The U. S. Stance towards the 1962 Sino-Japanese Trade Agreement

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Introduction

When Foreign Secretary Ji Pengfei 姬鵬飛 (1910–2000) and Foreign Minister Ōhira Masayoshi 正芳大平 (1910–1980) met and signed a treaty in Beijing on January 5, 1974, the People's Republic of China (PRC) and Japan established their first "formal" trade relations.[1] This, of course, was made possible only after the normalization of relations in September 1972, following U. S. President Richard Nixon's (1913–1994) famous visit to Beijing seven months earlier. Before the 1970s, however, despite the lack of diplomatic relations, ideological differences and the cold war tensions, as well as still vivid war memories, trade relations had existed between the PRC and Japan. From 1952, relations were first at a private level, and then after 1962 at a semi-governmental level. The main purpose of this paper is to examine the U. S. attitude toward Japan in 1962 when the Japanese government increased stepped its support for trade relations with China, resulting in semi-governmental agreements regardless of the U. S. official policy of non-recognition of the Beijing government.

Background

Although strongly aware of Cold War treaty obligations to Washington and Taibei, many Japanese politicians, especially the left-leaning group, took a strong interest in mending relations with the PRC. When it came to restoring economic relations with China, even conservative politicians saw benefit in gaining a trading partner in the region. To ward off American pressure, Japanese Prime Minister Yoshida Shigeru 吉田茂 (1878–1976, in office 1946–1947, 1948–1954) established a pragmatic principle of *seikei bunri* 政経分離, the separation of politics and economy, as Japan's position toward Communist China; and this principle was followed also by his successors. In May 1952, three Japanese parliamen-

1 For the text of the agreement, see Japanese Ministry of Economy, Trade and Industry: www.meti.go.jp/policy/trade_policy/asia/china/html/trade_treaty.html.

tarians (two Democrats and one independent) traveled to Beijing through private channels and concluded a non-governmental trade agreement with the PRC. With the Korean War still going on, this agreement became quite controversial in Japan and it did not result in a significant level of trade.[2] Soon after the war, however, a group led by the conservative Liberal Democratic Party (LDP) visited Beijing to restart private trade with China. Furthermore, in 1954, the Japanese business community, in order to promote trade with China, founded the Japan Association for the Promotion of International Trade (JAPIT). The founder and first president, Murata Shozo 村田省蔵 (1878–1957), went to Beijing several times to meet with Premier and Foreign Minister Zhou Enlai 周恩來 (1898–1976). Their meetings resulted in a new round of trade agreements between Japan and China in 1955.[3] Murata was then a businessman, but, during World War II, he had served as a cabinet member of the Konoye Fumimaro 近衛文麿 (1891–1945) governmentt, as Minister of Railways and Communications. After the war, he was arrested as a Class-A war criminal, although the charge was later dropped. While the motivation of the Japanese side was mainly in terms economic interests, motivations on the Chinese side were largely based on Premier and Foreign Minister Zhou Enlai's decisions.

Shown high regard and trust from Mao Zedong 毛澤東, (1893-1976), Premier Zhou. played a key role in PRC's foreign policy decision-making until the 1970s.[4] As to why Zhou chose to open trade relations with Japan, Murata, who negotiated with Zhou in 1954–1955, attributed it to Zhou's personality and broadmindedness. He wrote in 1955 that Zhou had said to him that he would not blame Japan despite its unfair treatment of China during the war and that two countries should not dwell on the past. Murata described Zhou's attitude as extremely tolerant (寛容), and he maintained that the Japanese should feel ashamed of the past crimes (罪業) so that they would be able to strive at the same time to establish better relations with the new China.[5] Compared to Murata's rather personal interpretation, many scholars note the shifts in 1950s' international relations as the major reason behind China's willingness to open trade relations with Japan.[6] In 1953, the Korean War ended in an armistice; in 1954 the Geneva Conference was held to end the French-Indochina

2 Wang Weibin 2000.
3 Hiroshi Nakanishi 2004; Seraphim 2007.
4 Shao 1996, particularly Chapter 6.
5 Murata Shōzō 1955.
6 Radtke 1990, especially chapter 4; Wang Weibin 2000; Seraphim 2007.

