforms had permanent effects on the improvement of the political power and welfare of workers in West Germany and peasants in Japan. The limited recovery immediately after the war seemed to result from a lack of infrastructure, low factory operating rates, breakdown of the financial system, and difficulties in market operation. Anyway, the policies did not go beyond providing relief (Kramer 1991: 111-121; Hardach 1985: 38).

III. The Changes in the US Foreign Economic Policy and the Economic Recovery of Germany and Japan

1. The Cold War and the Dollar Gap

The Cold War fundamentally changed the US occupation policy. The new policies reflected efforts to contain communism in Europe and Asia by strengthening the West German and Japanese economies. And yet, more important actors lay behind the Cold War: policy makers who focused more on the long-term stability of the world economy.[6]

The priority of the US foreign economic policy after the war was placed on building a multilateral system of the world economy, escaping from the nightmare of the Great Depression and the bloc economies in the 1930s. The problem with this idea was that, because US production costs of almost all products were low, the US continued to experience a large amount of trade surplus. Nineteenth-century UK also had trade surpluses, but it could maintain the multilateral trade system by strategically combining investments, loans, and foreign reserves. The colonies, the Commonwealth, the gold standard, and the naval power made it possible. Historically, US surpluses were balanced by imports of raw materials from European colonies. After the war, the balance was tipped by the decolonization, war debts of European countries, the loss of the Eastern European market, and structural trade deficits of Europe. The dollar gap appeared, and the European countries could not convert their currencies to dollars until 1958.[7]

The Marshall Plan, which provided the 15 Western European countries with about 12 billion dollars between 1948 and 1951, claimed to achieve the aforementioned four goals, but in a sense, the claim implied a response to the dollar gap. It also reduced the US responsibility, by including plans to acquire food and raw materials from European colonies, items that were unrelated to the dollar. Specifically, counterpart funds were to be sent to colonies for investment, and aid was provided to the Third World in the form of technology support (Truman's Point IV). In spite of the various efforts, the dollar gap was not closed, and the European countries resorted to depreciating their currencies in September 1949. Now, the dollar gap was not expected to be resolved even after the Marshall Plan was folded in 1952 (Borden 1984: 26-29).

The European integration was proposed as an alternative. The strategy was to develop an open world economy by promoting multilateral trade in Europe and transforming West Germany into a supplier of capital goods. Dollars would no longer be needed. Intra-European trade barriers

[6] Some attribute the renunciation of the denazification and democratization in Germany to US selfishness. (Gimbel 1968)

[7] Keynes thought that the structural imbalance would be resolved if a large scale of stabilization funds (International Clearing Union) were built and the IMF was given automatic drawing rights. However, the IMF was not up to the task (Kindleberger 1950: 118-119).

were lowered. A multilateral payment mechanism was prepared to avoid bilateral trades. The US granted 350 million dollars to create the European Payment Union (EPU). The EPU was a 'regional Bretton Woods system' for eliminating restrictions on current account transactions and recovering convertibility. The EPU also made it possible to expand trade from bilateral to multilateral contract. It was accountable only to the Bank for International Settlements and was not constrained by IMF regulations. It received favorable treatments from the US and prepared the ground for convertibility of 1958 (Eichegreen 1995: 187-191; Yang 2004: 216-217).

Efforts to address the dollar gap by the Marshall Plan were succeeded by the Mutual Security Program (MSP), and the US supplied dollars by spending military expenditures on offshore procurements. This can be named 'military international Keynesianism,' and the effects were large for Europe, West Germany, and especially for Japan.[8]

During the Marshall Plan, the Chinese Revolution of 1949 forced the US to change the Far Eastern policy dramatically. The US realized that some changes in the occupation policy similar to those for Germany were urgent for Japan. During the session of the Delta Council, Acheson, US Secretary of State, denoted Germany and Japan 'the workshops of Europe and Asia' and expressed the intention that the US, without waiting for the consensus of the Allies, would unilaterally support the economic recovery of the two countries. The US admitted that West Germany and Japan would play a critical role in stabilizing capitalism during the fast-changing period. The focus of the US East Asian policy was shifted from China to Japan. The US wanted Japan, as a dependable ally, to be integrated to the Pacific economic and security system and to become more than a self-supporting economy. The US wanted Japan to reemerge as a major power in the Far East through 'cooperation' (Hardach, 1985: 34-35). Reparations were slashed to 412 million dollars in the Strike Report, and again to 166 million dollars in the Draper Report in the same year.[9]

When the emphasis of the occupation policy moved from demilitarization and democratization to economic recovery in 1947 ('reverse course'), the Japanese economy was in deep trouble. In 1946-1947, inflation was severe, compensations for war debts were suspended, and commercial finance came to a halt. In addition, exports reached only 4.3 percent of the pre-war level, and the figure for imports was 18.6 percent. The SCAP approved the establishment of the Economic Stabilization Board (forerunner of the Economic Planning Agency) to coordinate economic planning. The 'priority production system' was the policy for jump-starting production. The idea was to increase coal and steel production first by intensively using one industry for the other. Subsequently, production of the entire economy was expected to expand, as the two industries helped each other. The required funds were raised by issuing a large amount of 'reconversion bonds' through the 'Reconstruction Finance Bank.' As the Bank of Japan acquired the organization, inflation became more severe (Borden 1984: 68-71).

Cities in Germany and Japan were destroyed, and facilities of transportation and communication did not work. However, a large part of factories, machinery, and equipment remained usable. Investment that had been made before and during the war made up for the destruction and depreciation more than enough, so the capital stock was larger than that of the

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[8] For the hypothesis that military expenditures ended the dollar gap in the 1950s and caused the surplus of dollars in the 1960s, see Block (1977: 107-109).

[9] In fact, reparations coming from the dismantlement of military factories amounted to only 40 million dollars as of May, 1949 (Cohen 1949: 425). Reparations (for Southeast Asia) in the 1950s came from economic growth rather than the dismantlement of facilities.

mid-1930s. Skilled workers were not short. These factors laid the foundation for the economic recovery after the war. The problem was that the factors were not tapped; in this sense, the change in the occupation policy had important implications (Abelshauser 1975: 126-130; Abelshauser 1991: 376; Nakamura,T. 1993: 134-138).

