Article 9 and the post-war Japanese economy

Case Study of Technical Assistance Contract between Goodyear Rubber and Tire Co and
Japan Synthetic Rubber Co circa 1958

A thesis submitted to the
Kent State University Honors College
in partial fulfillment of the requirements
for University Honors

by

Matthew Bryan Parr

May, 2014
Thesis written by

Matthew Bryan Parr

Approved by

________________________________, Advisor

________________________________, Chair, Department of History

Accepted by

________________________________, Dean, Honors College

ii
# Table of Contents

List of Tables ........................................................................................................... iv

Acknowledgements ................................................................................................. v

Article 9 and the post-war Japanese economy ......................................................... 1

- The Debate for Article 9 ...................................................................................... 4
- Japan during WWII .............................................................................................. 11
- Japan after WWII ............................................................................................... 13
- The Reconstruction of Japan ............................................................................. 15
- The Rebirth of Japan .......................................................................................... 21
- The Strategy of Article 9 ................................................................................... 26
- Article 9 and the Pacific Alliance ........................................................................ 34
- The Four Laws ..................................................................................................... 40
- Results of Article 9 ............................................................................................. 49

Case Study of Technical Assistance Contracts: Goodyear Rubber and Tire Co and Japan Synthetic Rubber Co circa 1958 ................................................................. 53

- The historical context of the Agreement ............................................................ 54
- The legal context of the Agreement .................................................................. 59
- The foundations of the Agreement ..................................................................... 61
- The Agreement .................................................................................................. 70
- The political context of the agreement ............................................................... 72
- United States-Japanese relations (1940-1958) and the Agreement ................. 75

References .............................................................................................................. 1
List of Tables

Table 1. U.S. Production of Synthetic Rubber, 1942-1945 47
Acknowledgements

I would like to thank Dr. Leslie Heaphy for her unwavering support, and tutelage throughout this process. Without her this work would not have been possible. To the history department of Kent State University of Stark, and members of the defense committee I owe my sincere thanks and gratitude. Special thanks to Mr. John Ball and the University of Akron Archival Services for the kind hospitality.
Introduction

Following the use of two atomic bombs on the cities of Hiroshima and Nagasaki, Japan officially surrendered to the United States and the Allied Powers on September 2, 1945. While the explanations for their use vary, from a quick and easy way to end the war, to a means to ensure that the Soviet Union had no claim on the Japanese mainland, the destruction and carnage that they, and the war in its entirety left behind, was apparent. Undoubtedly, when we study the Pacific war, we tend to focus on the immediate conflict of the war, the atomic bombs, and subsequent Japanese surrender. Items such as casualties, deaths, and the destruction of the Japanese war machine show quite clearly the cost of Japan’s imperialist aggression, and consequent Allied victory. Our attention gravitates towards the casualties and acts of war, as they can easily be quantified and recited. Knowing the fact that over two million Japanese died during the war, gives us, or more accurately appears as, an understanding of the destruction of the war.

However, what doesn’t necessarily capture our attention, and in truth provides a greater capacity to understanding of the destruction of the War, are the effects of the destruction of the Japanese economy by both the Japanese war-time government during the war (1932-1945) and occupational forces (1945-1947). Even more important and telling than the destruction of the economy, however, is the later effort, by both the post-war Japanese government and United States in rebuilding the Japanese economy that comes roughly three years thereafter – as those efforts have a more lasting impact (1948-1955). The cooperation between the United States and Japan, in rebuilding the Japanese economy beginning in 1948, sets the stage for what later becomes known as the Pacific
Alliance, and the East-Asian geopolitical framework during the Cold War (1948-1991). As will be shown, the destruction, and subsequent strengthening of the Japanese economy is in fact quite closely related with the geopolitical climate at the corresponding time. That is, prior to communist aggression in East Asia, Japan's economy was left to lay in ruins by the United States. Following the communist revolutions in both Korea (1948) and China (1949), Japan's economy was greatly strengthened at the behest of the United States due to the shift in political alignment. Since both Korea and China aligned themselves politically with the Soviet Union, the United States took great strides at ensuring that Japan did not do the same. In doing so the United States focused on strengthening Japan's economy through a number of favorable trade agreements and brought Japan directly under the United States' sphere of influence with the Security Treaty of 1951. This unique strategy of strengthening Japan's economy, rather than its military, has become a hallmark of U.S. Foreign policy wherever the United States attempts to reinforce its influence, revolves entirely around Article 9 of the Japanese constitution. This strategy put, and continues to place Japan in a peculiar, somewhat difficult, position with itself, the United States, and its regional neighbors. Indeed Japan's political and economic relationship with the United States, at times, puts it at odds with its East-Asian neighbors, and puts into question whether or not Japan is really East-Asian at all.

Following the war, Japan's economy was in utter shambles. Its entire economy had been devoted to the war effort by the Japanese war-time government, leaving nothing left in the event of defeat. In their effort to combat the Allied powers, the war-time government
had left the rice fields barren, the supply lines thin to non-existent, and the factories worn-out using outdated machinery, most of which dated back to turn of the century\textsuperscript{1}. For all intents and purposes, it was believed by the United States at the end of the war, that most means of production and subsistence had been destroyed in Imperial Japan’s gamble for dominance in the Pacific. At the end of hostilities, when it became clear that the Japanese military could not protect Japan from the Allied Powers, let alone defeat them, Japan’s economy came to a screeching halt. Any means by which what little resources were still being gathered at the behest of the war-time government, became inconsequential, as Japan had been defeated. At the end of the war, there was no point in gathering foodstuffs for the greater nation, nor was there any central government to demand their production as the war had been lost, and the war-time government had been removed. Consequently, the Japanese economy imploded, and starvation and famine ran rampant. Most industrial capital especially that which was sanctioned to build war material, had been destroyed by the Allied Powers, or so they thought. Japan at the time of its defeat had neither the means by which to feed its population, nor the ability to manufacture goods that could be traded for foodstuffs.

\textbf{The Debate for Article 9}

Nevertheless, to the Allied Powers, Japan was still an imperialist nation at its core, and needed to be brought into submission. In order to ensure that Japan would never attempt such a strike of audacity again, much less attempt to project its interests on other nations, it was insisted by Allied Powers, specifically the United States, that within Japan’s new constitution there would be an article which effectively outlawed the use of war and sovereign belligerency by the Japanese. The Allied Powers saw the Emperor as the head of Japan’s imperialist aggression, and sought his abdication, ignorant of the fact that the Emperor had been reduced to merely a figurehead for some decades. After deliberation, in an all most barter like trade, the Japanese were able to hold onto their Emperor and national identity in return for unconditional surrender, and what later became known as Article 9 of the Japanese Constitution.

“Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. To accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.”

This article in particular as will be examined was at the root of both, the post-war destruction, and the rebuilding of the Japanese economy. The wording of the Article prompted the destruction of key industries, but was later the foundation for the development of the same industries that were previously deemed “war potential”. Ironically, as neither the German nor Italian economies were so severely destroyed as

---

2 Article 9 of The Constitution of Japan
Japan’s during the War, neither would enjoy the same improvements of key industries that Japan would later enjoy through its close relationship with the United States facilitated by Article 9.

It is also interesting to note is that neither of the two other members of the Tripartite Pact had to make such a deal or were dealt such a blow in the limitation of their sovereignty. Indeed, both Italy and Germany were permitted to field armed forces for defense purposes following the war.\(^3\)\(^4\) While both Italy and Germany forfeited the right of belligerency, Japan in its constitution was not provided the same arrangement; the admittance of defense forces, in return for the forfeiture of belligerency. A question that then arises is, why was Japan treated differently, and not afforded the same rights and privileges as its European counterparts?

There are three potential possibilities that might help answer the question of why Article 9 or language like it was inserted into the Japanese constitution, and not into the constitutions of the other two members of the former Axis. Each of these possible answers will be discussed briefly, and in some length following their introduction. The first of these possible answers is that the United States and Allied Powers wanted to severely punish Japan for the Pacific War. The second answer being that the Allied Powers wanted to ensure that war on the part of Japan never occurred again. The third possible answer as to why Article 9 or language similar to it existed in Japan’s constitution, and not in those of Italy or Germany, is the United States wanted the Pacific, and everything within, including Japan.

\(^3\) Article 87a of Basic Law for the Federal Republic of Germany
\(^4\) Article 11 of The Constitution of the Italian Republic
Undoubtedly, the United States and its allies wanted to punish Japan for the war in the Pacific; Japan’s challenge to western dominance in overstepping its limited bounds, its disruption of prewar economic affairs, and above all else for staking a claim over the entire Pacific – to which the United States also laid claim. To the credit of the United States and its allies in wanting to punish Japan for the war, in hindsight, it certainly could appear that Japan was bound and determined for conflict with the West since the Meiji Restoration. In less than one hundred years since the Meiji Restoration when Japan first became ‘modern’, as history will serve the reader, Japan had built a formidable war-machine, annexed considerable amounts of territories from its regional neighbors, and repeatedly tested the West with provocation such as the Twenty-One demands. In answering why the United States and its allies insisted on Article 9 be put into the Japanese constitution and not those of Germany and Italy could simply come down to the fact that the West was fed up with Japan’s imperialist nature. However, Germany and Italy during the War were also imperialist in nature, both had annexed territories from their regional neighbors, and tested the West with provocation. Moreover, Germany and Italy had waged their imperialist war much closer to home – so to speak- than Japan. This would certainly lend support to the idea that Germany and Italy should also have had an Article 9 or language similar to it included in their constitutions, if not more so than Japan.

There certainly were other means by which to punish Japan, such as reparations and economic sanctions, each of which were used against Japan following the war. Sheer punishment alone, logically, does not warrant the inclusion of Article 9, and if so, then
one must ask why the same language was not used in the constitutions of Germany and Italy, as both nations clearly demonstrated considerable belligerency during the war. Thus, the answer that the United States and its allies wanted to simply punish Japan for the war in the Pacific as an answer to the inclusion of Article 9 in the Japanese constitution cannot possibly be correct.

The question why the United States and its allies removed Japan's sovereign rights and means to conduct war then still remains. Prompting the possibility that the reasoning behind Article 9's creation was due to a notion that the Allied powers wanted to ensure that a Pacific war on the part of Japan, and its ensuing costs would never occur again. However this argument does not cancel out the plausibility of a Japanese defense force, and validate the inclusion of Article 9. Had the Allied powers allowed Japan to maintain a defense force just as Germany and Italy, they could have still ensured that a Pacific War never occurred on the part of Japan. Continually, the Soviet threat loomed in Eastern Asia comparatively to the threat that in Western Europe, which further lends support to Japan being allowed to maintain a defensive force. Had Japan been allotted defense forces, it would not have had the ability to project force outside of its territories, but could have repelled potential Soviet aggression. Why then was the United States so adamant on getting rid of any type of military forces in Japan, even if, hypothetically, they would have been strictly defensive, and maintained solely for the purpose of combating Soviet aggression?

The only alternative answer left as to why Article 9 was implemented into the constitution; removing Japan's sovereign rights and means to conduct war, is that Japan
was to become a satellite state for the United States as clearly the language of the clause suggests. By removing its rights to belligerency, as well as any means of defense, the United States effectively reduced Japan to a vassal state. Article 9 purposefully made Japan completely dependent on the U.S. for defense from regional threats.

Following the defeat of Japan, the United States was the undisputed master of the Pacific, and thereby the only western power to attend to Pacific matters, just as it had always longed for. Indeed, since arguably the 19th century the United States had longed to be the sole custodian of the Pacific, once its most western territories had been settled, and the American philosophy of Manifest Destiny fulfilled. The Pacific, for Americans, following the settlement and closing of their own frontier, was a new territory that lay fertile and ripe for the taking – full of resources and potential markets for American manufactured goods. This provides a potential explanation for Perry’s mission to Japan in 1853. By insisting on the inclusion of Article 9 in the Japanese constitution, the United States put Japan at its mercy. To put it in a different perspective, the United States forced Japan to legally bind itself into remaining subservient to the demands of the United States. Through Article 9, the United States had put the only power in Eastern Asia who challenged the United States’ claim over the Pacific in the 1940's, into subservience, and realized its dream as steward of the Pacific, with all its resources and potential markets for American manufactured goods.

As an aside, Article 9 shows explicitly the post-war strategy of the United States. There were no means by which the European nations would bend the knee to the United States, or that the United States would able make such a large grab of influence in Europe as it
had done in the Far East with Article 9. The United States immediately following the war only made short-term strategic maneuvers in Europe e.g., propping up European nations such as Germany and Italy, so that they might fend for themselves against the Soviet threat. While in the Far East, where there were no real players, and where there were nations that were willing to accept U.S. supremacy in exchange for aid, the United States gained a substantial amount of influence, and planned for the long-term, as Article 9 illustrates. Moreover, through implementing Article 9 in the Japanese constitution, the United States held, and continues to hold, a great amount of sway on Japanese foreign policy.