War; and in 1955 Zhou participated in the Bandung Conference, assuming a role of leadership in the Third World. Zhou took a more active role in shaping foreign policy and thus achieved a change in international relations. Building a connection with Japan could weaken Tōkyō's close ties with the U. S. whose military presence in Japan was regarded as a major threat to China's security. Furthermore, Japan's 1954 leadership change provided Zhou a better opportunity for improving relations with Japan. In December, the politically moderate Hatoyama Ichiro 鳩山一郎 (1883–1959), who would normalize Japan's relations with the Soviet Union two years later, became prime minister. He replaced Yoshida who was considered more anti-communist. These international conditions, Zhou's overall strategy toward the U. S.-Japan alliance, and perhaps even Zhou's lenient views on Japanese war-time crimes, as Murata noted, may have provided practical incentives for Zhou to allow private trade relations with Japan in the initial stages, but early trade relations had a fragile base, the goodwill of those involved in the talks, ignoring the reality of Japan's leadership shift and its formal relations with the U. S. and the Republic of China on Taiwan.

In fact only three years after the trade was resumed, private arrangements were interrupted in 1958 by the so-called "Nagasaki flag incident.", when a member of a Japanese right wing organization pulled down the flag of the PRC from the department store that was hosting a Chinese imports fair. Finding the Kishi Nobusuke 岸信介 (1896–1987) Cabinet's (1957–1960) handling of this incident insincere, Zhou cut off China's economic relations with Tōkyō.

The Kennedy Administration's View of the Relations between Japan and the PRC

Japan's approach to the PRC resurfaced again in 1960. In January, Ikeda Hayato 池田勇人 (1899–1965), Minister of International Trade and Industry of the Kishi Cabinet, in a speech given in Ōsaka supported the idea of opening negotiations with Communist China, a major center of commerce. Although Ikeda himself expressed a more reserved attitude two days later to smooth the "raised eyebrows" concerning relations with the Nationalists in Taiwan and with the United States, there was the opinion circulating among members of the leading Liberal Democratic Party (LDP) that the PRC's attitude towards Japan was becoming less hostile. This was after a leader of LDP, Matsumura

Kenzo 松村謙三 (1883–1971), visited Beijing. Zhou Enlai and a Tōkyō-born foreign affairs officer named Liao Chengzhi[7] 廖承志 (1908–1983) had told Matsumura that China cherished the hope for a "step-by-step" improvement of relations with Japan, just as the PRC's relations with the Soviet Union began to sour. The American Consulate in Kōbe/Ōsaka analyzed Ikeda's statement mostly because of the evidence of domestic political competition that it constituted for the post-Kishi party position, but also commented on its economic implications in connection with the U. S. The consular report stated that it was essential for Japan to find new export markets in view of American restrictions on imports from Japan, and "[t]he obvious outlet is trade with Communist China."[8] As long as Japan's ties with China were of a purely economic nature, the U. S. diplomats in Japan held a very positive view on their progress.

The Japanese interest in opening trade with the PRC reflected the widespread belief in Japan that if John F. Kennedy (1917–1963) won the Presidential elections, he would drastically change the American policy toward the PRC. After Kennedy was elected, experts on China from the Japanese diplomatic and consular offices in East Asia held a conference in Singapore. The consensus among the Japanese officials was that the new U. S. administration under Kennedy would make a modification in its China policy, and in order not to be "left behind," Japan should shape a "more flexible" China policy in 1961.[9]

Indeed, the Kennedy administration gave some consideration to a new China policy by toying with ideas such as sending food aid to China and allowing Taibei and Beijing (two-China policy) both into the United Nations, but it did so only until it began to face strong domestic opposition. Former President Dwight Eisenhower (1890–1969), and political lobbies such as the "Committee of One Million for (Nationalist) China," however, openly opposed any policy change. By spring 1961, Kennedy told Dean Rusk (1909–1994), the Secretary of State, of his decision to block Beijing's membership in the UN. This involved the Kennedy administration securing Japan's cooperation in UN discussions and voting. Unaware of such self-restrictions in U. S. China policy,

7 He was a member of Chinese Committee for Trade Promotion.

8 Dispatch from Consul General of Kōbe-Ōsaka to DOS, dated Jan. 13, 1960, and Telegram from Hong Kong to Rusk, dated Jan. 19, 1960, Central Decimal File, 1960–1963 [hereafter DCF], RG59, National Archives and Records Administration II (NARA).