A symbol of the change in the US foreign economic policies was funds for economic recovery along with relief such as the GARIOA. Until 1951, West Germany received about 4 billion dollars: 1.8 billion dollars through the GARIOA, 1.4 billion dollars through the Marshall Plan, and 0.7 billion dollars from the UK. The total amount for Japan arrived at about 2.1 billion dollars that came through the GARIOA, the Economic Rehabilitation in Occupied Areas (EROA), export and import revolving funds, and PC820 import of cotton. Thereafter, aid took the form of MSP and special demand for military supplies. In the case of Japan, the special demand reached 2.3 billion dollars during the Korean War and soared to 7.2 billion dollars by 1964. When the amount is added to the 2.1 billion dollars of aid, Japan received 500 million dollars per year between 1945 and 1964. The figure grew even larger, when the special demand during the Vietnam War is taken into account (Yang 2004: 200; Kim 1991: 276, 284; Borden 1984: 220).

2. Various Aspects of the Economic Recovery

The winter of 1946-47 was the turning point in the recovery of the German economy. Before then, the main problem was the shortage of food and infrastructure. For example, the bottleneck in the supply of coal was caused not by a lack of coal mines, but by inadequate transportation. During the unusually cold winter, waterways were frozen, and reconstruction of railroads was delayed. The economy started growing in the second quarter of 1947, which made the currency reform possible in June 1948.[10]

Economic growth was hampered by the following: the limited labor supply caused by the shortage of food, housing, and free markets; reparations; the restructuring of division of labor caused by the division of the occupied zones. Hence, it can be argued that the currency reform and markets promoted growth. The economic recovery started in agriculture and mining, but came late in the steel industry. Other related industries were also in trouble. Limited production owning to the LOIs and political and psychological issues had interrupted exports, so exports restarted with raw materials. Whereas manufactured goods and raw materials accounted for 77 percent and 10 percent of exports, respectively, in 1936, the corresponding figures were 11 percent and 64 percent in 1947. Main export items consisted of coal, wood, iron scraps; food constituted a main import item, and imports of manufactured goods came later. Trade balances continued to be negative. Two thirds of imports between 1945 and 1948 were paid by the US and UK aids (Wallich 1955: 230; Kramer 1991: 107-110; Abelshauser 1983: 30).

Before the currency reform, wages and prices were frozen because there was a concern that hyperinflation might arise again out of printing money and budget deficits. For the same reason, resources were allocated by ration and planned production. A necessary step to addressing the concern was to reduce liquidity and to issue a new currency. However, the success had to wait

[10] The index of industrial product of the zones occupied by the US and by the UK fluctuated until they were integrated in early 1947. After reaching the trough in the first quarter of 1947, the index continued to rise (Abelshauser 1983: 34; Abelshauser 1991: 375).

for a consensus between the occupied zones, a recovery of production, and a balanced budget. As the currency reform was delayed, barters and black markets were widespread, a lack of incentive to work led to low labor productivity, and the supply of labor was inadequate. In other words, a formal planned economy and an informal underground economy coexisted. The hypothesis is noteworthy that the economic recovery was well underway even in such a dual economy. Unrecorded construction investment and inventory investment were accumulated in the informal sector. The level of depreciation was also exaggerated. When only the formal sector is considered, the index of industrial product started rising in 1947. Coal mines, gas, and electricity were efficiently operated even under the bureaucratic governance that did not provide private incentives. Facilities were also expanded. In addition, skilled workers from East Prussia often migrated to West Germany and set up businesses (Abelshauser 1975: 42-50; Kramer 1991: 128-130).

The currency reform in June 1948 was implemented only in West Germany for political reasons. Another currency reform in the Soviet-zone completed the division of Germany. One Mark (RM) was fixed at 30 US cents in April 1948. An individual exchanged one-to-one for new Mark (DM) up to 40RM per person, and the maximum for a firm was 60 RM per employee. Bonds of banks, governments, public enterprises, political parties were not redeemed, and credit of other types was exchanged at 100RM=6.5DM. This act was the second event after the hyperinflation that adversely affected small savers and creditors. The currency reform was the starting point for the recovery of the market economy, and rationing was abolished for almost all goods. Goods that had been hoarded in black markets reappeared on formal markets. As workers bought food with money wages, their motivation rose; so did their productivity. This also improved environments for export. Because the currency reform strengthened incentives for profit, production for export grew. In consequence, the economy became more open, and trades expanded quickly (Buchheim 1993: 80-83).[11]

The business sector opposed so-called ‘Americanization’ such as decartelization and anti-trust. A compromise was struck with various exceptive clauses. Economic decentralization as opposed to economic concentration was believed to promote competition and efficiency, and scientific management and technology for mass production that were widely adopted in the US were also believed to improve productivity. Following the beliefs, the occupying authorities made plans. The Science and Technology Committee and the Technology Assistance Group were founded in 1949 with the help of the Marshall Plan, and the Productivity Center was organized in 1950. In addition, campaign funds for European productivity were raised in 1952. The transmission of the American management model was still opposed. Many were wondering whether such a model could be successfully applied to Europe, where its social structures and labor relations much differed from the American ones (Yang 2004: 208-209).[12]

Japan also met a turning point in 1947. Before the year, efforts were made to eliminate the reactionary political history and economic system, to cut the power connection between elite bureaucrats and trusts, and to pay reparations by dismantling factories. In the year, however, the goal changed from demilitarization and democratic reforms to economic recovery. The idea was

[11] The currency reform took place along with the taxation reform. The rates of individual income tax and corporate tax dropped from their high rates of 1946, and tax exemptions for savings, income for investment, and overtime pay boosted the incentive to work.

[12] For conflicts and compromises between neo-liberal policies and policies for cartels among industries in Ruhr, see Berghahn (1986: 155-181). Zeitlin and Herrigel (2000) discuss in detail attempts to transplant American technology and management styles in Europe and Japan after the war.

to address the dollar gap for the stability of the world economy and for the securing of the Asian market for the US. The US tried to regain its favorite relationship with Japan. This is a background for the policy change, the background that was hidden behind the Cold War and the Chinese Revolution.

The amount of aid such as EROA increased to close the dollar gap. Trade resumed through the Bureau of Trade in August 1947, and became more open and expanded. As the priority production system was under way and the US occupational policy changed, the Japanese economy began to recover. However, to be self-supporting and to sustain its growth, the economy needed to subdue inflation and to stabilize the financial sector.