One fault to this, however, is the sheer coincidence that surrounds it. That is, the question of whether or not the United States planned for a Japanese satellite state once it won the war, or whether the United States simply took advantage of the language of Article 9 in hindsight. The United States had long sought to be the only power in the Pacific.

However, we must also look at its peculiar treatment of Japan after the war; both the destruction and the later rebuilding of the Japanese economy in answering this question. As will be examined, had the United States rebuilt the Japanese economy right after the War, the claim can certainly be made that the plan for a Japanese satellite had been in place for some time. However, since the United States first made attempts to destroy the Japanese economy and then went back and assisted in the rebuilding process – we might believe that the United States simply took advantage of the language of Article 9 in hindsight.

The latter answer, that the United States did in fact not plan for Japan to be a satellite
state, offers greater validity to the previous two possible reasons for the article, those of punishment and insurance. Contrarily however, it would have hardly been in U.S. foreign policy interests to leave Japan defenseless and unattended even after a lengthy occupation and rehabilitation cycle. In theory, if in fact the United States had not planned for Japan to become a satellite state when the war was won, the United States would have implemented Article 9 under the pretense of punishing an imperialist Japan, or ensuring that an imperialist Japan would never again rise from the ashes. However, on the contrary, the answers of both punishment and insurance leaves Japan vulnerable to Soviet influence, which ultimately would have been against U.S. Foreign policy at the time. We therefore might infer that the United States planned for Japan to become a satellite state, but until the Soviet threat became stronger, the United States did not become heavily involved in the rebuilding process, as there had not yet been the need to do so. Needless to say, without factual evidence this point remains an open discussion.

Whatever the outcome of the aforementioned debate, Article 9 most assuredly is the United States’ retaliation for Japan’s effort to become the only power in the Pacific – the notion of a Japanese satellite aside. Imperialist Japan had defined itself as the sole custodian of the nations, peoples, and resources of the Pacific, in stark contrast to the opposition of the United States. Why Japan took on such a role is because it needed the resources of the Pacific region to continue to grow, and to that end devoted all of its domestic resources to achieving those goals in hopes that the whole megalithic gamble might pay off. That is, that Japan devoted all its own resources and strength in order to capture the resources of the Greater Pacific, despite the opposition of the United States,
and the peoples of the Far East especially.

**Japan during WWII**

Japan arguably first began its imperialist campaign to capture the Pacific’s resources, with the conquest of Manchuria in 1931-32. The conquest of Manchuria showcases that Japan had already been at war with its regional neighbors for ten years prior to the attacks at Pearl Harbor. While there certainly were cries against the expansionist policies, at the end of the day, Japan continued its campaign from Manchuria south into China and across Southeast Asia through Vietnam, Cambodia, Laos, and Thailand. These efforts, as previously mentioned, were carried out in order to create its vision of a Japanese dominated Pacific region, or more aptly termed by the Japanese themselves, a *Greater East-Asian Co-Prosperity Sphere*.

What is not necessarily pertinent about the gamble itself are the efforts of the military, and its ultimate defeat, but rather, its timing, its feasibility, and execution. Moreover, it is important to look at the sheer ferocity of the gamble; the speed by which Japan took Eastern Asia, the size of the world that it devoured, and its seemingly never-ending appetite. Why Japan’s timing and speed in its expansionist policies are so vital to our understanding of Article 9, Japan’s recovery, and its current economic status lies not in what they gained in such a short period of time, but rather how much they lost, and the defeat’s impact on the post-war Japanese economy.

An analogous example of Japan’s imperialist gamble would be poking a balloon with a needle. The air in the balloon being the resources of both Japan and its regional
neighbors, the balloon, the Greater East-Asian Co-Prosperity Sphere, and the needle, the United States. Imperialist Japan had expelled all of its resources in its Pacific gamble, and found that after its defeat, it neither had the resources which it gathered from the Pacific region nor any of its own.

It is certainly apparent now that Japan simply lacked the industrial infrastructure, and logistics to take on such a monumental task and see it to the end. By the end of the war, Japanese manufacturing equipment was mostly old and outdated—seventy percent to be exact—most of which dated back to the start of the gamble itself (1931). The industrial and manufacturing equipment of the United States however, by the end of the war, was mostly new. This is where Japan’s 1931 invasion of Manchuria, and almost continual war in East Asia for almost fifteen years comes into play (1931-1945). Since Japan had launched its campaign much earlier than its contemporaries, and more importantly as an aggressor, it cast its lot in with the machinery and methods of manufacturing it had at the time. On the contrary, those nations, most notably the United States—who waited to get involved in the War, arguably until 1941, were equipped with the most modern means, and whose delay ultimately paid off—defeated the ill equipped Japan. This then forced Japan to play industrial catchup later down the road. While undoubtedly, Japan would have to rearm its factory equipment regardless, it certainly would have preferred to have done so on its own terms, and with the assistance of a newly acquired overseas empire.

**Japan after WWII**

Unfortunately, after signing the terms of unconditional surrender, Japan lost roughly 40% of its overseas territories after its bid to bring all of Eastern Asia into its Co-Prosperity Sphere. With regard to the nations that were supposed to makeup the Sphere, such as Korea, Manchuria, and Indochina, Japan relied on them as markets to export manufactured goods, for the gathering of natural resources such as iron and coal, and the means by which to feed its growing population, as arable land and resources on the island nation grew increasingly sparse. What land that Japan was ultimately left with following the war grew ever more precious, as there was already not enough food to feed existing Japanese residents, let alone those Japanese returning home from lost territories. Moreover, without natural resources being brought in from her former pseudo-colonies Japan could no longer furnish manufactured goods for sale. With the loss of those territories, Japan lost the means by which it had fed its people and promoted industrial continuity much less growth. However, as Article 9 certainly suggests, the United States had something else in mind for Japan, other than an answer for the means by which Japan might feed its people via domestic means, or by which it might re-acquire Asian markets for its goods. Certainly there was some purpose behind the United States' insistence that Article 9 be included in the Japanese constitution. What use then did the United States ultimately have for Japan following the war? Why would the United States want to have a Japanese satellite state?

We can certainly see today the more or less symbiotic relationship that the United States and Japan both engage in just the same as during the post-war era that ultimately led to

---

6 Ibid., 412.
Japan’s economic success and rise to global prominence. Such rapid growth and success however, certainly could not have come simply on the strength of the American back, but rather from a dual effort, and arguably a much greater effort on part of the Japanese themselves. There must then have been an incentive or motive for both the United States and Japan to work cooperatively in the rebuilding of the Japanese economy following the war.

To state the obvious, after defeating Japan in the war, the United States had essentially half of its entire arsenal in former Japanese territories, East Asia, and the greater Pacific, and arguably the Soviet Union, with the same ratio in north-east Asia i.e., Manchuria and Korea. The United States, as Article 9 highlights, had no interest in leaving, and neither did the Soviet Union who, following the proclamation of the now Democratic People’s Republic of Korea (DPRK) in 1948 and People’s Republic of China (PRC) in 1949, also held a greater interest in the region. Japan, for the United States, was to serve as a staging ground for the US military should escalations within the region occur. By these circumstances alone the United States held motive in rebuilding and reshaping Japan following the war, at least to a subsistence level. By including Article 9 in the Japanese constitution, the United States had essentially made themselves permanent tenants. Why then would the United States not try to fix the place up, so to speak?

While the Japanese incentive or motive for working cooperatively with the United States in the rebuilding of the Japanese economy should be apparent, an interesting agreement and strategy devised by the post-war Prime Minister, Yoshida Shigeru, also
later added to Japan's willingness to work with the United States. Although the context of the strategy comes roughly five years after the official surrender of Japan, it is inconsequential to introduce at least a brief sketch of its contents. Essentially, in exchange for the use of Japanese land, and stationing of U.S. forces particularly in the Okinawa prefecture, the United States provided Japan special procurement, or foreign investment for Japan’s ruinous economy, as well as favorable economic agreements during its occupation and into the post-war era. As will be later discussed, this strategy, which was later the reasoning for Japan’s signing of the Security Treaty of 1951, paved the way for much of Japan's success during the post-war years, as well as the current symbiotic relationship between the two nations.

**The Reconstruction of Japan**

In the effort to rebuild Japan to subsistence level, immediately following the war in 1945, the United States instituted Supreme Commander of Allied Powers (SCAP). Headed by General Douglas McArthur, SCAP, rather than being the position of only one man as the title alludes, was in actuality an entire organization, challenged with the task of rebuilding Japan. The thinking behind SCAP’s implementation and the overall rebuilding of Japan was that, if the United States was going to bring Japan under its sphere of influence, Japan might as well be made up to be worth the effort. However, before any gainful work could be done, SCAP’s chief goal at the time was to pacify Japan, and rid the island nation of any imperialist elements that might have still lingered after the war. In order to achieve this goal SCAP followed two strategies; democratization
and demilitarization. Through democratization SCAP promoted the creation of and participation in political parties, labor unions, and protest. These means of political participation had been outlawed or severely restricted since the Meiji Era. Oddly enough, SCAP in their promotion of democracy, for a short time, actually favored leftist organizations, such as the Japanese Socialist Party (JSP), as leftist organizations were most opposed to any socio-economic imperialist thought and structure, both before and after the war. This strategy would later come back to haunt SCAP and Allied powers as fear of a greater communist influence in Japan began to take form.

With regard to demilitarization, while the military had been abolished through Article 9, the zaibatsu, or wealthy clique had not. The zaibatsu was essentially a conglomeration of the top Japanese businesses previously favored by the military, and were an integral piece of the pre-war Japanese military-industrial complex. Through the favor of the military, the zaibatsu only a handful of the top Japanese firms, held a stranglehold on the Japanese economy. While SCAP may have had good intentions in getting rid of the zaibatsu, who were indeed part of the imperialist economic structure, in their efforts in removing the zaibatsu, they essentially destroyed these companies and any type of prearranged agreements made as a means of cooperation between them. Thus, while SCAP may have truly believed they were freeing up the Japanese economy for free private enterprise, they had in fact destroyed the foundations of the Japanese economy. To reiterate, in destroying the zaibatsu for good or for ill, SCAP also destroyed the greater Japanese economy. The thinking behind these two strategies was, that by promoting democracy and removing the military, the Japanese people would be able to actively promote their own destiny,
through political participation and free enterprise. For SCAP, the Japanese then, in addition to Article 9, would be able to do so without the interference of militarist leaders such as the war-criminal Hideki Tojo leading them down a path of war and imperialism once again. While it was indeed a nice thought on the part of the United States, things do not always go the way that they are planned. Moreover, in doing so, the United States never really asked the Japanese themselves for their input. Regardless, to give an illustration of the sentiments at the time, why would the United States ask what the Japanese thought of SCAP’s efforts and reforms as after all they were the victors, and the Japanese the vanquished?

What SCAP failed to see, despite their best intentions, was that following the war Japanese people were starving to death, and were less concerned with political freedom and free enterprise. To provide a glimpse into how dire the hunger crisis was, the Japanese government estimated the number of deaths by starvation extending into the millions.7 In comparison, roughly 2.7 million Japanese died in the actual war itself. However, a briefing by the U.S. State Department in 1946, on the situation in post-war Japan, when commenting on the crisis of rampant starvation took up only three fourths of a single page. In the first paragraph, the briefing quotes a comment in one of Japan’s main daily newspapers, the Sangyo Keizai, “If we can be fed we don’t care who has political power”.8 The last paragraph of the short entry on hunger describes the mass demonstrations on the hunger crisis by the Japanese people, and that despite “16,000 tons

of food imports” being released “hunger still was leading toward starvation”. What makes this passage pertinent to the study of the reconstruction of Japan, and the sentiments that the United States held against Japan during the post-war era, isn’t necessarily what is included, but rather how the items and facts included were presented to officials in Washington. The picture painted of the Japanese people for U.S. State Department officials, specifically those of the Far Eastern Commission (FEC), which directed SCAP, in the briefing, was arguably that of a crazed people who demanded that more food be brought in, regardless of the cost. For the FEC, the Japanese government officials, rice hoarders, and those who refused “to share with each other during this time of poverty and hardship, and thus surmount this difficult situation” were to blame for the starvation crisis in Japan, and not the officials of SCAP. Then, in suggesting that the Japanese people were ungrateful for SCAP’s democratization and demilitarization efforts, they could not have been further from the truth.

However, the food which SCAP brought into Japan, roughly “16,000 tons of food imports” in the first year, was hardly enough for the tens of millions of Japanese that flooded the small island. As a solution to this problem, that is, how to bring in more food to Japan, SCAP thought, Japan would simply export goods such as textiles, “to pay for the food, fertilizer, and other essential imports required to maintain a subsistence standard of living”. Along with paying for “the food, fertilizer, and other essential imports” Japan would, according to SCAP planning, export to also pay for war reparations at the

---

9 Ibid., 40.
10 Ibid., 40.
11 Ibid., 45.
same time. This plan, in comparison to the briefing on the crisis of hunger and starvation that only took up three fourths of a page, takes up three full pages. In summation, SCAP’s plan for Japan, was that Japan would export goods to pay for its food, and war reparations to the Allied Powers, despite the impending starvation crisis. While SCAP’s plan may have been sound on paper, there lacked the fundamental understanding that the Japanese people could not begin to pay for its reparations and food without first being adequately fed. Moreover, SCAP seemed to have forgotten, or was ignorant of the fact, that after the war, Japan didn’t have any effective means to do so i.e., trade partners and modern manufacturing techniques. Even more telling was the fact that SCAP and the FEC at this time did not have the resources to provide such tools so that Japan might export goods for its own food and war reparations. Hypothetically speaking, even if the FEC at this time did have the resources, there existed no particular incentive or order to provide the Japanese with such effective means, as SCAP was commissioned to specifically bring Japan up to bare subsistence by the United States.