9 Dispatch from Singapore to the State Department, dated Nov. 30, 1960, DCF, RG59, NARA. The American Consul in Singapore, Stephen A. Comiskey, acquired a summary of the conference from the Japanese Consulate General in Singapore and reported the details of the discussions.

the Ikeda cabinet continued to pursue their plans of reopening trade relations with China, and Washington expected them to do so. The National Intelligence Estimate (NIE) prepared in June 1961 revealed that the State Department anticipated more independent positions of the Japanese government in its relations to mainland China and predicted increasing domestic pressure in Japan for the normalization of relations with the PRC. In the end, however, the Estimate indicated that Japan's conservative government led by the LDP was well aware of the U. S. policy against China and thus concluded that the Japanese government would not undertake such measures.[10] In hindsight, Washington underestimated Tōkyō.

As new Prime Minister, Ikeda viewed the Chinese issues as most important agenda in his forthcoming meeting with Kennedy, because the majority of the Japanese maintained a favorable view towards the PRC, and significant members of his own party indicated their interest in expanding trade relations with the PRC. On June 20, 1961, Kennedy and Ikeda exchanged their views on China.[11] Kennedy pointed out Beijing's attempts to issue a trade licenses to certain "friendly" Japanese companies and asked Ikeda of his assessment of this initiative by the PRC. Ikeda tried to calm the U. S. worries by assuring that the media were exaggerating the initiative and that in most cases only small and medium-sized companies with leftist tendencies were being given licenses, but Ikeda never denied the tendency for Japanese companies to seek trade with the PRC. Furthermore, he stated that the Japanese government would become involved in trade relations by establishing an export-import organization for trade with the PRC under government sponsorship, so that it would prevent Beijing from channeling Sino-Japanese trade through selected "friendly" companies. By stating that Beijing had given similar licenses to British firms, Ikeda emphasized that it was not just Japan that had interests in trade with China, and informed Kennedy that Japan would exchange views with Britain.[12] There is no record indicating that Kennedy raised objections to Ikeda's explanation of Japanese private trade deals with the PRC. Instead, in reply, Kennedy discussed the issue of blocking the PRC's membership in the UN.[13] This conversation

10 NIE, "Prospects for Japan," dated Feb. 7, 1961, *Foreign Relations of the United States (FRUS), 1961–1963* [hereafter FRUS], XXII (Northeast Asia), 674.

11 FRUS, XXII, 681.

12 Memorandum of Conversation, dated June 21, 1961, 693.94/6-2161, DCF, RG 59, NARA; FRUS, XXII, 696-698.

13 Ibid.; FRUS, XXII, 698.

indicated that Ikeda anticipated the policy in terms of medium-range interests. Kennedy was more interested in the current issues in the UN.

Two months after this meeting, the American delegation headed by Warren Christopher visited Tōkyō to negotiate on the textile trade.[14] Textiles were one of the most sensitive issues between the U. S. and Japan in the 1960s. While the Japanese had voluntarily limited exports to the U. S. since 1957, other regions, such as Hong Kong, exceeded the Japanese market share. Japan's share in the U. S. market had dropped from 70 to 18 percent since the quota system had been introduced in 1957. Although the State Department viewed Japan's demand for an increase of about 30 percent in its cotton textile quota as a reasonable demand, it concluded that it was impossible to meet Japan's demand in view of the pressures from domestic cotton manufacturers.

According to Edwin O. Reischauer's (1910–1990) report to the State Department when he was U. S. Ambassador in Tōkyō, negotiations were "stormy" with "sharp attacks" on the U. S. position by the Japanese officials. Although the overall quota ceiling was raised by 7.8 percent in the end, the Japanese government members complained in bitter tones. Reischauer observed that it was Foreign Minister Kosaka Zentarō 小坂善太郎 (1912–2000), Minister of the MITI Sato Eisaku 佐藤栄作 (1901–1975), and Prime Minister Ikeda who calmed middle echelon officials. The American Embassy also succeeded in obtaining the intervention of powerful Japanese business figures in favor of the U. S. terms.[15]

After the successful conclusion of the textile agreement on U. S. terms, Ambassador Reischauer called attention to the long-term implications of these negotiations for U. S.-Japanese relationships. He reported that this agreement was "taken by many Japanese as [a] slap in [the] face after [a] warm handshake," since Prime Minister Ikeda's prestige had been just enhanced by his reception in Washington. He further emphasized that trade was considered to be a survival issue for Japan. Under Secretary of State George W. Ball (1909–1994) shared a similar view. He wrote:

14 FRUS, XXII, 705.

15 Telegram from Reischauer to Rusk, dated Sept. 9, 1961, 611.9441/9-961, DCF, RG59, NARA; FRUS, XXII, 705-706. The verbatim text of 1962 cotton agreement is in, Telegram from Christopher to Ball, dated Sept. 9, 1961, 611.9441/9-961, ibid.