An extremely tight fiscal policy was introduced to increase exports and to decrease imports. Joseph Dodge, the main actor of the German currency reform, carried out the 'nine principles for economic stability.' The plan was also called the 'Dodge line.' The principles included items such as budget balance, efficiency in taxation, tight credit, wage and price control, trade restriction, and export subsidy. A single exchange rate was adopted in April 1949 at 360 yen per dollar. Before that point, different exchange rates were applied to different transactions. The single currency rate helped connect the Japanese economy to the world economy and facilitate trades. The yen was undervalued to promote trades. The Reconstruction Finance Bank stopped lending because it was considered the root cause of the inflation. Instead, counterpart funds raised by selling aid goods were used for repayments and industrial investments. Main beneficiaries included coal-mining, ship-building, and electricity. The Bureau of Trade was reorganized into the Foreign Exchange Control Committee to allocate foreign currencies and to push ahead free trade gradually. Although still debatable, the Dodge line established an economic framework that was to be led by strong bureaucrats. The line produced the Ministry of International Trade and Industry, the Department of the Treasury, and the Economic Planning Agency. The occupying authority turned Japan into a new mercantilism country with an 'abnormal' market economy (Kim 1991: 277-280; Borden 1984: 92-95; Dower 1999: 544-546).

The Dodge line provided a momentum for increasing tax rates from 12.9 percent in 1934-36 to 21.6 percent in 1951-55 and helped dramatically raise public savings and investment rates. Because counterpart funds were allocated first to the 'important industries,' the beneficiaries did not experience tight money. Also, because public savings were redistributed to the private sector through the Bank of Japan, investment was stimulated (Komiya 1966: 15-20).

Still, small and medium sized firms often went bankrupt because of the financial distress, poor demand, inventory accumulation, delay of counterpart funds, price cuts, and reduction of outsourcing costs paid by large enterprises. Wage cuts and unemployment were forced on workers, and tax increases and expenditure reductions on consumers. The Dodge line created a serious structural depression, so-called 'sound depression,' aggravating economic hardship and social anxiety. In this situation, the Korean War rehabilitated the Japanese economy, and the economy moved into a new phase.

Japan received orders of military procurement for the war; special demand emerged. As the world expanded military expenditures, foreign demand increased. In consequence, Japanese exports soared: Japan earned 3,400 million dollars in the first year of the war, and 1.3 billion dollars by the end of 1953. The amount reached 2.3 billion dollars, when expenditures on soldiers, civilians attached to the military, and their families were taken into account. Production was stimulated; production facilities became modernized and rationalized. As more investment was funneled into new industries such as synthetic fiber, plastics, electronics, and communication as well as basic industries like coal, steel, electricity, and ship-building, the gravity of the industrial structure moved toward heavy and chemical industries.

Since Japan bought raw materials from Southeast Asia to meet orders of military supplies, the two economies became closely connected. The orders took over the role of aid and subsidies in supplying dollars to narrow the dollar gap. Eventually, the orders helped sever Japan's trade with China and secure the Japanese market for the US. Even after the Korean War, the military procurement program for Southeast Asia continued to play this role (Borden 1984: 150-153).[13]

Chinese raw materials and markets must have been attractive to Japanese textile merchants. The changes in the occupation policy, however, succeeded in silencing the conservative politicians by orders of military supplies and by security umbrellas. The Japanese monopolists in heavy and chemical industries greatly benefited from modernization aided by American technology, and relied more on the dollar area. The Diet amended the anti-trust law in August 1952 to allow zaibatsus such as Mitsui and Mitsubishi for reconsolidation. The MITI helped the firms concentrate on the defense industry.[14]

IV. Trade Expansion and the Reorganization of Trade Patterns

1. Trade Expansion and Economic Integration

Immediately after WWII, most of the trades in Western Europe were carried out by bilateral trade agreements, and various quotas imposed to accumulate foreign reserves greatly limited the amount of trades. One of the early duties of the OEEC was to rid the region of trade barriers and bilateralism. For the purpose, trade restrictions had to be lifted, and an appropriate payment agency was required.

The trade expansion of Germany took the form of regaining the export market that it had lost during the war. Germany practically gave up the gold standard, as it began to control the transaction of foreign currencies after the financial crisis in 1931. The Hitler government, which had seized the power in 1933, introduced bilateral trade agreements. Through the bilateral settlement system of foreign currencies, German importers deposited money in Mark in the clearing account of the trading partner in the Reichsbank; the money was kept until it could be used to pay the German exporters for the goods exported to the other country. Germany made agreements of this kind first with Hungary, and subsequently with Estonia, Latvia, Bulgaria, Greece, Yugoslavia, Rumania, Czechoslovakia, and Turkey.

Germany traditionally experienced a trade surplus with Western Europe. As the volume of international trade decreased and controls on foreign exchange were tightened, German trade with Western Europe became limited. To preserve its export markets, Germany initiated the so-called Sondermark agreement with France, Belgium, the Netherlands, Switzerland, Italy, the Scandinavian countries, Spain, and Portugal. A foreign exchange quota system was used for the normal level of trade, and a special account for additional trade was operated in the same way as the bilateral exchange clearing agreements between Germany and Southern and Eastern Europe. An ASKI (a special account of foreigners for domestic payment) was introduced in 1934.

[13] Overseas orders of military supplies also replaced the Marshall Plan in Europe (Borden 1984: 156).
[14] Borden (1984: 159-165).

Foreign exporters deposited proceeds in the accounts in German banks. Germany also made payment agreements with the UK, Belgium-Luxemburg, Canada, France, and New Zealand. The agreements stipulated the release of free foreign exchange for import payments and debt redemptions.

Trades in accordance with the bilateral trade agreements accounted for a half of the German trades by 1938. Most of the German trades were conducted with Western Europe, Latin America, and the Middle East. In the 1930s, the proportion of trades with the gold bloc and the UK decreased, whereas that with Southern and Eastern Europe increased. But the latter group was not the main trade partner of Germany (Feinstein, Temin and Toniolo 1997: 160-165).