Yoshida Shigeru, in his memoirs, recollecting his first term as Prime Minister and the hunger crisis, states, “The food situation at that time was so serious that the Government had advised that ten million persons could be expected to die of starvation...”¹² The GHQ, however was able to provide enough food for the Japanese during the two critical years that immediately followed the war, seven hundred thousand tons of food to be exact. The amount of foodstuffs provided by the GHQ, however, was considerably less than the four and a half million ton estimation given by the Japanese Ministry of Agriculture and

Forestry, when asked how many foodstuffs was needed to hold off starvation. In presenting these figures, Yoshida was criticized for presenting such a grandiose estimate to the GHQ, who comments that the Ministry estimated that year’s domestic harvest as low as possible, “in order to obtain the maximum amount possible from the Occupation authorities.”

No doubt the four and a half million estimation given by the Ministry of Agriculture and Forestry presented to the GHQ may have been questionable, even dubious. The estimation does illustrate, however, the lengths that even the Japanese government was willing to go to in order to receive more food, even if that meant providing gross estimations to occupation officials. On the other hand, however, the amount provided by the GHQ, and criticism given to Yoshida for providing those estimations also says something. That is, that the GHQ were averse to providing the Japanese with anything more than the bare minimum. For example, the seven hundred thousand tons of foodstuffs. While the American projected figure of seven hundred thousand tons of foodstuffs needed, did in fact feed Japan, the disparity between the two factors demonstrates the sentiment that the United States still held towards the Japanese after the war. What further highlights this sentiment is the fact that in spring 1947, the GHQ had stated “that no food could be imported into Japan unless the nation first made every possible effort to increase its own food supply” and insisted that the Japanese Government take responsibility for the food crisis, and not rely on the importation of

---

13 Ibid., 80.
American foodstuffs. The GHQ made this statement despite the fact that millions of Japanese lived on a day-to-day basis, leaving the Japanese government to find the solution, once the 400,000 foodstuffs had been imported. Not only was the GHQ unwilling to provide the Japanese with anything more than that which was absolutely necessary to achieve their goals i.e., bare subsistence, but support for the Occupation and reconstruction of Japan began to wane at home as Americans wondered just why they were helping their former enemies.

The Rebirth of Japan

Following these tough times, and the demilitarization and democratization efforts of the GHQ, or first phase of the occupation, according to Yoshida, began the second phase of the occupation in 1948. For Yoshida and the Japanese, this second phase began with a speech given by then Secretary of the Army Kenneth C. Royall in January of that year in San Francisco, on the subject of the ongoing efforts by the GHQ and FEC in Japan. Royall’s speech changed not just the current situation of Japan including its food crisis, but also how America viewed its former enemy, and explained what shape Japan was to take in the new post-war Pacific construct. That is, a change in strategy in how the United States was going to approach the Pacific region, and the nations therein, specifically Japan.

At the beginning of the speech, Royall laid out quite clearly what exactly the GHQ was assigned to do: "To insure that Japan will not again become a menace to the peace and

---

14 Ibid., 207.
15 Ibid., 40.
security of the world," and, second, "to bring about the earliest possible establishment of a democratic and peaceful government which will carry out its international responsibilities, respect the rights of other states, and support the objectives of the United Nations." In continuation, Royall applauded the measures of the GHQ in destroying any remnants of known war-potential left after the war including the removal of imperialist officials, destruction of key industries, and the steps taken to implant democracy in Japan. However, for the Yoshida cabinet and FEC officials in Washington, the last sentence of the speech is all that really mattered as it single-handedly let the world know exactly what Washington was planning to do with Japan next;

“But I can assure you that our decisions will be made with realism and with a firm determination of doing all possible to prevent Japan from again waging unprovoked and aggressive and cruel war against any other nation. [emphasis added] We hold to an equally definite purpose of building in Japan a self-sufficient democracy, strong enough and stable enough to support itself and at the same time to serve as a deterrent against any other totalitarian war threats which might hereafter arise in the Far East. ”

The policy of Washington towards Japan had shifted slightly as indicated by Royall’s speech. That is, from viewing Japan as a former enemy, and staging ground for U.S. Military operations in the Far East, to an integral partner in a new Pacific. As defined in Royall’s speech, Japan was no longer a burden, and according to U.S. strategy, would soon serve as a deterrent against war threats. Royall makes it quite clear that there was still vital work that needed to be done in order to ensure the integral security of an

---

17 Ibid.
American dominated Pacific – SCAP’s efforts aside. The GHQ’s efforts of
democratization and demilitarization had taken hold, any known war potential had been
destroyed – those goals had been achieved by 1948. Washington, following the
achievement of those goals, as a means to combat arising war threats in the Far East, that
shall be discussed later, was moving to remake Japan in its own image, and bring its
former enemy under U.S. protection and supervision in making it “strong enough and
stable enough to support itself and at the same time serve as a deterrent”.

Japan had, since the beginning of the occupation, been under the protection and
supervision of the United States. Royall’s speech indicates that the United States in 1948
took an actual interest in the economic reconstruction, development, and growth of Japan
for strategic purposes. For Yoshida, it seemed as though the formation of Soviet bloc and
change in American strategy on the Far East was in fact Japan's blessing, as it had “made
a revision of Occupation policy necessary and caused that policy to veer towards the
strengthening of Japan economically in order that it would serve as a buttress against the
infiltration and growth of Communist influences.” Royall’s speech and subsequent trip
to the FEC had in fact made an impact on the amount of aid made available to Japan by
the United States, as American appropriations for Japanese aid increased from $392
million in 1948 to $429 million in 1949. Food imports brought in by the GHQ for Japan
had increased from just over a million tons in 1947 to $1.7 million tons just one year later
following Royall's speech.  

19 Ibid., 208.
Nevertheless, FEC officials understood that simply throwing money at Japan alone would not jump-start the war-torn economy, let alone make Japan a “buttress against the infiltration and growth of Communist influences.”\(^{20}\) A foundation for considerable economic growth still had to be laid. The Japanese national budget was still in disarray from the war, and the Yoshida cabinet continued to struggle to find a way to feed their people. In addition to the problems in the national budget, inflation skyrocketed as a result of high prices on essentials such as rice and grains, as a result of the black market, and sparse food supply.

Joseph Dodge, then President of Detroit Bank, was appointed as financial adviser to the GHQ, and MacArthur personally in early 1949. Dodge’s task was to find the solution for Japan’s national budget and get the island nation’s economy going again. To achieve these goals, Dodge set up a system of austerity: cutting as many as 260,000 public sector jobs, slashing government subsidies, and sought to bring in as many taxes as possible to the chagrin of many Japanese. While Yoshida himself deemed Dodge’s measures as “stringent,” they in fact worked at rebalancing the national budget, and brought the nation’s finances up to “more healthy lines”.\(^ {21}\)

Yoshida notes that by September 1949, enough food had been imported, and food prices had been lowered sufficiently that the food crisis of Japan had ended.\(^{22}\) Dodge’s measures of stringent austerity, commonly referred to as the Dodge Line, had balanced Japan’s national budget, despite protests by the Japanese and tough measures taken by the

\(^{20}\) Ibid., 208.
\(^{21}\) Ibid., 91-92
\(^{22}\) Ibid., 208.
government. There still remained, however, the question of how exactly Japan was going to serve as a deterrent against war threats and communist influence when it had only recently been allocated the means to adequately feed its people, and balance its national budget.

It is important now to focus on what prompted U.S. strategy in the Pacific to change so drastically in the three years, between the end of the war, and the increase of American interest in Japan that was signaled by Royall’s speech. By deducing the reasoning behind the change in U.S. strategy, we might then infer that the reasoning behind the increase in aid for Japan, and reconstruction of the Japanese economy as these elements are linked. While the Korean War (1950-1953) is often pointed to as the turning point when the United States began to view Japan differently, this cannot be true, as Royall’s speech, given in January 1948, predates the war. The increase in special procurement and aid by the United States for Japan in 1948/9 also proceeds the war. However, this does not mean that the new political alignments that ultimately led to the Korean War, did not change U.S. strategy as they clearly did. These new political alignments being the declarations of the Democratic People’s Republic of Korea (DPRK), and the People’s Republic of China (PRC) each backed by Moscow. The change in the alignment in the Far East, that is the control of the DPRK and PRC by Moscow, signaled for the United States that Japan needed to serve as a deterrent against these threats.

**The Strategy of Article 9**

As history will serve the reader, Korea had been annexed by the Imperial
Japanese government in 1910, and remained a Japanese territory until 1945. Following the war, the Korean Peninsula was divided along the 38th parallel. What lay north of the line came under Soviet influence, and what lay south under the influence of the United States. In the subsequent years, following the division, neither Washington nor Moscow budged in the attempts for reunification, and a free independent Korea, as both sides jockeyed for their respective economic ideologies to take precedence on the peninsula. By 1948, two separate governments had emerged, first with the Republic of Korea under Syngman Rhee backed by the United States in the spring, and subsequently the Democratic People’s Republic of Korea under Kim Il Sung backed by the Soviet Union in the fall. Almost exactly three years after the signing for formal surrender by Japan, and just a few hundred miles west of Japan lurked, a communist, Soviet backed state, adamant on capturing the Peninsula and increasing the communist sphere of influence. Mao Zedong, on October 1, 1949 officially proclaimed the People’s Republic of China. The United States, after pouring money into the Kuomintang (KMT) nationalist forces led by Chiang Kai-shek for over a decade, had been defeated. Chiang-Kai Shek had escaped with the KMT to Formosa, proclaiming the Republic of China (ROC) in exile. Moscow, all too eager to back newly founded communist China further consolidated its influence in Eastern Asia. By late 1949, there existed two new communist states in eastern Asia, each of which was under the influence of the Soviet Union. These developments were in direct contrast to the United States vision of an American dominated Pacific. Even more alarming to the United States was that each of these new nations, the PRC and DPRK held close trade and cultural ties with Japan. It was then
even more essential that Japan be given sufficient aid so that it would not fall under communist influence. However, the question for the United States was, how to combat communist influence and the Soviet Union without arousing suspicion, and starting an arms race within the region.

The United States, in answering the relationship that the DPRK and PRC had with the Soviet Union, took a renewed interest in Japan, and began to build a relationship with their former enemy. Evidence of this more fruitful relationship is the increase in American aid for Japan from 1948 onwards. The purpose of the post-1948 relationship between the United States and Japan was to not just promote a capitalist, and thus a communist free Japan, but also to further establish an American friendly Pacific region. This new relationship between Japan and the United States can be thought of as the “Pacific Alliance,” a term first coined in that context by William Borden in his 1984 work titled after the term. While the Pacific Alliance itself was by no means a formal organization, such as the then newly created North Atlantic Treaty Organization (NATO), the cooperation between the two nations in promoting the Alliance’s efforts was anything but casual. Borden in his *The Pacific Alliance* states that the formation of such an alliance “depended heavily on economic aid – that is, on the Japanese recovery program.”

The Japanese recovery program to which Borden refers includes the increase in American aid after 1948, in answering the new communist alignment in the Far East. What Borden does not point out is that the strategy of a “Pacific Alliance” revolved primarily around Article 9, and a play of *realpolitik* by the United States. That is, that the

---

Pacific Alliance was not a theoretical strategy that was held in place by the willingness and cooperation of both parties, but rather one of practicality, fundamentally grounded in the Japanese constitution. Through the implementation of Article 9, Japan was completely dependent on the United States for defense from communist influence, and obliged to follow such a strategy. On the other hand, the United States, through Article 9, while obligated to protect Japan, was able to do with the island nation as they pleased. This included showing Japan off to the rest of the Far East as a miracle of capitalism, and using Japan as an economic counter-weight to the DPRK and PRC. What Borden does illustrate in his work, are the various problems that stood in the way of the strategy. These problems included the dollar gap between the United States and Japan, and the problem of the large foreign aid appropriations by the American Congress.