> [T]he economically advanced non-Communist world will be divided into two principal parts, the United States and the European Community. Japan will be the only great industrial power not having access to one of those two great markets, [...].[16]

Ball's words may have been an exaggeration because, despite the textile quota imposed on Japan, the U. S. was still open to trade with it and was the most important market for Japanese products. Nevertheless, these records suggest that officials in the U. S. Government were concerned about the economic prospects of their "free-world ally," Japan.

In early 1962, the State Department prepared its U. S. Policy Guidelines towards Japan. They presented some contradictory ideas. The Guidelines called for U. S.-Japanese policy coordination toward the PRC, but also recognized that Japan's policy toward China might differ from U. S. policy in certain respects.[17] Unclear was on what basis the U. S. would accept Japan's differences from it. It was this point – coordination of U. S.-and Japan policies toward the PRC while recognizing Japan's different stances in its policy toward China – that would later present confusion when Japan concluded a trade agreement with the PRC right after the U. S. denounced China in the Sino-Indian border war.

After Ikeda's meeting with Kennedy in 1961, the Japanese Government again signaled its interests in trade with the PRC to a high Washington official. In March 1962, when Averell Harriman (1891–1986), the new Assistant Secretary of State for Far Eastern Affairs, visited Tōkyō, Shima Shigenobu 島重信 (1907–), the Deputy Vice-Minister, commented on Japan's efforts to increase its exports to the PRC on a private basis if trade in general did not grow rapidly enough. Shima stated that the Japanese government did not intend to seek any normalization of the diplomatic relations with the Mainland, but was interested in the increased exchanges of individuals. Harriman admitted that he had once thought that Japan's future depended on the re-establishment of trade relations with Communist China. However, considering the situation in Europe, ready to open its markets to Japan, he said, Japan's trade with the PRC was no longer essential. He added: "[N]ow was the time to let Communist China stew in its own juices." Shima reiterated the difficulty of ignoring domestic Japanese elements favoring the trade with the PRC when the growth rate of

16 Telegram from Reischauer to Rusk, dated Sept. 12, 1961, 611.9441/9-1261, DCF, RG59, NARA; FRUS, *XXII*, 707-710; Ball 1983, 218.

17 Robert A. Fearey, the State Department officer in Charge of Japanese Affairs in the Bureau of Far Eastern Affairs, was the principal drafter of this document.; FRUS, XXII, 728-738.

trade with the west was not increasing.[18] The Japanese may not have taken such American warnings seriously, as there were signs of a possible change in U. S. China policy in early 1962. In Washington, the possibility of sending food aid to the PRC was discussed once again, based on the plan of Presidential Special Advisor, Chester Bowles' (1901–1986).[19] On May 23, 1962, the White House announced American willingness to sell grain to Mainland China.

Two days later, Japan's former Prime Minister, Yoshida Shigeru called at the American Embassy in London. Yoshida, already in his mid-80s, spoke of his respect and affection for the Chinese culture and people and of his idea of reforming Communist China through trade and other interchanges. Although U. S. Ambassador David Bruce found Yoshida's scheme vague, the former Prime Minister's remarks made it clear that he was concerned with Japan's detachment from Mainland China.[20] On May 29, the British Foreign Secretary informed the State Department on their views regarding food aid to China in response to Rusk's letter of inquiry. Lord Home disclosed a view presented by Yoshida that Beijing would not "accept charity from the United States," but if the U. S. were willing to participate in a consortium of the U. S., Canada, Australia, the U.K., and Japan, China would receive the food aid. The British shared Yoshida's view that China would probably reject the aid from the U. S. Home also indicated that the food aid would be without much practical effect without U. S. participation and a U.S. major contribution. Home also made a point that the scheme of a consortium would have the effect of persuading China that the scheme was a "humanitarian" offer and prevent accusations from arising reproaching participants that the help was a tool to promote the Cold War.[21] Rusk rejected the consortium scheme and abandoned the food aid plan.