In 1949, Germany welcomed the Schuman Plan that had laid out an idea for the European Coal and Steel Community. Moreover, establishing a world economic order for multilateral free trade became part of the US occupational policy. The Marshall Plan was an appropriate tool for promoting European integration and the trade liberalization. At the time when West Germany needed to be the 'locomotive' of economic growth in Western Europe, the occupation policy had power to push for the goal.

In fact, the foreign trade policy of West Germany reflected the interest of the Allies, until it joined the GATT in 1951. The OEEC started lowering trade barriers in 1947, and as the EPU was established in July 1950, the progress of trade liberalization sped up. Thereafter, the volume of West German trade continued to grow. The pace of trade liberalization over entire Western Europe accelerated. Since the war time, the production capability of West Germany for capital goods such as machinery, electricity, chemicals, and automobiles was enlarged. Then, the enlarged capacity aided by the growth of world trade resulted in the growth of exports. Manufactured goods, instead of coal, wood, and iron scraps, became more important for export: the proportion of manufactured goods grew from 17 percent in 1948 to 65 percent in 1950.

The growth of exports was greatly stimulated by currency depreciation (from 3.33 DM per dollar to 4.20 DM per dollar) of September 1949 and policies for promoting exports to the US (the dollar drive). Geographically, West Germany relied less on US imports and integrated itself with Western Europe (the EPU members). The characteristics were more discernible for export. UK exports, which had competed with exports of West Germany, were redirected to the Commonwealth and the Third World, where the standard of technology was relatively low. After the war, the direction of trade of West Germany was shifted from the East to the West. About 15 percent of German exports went to Eastern and Southeastern Europe before the war, but its proportion plummeted to 1-2 percent in the early 1950s (Wallich 1955: 216-217, 230, 243; Hardach 1987: 467-470; Abelshauser 1983: 160).[15]

The expansion of West German trade resulted in the integration of Western Europe and the revival of multilateral trades. On the other hand, the expansion of Japanese trade was related to its integration with the Southeast Asian economies through bilateral trade agreements. The rates of trade expansion differed, too. West Germany took a greater stride in trade expansion than production growth, whereas the recovery of trade was slow in Japan.

Although the SCAP managed the domestic economy indirectly through the Japanese government, it directly controlled the Japanese foreign trade and foreign exchange. Until the end of 1949 most of the trades were limited to inter-governmental 'public' trades. The transactions were done only with hard currencies (dollars), but 'open accounts' were also used later. The

[15] Table 1 in the next section shows that the proportions of combined export to Eastern Europe and Southeastern Europe in 1938 and 1954 were 20 percent and 5 percent, respectively.

recovery of trade was slow: exports in 1949 reached barely 16 percent of those in 1934-36; the figure for imports including aid was 29 percent. Exporters were permitted to possess small amount of foreign currencies (3-10 percent of exports) in as late as 1949. The SCAP founded the Bureau of Trade to make it monopolize Japanese foreign transactions. The Bureau could conduct trade only with representatives of foreign governments. Among them, at the time of October 1946, were the US Commercial Company, delegations of the Chinese government, the US military posted in Korea, the Hong Kong government, delegations of the UK liaison in Tokyo, and Soviet foreign trade commissioners in Tokyo. Transactions through the Bureau were inefficient, and payments were often delayed.

Limited 'private' trades were allowed in August 1947, and manufacturers could make deals directly with foreign importers who had acquired permissions from the SCAP. The system of the importer-supplier contract was introduced in August 1948. The SCAP also controlled prices and set 'floor prices,' and 'fair prices.' The prices were, however, arbitrarily set, unrelated to domestic policies of wage controls, production subsidies, and ceiling prices. Before the introduction of a single exchange rate (360 yen per dollar), trade was confusing because each good had different rate from 600 yen to 900 yen per dollar. In addition, trade statistics were unreliable. The control of trades and foreign currencies continued even after the occupation period. During the catch-up period, imports were still restricted and foreign equity capital flow was excluded. The control postponed import liberalization and capital liberalization (Hollerman 1979: 710-719).

Like Western Europe, Japan needed to consider the regional economic integration in order to recover foreign trade. Now, Southeast Asia had to replace Chosun, Taiwan, Manchuria, and Northern China that had been part of the system before the war. In the colonies of the Netherlands, France, and the UK, nationalism was budding, and independence movements gradually showed symptoms of socialism. In the meantime (around 1949), the US intervened to 'rationalize' the colonial policy of the European countries: to help dovish parties of nationalism achieve independence before the countries succumbed to communism, and then to achieve the regional economic integration.[16]

The policy was to transform Southeast Asia into a supplier of raw materials for (and markets for manufacture from) Japan, Europe, India, and Australia. Acheson's regional policies in the early 1950s specified the policy. The purpose was to contain communism by cooperation between Japan and Southeast Asia; trade, military aid, and economic development were the keywords. For the recovery of the Japanese economy, it was important to eradicate communism from Southeast Asia and to promote an economic recovery therein. Southeast Asia had to do what Chosun and Manchuria had done before the war, but could not do afterwards. The US policy toward Southeast Asia was conceived to help the 'friendly country' (Japan) rather than Southeast Asia itself (Fifield 1973: 142-147).

The discussion of the Asian economic integration around Japan reminds one of the Greater East Asia Co-Prosperity Sphere. When the occupation policy was drawn up, many ideas were suggested: unifying policy delivery agencies; providing aid to Southeast Asia through Japan ('constructed aid'); creating credit funds in yen (providing Southeast Asia with aid by repaying debts to the US in yen); investing counterpart funds in yen on the production of food and mineral in Southeast Asia; and linking economic aid to military protection. The ideas were included in

[16] This is so called the Indonesian Model (Fifield 1973: 79-86; Schaller 1985: 155-157).

the reports prepared by the Jessup Mission, the Andrews/West Mission, and the Griffin Mission (Schaller 1985: 212-233).

The Korean War offered an opportunity for the end of the occupation of Japan and the treaty of peace. The San Francisco Peace Treaty was signed in September 1951, and as it came into force in April 1952, the sovereignty of Japan was restored. The integrative design of ‘regional access’ made an unexpected turn. Trade between Japan and China was restricted. More important, it became the ultimate goal to transform Japan into the ‘workshop of Asia.’ To achieve the goal, Japan was allowed to carry out its own strategies for economic development and to remilitarize itself.