As Borden rightly points out, following WWII the United States had accumulated such an enormous amount of wealth via war contracts and exports, both within its own domestic economy and that of Europe, that its economic strength severely overshadowed those nations whose economies were dealt a more severe blow in the war, and were not afforded the same war contracts and export orders, such as, the United Kingdom, and Japan.24 The economic strength of the U.S. economy propelled the dollar as the most secure and valued currency in the West. Generally speaking the stronger the economy, the stronger the currency. However, as Borden points out this put a damper on U.S. foreign economic strategy.25

In the West, there occurred an economic landslide of sorts. That is, nations whose

---

24 Ibid., 5.
25 Ibid., 6.
economies were previously quite strong, such as the British or Japanese, during the war, lost their ability to manufacture and compete with their American counterpart. Thus, as their manufacturing power and economic strength began to slip, so did their respective currencies. The dollar gap refers to the disparity in currency value between the Dollar and other currencies, namely, the British Sterling or Japanese Yen, which reflected the strength of the British and Japanese economies against the economy of the United States. This disparity in currency value was so great following the war, that many nations were unable to buy American exports. If the yen held a low value against the dollar, it would take a greater amount of Yen to buy American goods, than if the Yen held a relatively equal standing with the Dollar. This was a problem for U.S. foreign economic policy as it hindered the buying and selling of American goods.

The problem for the United States wasn't that the British or Japanese economies were doing so poorly after the war, due to the destruction or inoperability of key industries, but rather that the United States was doing so very well. The sheer affluence of the United States, put its former trade partners at a loss as they could no longer afford to trade, since their currencies didn't hold nearly the same amount of clout as the dollar. While it is odd, it was in the best interests of the British and Japanese to not trade with the United States as they would be losing wealth each time that they did. If the United States sought to trade with these nations after the war, the disparity in currency value between the dollar, and the other various currencies had to be severely lessened.

The solution to this problem was that theoretically the strength of the United States economy and dollar had to be reduced, and the number of dollars around the world
increased, so that nations around the world, especially Japan, would be able to afford to buy American exports. If nations could not afford to trade with the United States they would potentially be driven to either trade solely amongst themselves, or much worse, trade with the Soviet Union. Thus, the United States economic supremacy, if it had not been curtailed, would actually have sealed its fate due to the post-war global economy.

For American policymakers and economic strategy, mutually beneficial trade amongst the United States and its allies was key. Such trade could form a type of capitalist-bloc that would oppose the Soviet Union and its satellites, and economically blockade a communist-influenced market, while deterring western nations from trading with them.²⁶

Here enters U.S. economic appropriations for Japan. That is dollars for Japan, so that the Japanese would be able to purchase American goods, mainly foodstuffs, as a means to stimulate trade. The reason in giving Japan dollars through congressional appropriation was that if Japan held enough purchasing power in dollars to buy American goods and foodstuffs, the Japanese economy would be able to function properly. In other words, if Congress gave enough money, specifically dollars, to the Japanese, they would be able to buy American foodstuffs, and get back to work again – so to speak. Moreover, appropriations given to Japan were in theory supposed to increase the number of dollars in circulation, thus purposefully lowering the dollar's economic value, and put it on a more even keel with other currencies, such as the yen. The thinking being, as with most things, if a currency is made more widely available, its value tends to degrade. While appropriations given to Japan worked in devaluing the dollar and increasing the amount

²⁶ Ibid., 6.
of dollars held by the Japanese, the dollars given to the Japanese through appropriation were artificial. That is, that Japan did not earn those dollars through trade, or more specifically, via Americans buying Japanese products. The goal then for both the Yoshida cabinet, and American policymakers was to find a way for Japan to earn dollars, rather than be given them artificially through Congressional appropriations. If Japan was able to actually earn dollars, via American consumers buying Japanese exports, not only would mutually beneficial trade be taking place, but Japan's economy would be functional, and Japan would be able to pay for American foodstuffs and its war debt through their own means.

While there were a number of plans put forward by American officials to increase the amount of dollars earned by Japan, the one settled upon by both MacArthur and Yoshida, was the idea that “the United States would use troop expenditures in Japan and military expansion in Asia to private coordinated dollar markets for Japan.” 27 Japan, through this plan, would be able to actually earn dollars through defense contracts given to Japan, as their military production capacity lay dormant. 28 In other words, Japan would fulfill defense contracts for the U.S. military as they increased their presence in East Asia thereby countering communist aggression.

The strategy of allowing the U.S. Military to defend Japan, and the greater Pacific region, while fulfilling defense contracts, is a precursor of what is known as the Yoshida Doctrine. For Yoshida, if the United States wanted to expand its influence into East Asia, Japan was more than willing to fulfill any contracts for war-material, but would not rearm

27 Ibid., 139.
28 Ibid., 139.
themselves, as Japan was more concerned with economic recovery rather than defeating communism in East Asia. Borden makes a point to acknowledge the theory that “the Japanese, particularly Yoshida, subtly guided Americans toward recovery policies to launch Japan's postwar resurgence”, citing the efforts of both Yoshida and MacArthur in discouraging John Foster Dulles' push for Japan to rearm themselves in order to help ease the burden of the U.S. Military. Yoshida was more concerned with the recovery of the Japanese economy than directly countering communist aggression, and was much obliged at the idea of Japan fulfilling defense contracts for the U.S. Military rather than rearming Japan and stifling the economic recovery in lieu of a possible prolonged conflict. After all, as Article 9 states, “land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.”

While this plan worked well for Japan during the Korean War, and in all actuality, led to Japan's first economic boom since WWII, it only worked so long as the United States constantly required Japan to fulfill defense contracts. Once the Korean War ended in 1953, the contracts stopped coming in, and the Japanese economy began to slow. Japan was no longer able to pay for American foodstuffs and its war-debt, sending both the Yoshida cabinet and Washington officials scrambling to find the solution.

Dollars earned in fulfilling defense contracts by Japan, was by no means the only way in which Japan received them. Take note that special procurement for Japan by the United States, did not cease during the Korean War due to the Japanese being able to earn dollars themselves through defense contracts, but in all actuality increased. Indeed, since the

29 Ibid., 140.
30 Article 9 of The Constitution of Japan
Occupation began, Japan had been receiving dollar appropriations from the United States as a means to sell American made goods, mainly foodstuffs, to the Japanese. However, the American legislatures grew tired of continually sending the Japanese aid, especially in ever increasing amounts, as their constituents wondered why the United States was helping their former enemy, and their taxes were going up for doing so. It could certainly be said that the American Congress and taxpayers alike did not understand at the time how vital sending superficial dollars to the Japanese was to not just the recovery of the Japanese recovery, but also in strengthening their own. Nevertheless if Congress was to continually approve hundreds of millions of dollars for Japanese use, they needed a good reason. With the Korean War, both Congress and the American taxpayer finally had a good reason, and especially one that they could understand, communism. “No longer would Congress impose major restraints on military budgets and foreign aid programs with military overtones” states Borden. For the Americans, the Korean War signaled not only that possibility that the entire Korean peninsula might fall to communism, but also that Japan, the United States' new pacific crown jewel and pseudo-protectorate, could very well also come under communist influence. Thus, undoing all of the work and money spent in rebuilding Japan as an economic partner.

**Article 9 and the Pacific Alliance**

Since Congress, due to the Korean War, would not impose major restraints on military

---

budgets and foreign aid programs, there needed to be a way to make an increase in special procurement seem legitimate. While the United States had already been giving Japan a substantial amount of aid for its economic recovery as it had done since the Occupation, the United States began to give Japan a larger amount of aid for allowing the U.S. Military to use Japan as a leaping off point onto the Korean Peninsula. Essentially, the United States, in order to make the increase in defense spending in Japan appear legitimate, rented Japanese land which was to be used as a jumping off point into Korea.

Appropriations, like the fulfillment of U.S. military contracts which totaled in excess of $800 million, lasted only so long as the Korean War. Once the war ended in 1953, so too did Japan's ability to earn dollars, and large amounts of special military procurement appropriated by Congress, effectively ending Japan's ability to buy American manufactured goods, foodstuffs or to repay its war-debt. Once the American trade went back home so to speak, Japan once again saw a widening dollar gap and struggled to export its way out of debt.

Neither the system of fulfilling defense contracts for U.S. expansion into East Asia nor procurement through Congressional appropriation served as a long term solution to Japan's economy. Economist Jerome B. Cohen in his 1956 article titled Problems in Foreign Trade and Investment summed up Japan's dilemma best in saying, “Japan must sell enough abroad to pay for essential imports. She must generate a volume of exports large enough to cover necessary foreign exchange expenditures.”

nor ever would be, enough defense contracts or special procurement given to Japan to pay for all of Japan's essential imports, and foreign exchange expenditures. Indeed, Japan and Washington officials, after the Korean War, needed to find a way to get Japan going, and solidify what Borden calls the Pacific Alliance. Short-term remedies such as defense contracting would not solve Japan's long-term economic dilemma of selling enough manufactured exports to pay for it is essential raw imports and foodstuffs.

For American policymakers, there existed the fear that Japan would resort to trading with China in order to gain raw materials for manufacturing if the United States did not quickly find an apt solution. In fact, Kenneth K. Kurihara even as late as November 1955, acknowledged certain elements within Japan who still viewed China as an economic solution to the dilemma in stating, “Japan's apparent desire to expand trade with the mainland of China . . . seems to stem from the post-Korean trade deficits presaging the rapid depletion of exchange reserves, the mounting pressure to discover effective [sic] substitutes for costly American foodstuffs and raw materials, the payment of reparations, and the inadequacy of Mutual Security Assistance.” For the United States and conservative Japanese lawmakers and businessmen, such a catastrophe never came about as following the Korean War and Japan's ever increasing dollar gap. As will be shown, officials in both Washington and Tokyo took appropriate measures to ensure the solidification of the alliance. While there were a number of measures taken by both Tokyo and Washington, the scope of which that will be examined will include, Law No.

of the Japanese Diet, the Security Treaty between the United States and Japan, the Friendship, Commerce, and Navigation Act between the United States and Japan, and Japan's entry into the General Agreement on Tariffs and Trade.

The question that remained at the end of the Korean War for both Tokyo and Washington, was, what was a long-term solution for Japan's economic dilemma? Unbeknownst to officials in Washington, a vast majority of Japan's industrial potential had not been destroyed or dismantled since 1945, and was more or less lying vacant. It was only when defense contracts for the U.S. military came pouring in for American expansion into East Asia, that these key industrial sectors begin lighting up again. Once the war was over, the lights were simply turned off so to speak, all the while the factories themselves still remained. In fact, a report published by Kenneth Morrow, head of the programs and statistics division of the Economic and Scientific Section of SCAP (ESS), in 1951 titled Japanese Industrial Potential I (JIP I) estimated that at least "one-half of Japan's machinery and metal capacity and eighty six percent of rail-road stock capacity lay idle" and intact long after the destruction of WWII and demilitarization efforts of SCAP.\textsuperscript{34-35} This idle manufacturing capacity was used during the Korean War, and simply continued to lay idle once the defense contracts stopped coming in. While many, including Washington officials, believed that such manufacturing potential had been destroyed, the situation was quite the contrary – the factories were there, but no one was working in them. Make no mistake, however, that the machinery that lay idle, was by no

\textsuperscript{35} Ibid., 152-3.
means modern, but rather the same material and machinery that was used during Japan's imperialist gamble (1931-1945). Nevertheless, what items that were described in (JIP I) would be essential to any type of Japanese economic recovery, these items simply needed to be modernized. To that end, and to make modernization a possibility, Japan needed the means to gain trade partners and contracts in order to get half of its machinery and metal capacity going again.

The means to get Japan's economy going again, and acquire those means however, came from dual effort on the part of both public and private investment. That is, that public policy, procurement and management of the Japanese economy alone could not unilaterally lead the Japan to modernization and prosperity. The involvement and cooperation of the Japanese and American governments was certainly necessary to facilitate trade. It would be, as will be shown, up to private Japanese and American businesses and investors to carry the rest of the burden.

The Commission on Foreign Economic Policy established at the request of President Eisenhower was given the task of finding alternatives to carry out American foreign economic policy other than through Congressional appropriations. The Commission found, in what is titled as the Randall Report, named after the head of the Commission, Clearance Randall, that private American investment could carry out some if not all of U.S. foreign economy policy interests.36

Through May 31, 1950, roughly only about $1.7 million worth of investment

through 315 different investments contracts had come about.\(^{37}\) This was hardly a drop in the bucket, especially in comparison to the hundreds of millions given to Japan through congressional appropriation. Investors up to this point, as indicated by the figures provided, were certainly concerned not with just the economic instability of the Japanese economy between 1945-1950, but also with possibility of not receiving returns on their investments given the economic climate at the time. Up to this point, most investors, of whom were primarily American, had nothing more to go off of other than a few Cabinet Orders from the Yoshida government, and the advocacy of their own government.\(^{38}\) Note however, that between the first Cabinet Order from the Yoshida government, that opened Japan to investment, the Cabinet Order of March 15, 1949, had only been signed into law one year prior to the figures provided. In that year, $1.7 million worth of private investment had been provided to Japanese firms. W.I. States in his 1951 article titled *Economic Development in Japan*, that there were four reasons primarily why investors began to look towards Japan: encouragement by the United States government, the risk of not receiving returns against investments “had dissipated”, “special demands”, most notably defense contracts, had stimulated the Japanese economy making them “good objects for investment”, and the most important reason cites W.I., is that the Japanese market paid a higher dividend rate to investors than the U.S. market.\(^{39}\)

However, it wasn't direct foreign private investment that the Japanese themselves

---


\(^{38}\) Cabinet Order of March 15, 1949 and Cabinet Order of January 14, 1950.

wanted, what they really wanted, were technical assistance contracts.\textsuperscript{40} The reason for that is that the Japanese did not want to allow foreign investors, who were primarily American, to be able to buy up Japanese firms. If that were the case, investors would be able to essentially own the Japanese economy, and take advantage of Japan's then economic weakness and delicacy, which was unable to ward off shark-type investing. The Japanese much rather wanted to gain the technical expertise of their American counterparts, rather than completely selling an entire firm, and gaining the technical expertise in the long run. Through this economic strategy, the Japanese would be able to keep the identity of their particular firm, and their economic sovereignty, while paying their American counterpart for technical expertise. The end-result being that Japanese firms would then be able to compete with their American counterparts as they gained, through technical assistance contracts, the technical know-how. American firms would benefit from technical assistance contracts as they were paid in proportion for teaching Japanese workers the most state-of-the-art manufacturing techniques and industrial formulae.