Following this episode, the Tōkyō Embassy Counselor John Goodyear made a study of the Japanese conservatives' views on the PRC and reported to the State Department on July 16. Goodyear analyzed Yoshida's strategy as oversimplified and one not taken seriously in the Foreign Ministry while another line by LDP leaders Matsumura and Takasaki advocated more specific programs of economic enticements to China, "which might be associated with

18 Memorandum of conversation dated March 17, 1962, Harriman Papers, Box 536, Library of Congress.

19 Yoshii 2003, chapter 4.

20 Telegram from Bruce to Rusk, dated May 25, 1962, DCF, RG59, NARA.

21 Aide memoir on China's food situation, dated May 29, 1962, Lot File 72D175, Subject Files of the Office of Asian Communist Affairs, 1961–1973, Box 3, RG 59, NARA.

a Sino-Japanese rapprochement."[22] A flurry of information kept coming to the State Department, signaling Japan's determination to establish new trade relations with Beijing. In late September, Matsumura traveled to Beijing to meet Foreign Minister Chen Yi 陳毅 (1901–1972). After returning, Matsumura told the press that Beijing now had a more flexible attitude toward Japan and held to the principle that politics and economics should be separated. The MITI minister Fukuda Takeo 福田赳夫 (1905–1995) also commented that trade was essentially a private matter, but that the government should improve background conditions. Ambassador Reischauer reported that Japan was planning to send Takasaki to China in mid-October.[23]

On October 4, the Nationalists Foreign Minister Shen Changhuan 沈昌煥 (1913–1998) expressed the "grave concern" of the Taiwanese government regarding an establishment of eventual diplomatic relations between Tōkyō and Beijing.[24] To calm such worries of the allies, Ikeda sent to the American Embassy his very close confidante, and the Director of the Economic Planning Agency, Miyazawa Kichi 宮沢喜一 (1919–2007), who told Reischauer that the U. S. should not worry about a possible trade expansion between Japan and Mainland China. Based on this call by Miyazawa, and another remarks by Ikeda to the former Ambassador Robert Murphy (1894–1978), who was visiting Tōkyō, Reischauer judged that he "should not be making further public statements about [the U. S.] fears regarding Chinese-Japanese trade." Furthermore, Reischauer received another assurance from Foreign Minister Ōhira Masayoshi on October 8 that the U. S. should not worry about the China trade issue, and on October 10 a similar statement came from Matsumura who led the trade mission to Beijing.[25] Perhaps because of these assurances from Japan, Secretary Rusk was caught off guard when Japan concluded the trade deal with China. Because of the timing of this deal coincided with the China-Indian Border War and the Cuban Missile crisis, Rusk would have to make a serious response to Japan.

On November 9, 1962, Japan and Communist China concluded a five-year trade agreement promising an exchange of $50 million worth of goods during 1963, including a construction of a $20 million vinylon[26] plant. In the succeed-

22 Airgram from Goodyear to DOS dated July 16, 1962, DCF, RG59, NARA.
23 Telegram from Reischauer to Rusk, dated Sept. 28, 1962, DCF, RG59, NARA.
24 Telegram from Kirk to Rusk, dated Oct. 4, 1962, DCF, RG59, NARA.
25 Ambassador's Record, Oct. 5 and Oct. 13, 1962, Edwin O. Reischauer Papers (hereafter EOR), Harvard University Archives.
26 Vinylon is a synthetic fiber similar to cotton invented in Japan.

ing years, the treaty expanded to include a loan from the Japan Bank for International Cooperation and exchange of journalists. This so-called "L-T trade", named after the initials of the signatory officials, Liao Chengzhi 廖承志 and Takasaki Tatsunosuke 高碕達之助 (1885–1964), is viewed as causing a "clash" between the U. S. and the Japanese governments.[27] Just two weeks after the Cuban Missile Crisis and the Sino-Indian Border War, the U. S. State Department was not pleased by Japanese talks with the PRC, and was said to be concerned about Japan's potential to take another step closer to China in the future. Secretary of State Dean Rusk immediately sent a telegram to the Tōkyō Embassy instructing them to convey the following statement.