Japan was forced to pay reparations to Southeast Asia to turn the region into a supplier of raw materials and market for Japanese exports. This policy was part of the US world strategy to hold Southeast Asia in the Western bloc through its economic connection with Japan. Because Japan paid reparations bit by bit during the period of the rapid growth, the burden of the payment was moderate. Moreover, reparations were paid by goods, mostly capital goods, as well as services. Hence, Japan could re-enter Southeast Asia by providing free economic cooperation and yen credits (ibid: 290-295).[17]

However, Southeast Asia did not have the capacity to buy enough manufactured goods exported from Japan. Other conditions also made it difficult for the re-entry. Japanese capital goods competed with those imported from West Germany, Japanese fertilizers with those from Italy, and textiles with India. Still others included the UK obstruction and competition, issues of reparations, controls of trade and foreign currencies, protective duties for infant industries, import quotas, and inconvertibility. It is argued that the ‘constructed aid’ was a failure. As mentioned before, the special demand for military procurements were more important than the expansion of trade for the economic recovery. Japan relied more heavily on the US market by 1954, and it was only in the 1970s that Japan became a dominant actor in Southeast Asia, thanks to the operation of the Asia Development Bank (ADB, founded in 1966) and provision of aid in yen.

2. The Realignment of the Trade Patterns

Previous sections explained that the economic cooperation and regional economic integration were pursued, among others to meet the dollar gap, as part of the occupation policy, with trade recovering and expanding. Now, statistics can show how the trade patterns changed.

The volume of trade declined in the 1930s because Europe was divided into the sterling bloc, the gold bloc, and the Nazi trading bloc. Germany adopted autarkic policies and leaned toward Eastern and Southeastern Europe through bilateral trade agreements. Nevertheless, Germany was the largest trading partner for almost all countries in Europe in 1938. It was the second only for France and Belgium. Table 1 demonstrates that German trading was realigned in favor of Southeastern Europe. Trade with Scandinavia and South America grew as well. In contrast, the UK and the gold bloc became less important because they turned to other markets, especially their colonies.

[17] The agreed reparations including grants, loans, and write-offs were 800 million dollars for the Philippines, 200 million dollars for Burma, and 793 million dollars for Indonesia (Borden 1984: 204).

When Nazi Germany occupied the neighboring countries in 1940, it already established a multilateral settlement organization. The Centralized Payments Union (*Deutsche Verrechnungskasse*), a subsidiary of the Reichsbank, acted as the central clearinghouse for the Greater Economic Sphere (*Grosswirtschaftsraum*), including the protectorates and occupied areas.

Table 1
Table 2

In effect, this system exploited the occupied areas. Because trade statistics recorded trade across country boundaries, trades within the German occupation were not recorded. It is necessary to use statistics on the side of settlements, i.e., capital account. Table 2 presents accumulated balances for each country. France, the Netherlands, Belgium, and Poland experienced large settlement deficits. The size of exploitation was moderate for Eastern Europe and Southern Europe (Yang 2004: 236).

Table 3 documents goods that Germany and West Germany traded between 1928 and 1960. The proportion of raw materials in imports was high until 1940, but the proportion of finished goods soared in 1943. During the war, the structure of imports to Germany showed a sign of 'de-specialization.' One can anticipate from this that intra-industry trade would be strengthened again after the middle 1950s. The occupied areas were not a supplier of raw materials for Germany; instead, they were forced to import production factors and capital equipment from Germany, to assemble them, and to resell finished goods to Germany. At the same time, the fact that the settlements with France and the Benelux were larger than those of Eastern Europe in Table 2 indicates that the membership of West Germany to the EPU after the war meant a return to the trade patterns in the war period rather than restructuring of the patterns (Berger and Ritschl 1995: 222-225).

The structure of exports during the war appeared to deviate from the long-term trend that started before the war and continued after the war. However, the composition of export goods in 1928 was similar to that in 1950, and the proportion of finished goods in 1938 was as high as that in 1960. The evidence implies that the German economy had the resilient capacity to return to its previous sound patterns in 1960 after a retreat to the distorted inter-war patterns in 1950.

As illustrated, the short-term economic circumstances in Western Europe after the war can be characterized as a forced integration into the war organization of Nazi Germany, not the division of the region and the autarky of each country. Hence, it was not a new task to construct the trade blocs and to establish the multilateral settlement organizations. The policy-makers must have taken into account the inheritance of Schacht, ex-president of the Reichsbank. The problem in the late 1940s was not a loss of trade in general, but a loss of trade with Germany. The dollar gap made it difficult to import capital goods from the US. Unless the German economy, the traditional supplier of capital goods, was recovered, it would be difficult to cope with the problem (ibid: 225-226).

Returning to Table 1, one can observe that the EEC members became predominant trade partners. Trade with neighboring countries such as Switzerland and Austria also started growing. In contrast, trade with Eastern Europe and Southeastern Europe collapsed. Trade with the UK also dwindled. The US was important in terms of imports immediately after the war, but its proportion gradually returned to the stable level.

Table 3

The change in the trade patterns of Japan differed from that of West Germany. Before the war, Japan was engaged in traditional processing trade. Japan exported raw silk to developed countries, especially the US in return for raw cotton. And then, it processed raw cotton into cotton textiles and exported them to developing countries, like India, Southeast Asia, Australia, Central and South America, and Africa. From these regions, Japan in turn imported industrial raw materials and processed them into heavy industry goods, iron and steel, machinery, and metal. Japan eventually exported them to neighboring Chosun, Taiwan, China, and Manchuria, from where food and coal were imported (Yukizawa and Maeda 1978: 76-82). Japan imported over 80 percent of industrial raw materials such as oil, iron ore, rubber, raw cotton, and wool; chronic trade deficits were only partially offset by shipping services.[18]

At present, it is difficult to obtain systematically-collected trade statistics for the war period. Supposedly, however, the pre-war patterns continued. As mentioned already, the volume of trade plunged after the war because of the loss of colonies, the shortage of food, the loss of international status, the dominance of the US, the interruption of trade with socialist countries, especially China, the disorder in foreign exchange, the inconvertibility, the dollar gap, and the industrialization of less developed countries. After the volume of trade was restored, the US aid and special order demand offset the severe trade deficits. The pattern of processing trade resumed, and the proportion of heavy industry goods among export goods increased (see Table 4). However, it took more than 10 years to regain even a half of the pre-war ratio of exports and imports to GDP. Noticeable changes included the loss of the Chinese market and the growing reliance on the US market.[19]

Table 4

Table 5

Table 5 lists the regional patterns of Japanese trade. Statistics for the war period and the post-war 1940s are missing. But one can immediately notice that whereas the proportions of China, Taiwan, and Chosun dipped, those of Southeast, South and West Asia grew.