**The Four Laws**

On May 5, 1950, the Japanese government answered the call for the legislation to approve technical assistance contracts. On that date, the Japanese Diet passed legislation known as Law No. 163, which as Kubota points out, “cover[ed] technological assistance...\textsuperscript{40} Technical assistance contract (TAC): the sale of technical expertise between two or more parties.
contracts and acquisition of stocks, bonds, or loans of Japanese firms.”

It could certainly be said that while private foreign investment had been made legal and under guarantee through the various Cabinet Orders already in place, Law No. 163 saved the sovereignty of Japanese firms, and the Japanese economy as a whole, in answering the call of Japanese businessmen. Moreover, Law No. 163 let foreign investors know where exactly both the Japanese government and various Japanese firms stood with regard to investment. Japanese firms would much rather received technical assistance contracts rather than direct investment. The reason being is that the Japanese did not want to lose control of their firms to foreigners in a transaction to bring modern manufacturing techniques, in exchange for a percentage of administrative control. They would have much rather wanted to pay for the expense of their workers learning those techniques out of pocket themselves to begin with.

As of August 1951, the response to the legislation came to total about $12.55 million of investment drastically above the $1.7 million figure of the previous year, cites Kubota. The figures clearly showed that the legislation was indeed a step in the right direction for a Japan who would much rather learn from their American counter-parts, than sell the sovereignty of their firms. However, being that as of August 1951, only 80 technical assistance contracts had been approved and validated, 59 of which came from American firms, it became evident that foreign investors still required further assurance. In addition, it now was also evident, via the low number of contracts approved by August 1951.

---

42 Ibid., 71.
1951 that for investors, the Japanese economy itself was all but solid ground for investment.\footnote{Ibid., 72.} Indeed, the Korean War at this time had only just entered its second year, and while things were looking up in terms of defense contracts and U.S. congressional appropriations – those items were really the only thing that Japan had going for it at the time. Japan, circa 1951, was by no means sound grounds for investment, despite favorable figures.

Even despite Japan's less than solid grounds for investment, the United States was not going to give up on Japan, especially during the middle of the Korean War. Above all else, Japan was for the United States a strategic leaping point into East Asia, and to that end, essential in defeating the Soviet backed DPRK. If the economy of Japan could be improved via investment that was encouraged and guaranteed by the U.S. government than all the better. Undoubtedly, however, for the United States Japan was the first step in expanding its influence into east Asia. It was imperative then that the United States solidified the Pacific Alliance through international law, not only as a means to send a message to Moscow, but so that Japan could be legally tied to the United States for defense.

On the other hand, however, for Japan, and especially the way that Yoshida Shigeru saw the arrangement, the strategic location of Japan, and its economic vitality worked hand in hand. What Borden refers to as Yoshida's subtle guiding of U.S. Foreign policy, was in all reality, a diplomatic ploy by Yoshida in arranging the U.S./Japanese
Cold War relationship." Alluding to the fact that Yoshida purposefully allowed the United States to use Japan as a strategic leaping point into Korea and East Asia, as the United States would assist in the rebuilding of the Japanese economy. Essentially what Yoshida wanted for Japan was for Japan to be an economic cornerstone for the United States, while careful not to entangle itself into regional conflicts. The United States, it was thought of Yoshida, would naturally in turn protect its investment should regional tensions rise, and given the geopolitical climate of east Asia at the time, they naturally did. Yoshida in his memoirs, recalling the general climate of the time and that of John Foster Dulles who urged the Japanese to rearm and get in regional conflicts, states, “Rearmament was for Japan out of the question at that time, and it was our idea to entrust the defence of the country to the United States forces, while we co-operated in the task to the best of our power with [a] reinforced police force.”\textsuperscript{45} For Japan, and Yoshida, the rebuilding of the Japanese economy was of the utmost importance, regional security was a secondary concern of which was best left up to the United States, and nothing more than a Japanese reinforced police force. If regional security was left up to primarily the United States, Japan could focus all of her energy into her economy, and thus benefit the United States through trade rather than involving itself militarily in East Asia.

This was the mentality of both sides going in signing the Security Treaty between the United States and Japan on September 8, 1951. The United States needed to continue


using Japan as a strategic leaping off point into East Asia. Although this was sold to the world and the Japanese themselves as a means to protect Japan from communist influence, it was clear that through the Security Treaty the United States was formally declaring Japan as theirs. Eerily harkening back to 19th century colonialism. The Japanese, led by the Yoshida's cabinet, allowed this to take place as it was in Japan's best economic interest to allow the United States to police the Pacific and East Asia from Japan, in return for favorable trade agreements and American investment. Furthermore, note that the signing of the Security Treaty boils down to nothing more than an affirmation of the language of Article 9. The Security Treaty, as will be examined, reinforced the role of the United States military in the protection of Japan, and serfdom of Japan to the United States with regard to defense.

Accordingly, a month after the $12.55 million investment figures had been posted, and just over a year into the Korean War, the Security Treaty was signed between the United States and Japan in San Francisco on September 8, 1951. In the first paragraph of which, the Treaty recognizes the disarmament of Japan via Article 9 of the Japanese Constitution in stating, “Japan will not have the effective means to exercise its inherent right of self-defense because it has been disarmed.” The treaty further recognizes “danger to Japan,” referring to the Korean War, and Japan's desire for “a security treaty with the United States of America”, referring to Yoshida's doctrine of allowing the United States to defend Japan while focusing on economic reconstruction. In order that the United States be able to properly defend Japan, “Japan grants, and the United States of

---

46 Bilateral Security Treaty between the United States of America and Japan, September 8, 1951.
America accepts, the right, upon the coming into force of the Treaty of Peace and of this Treaty, to dispose United States land, air, and sea forces in and about Japan" in the first Article of the Treaty. The fourth and last article of the treaty explains the expiration of the treaty in stating, “This treaty shall expire whenever in the opinion of the governments of the United States of America and Japan there shall have come into force...security dispositions as will satisfactorily provide for the maintenance...of international peace and security in the Japan area.” Of course, the United States would never let such a security disposition occur, let alone hand over the custody of the Japan area to any other force or power.

Through the signing of the Security Treaty of 1951, the United States undoubtedly proclaimed Japan as theirs, in the face of, Moscow backed communist aggression. To which the Japanese, who were more concerned with economic reconstruction, were more than obliged to allow. Article 9, for the United States, was simply not enough, as it only disarmed Japan, and did not directly link Japan to the United States for defense. Through the Security Treaty, Japan was thereafter legally bound to the United States for defense. Contrarily, while the United States was certainly by no means legally bound to assist Japan in the rebuilding of the Japanese economy, the United States was more than willing to assist in making Japan a greater trade partner in order to sell American exports.

In following through with Yoshida's Doctrine, and the concern of American private investors over the security and guarantee of their investments, the United States took multiple steps to open and secure the Japanese economy through diplomatic policy,

---

48 Ibid
and facilitate American private investment. Herman Walker, Jr. states that, “Treaties in support of American citizens and their interests abroad, in line with the prevailing international needs and usages of each era, have been a normal and repeatedly used feature of American diplomacy since the days of the War of Independence.” 49 “The principal vehicle advocated by the United States Government” to facilitate American private investment in foreign lands says Walker, “is the bilateral treaty of friendship, commerce, and navigation-"FCN treaty" or "commercial treaty" for short.” 50

Essentially, an FCN Treaty, also known as a bilateral investment treaty (BIT), states that both contracting nations will respect the property of private citizens who are members of either contractual party be they currency, goods, or patents, as well as guarantee the free flow of those goods, and agree if a dispute should occur between private contractual parties, to settle the dispute legally. Its purpose is to promote and protect the free flow of private investments between two or more nations. If private investments are protected through contractual law investors are then more likely to invest in the country with whom their own nation holds an FCN Treaty with as there is a standing agreement in place between the two nations warranting private investment.

Towards the end of the Korean War, the Japanese economy began to slow down due to the lack of defense contracts for the U.S. military, as well as lighter Congressional appropriations being given to the Japanese than usual. It was imperative that the private sector take over rebuilding Japan's economy. However, investors were skittish to invest.

50 Ibid., 230.
This was in part due the decrease in value of the yen against the dollar following the war – leading to an increase of the dollar gap, and lack of legal guarantees and securities for foreign private investments, thus making Japan less than a healthy choice for investment.

Both the United States and Japan then, before the Korean War ended, on April 2, 1953 signed an FCN Treaty. The thinking behind agreeing to an FCN treaty was that it would stimulate private investment by putting investors' worries at ease, over the lack of securities in place between Japan and the United States. By signing an FCN Treaty, both Tokyo and Washington hoped to increase the viability of investing in Japan, and increase the private exchange of goods between the two nations. While goods between the two countries certainly could have been exchanged prior the signing of the FCN Treaty, the Treaty in essence affirmed the relationship between the two nations with regards to respecting the legal rights and goods of citizens from either nation respectively.

One of the Eisenhower Administration's primary goals in their economic strategy for Japan, in an effort to lessen the dollar gap and increase the amount of trade going into Japan, was to obtain General Agreement on Tariffs and Trade (GATT) membership for Japan. 51 GATT, created in 1947, was an agreement amongst multiple nations headed by the United States, in an effort to lower tariffs put up against other nations in their effort to protect their own domestic economy – a strategy also known as protectionism. The idea surrounding GATT was that if tariffs could be lowered, and protectionism put aside, nations could freely trade amongst other nations and promote economic harmony. For

example, Britain which became a member of GATT in 1947, would be able to freely trade with West Germany, which became a member of GATT in 1951, as each nation's tariffs were lowered against each other. GATT was however an exclusive club, meaning, tariffs would only be lowered on other GATT members, and kept against non-GATT members through granting most-favored-nation status in trade. If Japan was admitted into GATT, thought the Eisenhower administration, Japan would be able to freely trade with nations which were already members of GATT at the time including, Britain, France, Germany, and Brazil.

Before GATT membership for Japan could be achieved, Japan needed to lessen the amount of tariffs that they had in place against those nations as a gesture of economic friendship. Those tariffs, however, were set in place by the Ministry of International Trade and Industry (MITI) in order to protect the fragile Japanese economy. Indeed, since the end of the war, in an effort to protect Japan's domestic products against the competitive nature of the post-war multilateral economy, MITI had no choice but to set in place numerous tariffs and taxes on foreign goods so that Japanese consumers would opt for domestically manufactured products.52 Through these methods, MITI had created for Japan a number of economic enemies so to speak, in not allowing the free flow of foreign goods into Japan. These nations in turn also raised tariffs against Japanese protectionism. On the contrary, had MITI allowed such a free flow of foreign goods, which were priced much lower than Japanese domestic goods, it would surely have meant the collapse of the Japanese domestic market. This was because the Japanese economy was not yet ready to

52 Ibid., 82.
compete internationally with competitive foreign markets such as Western Europe, whose nations were already members of GATT.

Japan finally became a member of GATT in September 1955. While Japan's GATT membership prompted the lowering of tariffs against Japan throughout GATT's member nations, most favored nation status was not granted to Japan. Borden points out in the Pacific Alliance, that “Eleven nations, however, led by Great Britain, invoked Article 35 of the GATT accords-the “escape clause”-to avoid granted most-favored-nation status to Japan”. These nations, in order to deny (MFN) status to Japan, as Article 35 indicates, simply did not enter in tariff negotiations with Japan prior to Japan's admittance into GATT.

How the United States was able to get Japan into GATT was that the United States signed a bilateral trade agreement with Japan that same month, in order to lessen the burden on existing GATT members in accepting Japanese exports. If Japan was able to show stronger trade potential through its nominal status in GATT and bilateral trade agreements with the United States, the twelve nations might then grant MFN status. Essentially, the United States, in order to gain Japan's entry into GATT, had to take on most of the trade burden in accepting Japanese trade, with the hope that, in time, Japan would be granted MFN status with those nations who choose to invoke Article 35.