> Timing of this agreement just when world attention [is] focused on Sino-Indian border dispute will be widely considered as indicative [of the] GOJ [Government of Japan]'s sympathies in that dispute unless GOJ takes steps [to] correct such impression.[28]

This telegram makes one wonder just how closely top level officials in the State Department followed changes in Japanese policy toward the PRC up to the time when the trade deal was concluded. As indicated earlier, there were numerous reports and studies before the trade deal.

Despite the strong tone of Rusk's message,[29] the Japanese government would not release any information on the agreement prior to the Prime Minister's return from his European trip on November 24. Later, in December, the British informed the U. S. of the conversation between Foreign Secretary Alec Douglas-Home (1903–1995) and Prime Minister Ikeda. Home had the impression that Ikeda was not fully aware of the implications of the China problem, and that Ikeda appeared to belittle Chinese aggression against India.[30] Perhaps it was a lack of understanding, as Home suggested, or perhaps Tōkyō was knowingly challenging U. S. restrictions on Japan's relations with China.

Upon receiving Rusk's orders to make a protest to Tōkyō, Ambassador Reischauer contacted the Director of Economic Affairs of the Foreign Ministry, Seki Morisaburo 関守三郎, who, while promising to take the U. S. point of view into consideration, explained to Reischauer that the new agreement with China was "private", and not governmental. Reischauer informed the State

27 For example, see LaFeber 1997, esp. ch. 11, "A 'Miracle' Appears: China Reappears (1960–1973)", 325-358.

28 Telegram from Rusk to Embassy Tōkyō, dated Nov. 9, 1962, DCF, RG 59. NARA.

29 Telegram from Rusk to Embassy Tōkyō, dated Nov. 9, 1962, DCF, RG 59. NARA.

30 Memorandum of conversation between Ledward (British Embassy Counselor) and Yager (Director of East Asian Affairs, State Department), dated Dec. 13, 1962, DCF, RG 59, NARA.

Department that the Japanese government was aware of the U. S. attitude. In another meeting on November 15, Seki pointed out the "very minor volume" proposed for Japanese trade with China compared with British sale of airplanes, "Viscounts," and Canadian and Australian sales of grain on credit. Seki complained that the U. S. had singled out Japan for criticism.[31]

The Japanese interest in trade with the PRC worried Washington, but it angered Taibei. The Nationalist Government also expressed its concerns to U. S. Ambassador Admiral Jerauld Wright (1898–1995) that this trade agreement might be a step towards Japanese recognition of the Communist Government. To check Japan's rapprochement with Beijing, Chiang Kai-shek 蔣介石 (1887–1975) personally wrote to former Premier Yoshida to express his concerns. Prime Minister Ikeda's statement in the interview with Hearst that the idea of Taiwan's counterattack on the Mainland was "wishful thinking" further worsened relations between Japan and the Nationalists on Taiwan in the same month. Coinciding with the thirty-second anniversary of the Manchurian Incident, the Japanese Ambassador's residence in Taibei was stoned by a small group from patriotic organizations.[32] Ambassador Wright and the Deputy Assistant Secretary of State for East Asian Affairs, Edward E. Rice, found the concern by the Nationalists reasonable and argued that the U. S. should use its influence to restrain Japan's further expansion of trade with Mainland China.

Ambassador Reischauer saw such fears as "fallacious." It was after all Reischauer's efforts that alleviated the situation between Washington, Tōkyō, and Taibei. He reported to Rusk that a small-scale trade agreement between Japan and Mainland China would not lead to a political recognition of Beijing, and suggested that such a view was preventing Taibei from taking a pragmatic policy.[33] In fact, the relations between Tōkyō and Taibei further deteriorated to the point that the Taibei government threatened a diplomatic break with Tōkyō in December 1963 over a Communist defector who had fled to Japan. The Japanese government did not send him to Taiwan since the defector changed his mind and decided to go back to the Mainland.[34] This crisis did not resolve until after the former Prime Minister Yoshida paid a visit to Taibei to smooth things out.

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31 Telegrams from Reischauer to Rusk, dated Nov. 11 and Nov. 15, 1962, DCF, RG 59, NARA.

32 Telegram from Taibei Embassy to DOS, dated Nov. 30, 1962, ibid; Telegram from Wright to Rusk, dated Sept. 3, and Sept. 19, 1963, Alpha-Numeric, Political and Defense, Box 3869, RG59, NARA.