Table 6 compares imperfect statistics for some of the missing years to those of 1936. Trade was slowly recovering right after the war, but the patterns already showed what would come in the future.

Japan imported more of raw materials from Southeast Asia. Trade barriers prevented the expansion of exports to the region, however. Tariff rates were low, but foreign exchange control and quotas were more critical. There was also a problem with the settlement system. The Japanese classification, which was maintained until 1950, required Japan to pay in pound sterling to the Commonwealth of Nations, but to use open accounts for Taiwan, the Philippines, and Thailand. Recall that using open accounts required the bilateral trade agreements. Therefore, trade depended on the amount of pound reserves, and the bilateral trade agreements acted as another barrier (Huh 1966: 134-148).

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[18] Yukizawa and Maeda(1978) provides detailed statistics of trade by product and partner for 1902, 1912, 1925, and 1935.

[19] Contemporary observers already pointed out these trends. See Uchida (1957), Okita (1960), Borton et al. (1957), and Ozaki (1963).

Table 6

The recovery of Japanese trade was slow, and some changes took place in the composition of trade partners. Nevertheless, the pattern of importing raw materials and exporting finished goods already existed before the war. Similarly, the trade patterns of West Germany were restored to the pre-war patterns with regard to trade partners and the tendency to export capital goods. Such examples could also be found from the research on historical inertia in trade patterns. When lagged dependent variables are added to the standard gravity model along with population, income, distance, and proximity (sharing borders), the coefficients on the lagged variables are statistically significant (Eichengreen and Irwin 1995, 1996).[20]

V. Conclusions

The Allies, in effect the US, underwent trials and errors in the occupation policy, but they eventually achieved the goal: reconstructing the economies of West Germany and Japan to contain communism in Europe and Asia. Behind this goal, however, lay the fundamental principle to address the dollar gap and to build a cooperative world economic system around the US. For the principle, it was necessary to have West Germany and Japan lead the regional economic integration as the workshops of Europe and Asia, respectively. Building collective security was done together with creating trade networks.

In Europe, the Marshall Plan and the EPU planted seeds for the European economic integration; in Japan, it was started by the EROA and accelerated by procurement orders of an enormous amount of military supplies, and completed with the advance to Southeast Asia. In Europe, the Schuman Plan of 1950 would have achieved the economic integration in a voluntary way, but the US did not want to stop at the economic revival of Europe; the US also wanted a political reorganization of Europe. "[A] free-trade customs union …in Western Europe… would increase the level of output and productivity…, eliminate the dollar deficits, and ultimately lead to the merging of the Western European nation states, including… Germany, into a United States of Europe." It is natural that the European countries were opposed to the plan and the relationship between integrated Europe and the US became cold later (Milward 1984: 467, 501-502).

In this vein, mutual defense treaties were made along with the NATO (1949), OEEC (1948), ESCS (1951), SEATO (1955), and ECAFE (1947).

The US essentially opened a way for West Germany and Japan to rebuild the *Grossrirtschaftsraum* and the Greater East Asia Co-Prosperity Sphere, respectively, that each had so much desired but failed to build. Soon, West Germany became the economic center of Europe, acting as the workshop of Europe. Japan played the same role in Asia.[21] The dollar gap

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[20] Also see Estevadeordal et al. (2003).

[21] According to statistics for 2005, Europe accounted for 71.7 percent of imports to Germany and 74.2 percent of exports from Germany. The corresponding US figures were 6.6 percent and 8.8 percent. Japan traded less with the developed countries, so they accounted for 32.0 percent of imports to Japan and 41.1 percent of exports from Japan. The corresponding Asian figures were 44.6 percent and 48.6 percent (IMF 2006).

had been addressed. The resolution was overdone, however, in the sense that the so-called Triffin dilemma took place in the late 1960s.[22]

The US, which led the world economy by the principle of multilateral trade, turned to regionalism in the mid-1990s. The turn is understandable, considering the difficulties inherent in the negotiation on the GATT/WTO, but it is still unfortunate for the welfare of the world economy.

One may try to infer lessons from the occupation of West Germany and Japan for the occupation of Afghanistan and Iraq; the word *occupation* is used in both cases, and regime changes were accompanied (Gough 2003; Jennings 2003). Because the occupation of West Germany and Japan has such enormous historical meanings, however, the attempt is nonsense.

[22] Triffin dilemma: This is a fundamental paradox in the gold exchange standard. One can choose only one of the following two options: all countries suffered the dollar gap; the US suffered trade deficits and the loss of confidence in the dollar. Triffin(1960)

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<Table 1> The Trade Partners of Germany and West Germany, 1928, 1938, 1949, 1954
(Million Dollars, %)

	1928		1938	
	Import	Export	Import	Export
Europe				
EEC[a]	1,053 (18.6)	1,217 (25.1)	315 (14.2)	481 (22.2)
Scandinavia[b]	344 (6.1)	496 (10.2)	249 (11.2)	271 (12.5)
Eastern Europe[c]	584 (10.3)	693 (14.3)	153 (6.9)	157 (7.3)
Southeastern Europe[d]	220 (3.9)	246 (5.1)	263 (11.8)	281 (13.0)
Spain, Portugal	127 (2.2)	104 (2.1)	47 (2.1)	47 (2.2)
Switzerland, Austria (1938 integrated to Germany)	227 (4.0)	403 (8.3)	77 (3.5)	130 (6.0)
UK	360 (6.4)	476 (9.8)	113 (5.1)	140 (6.5)
Non-Europe				
UK Dominions and Colonies[e]	794 (14.0)	260 (5.4)	230 (10.4)	160 (7.4)
US	817 (14.4)	321 (6.6)	163 (7.3)	60 (2.8)
South America	624 (11.0)	358 (7.4)	357 (16.1)	255 (11.8)
Asia	338 (6.0)	239 (4.9)	168 (7.6)	155 (7.2)
Others	175 (3.1)	35 (0.7)	87 (3.9)	25 (1.2)
Total	5,663 (100)	4,848 (100)	2,222 (100)	2,162 (100)