---

53 Ibid., 187.
54 Ibid., 187.
55 Article XXV: 1) This Agreement, or alternatively Article II of this Agreement, shall not apply as between any contracting party and any other contracting party if: a) the two contracting parties have not entered into tariff negotiations with each other, and b) either of the contracting parties, at the time either becomes a contracting party, does not consent to such application. 2) The CONTRACTING PARTIES may review the operation of this Article in particular cases at the request of any contracting party and make appropriate recommendations.
Results of Article 9

In examining trade agreements such as the FCN between the United States in 1953, and admittance of Japan into GATT in 1955, it is important to point out that these agreements only helped facilitate trade and investment between private enterprises rather than increased trade directly. Trade and investment themselves, come on the part of private enterprises, and not through trade agreements – it was up to private individuals and businesses to import and export goods. The goal of the United States in creating these trade agreements, then, was to stimulate the Japanese economy once defense contracts and foreign aid through congressional appropriation was no longer an option following the Korean War. What should be taken away from this analysis, isn't necessarily the idea of a good-hearted U.S. foreign economic policy, but rather an understanding that the United States wanted to elevate Japan's trade status for their own benefit. Through measures such as the FCN Treaty, and Japan's admittance in GATT, the United States was able to add economic value to Japan.

For better or worse, Japan through Article 9, had become satellite of the United States. Through the three treaties examined, the United States was able to add economic potential to Japan, in the hope that the U.S economy would one day be able to reap the rewards. If Japan, through these treaties, became a stronger economy than that which it was after the war, when the United States first became the custodian of the island nation and former imperialist aggressor, it would not only be a wonder of capitalism, but also an ode to the benevolence and supremacy of the United States. It has been clearly argued
that Japan, for the United States, was an economic investment – to which – after these economic agreements went into place, has certainly since paid off.

When the United States first came into the possession of Japan via implementing Article 9 in the Japanese constitution, Japan was in ruinous despair. Its factories war-torn, its people starving, and its government unable to find the solution. Japan was viewed as a defeated enemy, and treated as such through SCAP's efforts of demilitarization and democratization- removing imperialist elements in both government and industry such as the zaibatsu, and promoting liberal democracy. The United States in dealing with Japan prior to the change in policies in Washington, sought only to bring Japan up to subsistence levels of living, and argued a self-support approach towards the Japanese economy. Indeed, prior to 1948, as has been argued, Japan for the United States was a burden.

Royall's speech in 1948, marked a turn in policy towards Washington however as the Far East was overrun with communist aggression in both Korea and China. It was then thought that Japan might serve as a buttress for U.S. Foreign policy in the Far East, and as an economic buffer to American friendly states in the Pacific region, and to the United States itself. Communist aggression, and to that point, the Cold War in its entirety was in fact, Japan's salvation. Without Communist takeovers in both Korea and China – Japan may have very well been left to fend for itself.

With the start of the Korean War and the communist alignment of the Far East, U.S. foreign economic policy toward Japan shifted to beefing up the Japanese economy through defense contracts and Congressional appropriations. When those efforts were no
longer a possibility at the end of the Korean War, the United States began to look towards measures that would directly include Japan as a partner in the Pacific and multilateral capitalist community. These measures included the Security Treaty of 1951 which cemented the Pacific Alliance into law, and thus protected the Japanese economy via the U.S. military. The FCN Treaty of 1953, which prompted investors, most of whom were American, to take a look at investing in Japan. Lastly, Japan's entry in GATT in 1955, provided Japan with western trade partners other than the United States which further strengthening the Japanese economy, and secured Japan's place in the capitalist community.

Although the Japanese were never allowed to rearm and regain their sovereign rights after the war, they never really wanted to, as they were protected by the umbrella of the United States. Japan under the protection of the United States military, was able to focus all its energies and resources on its domestic economy. Regional conflicts, and the threat of communism, thought Japan, would be much better left to the United States, which has arguably worked out quite well.

While it will be argued that the United States had, through Article 9, the Security Treaty of 1951, and subsequent trade agreements, taken advantage of Japan's weak post-war state. It is in all actuality, quite the contrary. The Japanese lead by Yoshida were able to gather vast amounts of Congressional appropriations, economic benefits, and trade incentives from the United States in first, allowing the United States to use Japan as a leaping point into the Far East, and later in engaging in a long term strategic agreement. The relationship between Japan and the United States is symbiotic in all reality, as the
Japanese are able to focus their energy on economic affairs, while the United States with its military power keeps aggressors at bay. Thus, promoting the harmony of the Pacific Alliance, that first began with Article 9.

**Introduction**

In early 1958, the Japanese Synthetic Rubber Company (JSRC) and Goodyear Rubber and Tire Company entered a contractual agreement for the sale of both: the understanding on how to manufacture Government Rubber-Styrene (GR-S), and supervision of Goodyear employees in building a facility in Japan that could manufacture the product.\(^{56,57}\) Both firms entered into what is known as a technical assistance agreement.\(^{58}\) In this instance, Goodyear sold to JSRC their specialized technical expertise including modern manufacturing techniques and equipment that was required to manufacture GR-S. While this agreement was neither the first nor last of its kind, it brought to Japan for the first time synthetic rubber - which had been in production in the United States exclusively since 1942 - most notably manufactured by the Goodyear Rubber and Tire Company. The United States, in approving this agreement, just as it had given Japan billions in special procurement, and favorable trade agreements and incentives, also gave

---

\(^{56}\) Also known as JSR (Japanese Synthetic Rubber) Corporation.

\(^{57}\) Also known as Buna-S, or styrene-butadiene (SBR) rubber.

\(^{58}\) Technical assistance agreement refers to the exchange of goods such as, specialized expertise, and technical know-how on the manufacture of certain products, between two or more contractual parties.
synthetic rubber to the Japanese. The technical assistance agreement between Goodyear and JSRC was facilitated by laws and trade agreements previously enacted by both the United States and Japan such as Law No. 163 of the Japanese Diet, the Security Treaty of 1951, the FCN Treaty of 1953, and Japan's admittance into the General Agreement on Tariffs and Trade in 1955. While the agreement, and approval thereof by the United States government, may not seem remarkable, the United States trusted Japan with the ability to synthetically manufacture rubber and all of its potential applications. GR-S, an item created only after the invasion of Southeast Asia by Imperial Japan, and used to defeat Japan in WWII, was given to the Japanese through this contract. This paper illustrates that the history leading up to and execution of the technical assistance agreement between Goodyear and JSRC reflects United States-Japanese relations from 1940-1958.

The historical context of the agreement

During the formative years of WWII, the United States passed a series of trade moral embargoes on strategic materials against Imperial Japan. The moral embargoes, however, were unclear, and not officially signed into law, they contained a number loopholes and ambiguous definitions, and banned the export of finished products, as opposed to banning the resources that made-up finished products such as oil, steel and rubber. On July 5, 1940 these embargoes ultimately culminated into the Export Control Act, which legally and officially banned the export of both finished products and

59 No official response by the U.S Government to Goodyear's proposal has been found.
strategic resources such as oil, steel, and rubber to Japan. The purpose of these embargoes was to stifle Japan's imperialist expansion, and ensure that such war-material be readily available in case of attack.

As a safeguard in case of attack, ten of the leading rubber manufactures in the United States, including Goodyear Rubber and Tire Company, met with the Advisory Commission to the Council of National Defense, on August 7, 1940. The object of this meeting was to set in place plans to begin to develop synthetic rubber production to be large enough to compensate for a potential loss of natural rubber sources. In other words, the United States sought synthetic rubber as a contingency plan, should Imperial Japan invade Southeast Asia in retaliation to embargoes, and cut off the United States from its sources of natural rubber. In 1939, the United States only produced 4,000 tons of synthetic rubber. The leading manufactures concluded that given enough government financial backing, synthetic rubber production could be increased to 108,000 tons of production per year. In September 1940, the Army Navy Munitions Board awarded $50,000,000 to the manufacturers for the construction of synthetic rubber plant technology and development. The production of synthetic rubber was held off, however, due to incomplete engineering plans sent by the manufactures, and that “that synthetic rubber technology was not sufficiently far advanced to justify more than [sic] experimental production, and that caution was required since the plants might represent an

61. Ibid., 209.
62. Ibid., 209.
uneconomic investment of government capital".

Following the attack on Pearl Harbor by Imperial Japan, and after production of synthetic rubber officially began, the objective for the production of synthetic rubber was raised to 400,000 tons per year. By 1942, Imperial Japan occupied “the sources of 90 per cent of the world's natural rubber production” in retaliation to the trade embargoes imposed by the United States, just as expected. In doing so, Imperial Japan had cut off the United States and its allies from these sources of natural rubber production. As Wendt points out, the only major source of natural rubber production still under Allied control after 1942, was the small island of Ceylon, now known as Sri Lanka, which exported only 88,000 tons of natural rubber in the previous year. The investment of the United States government in the development of synthetic rubber two years prior paid off. After Imperial Japan's invasion of Southeast Asia, the U.S. had already developed and produced hundreds of tons of synthetic rubber, and was no longer bound to Southeast Asia for its natural rubber resources.

Objectives for synthetic rubber production doubled to 800,000 on April 12, 1942, coinciding with the fall of Malaysia, the Philippines, Indonesia, and the British garrison of Singapore to Imperial Japan. Thus, as sources of natural resources were lost to the Japanese, a greater demand was put onto the synthetic rubber industry. A correlation can be found between the victories of the Japan during the war, and the amount of synthetic rubber produced.

---

63 Ibid., 210.
64 Ibid., 203.
65 Ibid., 203.
66 Ibid., 204.
rubber produced by the United States i.e., as the war continued to go in Japan's favor, a greater amount of synthetic rubber was demanded and produced.

Despite the demand for vast amounts of synthetic rubber needed to defeat Japan, a problem occurred during its production; no one certain type of synthetic rubber was agreed upon by the industry's leaders during their meeting with the Advisory Commission to the Council of National Defense. Over the course of the two years since the meeting, many different types of synthetic rubber were being developed and produced separately. It was vital to the war-effort that the number of synthetic rubbers in production be reduced, and manufacturers focus on producing one particular form, in order to increase the overall amount of synthetic rubber produced. “Experts were in general agreement that Buna S rubber was the type best suited for tire production,” the main wartime application of synthetic rubber.67 However, other forms of synthetic rubber such as “Butyl” were “best suited for tubes and as a general purpose synthetic rubber” while, “Neoprene” was used in instances “requiring oil resistance and abras[ion].”68 Since tire production was the main wartime application of synthetic rubber, manufacturers who focused their energies on manufacturing GR-S were given the greatest amount of allocations, based on their ability to fuel the demand for tires. To that end, manufacturers began to realign the type of synthetic rubber that they produced to Buna-S. As a result, a greater amount of synthetic rubber was made and became more widely available, as manufacturers focused on one specific type of synthetic rubber. In doing so, these manufacturers not only most assisted the war-effort, but benefited from government allocations in the long run.

---

67 Ibid., 210.
68 Ibid., 210.
As the chart above indicates GR-S', developed by Goodyear, gross increase in production and favorability over other types such as “Butyl”, which was developed by Standard Oil, and “Neoprene”, developed by DuPont. This chart also shows the realignment by manufacturers in producing one specific type of synthetic rubber.

Towards the end of the war, GR-S production was up to 670,268 tons, and by the end of the war, at 719,404 tons per year, accounting for roughly 87% of all U.S. production of synthetic rubber. ⁶⁹ Again, while other types of synthetic rubber certainly had their uses, GR-S was the most demanded as it was used in tire production, the main wartime application.

After the war, the United States held a less than favorable view of Japan. However, in 1948, as highlighted by Secretary Royall’s speech in San Francisco, ⁶⁹

---

⁶⁹Ibid., 210.
Washington's attitude toward Japan had changed. The proclamation of the Democratic People's Republic of Korea (DPRK) in September, and the vast strategic gains of the People's Liberation Army (PLA) in China, marked a change of alignment in East Asia i.e., the DPRK and soon-to-be PRC's alignment with the Soviet Union. A potentially communist East-Asia forced the United States to strengthen its influence within the region as well, if Washington hoped not to lose the entire region to Moscow. Japan, for the United States, was the perfect candidate for an ally due to Article 9 of the Japanese Constitution and the stationing of U.S. armed forces already in Japan.