33 Telegram from Reischauer to Rusk, dated Oct. 16, 1963, Alpha-Numeric, Political and Defense, Box 3869, RG59, NARA.

34 EOR, Family Correspondence, Dec. 28, 1963.

While Reischauer made efforts to decrease Washington's and Taibei's fears that Japan might normalize its relations with Beijing, he also eased Tōkyō's fears that Japan was closed in, in a situation without a major trading partner. In January 1963, Reischauer had a long session with the president of a private Japanese company, a participant of the vinylon textile plant deal with the Mainland. The company president felt that the U. S. Consulate in Kōbe had threatened him for such a plan. The Ambassador met the man and was able to clear up his indignation and sooth the misunderstandings.[35] While discouraging the Japanese by emphasizing the Communist threat, the U. S. had also to calm Nationalist fears by arguing that the Japanese trade with the PRC was not so significant. This is one of the reasons why the U. S. did not take a harder line toward Japan's trade deal with Beijing, that is, more than a telegram from Rusk asking Tōkyō to explain its position.

Sino-Japanese Trade Relations and U. S. Cold War Policy

The 1962 semi-official trade agreement between the PRC and Japan was renewed in 1968 and renegotiated every year thereafter. During the 1970 negotiations, Zhou Enlai excluded from the trade Japanese companies that had had business relations with South Korea, Taiwan, and the U. S., and any defense related companies that supported the U. S. war efforts in Vietnam. Nevertheless, the semi-official trade agreement lasted until the conclusion of a formal trade agreement after the normalization of relations. It survived the Cultural Revolution and the tenure of Prime Minister Sato Eisaku 佐藤栄作 (1964–1972), whom the Chinese leadership considered anti-China, just like his brother, the former Prime Minister Kishi.

Despite the conventional image that the U. S. restricted Japan as part of its cold war containment policy, Tōkyō freely challenged the U. S. position, using the principle of "separation of politics and economy", "*seikei bunri*", and the Sino-Japanese trade relations never became a serious issue between the two governments, even after the Japanese government elevated trade to a semi-governmental level in 1962. One could even argue that it was due to Ambassador Reischauer that the Kennedy Administration slowly and cautiously began exploring different measures to ease tensions with Beijing, and that Washington had to discount the significance of Japanese trade relations to calm the

35 EOR, Family Correspondence, Jan. 20, 1963.

concerns of the Taiwan Nationalists. In addition, Washington could also use the China trade issue to force Japanese concessions on other issues.

Throughout his one thousand days in office, Kennedy was seriously concerned about the issue of balance of payments. It was particularly apparent in the following words by Kennedy:

> Some of our efforts should go toward trying to get our allies to pick up more of the burden. ... [The] U. S. must watch very carefully U. S. interests – balance of payments – continual hemorrhage here."

Kennedy had made a reference to Japan along with Europe, in his 1963 State of the Union and Budget messages, as the U. S. major allies who must take a larger aid and defense load.[36] A Joint State-Defense-Treasury telegram to Ambassador Reischauer on October 19, 1962 stated that the U. S. Government hoped to improve its balance of payments with Japan by $100 million for 1963 through reduced expenditures in Japan and an increase in the Japanese purchases of U. S. military equipment.

Just one month after Rusk was surprised by Japan's trade deal with the PRC, the U. S.-Japan Trade Conference took place in December. It was considered a great success in both countries. The significance of this meeting in Washington lay in further U. S. pressure on Japan's defense efforts. The memoranda from the conference stressed the friendly atmosphere of the talks between the two nations. Japan's MITI Minister, Fukuda, in his toast noted that Japan and the United States were inseparable. He further stated that Japan regretted Pearl Harbor and that the people of Japan were grateful for American generosity during the occupation despite the attack on Pearl Harbor.[37]

Secretary of the Treasury Douglas Dillon (1909–2003) made a comment that Japan should reach a decision on purchasing items such as aircraft, electronics and anti-aircraft missiles that could be purchased in the U. S. more cheaply than they could be manufactured in Japan.[38] By the time a Security Conference was held in Tōkyō in mid-January, Reischauer thought that the U. S. was "really shifting gears" on the military. The U. S. was gaining good cooperation from Tōkyō in talks on sharing defense efforts. In February, Depu-

36 The National Security Council on Jan. 22, 1963, Hilsman Papers, Box 5, John F. Kennedy Library; *Public Papers of President John F. Kennedy, 1963*, 15; EOR, Family Correspondence, Jan. 20, 1963.