	1949		1954	
	Import	Export	Import	Export
Europe				
EEC[a]	410 (18.6)	502 (44.7)	1,124 (25.0)	1,534 (29.4)

Scandinavia[b]	175 (7.9)	109 (9.7)	466 (10.4)	769 (14.7)
Eastern Europe[c]	59 (2.7)	24 (2.1)	51 (1.1)	42 (0.8)
Southeastern Europe[d]	71 (3.2)	60 (5.3)	188 (4.2)	239 (4.6)
Spain, Portugal	18 (0.8)	7 (0.6)	93 (2.1)	125 (2.4)
Switzerland, Austria	79 (3.6)	137 (12.2)	300 (6.7)	546 (10.4)
UK	53 (2.4)	102 (9.1)	202 (4.5)	205 (3.9)
Non-Europe				
UK Dominions and Colonies[e]	172 (7.8)	64 (5.7)	450 (10.0)	441 (8.4)
US	825 (37.4)	47 (4.2)	532 (11.8)	295 (5.6)
South America	156 (7.1)	30 (2.7)	570 (12.7)	524 (10.0)
Asia	78 (3.5)	24 (2.1)	348 (7.7)	324 (6.2)
Others	109 (4.9)	16 (1.4)	169 (3.8)	182 (3.5)
Total	2,205 (100)	1,122 (100)	4,493 (100)	5,226 (100)

Notes: a) France, Netherlands, Belgium, Luxemburg, Italy
b) Norway, Denmark, Sweden, Finland
c) Poland, Estonia-Latvia-Lithuania, Soviet Union, Czech-Slovakia
d) Yugoslavia, Rumania, Hungary, Greece, Bulgaria, Turkey
e) Canada, Australia, New Zealand, Ireland, Egypt, UK Nyasaland, South Africa, Sudan, UK East Africa, UK West Africa, UK West Indies, India-Burma-Ceylon, Hong Kong, UK Malaya

Sources: League of Nations(1942: 155); IMF, *Direction of Trade Statistics*(1950,1955).

<Table 2> The Accumulated Settlement Balances of Germany, 1940-44
(Year-End, Million RM)

	1940	1941	1942	1943	1944
Belgium	-131.9	-666.4	-1,980.1	-3,882.9	-4,976.2
Denmark	-190.7	-384.1	-559.1	-1,007.9	-1,421.2
France	-55.2	-811.9	-2,590.0	-5,799.9	-8,532.2
Poland	-11.3	-754.5	-1,753.0	-2,845.2	-4,712.7
Greece	-5.9	-59.1	-65.5	+69.3	+261.9
Netherlands	-425.4	-1,255.8	-2,345.6	-4,240.2	-5,989.6
Norway	+13.1	+59.5	+90.6	+159.6	+21.5
Protectorates (Bohemia, Moravia)	+0.2	-0.3	-11.2	-12.2	-3.5
Serbia	-	-52.4	-154.2	-370.2	-553.1
Yugoslavia	+46.5	+56.7	+50.5	-6.3	-10.5
Ukraine	-	-	-3.5	+279.6	+292.8
Russia	-	-	-	+318.4	+204.0
Estonia	-0.3	-0.1	-0.1	-0.1	-
Lithuania	-2.3	-2.3	-2.3	-2.3	-
Latvia	-0.8	+0.1	+0.1	+0.1	-
Total I	-763.3	-3,870.7	-9,323.4	-17,340.1	-25,418.9
Albania	-	-	-	-	-2.3
Bulgaria	-48.5	-219.7	-425.4	-657.8	-758.2
Finland	+6.0	+99.9	+131.1	+143.3	+31.9
Italy	-15.6	-236.3	-503.8	-241.8	-147.3
Croatia	-	-23.8	-99.8	-563.2	-1,051.6
Rumania	-55.7	-360.1	-623.8	-721.8	-1,126.4
Slovakia	-86.1	-197.6	-275.7	-466.3	-631.7
Hungary	-0.1	-193.0	-577.3	-1,049.5	-803.7
Total II	-199.2	-1,130.5	-2,374.8	-3,557.0	-4,489.3

Source: Bundesarchiv Koblenz, R7/3636, fol.41.

<Table 3> The Trade Compositions of Germany and West Germany (%)

	Agriculture		Raw Materials		Intermediate Goods		Finished Goods		Trade Balance / Trade Volume
	Import	Export	Import	Export	Import	Export	Import	Export	
1928	40.9	6.4	28.3	12.2	17.9	12.2	12.9	69.2	-7.4
1938	39.5	1.2	32.9	9.5	18.8	8.4	7.9	80.0	-1.8
1940	47.2	2.5	21.0	14.8	21.2	9.3	9.7	73.4	-1.5
1943	40.0	6.8	13.5	13.1	13.1	13.0	32.4	66.9	
1950	44.1	2.3	29.6	14.0	13.7	18.8	12.6	64.9	-13.6
1960	26.3	2.3	21.7	4.6	18.9	10.4	32.2	82.4	6.4

Notes: Totals for 1928 and 1950 do not consider Saar region
Source: Berger and Ritschl(1995: 224)

<Table 4> The Commodity Composition of Japanese Trade (average over 5 years, %)

	Food and Drink	Raw Materials	Intermediate Goods	Finished Goods	Others
Export					
1930-34	8.3	4.1	31.5	53.4	2.7
35-39	9.4	4.5	26.1	57.6	2.4
40-44	9.7	3.4	18.9	64.4	3.6
45-49	4.9	5.0	25.0	62.1	2.9
50-54	7.7	3.0	28.6	59.6	1.1
Import					
1930-34	10.4	58.8	16.2	13.7	0.8
35-39	7.6	54.4	24.7	12.6	0.6
40-44	18.2	51.1	20.4	9.4	1.0
45-49	44.4	31.8	11.0	11.7	1.1
50-54	29.7	50.3	8.6	11.4	0.1

Source: Ando(ed.)(1978: 22)

<Table 5> The Regional Composition of Japanese Trade (%)