**The legal context of the Agreement**

Due to the Korean War, and the attempt to uplift the war-torn Japanese economy, both Tokyo and Washington enacted several pieces of legislation and trade agreements. Laws and agreements such as Law No. 163 of the Japanese Diet, the Security Treaty of 1951, the FCN Treaty of 1953, and Japan's admittance into the General Agreement on Tariffs and Trade in 1955 provided Japan and its economy the tools necessary to gain private foreign investment and trade. These laws and agreements uplifted the war-torn Japanese economy by first by opening Japan to foreign investment, via Law No. 163, guaranteed the security of the Japanese economy from communist aggression through the Security Treaty of 1951, ensured the free flow of goods between the two nations, through the FCN Treaty of 1953, and opened Japan to further foreign trade and removing any tariffs set against her due in part to her former imperialist aggression, achieved by Japan's entry into GATT in 1955.
However, these laws, be they Japanese or international in application, only provided the legal framework upon which private enterprise could take place. Note these laws did not guarantee their application i.e. private enterprise and investment involving Japanese firms. When Japan finally possessed the legal foundation for private enterprise, it was up to private investors and businesses themselves to take advantage of those laws and agreements. Regardless of Japan's entry into the world market made possible by the legal framework set in place by both the United States and the Japanese themselves, the domestic Japanese economy was not yet ready for the competitive nature of the post-war global economy. That is, Japanese manufactures even into the mid 1950's were not ready to compete directly with manufacturers from the United States, West Germany, and Great Britain. During the war, the Japanese economy had been reduced to ruins, not simply in the physical sense, meaning machinery and tools of industry, but more importantly, mentally, meaning industrial knowledge, and manufacturing techniques. The Japanese economy itself lagged behind those of the United States and Europe arguably for some twenty years, as it had not reinvested in itself since 1931-32, and arguably the start of the Pacific War. Indeed, if we recall when Japan first threw its hat into the ring with the invasion of Manchuria, and when the majority of other nations become more involved in WWII, we can see the gap in time between which Japan and other nations such as Great Britain or the United States, had time to invest in their economies and industrial capacity. Also given Imperial Japan’s role as an aggressor in the war further lends itself to the notion that Japan had no time per se to invest in its economy. While other nations enjoyed the luxury of playing a more defensive role, and thus were able to invest and improve
upon their industrial capacity, Japan on the other hand, starting with the invasion of Manchuria, was striving to create the Greater East Asian Co-prosperity Sphere as quickly as possible. In the long run, as history serves, Japan’s gamble did not pay off. Imperial Japan was punished severely for throwing their hat into the ring much earlier than their contemporaries, both during, and after the war. Japan’s punishment after the war, was a less than capable economy that was unable to compete with private foreign competitors, rather than entire nation-states as during the War.

Japan's answer to this problem i.e., not being able to compete internationally due to outdated machinery and manufacturing techniques, was technical assistance agreements. As previously explained, the technical assistance agreement is essentially the sale of goods be they machinery or formulae, as well as the knowledge on how to operate those goods between two private contractual parties. The idea was, through the use of technical assistance contracts, Japanese firms would be able to learn the modern manufacturing techniques of their competitors, and thus be able to compete in the global economy.

In this instance, the Japanese Synthetic Rubber Co (JSRC), eager to learn the modern manufacturing techniques in producing synthetic rubber, of their potential competitors, and gain the ability to compete in the global economy, contacted, and entered into a technical assistance agreement with the Goodyear Rubber and Tire Company. Goodyear as previously illustrated, through their development and production of GR-S during the war, had become the industry leader in synthetic rubber.
The foundations of the Agreement

Shojiro Ishibashi, founder of Bridgestone Corporation, also founded Japan Synthetic Rubber Co in December 1957. While the actual intent behind founding (JSRC) remains unknown, Bridgestone up to this point had neither developed nor produced synthetic rubber. This might indicate, that Ishibashi founded JSR specifically to produce synthetic rubber for its applications. The synthetic rubber to be produced by JSR might then have been used by Bridgestone in tire production. Note that up to JSR's founding synthetic rubber had not been produced in Japan, and had been in the hands of American firms' namely Goodyear Rubber and Tire Company. Thus giving credence as to why JSRC contacted Goodyear.

In a letter, included in a draft proposal dated August 9, 1957, written by J.T. Haight, legal aid and attorney to Goodyear, and authored by L.E. Spencer then Vice-President of the company, Ishibashi had formally written Goodyear Board Member, Mr. Paul W. Litchfield on May 28, 1957, seven months before founding JSR.70

In the letter, Goodyear states that Mr. Ishibashi “advised [Goodyear] that a new corporation would soon be established to undertake the operation of manufacturing in Japan a general purpose synthetic rubber of the butadiene-styrene type (GR-S).”72 Also in the letter, J.T. Haught acknowledges that, Ishibashi “requested Goodyear to forward...a detailed offer of technical assistance, along with the conditions under which such assistance would be

---

70 A copy of Mr. Ishibashi's own letter to Goodyear has not yet been found.
71 “A Goodyear Proposal” Draft Letter, Goodyear Tokyo File, the University of Akron Archives, Akron, OH, Pg. 1
72 Ibid., 1
offered.” In the draft response, Haight and Spencer, reply to Isihibashi’s request by saying, “Goodyear is pleased to submit such a proposal.”

In Goodyear's initial proposal and reply to Mr. Ishibashi, Haight and Spencer, state that their offer in assisting the new Japanese corporation, would be “limited to assistance in connection with the construction of a GR-S plant, and to the manufacture of GR-S in such a plant for which we would furnish technical information and advice.” With that sentence, Goodyear had offered synthetic rubber to a Japanese company for the first time. What is extraordinary about this reply is that, synthetic rubber had been initially developed as means to solve the rubber shortage due to Imperial Japan's occupation of Southeast Asia, and after fifteen years and the formation of the Pacific Alliance, it was offered to Ishibashi and JSR. Indeed, for fifteen years, synthetic rubber, while it had been initially produced by German manufacturers, became a mostly American industry, led by Goodyear. This provides context as to why Mr. Ishibashi directly contacted Goodyear through Mr. Litchfield in the May 28th letter.

In Section I of the draft proposal itself, Goodyear explains their technical experience and knowledge in the field, and how exactly they came to be leaders of the industry. The draft states, “In the early 1940's, when the supply of natural rubber was cut off, the United States Government called on Goodyear to build and put in operation four large synthetic rubber plants.” While it is unclear why Haight, in writing the draft,

---

73 Ibid., 1
74 Ibid., 1
75 Ibid., 1
76 Ibid., 1
77 “A Goodyear Proposal” Draft, Section I, Goodyear Tokyo File, the University of Akron Archives, Akron, OH, Pg. 3.
decided to use that sentence, dancing around exactly as to why the supply of natural rubber was cut off – Imperial Japan's occupation of Southeast Asia - it is obvious that Haight, and thus Goodyear understood its connotation.

Haight goes on to further explain Goodyear's experience and knowledge of synthetic rubber, and illustrates the plants that it had previously established, which far exceed in size and depth, the parameters of the plant that Goodyear recommends to be furnished for the new Japanese corporation to manufacture synthetic rubber. Since being contracted by the United States Government during WWII, Goodyear states that it has supervised the construction of plants that produce in excess of 99,600 tons of synthetic rubber. To Mr. Ishibashi and the new Japanese corporation, Height in the draft proposal, recommends that a plant be built in Japan that can produce “approximately 45,000 metric tons per year of general purpose synthetic rubber.”

The recommended plant would make synthetic rubber “the same as has heretofore been sold commercially by Goodyear and other companies in the United States of America.” This highlights the facts that synthetic rubber had been for the most part developed and manufactured by American firms led by Goodyear, and that the technical expertise gained in the American manufacturing of synthetic rubber was to be brought to Japan for the first time through the proposed agreement. Not only was Goodyear willing to sell to Mr. Ishibashi the technical expertise on how to manufacture synthetic rubber, but also the exact formulas used in manufacturing the same synthetic rubber that was sold

78 “A Goodyear Proposal” Draft , Section II, Goodyear Tokyo File, the University of Akron Archives, Akron, OH, Pg. 4.
79 Ibid., 4.
by Goodyear themselves.

In Sections III-VI we are told exactly what Goodyear means by technical assistance,

“...the services and advice of a qualified and experienced engineer to assist in general that engineering and design and construction work on a full-time basis...for not more than a period of three years”, “process manual and process design data, process flow diagrams, material balance, piping and instrumentation flow diagrams, processor design information for developing equipment specifications equipment and instrument lists, recommended materials of construction and utility requirements, flow sheets, complete equipment recommendations, and plant layout advice. Goodyear technicians would also study costs and recommend location.”

In these sections, we are also told that Goodyear “will give to technical and production [six] employees of the Japanese company access to and training in Goodyear's commercial GR-S plants...which would ordinarily take approximately three months.”

Through the agreement, Japanese workers would have the ability to go and learn from the future competitors of JSRC. In other words, as previously described, Japanese firms would have much rather paid for their workers to learn modern manufacturing techniques in-house via outside consultants, as opposed to Japanese workers learning through foreign oversight and control. While it certainly seems odd for Japanese firms to pay out of their own pocket, for their workers to learn the methods of their competitors, in all actuality, by doing so, Ishibahi and JSRC were following the timeless Japanese business principle of *monozukuri*, or forgetting about the cost of development, and focusing on the end product. In this instance, JSRC was more than willing to send their workers to learn...

---

80 “A Goodyear Proposal” Draft, Section III-VI, Goodyear Tokyo File, the University of Akron Archives, Akron, OH, Pg. 5-8.
81 “A Goodyear Proposal” Draft, Section IV, Goodyear Tokyo File, the University of Akron Archives, Akron, OH, Pg. 6.
from Goodyear, despite the cost, in order that the completed product of synthetic rubber made by JSRC would be of equal or greater quality to that of Goodyear's. Indeed, it was integral to the success of JSRC, and the rebirth of the Japanese economy as a whole, that Japanese workers learn the modern manufacturing techniques of their foreign competitors, if they had any hopes of making any such products that could rival those of American, British, and West German manufacturers. In Section VI, Goodyear proposes that it give continuous advice for five years following the operation of the plant and “commencement of full-scale production”, should the workers sent to Goodyear plants forget, or fail to apply the methods that they had learned.82

Sections VI-IX explain the financial and legal settings upon which the agreement should take place. For their services, Goodyear requested that should the proposal be accepted, $250,000 to be paid upon execution of the technical assistance, $250,000 paid one year after the agreement had been finalized, $250,000 two years after the agreement had been finalized, another $250,000 after six months of the commencement of production of GR-S, and “nine additional installments of $250,000 incurred six months thereafter.”83 In its totality, not including the cost of labor and materials occurred by Goodyear in constructing the GR-S plant to which the new Japanese corporation was also to take on, the agreement itself was to cost $3.25 million.

The draft proposal states that obtaining the patent rights “to construct and operate a GR-S plant, and to manufacture GR-S therein, in Japan...is the exclusive responsibility

---

82 “A Goodyear Proposal” Draft, Section VI, Goodyear Tokyo File, the University of Akron Archives, Akron, OH, Pg. 8.
83 “A Goodyear Proposal” Draft, Section VII, Goodyear Tokyo File, the University of Akron Archives, Akron, OH, Pg. 9.
of the Japanese company.\textsuperscript{84} This clause alludes to the fact that the construction and operation of a GR-S plant, as well as the manufacturing of GR-S in Japan had not yet been patented under Japanese Law. If the new Japanese company, led by Mr. Isibashi, was able to gain the patent rights of GR-S in Japan, it would be the exclusive manufacturer of synthetic rubber (GR-S) in Japan.

While the price of the agreement was rather steep, even by today's standards, the monopoly on the production of synthetic rubber (GR-S) that Ishibashi’s soon-to-be Japanese Synthetic Rubber Company (JSRC) grossly outweighed the cost. This claim can be made by examining the speed at which the negotiations took place.

Note that the documents of Goodyear other than the draft proposal of August 9\textsuperscript{th} 1957, the agreement draft of January 20 1958, and the final agreement of January 31\textsuperscript{th} 1958 have not been obtained, neither have the corresponding documents of the Japanese company, nor other formal correspondence between the two companies during this time. However, as JSRC was founded in December 1957, and Mr. Ishibashi had requested that Goodyear propose a technical assistance agreement, seven months prior to that date (May 28\textsuperscript{th}), an inference can be made that Mr. Ishibashi understood both the costs, and payoff of a technical assistance agreement with Goodyear over the production of GR-S. Note, that while it is unknown if Mr. Ishibashi asked other American companies involved in the manufacture of synthetic rubber similar to GR-S, in a months’ time of the founding of JSRC, the technical assistance agreement was finalized. It would certainly then appear

\textsuperscript{84} “A Goodyear Proposal” Draft, Section IX, Goodyear Tokyo File, the University of Akron Archives, Akron, OH, Pg. 14.
that Mr. Ishibashi exclusively contacted Goodyear for their proposal, instead of Standard or DuPont as well, due to the speed at which the agreement was finalized.