37 FRUS, XXII, 754-757.

38 FRUS, XXII, 752 fn. 3, 749-754.

ty Secretary of Defense Roswell Gilpatric (1906–1996) succeeded in winning Tōkyō's agreement to a modest increase in its defense budget.[39]

The Japanese increased cooperation in the field of defense was based on the fact that access to the American market was vital for the Japanese economy. Only after that fundamental need had been secured, could Tōkyō expand other trade possibilities. In August, Foreign Minister Ōhira made a trip to the U. S.[40] When Kennedy received Ōhira, he asked him about his views on the possible course of Mainland China in the near future.[41] Ōhira replied that the Japanese Government shared the American view that China was becoming an imminent threat, but stated that Japan was interested in promoting talks with Beijing in the hope of expanding its trade relations. In fact, a few days later, Tōkyō approved a contract for the construction of a $20 million textile plant by a private Japanese company in Mainland China, one of the agreements made in November 1962.[42]

When this happened, Reischauer wished to express his words of protest to Japan in as low a key as possible, while the staff of his embassy had suggested that he should have used stronger words. The Ambassador has recorded that Washington approved of his low-key approach. Reischauer talked about his meeting with a Japanese official in a letter to his family:

> [I] had [a] long session [on] Friday with Matsumura, a senior conservative politician who is taking [the] lead in developing relations with Chinese Communists and keeps fancying himself as the go-between Peking and us. ...who can tell but what a man like this may not at some time play a role if the Chinese ever do wish to crawl out of their present isolation. [43]

Although the choice of words by the Ambassador reflects the Cold War mentality of the time, it is important to note that Reischauer mentioned his hope that China would move toward the world trade system. Reischauer believed that the small-scale trade between Japan and China could lead China to open more for trade with the U. S. in the future because he thought that the PRC would eventually approach the free world without the U. S. applying any pressure. He further wrote,

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39 EOR, Family Correspondence, Feb. 9, 1963; FRUS, XXII, 766-773, 797. $50 million for FY 64 and $100 million for FY 65.

40 FRUS, XXII, 779-783.

41 FRUS, XXII, 783-786.

42 Reischauer, "Note to Myself," Sept. 16, 1963; Congressional Quarterly Service, *China and U. S. Far East Policy, 1945–1966*, 126.

43 EOR, Family Correspondence, Sept. 15, 1963; EOR, Papers of Sept. 17, 1963.

> [I]t is not at all certain that preventing the development of Japanese-Chicom [Chinese Communist] trade is in our long-range interest. ...and as things now stand, a habit of trade with the free world appears the best hope of ever getting the Chicoms to become decent members of [the] world society."[44]

Japan's trade relations with Communist China, therefore, in Reischauer's view, might benefit the U. S. in the future. U. S. tolerance of Japan's trade deal with Beijing reflected this view of the Ambassador.

Conclusion

Japan's trade deal with the PRC in 1962 did not become a critical issue between the U. S. and Japan. An examination of the State Department's documents reveal that U. S. officials acknowledged Japan's need to expand trade and to win more trade partners. In addition, they allowed flexibility by accepting Japan's different policy toward the PRC. Ambassador Reischauer's papers shed a new light on his view that, in the long perspective, the PRC's trade with Japan would serve the U. S. as well when the PRC sought trade with the U. S. in the future. Japan's small-scale trade relations with the PRC were viewed positively by Washington. For a short period in early 1962, the U. S. even considered selling food to the PRC, although the plan had failed by June. More than any ideological conflict, the main concern of the policy of the Kennedy administration was to secure a healthy balance of payments, thrugh pressing Japan to carry some of the U. S. defense burden by purchasing U. S. equipment and conventional weapons. A close study of the reaction of the U. S. to the Sino-Japanese trade deal of 1962 suggests a different driving force in Cold War foreign policy other than ideology – some very pragmatic calculations by the PRC, Japan, and the U. S. were hidden behind the rhetoric of the Cold War.

44 Reischauer, "Notes to Myself," Sept. 16, 1963.

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