<table>
<tr><th></th><th colspan="2">1927-36</th><th colspan="2">1930-39</th><th colspan="2">1951-55</th><th colspan="2">1956-60</th></tr>
<tr><th></th><th>Import</th><th>Export</th><th>Import</th><th>Export</th><th>Import</th><th>Export</th><th>Import</th><th>Export</th></tr>
<tr><td>Chosun</td><td>13.1</td><td>14.6</td><td>14.8</td><td>18.5</td><td>0.5</td><td>3.8</td><td>0.4</td><td>2.2</td></tr>
<tr><td>Taiwan</td><td>9.3</td><td>6.2</td><td>10.4</td><td>7.0</td><td>2.8</td><td>4.1</td><td>1.7</td><td>2.7</td></tr>
<tr><td>Kwantung Province</td><td>3.2</td><td>7.1</td><td>1.8</td><td>10.3</td><td rowspan="3">1.7</td><td rowspan="3">0.8</td><td rowspan="3">1.4</td><td rowspan="3">1.2</td></tr>
<tr><td>Manchuria</td><td>5.0</td><td>3.4</td><td>5.9</td><td>5.2</td></tr>
<tr><td>China</td><td>5.8</td><td>8.5</td><td>4.5</td><td>6.6</td></tr>
<tr><td>Hong Kong</td><td>0.1</td><td>1.8</td><td>0.1</td><td>1.2</td><td>0.3</td><td>5.0</td><td>0.6</td><td>4.3</td></tr>
<tr><td>Asia under Russia</td><td>0.9</td><td>0.7</td><td>0.6</td><td>0.5</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Southeast Asia</td><td>6.3</td><td>8.0</td><td>6.6</td><td>7.6</td><td>12.6</td><td>16.4</td><td>12.2</td><td>13.9</td></tr>
<tr><td>South Asia</td><td>9.4</td><td>9.1</td><td>8.2</td><td>9.0</td><td>14.1</td><td>16.6</td><td>14.2</td><td>11.6</td></tr>
<tr><td>North America</td><td>25.8</td><td>24.7</td><td>26.8</td><td>17.2</td><td>45.2</td><td>22.8</td><td>44.2</td><td>30.8</td></tr>
<tr><td>Central and South America</td><td>1.1</td><td>2.0</td><td>2.1</td><td>2.6</td><td>5.0</td><td>6.6</td><td>3.1</td><td>4.4</td></tr>
<tr><td>Europe</td><td>12.0</td><td>7.2</td><td>10.3</td><td>7.2</td><td>7.7</td><td>10.9</td><td>9.7</td><td>12.3</td></tr>
<tr><td>Africa</td><td>1.8</td><td>4.3</td><td>2.4</td><td>4.7</td><td>2.7</td><td>9.3</td><td>3.1</td><td>13.6</td></tr>
<tr><td>Oceania</td><td>6.2</td><td>2.5</td><td>6.4</td><td>2.5</td><td>7.6</td><td>3.7</td><td>9.3</td><td>3.1</td></tr>
</table>

Source: Ohkawa et al.(ed.)(1965: 9-10)

<Table 6> The Trade Volumes of Japan by Country, 1936, 1946, 1947, 1949

(Million Dollars)

<table>
<tr><th></th><th colspan="2">1936</th><th colspan="2">1946</th><th colspan="2">1947</th><th colspan="2">1949</th></tr>
<tr><th></th><th>Import</th><th>Export</th><th>Import</th><th>Export</th><th>Import</th><th>Export</th><th>Import</th><th>Export</th></tr>
<tr><td>US</td><td>246</td><td>172</td><td>298</td><td>103</td><td>334</td><td>73</td><td>578</td><td>83</td></tr>
<tr><td>Chosun(Korea)</td><td>150</td><td>188</td><td>0</td><td>16</td><td>2</td><td>16</td><td>4</td><td>16</td></tr>
<tr><td>Taiwan</td><td>104</td><td>71</td><td rowspan="3">5</td><td rowspan="3">5</td><td rowspan="4">157</td><td rowspan="3">36</td><td>23</td><td>8</td></tr>
<tr><td>Manchuria</td><td>69</td><td>144</td><td rowspan="2">22</td><td rowspan="2">3</td></tr>
<tr><td>China</td><td>45</td><td>46</td></tr>
<tr><td>French Indochina</td><td>6</td><td>1</td><td>-</td><td>-</td><td>16</td><td>7</td><td>8</td></tr>
<tr><td>Hong Kong</td><td>10</td><td>17</td><td>2</td><td>4</td><td rowspan="5">92</td><td>19</td><td>1</td><td>27</td></tr>
<tr><td>Burma</td><td rowspan="3">108</td><td rowspan="3">75</td><td>-</td><td>1</td><td>14</td><td>6</td><td>5</td></tr>
<tr><td>India</td><td>-</td><td>-</td><td rowspan="2">25</td><td>14</td><td>65</td></tr>
<tr><td>Pakistan</td><td>-</td><td>-</td><td>16</td><td>17</td></tr>
<tr><td>Australia</td><td>53</td><td>20</td><td>-</td><td>1</td><td>4</td><td>28</td><td>16</td></tr>
<tr><td>The Philippines</td><td>11</td><td>15</td><td>-</td><td>-</td><td rowspan="4">92</td><td>18</td><td>14</td><td>21</td></tr>
<tr><td>Dutch Indonesia</td><td>33</td><td>38</td><td>-</td><td>-</td><td>63</td><td>16</td><td>28</td></tr>
<tr><td>Canada</td><td>21</td><td>4</td><td>-</td><td>-</td><td>0</td><td>5</td><td>6</td></tr>
<tr><td>Others</td><td>180</td><td>205</td><td>0</td><td>0</td><td>44</td><td></td><td></td></tr>
<tr><td>Total</td><td>1,056</td><td>1,040</td><td>305</td><td>131</td><td>676</td><td>339</td><td></td><td></td></tr>
</table>

Notes: CIF is used for imports, and FOB is used for exports. Transportation costs are excluded for 1947. If the figure for 1947 is adjusted to CIF, total amount is 909 million dollars.

Sources: LC 96/156 10-804-01.1, NAC staff doc. No.162(1947); LC96/156 6-413-07, Foreign Service of the USA Annual Economic Report-Japan-1950.

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