In examining the draft technical assistance agreement of January 20, 1958 it is important to point out that Goodyear's proposal had been accepted by the JSRC by the time that the draft was put together. Also important to point out are the similarities and changes made to the agreement, in contrast to the draft proposal. Most of the language of the draft proposal of August 9th had been carried over into the draft agreement, and further definition was given to terminology already stated in the proposal such as, GR-S, Facility (Plant) in explaining exactly what was to be done. Also carried over from the draft proposal is the recommendation of the construction and supervision of one plant in Japan that could produce 45,000 metric tons of GR-S, as well as the provisions outlined in Sections III-VI, including process manuals and process design data.85 Article 4 of the draft proposal affirms the training of Japanese personnel at "Goodyear's commercial GR-S plants in U.S.A", and upholds that no more than six employees of JSRC, for a period of no more than three months, would be allowed to train and learn Goodyear's techniques.86

However, with regard to payments made to Goodyear for their technical expertise, there was a change made. Recalling the draft proposal, made August 9, 1957 the agreement was to cost $3.25 million dollars, and made over a series of installments. In the draft agreement, of January 20, 1958, the total cost had been lowered to two million dollars; $1,500,000 to which would be paid upon the effective date of the Agreement,

---

85 Technical Assistance Agreement by and between Japan Synthetic Rubber Co. and The Goodyear Rubber and Tire Company Draft, Goodyear Tokyo File, the University of Akron Archives, Akron, OH.
86 Ibid., Article 4, Pg. 4.
$250,000 paid one year after the agreement has been made, and another payment of $250,000 two years after the agreement has been made.\textsuperscript{87}

It is unclear as to why the price of the agreement was lowered, as neither the documents of Mr. Ishibashi nor JSRC have been recovered, but the lowering of the price, may have been a result of a counter offer by JSRC, and attempting to lower the $3.25 million figure. Despite the lowering of the price of the agreement itself, JSRC was to also “reimburse Goodyear...for the salaries and expenses for those Goodyear employees assisting the Japanese company [JSRC]...Goodyear estimates, without guaranteeing the estimate, that reimbursable costs under this provision will amount to $200,000.”\textsuperscript{88} To that end, “The Japan Company shall reimburse Goodyear...for the amounts paid by Goodyear for the overtime work and for accomplishing projects of a special nature, if specifically requested by the Japanese Company and agreed to Goodyear in writing.”\textsuperscript{89} Thus the agreement itself as of January 20\textsuperscript{1958}, was to cost two million dollars, not including the cost of salaries expenses of Goodyear employees, overtime work, or projects of a special nature.

What is interesting to point out is the format of Article 22 titled “Effective Date”, that specifies that the agreement was be executed in 1958. This heading and language presumes that the agreement was to be signed within the year, and not far off from the date of the draft agreement (January 20\textsuperscript{th}), owing to the notion that JSRC, despite still negotiating over the price of the agreement, was more than inclined to agree to the

\textsuperscript{87} Ibid., Article 7, Pg. 6.
\textsuperscript{88} Ibid., Article 8, Pg. 8.
\textsuperscript{89} Ibid., Article 9, Pg. 8.
contract, and was not in negotiations with other manufactures of synthetic rubber such as Standard Oil or DuPont. Also pertinent to this discussion is the latter part Article 22, in saying that the Agreement shall not be effective until the provisions for providing the payments of services of Goodyear, is approved in writing by the Japanese Government, and should Goodyear have required other forms of written government approval, than that also must be found, before the Agreement may be effective. Hinting at the notion that despite what laws had been set in place such as Law No. 163 and the FCN Treaty of 1953, Goodyear was still worried that something might go awry with the deal and needed the written security of the Japanese government to carry on with the agreement.

The Agreement

Following negotiations, and a few minor changes to the draft contract, the Agreement was finally executed on January 31st, just eleven days after the draft agreement had been sent to Japan Synthetic Rubber Co. As with the draft proposal, and subsequent draft agreement, some items in the final agreement were carried over from the draft agreement, and others changed. Items added into the final agreement were, the definition of a new term SBR that had been introduced, and its correlation with GR-S.90 91 Another addition made to the final agreement was that an experienced engineer from Goodyear would act “as an adviser to plant management...for a period of one year from

---

90 “SBR’ shall mean a general purpose synthetic rubber consisting of a co-polymer of only butadiene and styrene in which the styrene content of the hydrocarbon does not exceed 50%, the same as been produced heretofore by Goodyear's commercial synthetic rubber plants in the United States and heretofore sold commercially as GR-S by Goodyear.”

91 Technical Assistance Agreement by and between Japan Synthetic Rubber Co. and The Goodyear Rubber and Tire Company , Article 2, Pg. 2.Goodyear Tokyo File, the University of Akron Archives, Akron, OH.
the date of commencement of production”, which was reduced from the three year period included in both the draft proposal and draft agreement.\footnote{Ibid., Article 6, Pg. 5.} Also noteworthy is the final change in price for Goodyear's participation which was to total $1.9 million, and to be paid over a series of five installments, 100,000 dollars less than the price given in the draft agreement.\footnote{Ibid., Article 7, Pg. 6.} However, as with the draft proposal and draft agreement, expenses incurred such as the salaries and overtime work of Goodyear employees, and projects of a special nature were not included in the initial cost to the Agreement. Overall however, despite these few minor changes, the draft and subsequent final agreement between Goodyear and JSRC remained much the same.

Another important item that was carried over from the draft agreement is Article 17. This Article, specifically its last sentence of the Article, is important as it explains the view of the United States government towards the arrangement.\footnote{“17.1: Goodyear will furnish technical assistance only to the extent permitted by the laws of the United States, and by the regulations and policies of appropriate U.S. Administrative agencies. Goodyear has no reason to believe that such a permission will not be granted to allow complete fulfillment of its obligations hereunder.” \footnote{Technical Assistance Agreement by and between Japan Synthetic Rubber Co. and The Goodyear Rubber and Tire Company , Article 17, Pg. 15, Goodyear Tokyo File, the University of Akron Archives, Akron, OH.}} While, unfortunately, the actual response and permission of appropriate U.S. Administrative agencies to the agreement has not yet been found, Goodyear would not have participated in the agreement if it did not think that agreement would neither have been feasible, nor have received the permission of the appropriate U.S. Administrative agencies. The response and granted permission of the appropriate U.S. Administrative agencies was
paramount to the success of the agreement, and subsequent exporting of the technical expertise on how to manufacture synthetic rubber to Japan. The United States, by granting permission for the technical assistance contract between Goodyear and JSRC, had given synthetic rubber indirectly to Japan. Without the approval of the corresponding U.S. Agencies, such an agreement would have neither been completed, nor remotely possible, and Goodyear would not have attempted to propose the construction and supervision of a GR-S plant in Japan.

The political context of the Agreement

The contract had already been given partial approval by the United States and Japan. This partial approval was outlined by previously discussed laws and agreements of Law No. 163, the Security Treaty of 1951, and the FCN treaty of 1953, which were enacted more than five years prior. It could certainly then be argued that these laws not only directed Goodyear and JSRC to enter into such an agreement by their respective governments, but that the agreement had already been approved more than five years prior. Without these laws being set in place, this agreement would not have been possible. Accordingly, the technical assistance agreement between Goodyear and JSRC was facilitated by these aforementioned laws.

How, exactly, Law No. 163 relates to the technical assistance agreement between JSRC and Goodyear is that the law officially opened Japan to foreign investment and trade. While the notion of foreign investment and trade had been covered, as previously mentioned, in Cabinet Orders on March 15, 1949 and January 14, 1950, there existed no
definite law passed by the Japanese Diet to give foreign investors and traders the security they needed to invest in a then war-torn Japan i.e., the full promise and backing of the Japanese government. More importantly, Law No. 163 covered technical assistance contracts specifically, as per the request of Japanese firms. Japanese firms did want to lose the national identity and sovereignty of their firms to foreign investors, which would have provided modern manufacturing techniques. Because of Law. No 163, Japanese firms were able to pay for their workers to learn modern manufacturing techniques and the technical expertise of foreign competitors, in order to produce a better product able to compete with those of foreign manufacturers - thus following the philosophy of *monozukuri*. Law No. 163 provided the legality and promoted the use of technical assistance agreements for Japanese firms, such as JSRC, who needed to learn modern manufacturing techniques from their foreign competitors, such as Goodyear.

While the Security Treaty of 1951 may appear to have nothing to do with the examined technical assistance agreement, it in all actuality did. As a reminder, the Security Treaty legally bound Japan to the United States for the defense of its territories, growing economy, and reaffirmed Article 9 of the Japanese constitution. While the intent and incentive for both Japan and the United States in signing the treaty can be debated, the United States through the Security Treaty held ultimate control of Japan, as it held the position of both defending Japan, and launching offensives into East Asia in voicing Japan's *opinion*. The Security Treaty facilitated between the two nations a closer than usual relationship i.e., no other two nations in the modern era had been conjoined together in similar fashion through international law. Since the treaty fostered an
unusually close relationship between the two nations, firms from both respective nations were more inclined to trade. That is, due to the overwhelming presence of “Americana” in Japan at the time, the Japanese were more inclined to conduct business with American firms. On the contrary, since the United States maintained a substantial amount of its armed forces on Japanese soil, U.S. firms, of whom held an indirect interest in Japan, were more inclined to trade with Japanese firms. While the Security Treaty could be argued as a strategic initiative, it could just as well be argued as an economic initiative by the United States and Japan, who felt that if an armed presence in Japan was known, and a safe trading environment was provided, American investors and trade partners would give Japan “another shot”, after the war, so to speak. In other words, since the Japanese was no longer the “bad guys”, due to their participation in the Korean War, American firms, due to the Security Treaty, may have been able to forgive Japan of its past transgressions, as Japan was now on the side of the United States.

To put the subject agreement into context, both firms due to the Security Treaty, held a common affinity through their nationality, and thus Goodyear and JSRC were more inclined to conduct a technical assistance agreement. As opposed to JSRC searching to do business with a West German or British firm who was also invested in the production of synthetic rubber. Almost as though fate would have it, due to the Security Treaty, JSRC and Goodyear conducted the technical assistance contract.

Lastly, since the FCN Treaty of 1953 provided the security of the free flow of goods between the United States and Japan, it also provided the legal security of the exchange of goods between Goodyear and JSRC. Without the FCN Treaty, the very sale
and transport of items such as process operation and safety practice manuals, which were included as part of the Agreement, would not have been protected and affirmed by the two nations. The FCN treaty guaranteed the security of and gave insurance to, the sale of goods such as technical expertise on how to manufacture synthetic rubber, by the governments of the United States and Japan. While certainly the agreement could have taken place without the FCN Treaty, the rights and goods of both JSRC and Goodyear may not have been respected by the governments of the United States or Japan.

**United States-Japanese relations (1940-1958) and the Agreement**

The history leading up to and execution of the technical assistance agreement between Goodyear and JSRC reflects United States-Japanese relations from 1940-1958. In 1940, the United States enacted a series of embargoes which ultimately culminated in the Export Control Act that limited the export of strategic resources such as rubber to Imperial Japan. Alongside embargoing Imperial Japan, the United States government, beginning on August 7, 1940 after meeting with ten of the leading rubber industries heavily invested in the development and production of synthetic rubber, as a safeguard against a possible invasion of Southeast Asia - the world's main source of natural rubber - by the Japanese. As expected, by 1942, in answering and retaliation to the trade embargoes, Imperial Japan invaded Southeast Asia and occupied 90% of the world's

---

96 Ibid., Article 3, Pg. 3.
sources of natural rubber. Fortunately for the United States, due to the steps it took two years prior in the development and production of synthetic rubber, specifically that of Buna S developed by the Goodyear Rubber and Tire Co, it no longer needed Southeast Asia for its supply of natural rubber.

When Imperial Japan was finally defeated, the United States, due to changes in economic and political alignment in East Asia, namely the proclamation of both the People's Republic of China (PRC) and Democratic People's Republic of Korea (DPRK) took an initiative in rebuilding Japan and its war torn economy. As part of this initiative, the United States and post-war Japan, constructed the previously discussed trade agreements, in order give to the Japanese economy access to suitable markets, investors, and trade partners. The technical assistance agreement between the Goodyear Tire and Rubber Company and the Japan Synthetic Rubber Co, was facilitated and made by these trade laws.

The United States, by approving the Agreement, indirectly, gave Japan synthetic rubber. Synthetic rubber, had been developed and produced by the United States in 1940, as a safeguard should Japan have invaded Southeast Asia in search rubber, after it had been embargoed. Due to the change in political alignment in East Asia, after the War, the United States saw Japan as a potential ally and trade partner, and for that reason decided it was in its best own interests to give Japan i.e., JSRC, the technical expertise on how to

---

manufacture synthetic rubber. Through the development, production, and exchange of synthetic rubber, the U.S.-Japanese relations (1940-1958) can be illustrated.
References

PRIMARY:

“A Goodyear Proposal” Draft, Goodyear Tokyo File, the University of Akron Archives, Akron, OH.

Basic Law for the Federal Republic of Germany

Bilateral Security Treaty between the United States of America and Japan, (September 8, 1951).


Technical Assistance Agreement by and between Japan Synthetic Rubber Co. and The Goodyear Rubber and Tire Company Draft, Goodyear Tokyo File, the University of Akron Archives, Akron, OH.

Technical Assistance Agreement by and between Japan Synthetic Rubber Co. and The Goodyear Rubber and Tire Company Draft, Goodyear Tokyo File, the University of Akron Archives, Akron, OH.

The Constitution of Japan
The Constitution of the Italian Republic

The Japanese Cabinet Order of December 1, 1949

The Japanese Cabinet Order of January 14, 1950


SECONDARY:


